

OFFERING MEMORANDUM



**\$1,000,000,000 8<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2019**

**€500,000,000 Floating Rate Senior Secured Notes due 2019**

Guaranteed on a senior secured basis by

**INEOS Group Holdings S.A., INEOS Luxembourg I S.A., INEOS Holdings Limited**  
and certain of their subsidiaries

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INEOS Finance plc (the "Issuer") has issued in an offering (the "Offering") \$1,000,000,000 aggregate principal amount of its 8<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2019 (the "Dollar Fixed Rate Notes") and €500,000,000 aggregate principal amount of its Senior Secured Floating Rate Notes due 2019 (the "Euro Floating Rate Notes" and, together with the Dollar Fixed Rate Notes, the "notes"). Interest will be payable semi-annually on the Dollar Fixed Rate Notes on February 15 and August 15 of each year, beginning August 15, 2012. Interest will be payable quarterly on the Euro Floating Rate Notes on February 15, May 15, August 15 and November 15 of each year, beginning May 15, 2012. The Euro Floating Rate Notes bear interest at a rate per annum, reset quarterly, equal to the sum of (i) the greater of (x) three-month EURIBOR and (y) 1.25% per annum plus (ii) 6.0%.

The Dollar Fixed Rate Notes will mature on February 15, 2019. Some or all of the Dollar Fixed Rate Notes may be redeemed prior to February 15, 2015, by paying 100% of the principal amount of such notes plus a make-whole premium, and at any time on or after February 15, 2015, at the redemption prices set forth in this offering memorandum. In addition, at any time on or prior to February 15, 2015, up to 35% of the aggregate principal amount of the Dollar Fixed Rate Notes may be redeemed with the net proceeds of certain equity offerings.

The Euro Floating Rate Notes will mature on February 15, 2019. Some or all of the Euro Floating Rate Notes may be redeemed prior to February 15, 2015, by paying 100% of the principal amount of such notes plus a make-whole premium, and at any time on or after February 15, 2015, at the redemption prices set forth in this offering memorandum.

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

The notes are senior secured debt of the Issuer and (i) rank *pari passu* in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated to the notes and (ii) are fully and unconditionally guaranteed (the "guarantees") by INEOS Group Holdings S.A. (the "Parent"), INEOS Luxembourg I S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The notes and the guarantees are secured by first ranking liens (subject to certain exceptions) on the same assets that secure the Issuer's obligations under the 2015 Notes and the Senior Facilities Agreement (each as defined herein) as more fully described in "Description of the Collateral and the Guarantees."

This offering memorandum includes information on the terms of the notes and guarantees, including redemption and repurchase prices, security, covenants and transfer restrictions.

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

Investing in the notes involves risks that are described in the “Risk Factors” section beginning on page 24 of this offering memorandum.

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

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

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

The Dollar Fixed Rate Notes were made available to investors in book-entry form through The Depository Trust Company (“DTC”), and the Euro Floating Rate Notes were made available to investors in book-entry form through Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”), in each case on February 10, 2012. Interests in each global note will be exchangeable for the relevant definitive notes only in certain limited circumstances. See “Book-Entry, Delivery and Form.”

*Joint Global Coordinators and Bookrunning Managers*

**Barclays Capital**

**J.P. Morgan**

*Bookrunning Managers*

**BofA Merrill Lynch  
Goldman Sachs International  
Morgan Stanley**

**Citigroup  
HSBC**

**Deutsche Bank  
Lloyds Securities  
UBS Investment Bank**

The date of this offering memorandum is March 21, 2012.

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

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## IMPORTANT INFORMATION

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

This offering memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that information included herein is accurate or complete. No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of any information set forth in this offering memorandum, and nothing contained in this offering memorandum is or shall be relied upon as a promise or representation, whether as to the past or the future. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of the discussions in this offering memorandum. We will make copies of certain documents available to you upon request. In making an investment decision, you must rely on your own examination of our company, the terms of the offering and the notes, including the merits and risks involved.

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

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

We reserve the right to withdraw the offering of the notes at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective purchaser less than the full amount of the notes sought by such purchaser. The initial purchasers and certain related entities may acquire for their own account a portion of the notes. Please see “Plan of Distribution.”

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

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

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

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

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

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

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

## **STABILIZATION**

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

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## **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

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

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

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

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

## NOTICE TO EEA INVESTORS

This offering memorandum is not a prospectus and is being distributed to a limited number of recipients for the sole purpose of assisting such recipients in determining whether to proceed with a further investigation of the purchase of, or subscription for, the notes. This offering memorandum has been prepared on the basis that all offers of the notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area (“EEA”), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the notes, which are the subject of the placement contemplated in this offering memorandum, should only do so in circumstances in which no obligation arises for the Issuer or the initial purchasers to produce a prospectus for such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of the notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the notes contemplated in this offering memorandum.

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

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

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

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

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

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

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## **NOTICE TO LUXEMBOURG RESIDENTS**

The Offering should not be considered a public offering of securities in the Grand Duchy of Luxembourg. This offering memorandum may not be reproduced or used for any purpose other than this private placement nor provided to any person other than the recipient thereof. The notes are offered to a limited number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

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## **NOTICE TO NORWEGIAN INVESTORS**

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

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## **NOTICE TO DANISH INVESTORS**

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



## NOTICE TO DUTCH INVESTORS

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

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## NOTICE TO SWEDISH INVESTORS

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

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## NOTICE TO SWISS INVESTORS

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

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## NOTICE TO ITALIAN INVESTORS

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

## NOTICE TO SPANISH INVESTORS

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

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## NOTICE TO FRENCH INVESTORS

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

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## NOTICE TO AUSTRIAN INVESTORS

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

## PRESENTATION OF FINANCIAL AND NON-GAAP INFORMATION

### Group Restructuring

On January 31, 2011, INEOS Group Holdings S.A. (a newly incorporated Luxembourg company) replaced INEOS Group Holdings plc (renamed INEOS Group Holdings Limited on February 2, 2011) as the issuer of the 2016 Notes (as defined herein), the parent under the 2015 Notes Indenture (as defined herein) and the parent company of the banking group under the Senior Facilities Agreement (as defined herein). Several new Luxembourg, Swiss and UK subsidiaries were formed and integrated into the INEOS structure above INEOS Holdings Limited and INEOS Group Holdings Limited, but below INEOS Group Holdings S.A. The new subsidiaries acceded to the Existing Indentures (as defined herein) and the Senior Facilities Agreement as guarantors on January 31, 2011 (see “Summary—Summary Corporate and Financing Structure”).

Prior to January 31, 2011, the reporting entity for the Group’s financial statements was the UK entity, INEOS Group Holdings plc. Effective January 31, 2011, the reporting entity for the Group’s financial statements is the Luxembourg entity, INEOS Group Holdings S.A. As a result of the restructuring, INEOS Group Holdings plc (renamed INEOS Group Holdings Limited on February 2, 2011) became an indirect wholly owned subsidiary of INEOS Group Holdings S.A., and the financial information of INEOS Group Holdings Limited is now incorporated into the accounts of INEOS Group Holdings S.A. This internal restructuring did not materially change the financial statements of the Group (beyond the change in structure) or the scope or nature of activities of the Group for the nine-month period ended September 30, 2011. The financial information described below reflects this change in the Group’s structure.

### Financial Information

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

The consolidated financial information for INEOS Group Holdings plc as of and for the years ended December 31, 2009, 2008 and 2007, included in this offering memorandum, has been audited by PricewaterhouseCoopers LLP in accordance with SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board. The independent accountant’s report thereon is included elsewhere in this offering memorandum. The consolidated financial information has been prepared in accordance with IFRS. For a complete description of the accounting principles followed in preparing INEOS Group Holdings plc’s consolidated financial information, please see Note 1 “Accounting Policies—Basis of preparation” to the consolidated financial information for INEOS Group Holdings plc (audited in accordance with SIR 2000), included elsewhere in this offering memorandum. This financial information was prepared for and included in the offering memorandum for INEOS Finance plc dated May 5, 2010, for the purpose of issuing €300,000,000 9<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due in 2015 and \$570,000,000 9% Senior Secured Notes due in 2015.

The unaudited condensed consolidated interim financial information for INEOS Group Holdings S.A. as of and for the nine months ended September 30, 2011 and the unaudited condensed consolidated interim financial information for INEOS Group Holdings plc for the nine months ended September 30, 2010, included elsewhere in this offering memorandum, has been prepared in accordance with IFRS. For a complete description of the accounting principles followed in preparing such unaudited condensed consolidated financial information, please see Note 1 “Accounting Policies—Basis of preparation” to the unaudited condensed interim financial information of INEOS Group Holdings S.A. included elsewhere in this offering memorandum.

The audited financial statements for INEOS Finance plc as of and for the period ended December 31, 2010, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP in accordance with International Standards of Auditing (“ISAs”). The financial statements have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice (“UK GAAP”)). For a complete description of the accounting principles followed in preparing INEOS Finance plc’s financial statements, please see “Statement of accounting policies” to the audited financial statements of INEOS Finance plc, included elsewhere in this offering memorandum.

## Pro Forma Financial Information

This offering memorandum includes unaudited pro forma condensed consolidated financial information of INEOS Group Holdings S.A., presented on an as adjusted basis to give pro forma effect to reflect the Refining Divestiture and the Offering (each as defined herein). The unaudited pro forma condensed consolidated income statement information gives effect to the Refining Divestiture and the Offering as if they had occurred on January 1, 2010.

The unaudited pro forma condensed consolidated income statement data for the twelve months ended September 30, 2011, has been prepared by aggregating certain line items from the unaudited pro forma condensed consolidated income statement for INEOS Group Holdings plc for the year ended December 31, 2010, and such items from the unaudited pro forma condensed consolidated interim income statement for INEOS Group Holdings S.A. for the nine months ended September 30, 2011, less such items from the unaudited pro forma condensed consolidated interim income statement for INEOS Group Holdings plc for the nine months ended September 30, 2010. The unaudited pro forma condensed consolidated financial information has been prepared in accordance with the basis of preparation described in “Unaudited Pro Forma Condensed Consolidated Financial Information—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information.”

The unaudited pro forma condensed consolidated financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that INEOS Group Holdings S.A. would have reported had the Refining Divestiture and the Offering been completed as of the dates set forth in the unaudited pro forma condensed consolidated financial information and should not be taken as indicative of INEOS Group Holdings S.A.’s future consolidated results of operations or financial position. The historical results of the Group may not be indicative of our future results following completion of the Refining Divestiture and the Offering. The unaudited pro forma financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the information contained in “Use of Proceeds,” “Operating and Financial Review and Prospects,” “The Refining Divestiture” and the historical financial statements of INEOS Group Holdings plc and, for the nine months ended September 30, 2011, INEOS Group Holdings S.A., included elsewhere in this offering memorandum.

## Use of Non-GAAP Financial Measures

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

- **EBITDA before exceptionals** represents operating profit before depreciation, amortization, impairment and exceptional charges. For the nine months ended September 30, 2011 and 2010, the Group changed its definition of EBITDA before exceptionals to exclude share of profit/(loss) from joint ventures. This change is also reflected in the pro forma EBITDA before exceptionals for the twelve months ended September 30, 2011. In accordance with IFRS, we use both the first in first out (“FIFO”) and weighted average cost methods of accounting for purposes of determining our inventory cost in connection with the preparation of our audited annual consolidated financial information. EBITDA before exceptionals is based on the FIFO and weighted average cost methods of accounting for inventory used in connection with the preparation of such financial information. EBITDA before exceptionals is derived from income statement line items calculated in accordance with IFRS on historical cost basis.
- **Replacement Cost EBITDA before exceptionals** represents operating profit (with the adjustment described below) before depreciation, amortization, impairment and exceptional charges. We use both the FIFO and weighted average cost methods of accounting for purposes of determining our inventory cost in connection with the preparation of our audited annual consolidated financial information. However, as supplementary information, we have historically also reported our operating results to management in connection with the Refining segment to reflect cost of sales using our replacement cost method of accounting for inventory. Our replacement cost method values raw materials and consumables and finished goods at their replacement cost at the time the related finished goods are sold. Replacement Cost EBITDA before exceptionals is based on our replacement cost method of accounting for inventory. In this offering memorandum, we use Replacement Cost EBITDA before exceptionals only in connection with the Refining segment (both when we disclose EBITDA-based information for the Refining segment and to the extent the Refining segment is included in our RC/HC EBITDA-based information as described below). We also

disclose EBITDA-based information in connection with the Refining segment using EBITDA before exceptionals. Because we disposed of the Refining segment on July 1, 2011, in connection with the Refining Divestiture, we no longer report Replacement Cost EBITDA before exceptionals.

- ***RC/HC EBITDA before exceptionals*** represents the combination of Replacement Cost EBITDA before exceptionals for the Refining segment and EBITDA before exceptionals for all our other business segments. We also disclose EBITDA-based information in connection with our consolidated operating results using EBITDA before exceptionals, as described above. Because we disposed of the Refining segment on July 1, 2011, in connection with the Refining Divestiture, we no longer report RC/HC EBITDA before exceptionals.

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

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

## **Presentation**

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

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

## CERTAIN DEFINITIONS

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

- all references to the “2005 Facilities Agreement” are to the multicurrency term and revolving facilities agreement, dated December 14, 2005, as subsequently amended, supplemented, varied or restated from time to time, made between, among others, INEOS Holdings, INEOS Group Holdings plc, Barclays Bank PLC and certain Group lenders;
- all references to “2005 Senior Secured Credit Facilities” are to the facilities under the 2005 Facilities Agreement, which were repaid in full with cash on hand on July 1, 2011;
- all references to the “2015 Funding Loan” are to the loan agreement, dated May 12, 2010, between the Issuer, as lender, and IHL, as borrower, pursuant to which the gross proceeds of the 2015 Notes issuance were advanced to IHL, as amended or partially repaid from time to time;
- all references to the “2015 Notes Indenture” are to the indenture dated May 12, 2010, between the Issuer, as issuer, the guarantors named therein, The Bank of New York Mellon, as trustee, principal paying agent and transfer agent, The Bank of New York Mellon, as U.S. paying agent and transfer agent, The Bank of New York Mellon (Luxembourg) S.A., as registrar, Luxembourg paying agent and Luxembourg Transfer Agent, and Barclays Bank PLC, as security trustee, as supplemented by the supplemental indentures dated as of May 27, 2010, November 9, 2010, January 31, 2011, January 31, 2011, March 15, 2011, April 1, 2011, and May 31, 2011, pursuant to which the 2015 Notes were issued;
- all references to the “2015 Notes” are to the €300,000,000 aggregate principal amount of 9<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2015 and \$570,000,000 aggregate principal amount of 9% Senior Secured Notes due 2015 issued pursuant to the 2015 Notes Indenture;
- all references to the “2016 Funding Loan” are to the loan agreement between IGH, as lender, and IHL, as borrower, pursuant to which the gross proceeds of the 2016 Notes issuance were advanced to IHL, as amended or partially repaid from time to time;
- all references to the “2016 Notes Indenture” are to the indenture dated February 7, 2006, between IGH, as issuer, the guarantors named therein, The Bank of New York Mellon, as trustee, collateral agent, registrar and principal paying agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent, as supplemented by supplemental indentures dated as of March 16, 2006, December 20, 2006, December 22, 2006, April 23, 2007, August 31, 2007, June 26, 2008, August 29, 2008, December 19, 2008, March 30, 2009, July 30, 2009, January 14, 2010, and April 6, 2010, May 12, 2010, November 9, 2010, January 31, 2011, January 31, 2011, March 15, 2011, April 1, 2011, and May 31, 2011, pursuant to which the 2016 Notes were issued;
- all references to the “2016 Notes” are to the €1,750,000,000 aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2016 and \$750,000,000 aggregate principal amount of 8<sup>1</sup>/<sub>2</sub>% Senior Notes due 2016 issued pursuant to the 2016 Notes Indenture;
- all references to “Additional Guarantors” are to the additional subsidiaries of IGH that guaranteed the notes on March 1, 2012;
- all references to “BP” are to BP plc and its consolidated subsidiaries;
- all references to “BP Creditor Liabilities” are to all present and future liabilities and obligations owed by the Guarantors to certain members of BP under or in connection with the credit support documents and certain underlying trading agreements between BP and us;
- all references to “BP Receivables” are to those receivables owing to certain of our subsidiaries which are either owed by any member of BP or guaranteed by any member of BP;
- all references to the “Entrepreneurial (Refining) Business” are to the entrepreneurial activities related to the Refining Business, which include the sales and distribution of refining products through an entrepreneur business model;

- all references to the “Entrepreneurial (Refining) Business JV” are to the joint venture that, following the Refining Divestiture, operates the Entrepreneurial (Refining) Business and is owned by PetroChina (50.1%) and INEOS Investments (49.9%);
- all references to the “Existing Indentures” are to the 2015 Notes Indenture and the 2016 Notes Indenture;
- all references to the “Existing Notes Trustees” are to The Bank of New York Mellon in its capacity as trustee under each of the Existing Indentures;
- all references to the “Funding Loans” are to the 2015 Funding Loan and the 2016 Funding Loan;
- all references to “GAAP” are to generally accepted accounting principles;
- all references to the “Guarantors” are to the Initial Guarantors and Additional Guarantors, collectively;
- all references to “IEL” are to INEOS Europe Limited, which is not part of the Group following the Refining Divestiture but is owned by the Entrepreneurial (Refining) Business JV;
- all references to “IFRS” are to the International Financial Reporting Standard as adopted by the European Union;
- all references to “IGH,” “Parent” or the “2016 Notes Issuer” are to INEOS Group Holdings S.A. and not to any of its subsidiaries;
- all references to “IGL” are to INEOS Group Limited, an indirect subsidiary of Lux I;
- all references to “IH” are to INEOS Holdings AG, an indirect parent company of IGH;
- all references to the “Indenture” are to the indenture governing the notes;
- all references to “INEOS,” “INEOS Group,” “Group,” “we,” “us” or “our” are to INEOS Group Holdings S.A., and its consolidated subsidiaries, including the Issuer;
- all references to “INEOS AG” are to INEOS AG, the ultimate parent of IGH, through its controlling interest in the voting share capital of IH;
- all references to “INEOS Capital” are to INEOS Capital Limited or to INEOS Capital Partners;
- all references to “INEOS Holdings” or “IHL” are to INEOS Holdings Limited, which is the direct parent company of the Issuer;
- all references to “INEOS Investments” are to INEOS Investments (Jersey) Limited, an entity that is controlled by the principal shareholders of the Issuer, is not a member of the INEOS Group (but in which the INEOS Group holds certain ordinary shares and is and will be consolidated into our financial statements for so long as we retain the majority of the economic benefits of the entity) and, as a result of the Refining Divestiture, owns a 50.1% interest in the Refining Business JV, a 49.9% interest in the Entrepreneurial (Refining) Business JV, a 50.0% direct interest in the Infrastructure Entity and a 25.05% indirect interest in the Infrastructure Entity by virtue of its 50.1% stake in the Refining Business JV;
- all references to “INEOS Nova JV” are to the following entities: INEOS NOVA International SA, INEOS NOVA UK Limited, INEOS NOVA Netherlands BV, INEOS NOVA Technology BV, INEOS NOVA European Holding BV, INEOS NOVA Manufacturing GmbH, INEOS NOVA Germany GmbH, INEOS NOVA Ribécourt SAS and INEOS NOVA Holding France SAS;
- all references to the “Infrastructure Entity” are to INEOS Infrastructure (Grangemouth) Limited, an entity that acquired certain infrastructure assets at Grangemouth, Scotland (principally a power station in Grangemouth, Scotland, and a terminal and other facilities), and which, following the Refining Divestiture, is jointly owned by INEOS Investments (50.0%) and the Refining Business JV (50.0%);
- all references to the “initial purchasers” are to Barclays Bank PLC, J.P. Morgan Securities Ltd., J.P. Morgan Securities LLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Deutsche

Bank Securities Inc., Goldman Sachs International, HSBC Bank plc, HSBC Securities (USA) Inc., Lloyds Securities Inc., Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. International plc and UBS Limited;

- all references to the “Initial Guarantors” are to the entities that guaranteed the obligations of the Issuer under the notes on the Issue Date;
- all references to the “Innovene Acquisition” are to the purchase by the INEOS Group on December 16, 2005, of all of the shares and assets comprising the Innovene business pursuant to the Innovene Acquisition Agreement;
- all references to the “Innovene Acquisition Agreement” are to the share sale and purchase agreement dated October 7, 2005, as amended from time to time, among certain subsidiaries of BP, IHL, certain subsidiaries of IHL and IGL;
- all references to the “Intercreditor Deed” are to the intercreditor deed dated May 12, 2010, as amended and restated on December 23, 2010, as amended on February 18, 2011, and as subsequently amended, supplemented, varied or restated from time to time, among, among others, IGH, the guarantors acceded thereto, the facility agent under the Senior Facilities Agreement, the Security Trustee and the Existing Notes Trustees, and to which the Trustee will accede on the Issue Date;
- all references to the “Issue Date” are to February 10, 2012;
- all references to the “Issuer” are to INEOS Finance plc, which is also the issuer of the 2015 Notes;
- all references to “Kerling” are to Kerling plc, an affiliate of Lux I that is indirectly controlled by our controlling shareholders, and its consolidated subsidiaries;
- all references to “Lux I” are to INEOS Luxembourg I S.A., which is a direct subsidiary of IGH;
- all references to “Lux II” are to INEOS Luxembourg II S.A., which is a direct subsidiary of Lux I;
- all references to the “Offering” refer to the offering of the notes hereby and the repayment in full of the Term B Facility and in part of the Term C Facility with the net proceeds of the notes as described in “Use of Proceeds”;
- all references to “PetroChina” are to PetroChina International (London) Company Limited or one or more of its affiliates, as the context may require;
- all references to the “Proceeds Loan” are to the loan agreement entered into between the Issuer as lender and IHL as borrower, pursuant to which the Issuer advanced the gross proceeds of the notes to IHL in order to allow IHL to repay, or procure the repayment (including by on lending part of the proceeds to INEOS US Finance LLC for this purpose) in full of the Term B Facility and in part of the Term C Facility and to pay or discharge certain fees, costs and expenses relating to the Offering as outlined in “Use of Proceeds”;
- all references to the “Refining and Entrepreneurial JVs” are to the Refining Business JV and the Entrepreneurial (Refining) Business JV;
- all references to the “Refining Business” are to the refining business, consisting principally of the crude oil refining operations carried out at the refineries located at Grangemouth, Scotland, and Lavéra, France, as reported on the historical financial statements of IGH under the Refining segment;
- all references to the “Refining Business JV” are to the joint venture that, following the Refining Divestiture, operates the Refining Business and is owned by PetroChina (49.9%) and INEOS Investments (50.1%);
- all references to the “Refining Divestiture” are to the disposal on July 1, 2011, by subsidiaries of Lux I of (i) the Refining Business and the Entrepreneurial (Refining) Business to joint ventures formed between PetroChina and INEOS Investments and (ii) the Infrastructure Entity to a joint venture formed by INEOS Investments (50.0%) and the Refining Business JV (50.0%);



- all references to “Securitization Program” are to the Securitization Program described in “Description of Other Indebtedness—Securitization Program”;
- all references to the “Senior Facilities Agreement” are to the multicurrency term and revolving facilities agreement, dated May 12, 2010, as amended and restated by a first supplemental agreement dated December 23, 2010, as further amended on April 26, 2011, and as subsequently amended, supplemented, varied or restated from time to time, made between, among others, IGL, IHL, certain Group subsidiaries, Barclays Bank PLC and certain lenders;
- all references to the “Senior Secured Credit Facilities” are to the facilities under the Senior Facilities Agreement described in “Description of Other Indebtedness—Senior Facilities Agreement” other than the Term D Facility;
- all references to “Styrolution” are to Styrolution Group GmbH, in which our controlling shareholders (through a joint venture) indirectly own a 50.0% interest, and its consolidated subsidiaries;
- all references to the “Swiss Reorganization” are to the corporate reorganization described in “Summary—Swiss Reorganization”;
- all references to the “Term A Facility” are to that Senior Secured Credit Facility expressed to be the “Term A Facility” under the Senior Facilities Agreement;
- all references to the “Term B Facility” are to that Senior Secured Credit Facility expressed to be the “Term B Facility” under the Senior Facilities Agreement, which was repaid in full as described in “Use of Proceeds”;
- all references to the “Term C Facility” are to that Senior Secured Credit Facility expressed to be the “Term C Facility” under the Senior Facilities Agreement, which was repaid in part as described in “Use of Proceeds”;
- all references to the “Term D Facility” are to that facility expressed to be the “Term D Facility” under the Senior Facilities Agreement;
- all references to the “Trustee” are to The Bank of New York Mellon in its capacity as trustee under the Indenture governing the notes; and
- all references to the “U.S. Borrower” are to INEOS US Finance LLC as a borrower under the Senior Facilities Agreement.

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

All references to “tonnes” are to metric tonnes.

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

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate (New York) expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Neither we nor the initial purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

Year	U.S. dollars per €1.00			
	High	Low	Average <sup>(1)</sup>	Period end
2007 .....	1.4873	1.2892	1.3796	1.4591
2008 .....	1.5992	1.2454	1.4710	1.3973
2009 .....	1.5134	1.2531	1.3953	1.4326
2010 .....	1.4513	1.1923	1.3210	1.3387
2011 .....	1.4830	1.2907	1.3982	1.2959

Month	High	Low	Average <sup>(2)</sup>	Period end
August 2011 .....	1.4511	1.4092	1.4339	1.4376
September 2011 .....	1.4259	1.3388	1.3752	1.3388
October 2011 .....	1.4189	1.3176	1.3728	1.3857
November 2011 .....	1.3833	1.3239	1.3554	1.3446
December 2011 .....	1.3461	1.2941	1.3149	1.2959
January 2012 .....	1.3220	1.2667	1.2912	1.3084
February 2012 .....	1.3458	1.3066	1.3237	1.3325
March 2012 (through March 19, 2012) .....	1.3311	1.3033	1.3165	1.3238

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

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

The Bloomberg Composite Rate of the euro on March 15, 2012, was U.S. \$1.3238 per €1.00.

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

## FORWARD-LOOKING STATEMENTS

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

- the cyclical and highly competitive nature of our businesses;
- our high degree of leverage and significant debt service obligations, as well as our ability to generate sufficient cash flow to service our debt;
- risks associated with our structure, the Offering and our other indebtedness;
- our sales growth across our principal businesses and our strategy for controlling costs, growing margins, increasing manufacturing capacity and production levels, and making capital expenditures;
- our ability to deleverage through strategic disposals of certain assets and non-core businesses;
- raw material costs or supply arrangements;
- our technological and manufacturing assets and our ability to utilize them to further increase sales and the profitability of our businesses;
- impacts of climate change, including regulatory requirements on greenhouse gas emissions, the costs to purchase emissions allowances and the physical risks to our facilities of severe weather conditions;
- current or future health, safety and environmental requirements and the related costs of maintaining compliance with, and addressing liabilities under, those requirements;
- operational hazards, including the risk of accidents that result in injury to persons and environmental contamination;
- our ability to retain existing customers and obtain new customers;
- our ability to develop new products and technologies successfully;
- our ability to successfully integrate acquired businesses with our historical business and realize anticipated synergies and cost savings, including with respect to businesses acquired;
- currency fluctuations;
- our ability to attract and retain members of management and key employees;
- our relationship with our shareholders; and
- our estimates of our results for the quarter and year ended December 31, 2011.

All statements other than statements of historical facts included in this offering memorandum, including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, may be deemed to be forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, including those identified under the “Risk Factors” section in this offering memorandum. Words such as “believe,” “expect,” “anticipate,” “may,” “assume,” “plan,” “intend,” “will,” “should,” “estimate,” “risk” and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. In addition, from time to time we or our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing and these forward-looking statements may be included in but are not limited to press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or

to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum, including those set forth under the section entitled “Risk Factors.”

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

## **TAX CONSIDERATIONS**

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

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## **TRADEMARKS AND TRADE NAMES**

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

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

Historical and current market data used throughout this offering memorandum were obtained from internal company analyses, consultants’ reports and industry publications. In particular, information has been provided by Nexant Limited (“Nexant”). Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of information contained therein is not guaranteed. While we accept responsibility for the accurate extraction and reproduction of this market data, we have not independently verified such data and cannot guarantee its accuracy or completeness. In addition, certain statements in this offering memorandum regarding the petrochemical industry, our position in that industry and our market share are based on internal company estimates, our experience and investigations of market conditions and our review of industry positions. We cannot assure you that any of the assumptions underlying those statements are accurate or correctly reflect our position in the industries. Similarly, internal company analyses, while believed by us to be reliable, have not been verified by any independent sources, and neither we nor any of the initial purchasers makes any representation as to the accuracy of such information. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the “Risk Factors” section in this offering memorandum.

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

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

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

## SUMMARY

*This summary highlights selected information contained elsewhere in this offering memorandum. It is not complete and does not contain all the information that you should consider before investing in the notes. The following summary should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this offering memorandum. You should read the entire offering memorandum, including the more detailed information in the financial information and the related notes included elsewhere in this offering memorandum, before making an investment decision. See the section entitled "Risk Factors" for factors that you should consider before investing in the notes and the section entitled "Forward-Looking Statements" for information relating to the statements contained in this offering memorandum that are not historical facts.*

### Overview

We are one of the world's largest chemical companies as measured by revenue. Our business has highly integrated, world-class chemical facilities and production technologies. We have leading global market positions for a majority of our key products, a strong and stable customer base and a highly experienced management team. We operate 29 manufacturing sites in 8 countries throughout the world, including petrochemical facilities in Europe which are co-located and fully integrated with refineries. As of September 30, 2011, our total chemical production capacity was approximately 25,000 kta, of which 67% was in Europe and 33% was in North America.

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

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

We benefit from the cost advantages of operating large-scale, well-invested, highly integrated facilities strategically located near major transportation facilities and customer locations. Since January 1, 2007, we and our predecessors have invested more than €1.7 billion in our production facilities to ensure that they operate efficiently, resulting in integrated, state-of-the-art production units (including investments in divested assets). We believe these investments allow us to operate at lower cost and higher utilization rates than most of our competitors, and enable us to maintain positive margin and cash flows even during downturns in industry cycles or customer demand. After giving pro forma effect to the Refining Divestiture and the Offering, for the twelve months ended September 30, 2011, our revenue would have been €17.6 billion and our pro forma EBITDA before exceptionals would have been €1.7 billion.

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

Since April 1998, when INEOS was established with the acquisition of the Belgian "Oxide" assets from Inspec plc, we have significantly expanded, both through a series of strategic acquisitions of businesses and assets from major chemical companies, and through organic growth. The combination of INEOS and Innovene in December 2005 represented a transformational acquisition for our company, providing global scale and further upstream integration.

During 2007, we acquired the Borealis petrochemical manufacturing business in Norway. In 2008, we acquired the former BP vinyl acetate monomer/ethyl acetate business in Hull, United Kingdom and the former BASF acrylonitrile business in Seal Sands, United Kingdom. In 2009, we transferred certain companies and businesses out of the INEOS Group to INEOS Industries Holdings Ltd. These businesses consumed a significant amount of cash in the three years prior to transfer and were forecast to continue to be a significant drain on cash resources (due to either difficult trading conditions or significant investment requirements over the next two to three years). The transferred businesses comprised the ABS, Styrenics, Melamines, Healthcare, Bio and Films Italia Srl businesses, together with our shareholding in the INEOS Nova JV. In 2010, we sold our ChlorVinyls business, our business associated with fluorochemicals and our global films business. In addition, on January 31, 2011, we completed the Swiss Reorganization, with IGH becoming the issuer in respect of the 2016 Notes, the parent under the 2015 Notes Indenture and the ultimate parent of the banking group under the Senior Facilities Agreement. See “—Swiss Reorganization.”

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

## Products

The table below sets forth revenue and EBITDA before exceptionals for the twelve months ended September 30, 2011, and the key products for our primary lines of business (excluding the Refining segment, which was disposed of on July 1, 2011 pursuant to the Refining Divestiture).

	Revenue <sup>(1)</sup>	EBITDA before exceptionals		
	(€in millions) For the twelve months ended September 30, 2011		Key Products	Key End Uses
<b>Business</b>				
<b>O&amp;P Europe</b>	<b>7,496</b>	<b>374</b>	Benzene Butadiene Ethylene High-density polyethylene Linear low-density polyethylene Low-density polyethylene Polypropylene Propylene	Coatings Films Flexible & rigid packaging Injection molded plastics Petrochemical feedstock
<b>O&amp;P North America</b>	<b>3,558</b>	<b>464</b>	Ethylene High-density polyethylene Polypropylene Propylene	Coatings Films Flexible & rigid packaging Injection molded plastics Petrochemical feedstock
<b>Chemical Intermediates</b>	<b>9,864</b>	<b>909</b>	Acetone Acetonitrile Acrylonitrile Alkoxylates Ammonia Barex Resins Cumene Ethanolamines Ethyl acetate Ethylene glycols Ethylene oxide Glycol ether esters Glycol ethers Hydrogen cyanide Linear alpha olefins Nitric acid Oxo alcohols Phenol Poly alpha olefins	Agrochemicals Automobiles Coolants Electronics Fibers Fuel additives Industrial solvents Medical Metal extraction Nylons Oil & gas processing Packaging Paints Pharmaceuticals Resins Surfactants Synthetics lubricants Water purification

Polyisobutylene

General consumer applications  
General industrial applications

Propylene glycols  
Propylene oxide  
Synthetic ethanol  
Vinyl acetate monomer  
Technology & license packages  
Catalyst & additive supply  
Environmental emission credits

(1) Excludes inter-segmental eliminations.

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

Key products	Full-year capacity as of September 30, 2011 (Kilotonnes)	Selected market positions
Ethylene .....	<b>4,675</b>	#1 in Europe #6 in U.S.
Propylene .....	<b>1,865</b>	#3 in Europe #8 in U.S.
Polyethylene .....	<b>3,040</b>	#2 in Europe #6 in U.S.
Polypropylene .....	<b>1,695</b>	#5 in Europe #5 in U.S.
Ethylene Oxide .....	<b>925</b>	#1 in Europe #2 Globally
Ethanolamines .....	<b>230</b>	#1 in U.S.* #1 Globally* #3 in Europe*
Phenol .....	<b>1,870</b>	#1 Globally #1 in Europe #3 in U.S.
Acetone .....	<b>1,165</b>	#1 Globally #1 in Europe #3 in U.S.
Acrylonitrile.....	<b>1,655</b>	#1 Globally
Linear Alpha Olefins .....	<b>585</b>	#1 in Europe #1 in U.S. #3 Globally #1 in Europe #3 in U.S.
Poly Alpha Olefins .....	<b>205</b>	#1 Globally #1 in Europe #1 in U.S.
Polyisobutylene .....	<b>170</b>	#1 Globally #2 in Europe #2 in U.S.

Sources: *Nexant and INEOS*

\* Merchant market sales

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

In our olefins and polymers businesses, we produce olefins and a broad range of polyolefin polymers. We are among the largest producers of olefins and polymers in the world. The focus of our olefins business in Europe and North America is on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers. The olefins we make are primarily used as feedstock for our polymers businesses. In addition, we sell olefins



to third-party customers for a variety of industrial and consumer applications, including the manufacture of plastics, rubber and fiber. In our polymers business, we focus on polyethylene and polypropylene.

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

The North American and European markets for olefins and polyolefins are quite distinct, with separate pricing structures and distribution channels. As a result, each market may experience different rates of growth and levels of return. Therefore, we operate these two businesses separately and report them as two distinct segments—INEOS Olefins & Polymers Europe and INEOS Olefins & Polymers North America. For the twelve months ended September 30, 2011, our Olefins & Polymers Europe and Olefins & Polymers North America businesses contributed €7.5 billion and €3.6 billion of revenue and €73.5 million and €46.5 million of EBITDA before exceptionals, respectively, excluding inter-segmental eliminations.

### *Chemical Intermediates*

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

We have four main product groups within our Chemical Intermediates business: INEOS Nitriles, INEOS Oligomers, INEOS Oxide and INEOS Phenol. The activities of INEOS Enterprises and INEOS Technologies are also included within Chemical Intermediates. Together they produce a wide range of products including phenol, acetone, alpha olefins, synthetic ethanol, ethylene oxide and derivatives, acrylonitrile, ammonia and nitric acid. We have a total of 19 manufacturing sites globally, with many of our plants integrated either directly with their key raw materials on-site or integrated via pipeline connection.

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

As referenced above, through INEOS Technologies, we are a leading developer and licensor of technologies to the global petrochemical industry. This not only includes technologies for the manufacturing of polyolefins, but also those for polystyrene, nitriles, maleic anhydride, ethylene dichloride and polyvinyl chloride, and chlor-alkali. In addition, we manufacture and supply high-quality catalysts and additives in support of these technologies to major companies around the world, and also to our own manufacturing assets. For the twelve months ended September 30, 2011, our Chemical Intermediates business contributed €9.9 billion of revenue and €908.7 million of EBITDA before exceptionals, excluding intersegmental eliminations.

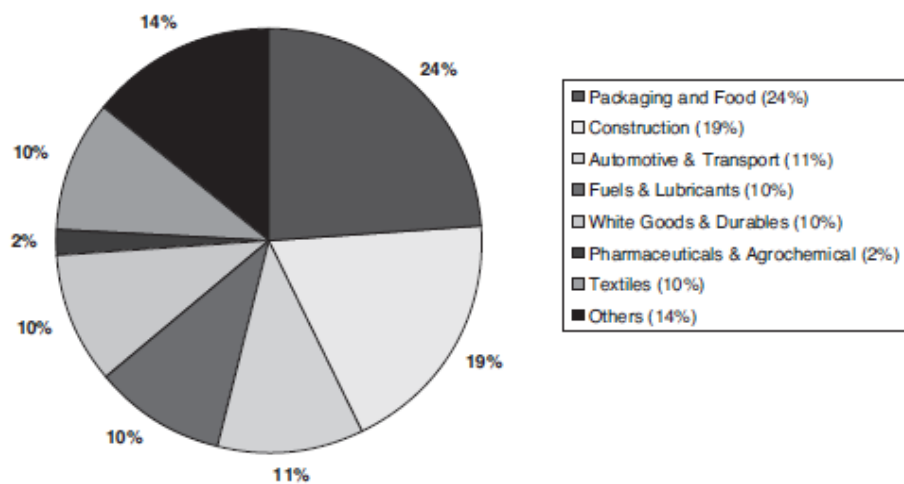
### **Our Competitive Strengths**

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

- ***Diversified Portfolio of Businesses with Leading Market Positions.*** We are one of the world’s largest chemical companies. We operate 29 manufacturing sites in 8 countries around the world. These assets have a total production capacity of approximately 25,000 kta as of September 30, 2011. We believe we have a top 3 or better global or regional market position in 11 of our key products, representing more than 50% of our total sales as measured by volume.

Our petrochemical products are utilized in a wide range of end-market applications. The following diagram sets forth our petrochemicals revenue by end use application in 2010.

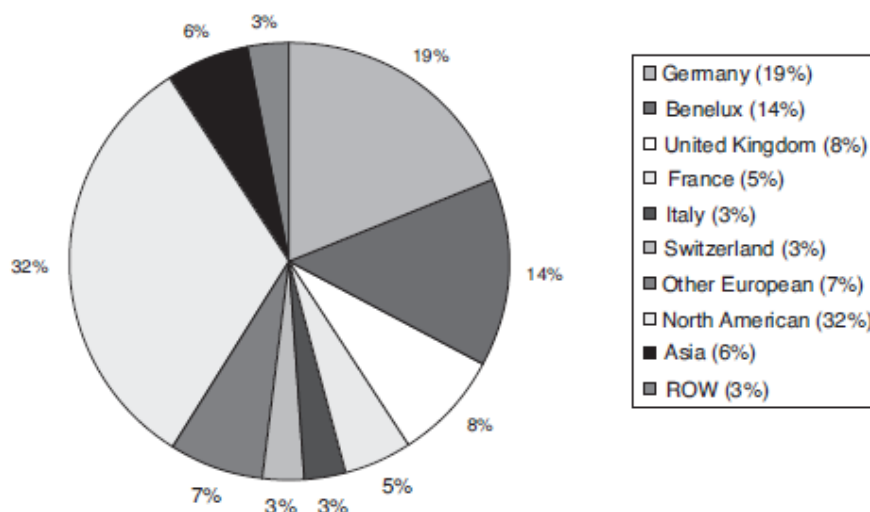
### Petrochemicals Revenue by Application 2010†



† Excludes revenue from the Refining segment.

Our petrochemical products are sold to customers in diverse geographic locations. The following diagram sets forth the group third party revenue by region in 2010.

**Group Third Party Revenue by Region 2010†**



† Excludes revenue from the Refining segment.

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

- **Vertically Integrated, World-Scale Producer.** We have four large-scale petrochemical sites, accounting for 51% of our total petrochemical production capacity. Each of these sites is integrated with a major cracker and/or polymers and derivatives unit, two of which are also integrated with the refineries disposed of in the Refining Divestiture. In connection with the Refining Divestiture, we entered into various contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity in order to continue the provision by the Refining and Entrepreneurial JVs of various feedstocks to our business on an ongoing basis. In addition, certain of these agreements provide our businesses with access to certain shared utilities and infrastructure assets located on the sites. See “The Refining Divestiture.”

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

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

- **Well-Invested, Highly Efficient Production Facilities.** Our large, well-invested plants benefit from economies of scale and favorable locations. Our acquisition activity has focused on acquiring businesses that complement our existing manufacturing facilities with well-invested physical assets from major chemical companies. In addition, each year we continue to invest in improving and expanding our facilities. Since January 1, 2007, we and our predecessors have invested more than €1.7 billion in our manufacturing assets (including investments in divested assets) to maximize efficiency and create integrated state-of-the-art production units.

- **Extensive Portfolio of Leading Proprietary Technologies.** We are a leading developer and licensor of manufacturing technologies for our own use and for the global petrochemical industry. We use our technologies for the manufacturing of our key products, and believe that they enable us to be one of the lowest cost producers and provide us with a significant competitive advantage in terms of product quality. Our proprietary technologies, including our gas phase polyethylene, gas phase polypropylene, slurry high-density polyethylene and acrylonitrile technologies, are positioned around our key products. In addition, our technologies are widely licensed to industry participants and they are often integrated into new chemical plant design and construction. For example, we believe that our acrylonitrile technology is used in more than 90% of the world's acrylonitrile production capacity.

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

- **Experienced Management Team with a Strong Track Record.** Our senior management team has been operating INEOS and our predecessors for the past 13 years and has a demonstrated track record of achieving profitable growth in the chemical industry, successfully integrating large acquisitions, dramatically reducing the fixed cost base, and deleveraging the business following such acquisitions. James A. Ratcliffe, our controlling shareholder, and the other existing shareholders have a successful record of investing in the chemical industry. We have completed 19 significant acquisitions since the formation of INEOS in 1998. Each of these acquisitions has been integrated effectively and we have been able to achieve significant cost-savings in the acquired businesses. Our management team has extensive experience in the chemical industry, including with leading companies such as ICI, DuPont, Dow Chemical, Degussa and BP, and a proven ability to increase productivity, reduce costs and control capital expenditures and working capital. We believe the experience of our management team is a distinct competitive advantage.

In addition, our senior management team has demonstrated the ability to streamline our businesses by focusing on core competencies and disposing of non-core businesses. In the past three years, we have disposed of three non-core businesses (our fluorochemicals, Chlor Vinyls and global films businesses), collectively infusing €791 million into the Group, thereby increasing the efficiency of our businesses by focusing on core competencies and deleveraging by applying the proceeds to prepay debt outstanding at the time. The Group also recently disposed of the Refining Business and the Entrepreneurial (Refining) Business and received €674.2 million in cash after expenses (excluding a subsequent €6.2 million paid by INEOS out of cash on hand as part of the agreed completion adjustment mechanics) and in connection therewith obtained ordinary shares in INEOS Investments at an aggregate subscription price of \$1.015 billion. The disposal of the Refining Business has also reduced our capital expenditures going forward. For more information, please see Note 7 "Discontinued Operations" to the unaudited condensed interim financial information of INEOS Group Holdings S.A. included elsewhere in this offering memorandum.

## Our Business Strategy

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

- **Generate Cost Savings and Enhance Efficiency.** We have historically succeeded in reducing costs at our acquired businesses by making rapid reductions in underlying fixed costs and implementing an efficient corporate and management structure. Continuous improvements in the efficiency of our existing sites and opportunities for site consolidation are key aspects of this strategy, as we seek to maintain upper quartile cost positions and world-scale facilities across the majority of our operations. We have achieved significant fixed cost reductions in businesses that we have acquired, delivering on average a reduction of 22% of inherited fixed costs in the four-year period post-acquisition. As the economic downturn took effect in the third quarter of 2008, we applied a target of an additional 10% reduction in fixed costs for all of our businesses for the fourth quarter, which we achieved. In 2009, we targeted a further €200 million reduction on fixed costs for the year, which we surpassed. Overall, fixed costs were reduced by €434 million between 2006 and 2010. The control of fixed costs will continue to be a key priority for our business.

- **Maintain World-Class Health, Safety, Security and Environmental (“HSSE”) Excellence.** We are dedicated to continually improving our HSSE performance. We ensure that all employees receive appropriate training, thereby enabling them to effectively contribute to HSSE performance and HSSE improvement processes. It is our policy to design our processes and manufacture and distribute our products in a responsible manner so that our employees, customers, the public and the environment are protected from avoidable risks. Our strategy is to continue achieving injury and environmental compliance ratings better than world-class benchmarks.
- **Generate Strong Cash Flow to Reduce Leverage.** We intend to continue our focus on cash flow generation by maximizing the utilization of assets, leveraging existing resources, continuously improving working capital practices and following focused capital expenditure and cost reduction plans. We apply when possible the cash flows generated from these initiatives to help reduce our debt.
- **Maximize Utilization of Assets.** As a low-cost focused producer, we believe in operating our facilities at full capacity. We believe this allows us to maintain positive margins and cash flows, even during downturns in industry cycles or customer demand, more readily than some of our competitors who have higher production costs. We intend to achieve growth in production volume by improving utilization rates within the defined availability of an asset, improving availability of an asset by minimizing planned and unplanned facility downtime and improving capacity of an asset through de-bottlenecking projects. We have a strong track record of improving utilization rates of acquired assets.
- **Maintain a Lean Corporate Structure and Incentivize Employees.** We intend to operate our business in a manner that is consistent with the philosophy of our shareholders and maintain a simple and decentralized, flat organizational structure that minimizes corporate bureaucracy, coupled with compensation arrangements that incentivize our employees. We believe that a simple and decentralized organizational structure is cost-effective and will allow each of our management teams the freedom to use their industry knowledge to respond to market opportunities. We believe that we can increase the value of our business when our employees share in the value they create. In the past, we have granted our employees tracking shares with respect to each of our businesses and regions, with management and employee bonuses linked to the EBITDA performance and other factors of the business in which they work.
- **Where and When Appropriate, and Within the Confines of Our Capital Structure, to Pursue Long-term Value-added Growth Opportunities.** As a result of our lean corporate structure, we are able to maintain a level of agility that few organizations our size are able to match. Opportunities for profitable growth are identified and vetted in an efficient, non-bureaucratic format, which, in many cases, we believe enables us to establish a first-mover advantage. We have significant expertise in identifying, executing and integrating acquisitions. During the past 12 years, we have made 19 acquisitions, significantly growing EBITDA. We have a highly disciplined acquisition screening and evaluation process and a detailed series of metrics by which we measure the value creation prospects of potential transactions. Although we have no current plans to complete further acquisitions, we believe that we are well-positioned to consider transactions that would be consistent with our goal to reduce leverage as the market environment and our financial position improve.

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

### **The Refining Divestiture**

On July 1, 2011, we completed the Refining Divestiture, which consisted of the disposal of (i) the Refining Business and the Entrepreneurial (Refining) Business to the Refining and Entrepreneurial JVs formed between PetroChina and INEOS Investments (which is not controlled by IGH or any of its subsidiaries but in which the INEOS Group holds certain ordinary shares) and (ii) the Infrastructure Entity to a joint venture formed between INEOS Investments and the Refining Business JV. INEOS Investments, a newly formed entity, whose voting shareholders are James A. Ratcliffe, Andrew Currie and John Reece, holds a 49.9%, a 50.1% and a 50.0% direct interest in the Entrepreneurial JV, the Refining Business JV and the Infrastructure Entity, respectively. INEOS Investments also holds a 25.05% indirect interest in the Infrastructure Entity by virtue of its 50.1% stake in the Refining Business JV. The

Refining and Entrepreneurial JVs, the Infrastructure Entity and their respective subsidiaries may be “Affiliates” of Lux I for the purposes of the Indenture, because they are owned in part, and in some cases operated or controlled by, entities controlled by or under common control with the principal shareholders of Lux I. The Refining Divestiture was principally a disposal of the Refining segment of IGH, as reported on its financial statements.

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

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

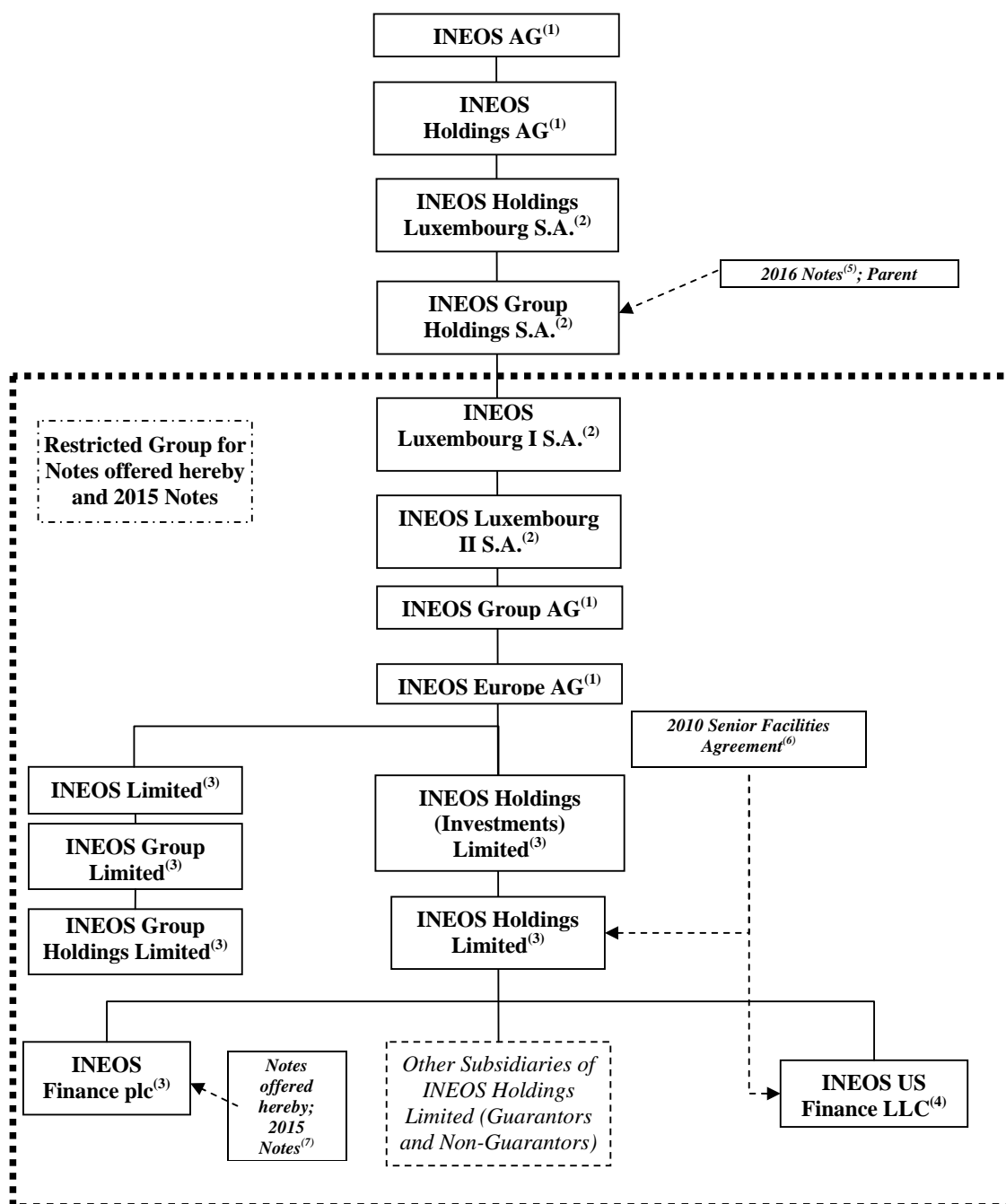
We received cash proceeds (after expenses) equal to €674.2 million in connection with the Refining Divestiture. On July 29, 2011, we used the net cash proceeds from the Refining Divestiture along with cash on hand to permanently repay €646.1 million of term loans and the associated €30.7 million of PIK interest under the Senior Facilities Agreement. Subsequently, in October 2011, we paid our counterparty to the Refining Divestiture an amount equal to €16.2 million out of cash on hand as part of the agreed completion adjustment mechanics. In connection with the Refining Divestiture, we also obtained ordinary shares in INEOS Investments.

### **Swiss Reorganization**

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

## Summary Corporate and Financing Structure

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



(1) Incorporated in Switzerland.

(2) Incorporated in Luxembourg.

(3) Incorporated in England and Wales.

(4) Incorporated in Delaware, United States.

- (5) Refers to the €1,750,000,000 aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2016 and \$750,000,000 aggregate principal amount of 8<sup>1</sup>/<sub>2</sub>% Senior Notes due 2016 issued pursuant to the 2016 Notes Indenture of which €1,532,130,000 and \$677,513,000 aggregate principal amounts were outstanding at September 30, 2011. See “Description of Other Indebtedness—IGH Senior Notes due 2016.”
- (6) Refers to the Term A Facility, Term B Facility, Term C Facility, Term D Facility and a revolving credit facility under the Senior Facilities Agreement. At September 30, 2011 the total amounts outstanding on the Term A Facility were €nil million, Term B Facility were €1,055.6 million, Term C Facility were €1,154.1 million and Term D Facility were €650.0 million. At September 30, 2011 €443.6 million was drawn on our revolving credit facility. See “Description of Other Indebtedness—Senior Facilities Agreement.”
- (7) Refers to the €300,000,000 aggregate principal amount of 9<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2015 and \$570,000,000 aggregate principal amount of 9% Senior Secured Notes due 2015 issued pursuant to the 2015 Notes Indenture. See “Description of Other Indebtedness—Senior Secured Notes due 2015.”
- † On the Issue Date, the notes were jointly and severally guaranteed by the Parent, Lux I and certain subsidiaries of Lux I that also guarantee the Senior Facilities Agreement and the 2015 Notes (the “Initial Guarantors”), together representing 75.8% of the Parent’s pro forma consolidated EBITDA for the twelve months ended September 30, 2011, after giving pro forma effect to the Refining Divestiture and the Offering, and holding 71.9% of the Parent’s consolidated total assets as of September 30, 2011. On March 1, 2012, certain additional subsidiaries of Lux I that also guarantee the Senior Facilities Agreement and the 2015 Notes guaranteed the notes (the “Additional Guarantors” and, together with the Initial Guarantors, the “Guarantors”). The Guarantors represent 94.8% of the Parent’s pro forma consolidated EBITDA for the twelve months ended September 30, 2011, after giving pro forma effect to the Refining Divestiture and the Offering, and hold 89.2% of the Parent’s consolidated total assets as of September 30, 2011. The obligations of each Guarantor are subject to various limitations. See “Limitations on Validity and Enforceability of the Guarantees and Security Interests” and “Risk Factors—Guarantees and Collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability.”



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

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

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

## **Trading Statement and Market Update**

On January 26, 2012, INEOS published its fourth quarter 2011 trading statement, which includes certain preliminary management information relating to its financial performance in the fourth quarter of 2011 and current trading in early January 2012, a summary of which is provided below. This preliminary information has been prepared by, and is the responsibility of management, and is based solely on preliminary internal information used by management, and our annual financial statements for the year ended December 31, 2011, have not been completed and we do not have any financial statements for any period in January 2012. Because this information is preliminary, it could change, and the preliminary results from early January 2012 may not be indicative of the remainder of the month, financial quarter or any other period. See “Forward-Looking Statements.” PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to this preliminary management information. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

Based on unaudited preliminary management information, INEOS estimates that EBITDA before exceptionals for the fourth quarter of 2011 will decrease by approximately 15% compared to the pro forma EBITDA before exceptionals for the fourth quarter of 2010 of €222.7 million. We estimate that EBITDA before exceptionals for the year ended December 31, 2011 will increase by approximately 3.8% compared to pro forma EBITDA before exceptionals for the year ended 2010. These results (including the prior period comparisons) represent EBITDA before exceptionals excluding the Refining segment, as we disposed of the Refining Business on July 1, 2011, and excluding share of profit/(loss) from joint ventures. For a discussion of how we define EBITDA before exceptionals, please see “Presentation of Financial and Non-GAAP Information—Use of Non-GAAP Financial Measures.”

Almost 90% of our EBITDA before exceptionals for the year ended December 31, 2011, was generated in North America and key Northern European territories (Germany and Belgium), with almost 50% generated in North America alone.

The trading environment in the fourth quarter of 2011 was challenging with global economic and political uncertainties impacting demand in a number of sectors. Businesses such as Nitriles and Phenol were directly impacted by the government imposed fiscal restraint in China which led to a decline in Asian demand and declining product prices. Problems in the eurozone countries affected O&P Europe with many buyers seeking to reduce stockholdings, leading to weakening demand and reduced operating rates. Trading conditions were better in North America and O&P North America margins remained above mid-cycle. Our Oxide and Oligomers businesses also held up well in the quarter.

In addition to the impact of the challenging trading environment on our fourth quarter 2011 results, the results for the fourth quarter and full year 2011 were adversely impacted by delayed restarts following turnarounds at our Köln and Grangemouth crackers in our O&P Europe business. In Grangemouth our gas cracker incurred significant feedstock and utilities losses due to operational difficulties with the feedstock supply and in Köln a poorly executed overhaul by our contractor resulted in major losses and subsequent issues at restart.

The Group has continued to focus on cash management and liquidity. We estimate that net debt as of December 31, 2011, was in line with net debt as of September 30, 2011. We estimate that cash balances as of December 31, 2011 decreased by approximately 3.4% compared to cash balances as of September 30, 2011 and availability under the Revolving Credit Facility as of December 31, 2011 was approximately €293 million.

The trading environment at the start of 2012 has improved significantly in comparison to the quarter ended December 31, 2011. In North America, O&P North America margins have benefited from polyethylene prices increasing (for the first time in December since 1985), ethane prices significantly declining and a supply position tightening caused by a heavy plant turnaround season in the industry. In O&P Europe all plants are running well after coming back from turnarounds in the fourth quarter of 2011 and offtake has picked up after heavy destocking at the year end.

In Chemical Intermediates all four major businesses have encountered improved trading conditions, which we believe is driven in part by customer restocking for a number of products. Phenol sales are approximately 20% higher than December. Prices continue to rise, however the price of raw materials are also increasing throughout the petrochemicals industry. In the Nitriles business, plant operating rates have risen from approximately 60% in the fourth quarter to approximately 90% in the third week of January. We also expect our Nitriles and Phenol businesses to benefit from a heavy plant turnaround season to occur at various points during the first quarter of 2012 for Nitriles and late in the first quarter and into the second quarter of 2012 for Phenol. The Oxide and Oligomers businesses also report continued strengthening demand and firmer prices.

Across the entire business, the 4-week moving average of weekly order volumes in early January is the highest it has been over the last five years for the corresponding periods.

## THE OFFERING

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

<b>Issuer</b> .....	INEOS Finance plc.
<b>Notes Offered</b> .....	\$1,000,000,000 aggregate principal amount of U.S. dollar-denominated 8 <sup>3</sup> / <sub>8</sub> % Senior Secured Notes due 2019 (the “Dollar Fixed Rate Notes”). €500,000,000 aggregate principal amount of euro-denominated Floating Rate Senior Secured Notes due 2019 (the “Euro Floating Rate Notes” and, together with the Dollar Fixed Rate Notes, the “notes”).
<b>Issue Date</b> .....	February 10, 2012 (the “Issue Date”).
<b>Maturity Date</b> .....	The Dollar Fixed Rate Notes will mature on February 15, 2019. The Euro Floating Rate Notes will mature on February 15, 2019.
<b>Interest Rates and Payment Dates</b> ....	The interest rate on the Dollar Fixed Rate Notes is 8.375%, payable semi-annually in arrears on February 15 and August 15 of each year, commencing August 15, 2012. The interest on the Euro Floating Rate Notes is the sum of (i) the greater of (x) three-month EURIBOR and (y) 1.25% per annum plus (ii) 6.0%, reset quarterly. We will pay interest on the Euro Floating Rate Notes on February 15, May 15, August 15 and November 15 of each year, commencing May 15, 2012. Interest on the notes accrues from the Issue Date.
<b>Denominations</b> .....	Dollar Fixed Rate Notes in denominations of \$200,000 and any integral multiple of \$1,000 in excess thereof. Euro Floating Rate Notes in denominations of €100,000 and any integral multiple of €1,000 in excess thereof. Notes in denominations of less than \$200,000 or €100,000, as the case may be, will not be available.
<b>Ranking of the Notes</b> .....	The notes are general senior secured obligations of the Issuer and: <ul style="list-style-type: none"> <li>• rank equally in right of payment with all existing and future obligations of the Issuer that are not subordinated to the notes, including, without limitation, the obligations under the Senior Facilities Agreement (except for the Term D Facility thereunder) and the 2015 Notes;</li> <li>• are guaranteed on a senior secured basis by the Guarantors;</li> <li>• rank effectively senior to all existing and future obligations of the Issuer that are unsecured or secured by liens junior to the liens securing the notes to the extent of the value of the Collateral;</li> <li>• rank senior in right of payment to all existing and future obligations of the Issuer that are expressly subordinated in right of payment to the notes, including the Issuer’s guarantee of obligations under the 2016 Notes and the Term D Facility; and</li> <li>• are effectively subordinated in right of payment to all of the liabilities, including trade payables and letters of credit issued by Lux I’s subsidiaries that do not guarantee the notes.</li> </ul>
<b>Guarantees</b> .....	On the Issue Date, the notes were jointly and severally guaranteed by the Parent, Lux I and certain subsidiaries of Lux I that also guarantee the Senior Facilities Agreement and the 2015 Notes (the “Initial Guarantors”), together representing 75.8% of the Parent’s pro forma consolidated EBITDA for the twelve months ended September 30, 2011, after giving pro forma effect to the Refining Divestiture and the Offering, and holding 71.9% of the Parent’s consolidated total assets as of September 30, 2011. On March 1, 2012, certain additional subsidiaries of Lux I that also guarantee the Senior Facilities Agreement and the 2015 Notes guaranteed the notes (the “Additional Guarantors” and, together with the Initial Guarantors, the “Guarantors”). The Guarantors represent 94.8% of the Parent’s pro forma consolidated EBITDA for the twelve months ended September 30, 2011, after giving pro forma effect to the Refining Divestiture and the Offering, and hold 89.2% of the Parent’s consolidated total assets as of September 30, 2011. The obligations of each Guarantor are subject to various limitations. See “Limitations on Validity and Enforcement of the Guarantees and the Security Interests” and “Risk Factors—Guarantees and Collateral limitations—The

**Ranking of the Guarantees.....**

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

The guarantee of each Guarantor is a general senior secured obligation of such Guarantor and:

- ranks equally in right of payment with all existing and future obligations of such Guarantor that are not subordinated in right of payment to such guarantee, including with respect to the guarantee of the notes by each Guarantor, obligations under the Senior Facilities Agreement (except for obligations under the Term D Facility), obligations under the 2015 Notes and, with respect to the guarantee of the notes by the Parent, the 2016 Notes;
- ranks effectively senior to all existing and future obligations of such Guarantor that are unsecured or secured by liens junior to the liens securing the guarantees to the extent of the value of the Collateral;
- ranks senior in right of payment to all existing and future obligations of such Guarantor that are subordinated in right of payment to such guarantee, including the guarantees by Lux I and its subsidiaries of the 2016 Notes and the Term D Facility; and
- is effectively subordinated to any existing and future obligations and other liabilities of such Guarantor that are secured by liens senior to the liens securing such guarantee, or secured by property and assets that do not secure such guarantee, to the extent of the value of the property and assets securing such obligations and other liabilities, including the BP Creditor Liabilities secured on a first priority basis by the BP Receivables.

**Security; Enforcement of Security ...**

Subject to the terms of the security documents, the notes and the related guarantees are secured by first-priority liens (subject to certain exceptions) on the same assets that secure the obligations under the Senior Secured Credit Facilities and the 2015 Notes. Certain security interests under German and French law were, as a matter of local law, granted as junior ranking security interests in relation to the security granted in respect of the Senior Secured Credit Facilities and the 2015 Notes. Nevertheless, the Intercreditor Deed provides that as a contractual matter as among senior secured creditors, the Notes are secured on a *pari passu* basis with the 2015 Notes and the Senior Secured Credit Facilities and will be treated as such for purposes of the application of proceeds from the enforcement of such Collateral. Liens on Collateral granted by the Issuer and the Initial Guarantors were (subject to certain limited exceptions) granted on the Issue Date and liens on Collateral granted by the Additional Guarantors were granted on March 1, 2012, at the time such entities became Guarantors. On such date, the Initial Guarantors also granted certain additional liens on relevant Collateral. See “Description of the Collateral and the Guarantees.”

The liens securing the 2015 Notes and the Senior Facilities Agreement are already in place and will continue to remain in place.

In addition, the Intercreditor Deed provides that neither the holders of the notes nor the Trustee will be permitted to instruct the Security Trustee with respect to enforcement of the security so long as the aggregate amount of senior secured debt under the Intercreditor Deed (excluding debt outstanding under the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) is 30% or more of the aggregate amount of all senior secured debt under the Intercreditor Deed (including debt outstanding under the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed). After such senior secured debt represents less than 30% of the total senior secured debt for at least 30 days, then a simple majority in aggregate amount of all senior secured debt (including the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) under the Intercreditor Deed can instruct the Security Trustee with respect to enforcement of the security. For a description of

	security enforcement and other intercreditor provisions, please see “Description of Other Indebtedness—Intercreditor Deed.”
<b>Additional Amounts .....</b>	All payments paid by or on behalf of the Issuer, any Guarantor or any surviving entity under or with respect to the notes or any guarantee under the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Issuer, any Guarantor or, if applicable, any surviving entity is incorporated, organized or otherwise resident for tax purposes or from or through which any of the foregoing makes any payment on the notes or by any taxing authority therein or political subdivision thereof, unless such withholding or deduction is required by law or by the interpretation or administration of law. If any such withholding or deduction is required, the Issuer, Guarantor or surviving entity, as the case may be, will pay such additional amounts as may be necessary to ensure that the net amount received by each holder of the notes after such withholding or deduction will be not less than the amount the holder would have received if such Taxes had not been required to be withheld or deducted, subject to certain exceptions. See “Description of the Notes—Payment of Additional Amounts.”
<b>Optional Redemption—Dollar Fixed Rate Notes.....</b>	<p>Prior to February 15, 2015, the Issuer may redeem all or a portion of the Dollar Fixed Rate Notes at a redemption price equal to 100% of the principal amount of such Dollar Fixed Rate Notes plus the applicable “make-whole” premium set forth in this offering memorandum, plus accrued and unpaid interest to the redemption date.</p> <p>On or after February 15, 2015, the Issuer may redeem all or a portion of the Dollar Fixed Rate Notes at the redemption prices set forth in this offering memorandum under the caption “Description of the Notes—Optional Redemption” plus accrued and unpaid interest to the redemption date.</p> <p>In addition, at any time prior to February 15, 2015, the Issuer may redeem up to 35% of the aggregate principal amount of the Dollar Fixed Rate Notes with the proceeds of certain equity offerings at 108.375% of the principal amount of the Dollar Fixed Rate Notes, plus accrued interest; <i>provided</i> that at least 65% of the originally issued aggregate principal amount of the Dollar Fixed Rate Notes remains outstanding immediately after each such redemption and each such redemption occurs within 90 days after the date of the relevant equity offering. Please see “Description of the Notes—Optional Redemption.”</p>
<b>Optional Redemption—Euro Floating Rate Notes .....</b>	<p>Prior to February 15, 2015, the Issuer may redeem all or a portion of the Euro Floating Rate Notes at a redemption price equal to 100% of the principal amount of such Euro Floating Rate Notes plus the applicable “make-whole” premium set forth in this offering memorandum, plus accrued and unpaid interest to the redemption date.</p> <p>On or after February 15, 2015, the Issuer may redeem all or a portion of the Euro Floating Rate Notes at the redemption prices set forth in this offering memorandum under the caption “Description of the Notes—Optional Redemption” plus accrued and unpaid interest to the redemption date.</p>
<b>Optional Redemption for Taxation Reasons .....</b>	In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the notes at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption. Please see “Description of the Notes—Redemption Upon Changes in Withholding Taxes.”
<b>Change of Control .....</b>	Upon the occurrence of certain events constituting a “change of control,” the Issuer is required to offer to repurchase all outstanding notes at a purchase price in cash of 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase. See “Description of the Notes—Purchase of Notes Upon a Change of Control.”
<b>Certain Covenants .....</b>	<p>The Indenture contains covenants that, among other things, limit the ability of Lux I and its restricted subsidiaries to:</p> <ul style="list-style-type: none"> <li>• incur or guarantee additional indebtedness and issue certain preferred stock;</li> <li>• layer debt;</li> <li>• make restricted payments, including dividends or other distributions;</li> <li>• prepay or redeem subordinated debt or equity;</li> <li>• make certain investments;</li> </ul>

- create or permit to exist certain liens;
- transfer, lease or sell certain assets;
- enter into arrangements that impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to Lux I;
- engage in certain transactions with affiliates;
- engage in prohibited activities (solely with respect to the Issuer and IGH);
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis;
- impair the security interests for the benefit of the holders of the notes; and
- amend certain documents.

Each of these covenants is subject to a number of important limitations and exceptions as described under “Description of the Notes—Certain Covenants.”

<b>Transfer Restrictions .....</b>	The notes and the guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. We have not agreed to, or otherwise undertaken to, register the notes (including by way of an exchange offer).
<b>Use of Proceeds .....</b>	The net proceeds from the sale of the notes were used to repay all amounts outstanding under the Term B Facility and certain amounts outstanding under the Term C Facility. Please see “Use of Proceeds.”
<b>No Established Market for the Notes .....</b>	The notes are new securities for which, on the Issue Date, there was no existing market. Although the initial purchasers have informed us that they intend to make a market in the notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained.
<b>Listing .....</b>	Application has been made to have the notes admitted for trading on the Euro MTF, and to list the notes on the Official List of the Luxembourg Stock Exchange.
<b>Governing Law .....</b>	The Indenture, the notes and the guarantees are governed by the laws of the State of New York. The Intercreditor Deed is governed by English law. The security documents are governed by applicable local law for each security interest as described under “Description of the Collateral and the Guarantees.”
<b>Trustee .....</b>	The Bank of New York Mellon, acting through its London Branch.
<b>U.S. Paying Agent and Transfer Agent .....</b>	The Bank of New York Mellon.
<b>Registrar, Luxembourg Transfer Agent, Paying Agent and Listing Agent .....</b>	The Bank of New York Mellon (Luxembourg) S.A.
<b>Calculation Agent (for the Euro Floating Rate Notes) .....</b>	The Bank of New York Mellon, acting through its London Branch.
<b>Security Trustee .....</b>	Barclays Bank PLC, as the security trustee under the Indenture and the Intercreditor Deed.

### **Risk Factors**

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

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

The following tables present:

- The summary consolidated financial information of INEOS Group Holdings plc as of and for the three years ended December 31, 2010, 2009 and 2008, which has been derived from the audited consolidated financial information of INEOS Group Holdings plc, included elsewhere in this offering memorandum. Such information was prepared in accordance with IFRS and was audited by PricewaterhouseCoopers LLP, independent accountants.
- The summary unaudited consolidated condensed interim financial information of INEOS Group Holdings S.A. as of and for the nine-month period ended September 30, 2011, and of INEOS Group Holdings plc as of and for the nine-month period ended September 30, 2010, which is derived from the unaudited condensed consolidated interim financial information of INEOS Group Holdings S.A., included elsewhere in this offering memorandum. Such information was prepared in accordance with IFRS.

The financial data for the years ended December 31, 2008, 2009 and 2010 include the results of operations of our Refining Business, which was disposed of in connection with the Refining Divestiture on July 1, 2011. The financial data for each of the nine-month periods ended September 30, 2010 and 2011 treat the results of operations of our Refining Business as a discontinued operation. In such presentation, certain line items in the income statement, balance sheet and statement of cash flows were reclassified in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” For further details, please see note 1 to the tables in this “Summary Historical Condensed Consolidated Financial Information and Other Financial Data” and note 7 to the unaudited condensed interim financial information, included elsewhere in this offering memorandum.

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

	As of or for the year ended December 31,			As of or for the nine months ended September 30,	
	2008	2009	2010	2010	2011
	(€in millions)				
<b>Income Statement:</b>					
Revenue.....	29,073.3	18,077.3	22,912.7	12,107.8	13,687.5
Cost of sales .....	(28,271.1)	(16,707.9)	(21,327.1)	(10,628.7)	(12,093.1)
Gross profit.....	802.2	1,369.4	1,585.6	1,479.1	1,594.4
Distribution costs .....	(543.7)	(425.5)	(267.1)	(197.3)	(183.9)
Administrative expenses .....	(455.6)	(403.4)	(279.7)	(200.6)	(235.1)
Operating profit/(loss).....	(197.1)	540.5	1,038.8	1,081.2	1,175.4
Total share of (loss)/profit of associates and jointly controlled entities using the equity accounting method.....	(57.8)	23.7	12.9	4.9	(12.3)
(Loss)/profit on disposal of businesses.....	143.0	(276.5)	(74.7)	(59.1)	13.2
Profit/(loss) before net finance costs .....	(111.9)	287.7	977.0	1,027.0	1,176.3
Net finance costs .....	(772.3)	(888.9)	(820.4)	(564.9)	(468.6)
Profit/(loss) before tax .....	(884.2)	(601.2)	156.6	462.1	707.7
Tax (charge)/credit.....	311.6	(13.9)	(213.1)	(184.9)	(257.0)
Profit/(loss) for period from discontinued operations <sup>(1)</sup> .....	—	—	—	(95.9)	64.4
Profit/(loss) for the period.....	(572.6)	(615.1)	(56.5)	181.3	515.1
<b>Statement of Cash Flows:</b>					
Cash flows provided by/(used in):					
Operating activities.....	1,245.4	1,226.5	1,032.1	490.0	664.6
Investing activities.....	(529.1)	(261.9)	83.2	194.7	454.3
Financing activities.....	(1,012.1)	(944.4)	(1,185.4)	(814.2)	(1,107.2)
<b>Statement of Financial Position:</b>					
Property, plant and equipment.....	5,440.6	5,093.2	4,402.3	—	3,432.1
Cash and cash equivalents.....	651.8	662.1	599.2	—	601.7
Working capital <sup>(2)</sup> .....	1,267.6	479.5	1,243.0	—	1,971.1
Total assets .....	11,777.9	11,119.8	11,558.5	—	9,520.3
Total equity .....	71.8	(557.2)	(436.7)	—	(117.1)

Total interest-bearing loans and borrowings <sup>(3)</sup> .....	8,139.6	7,788.8	7,450.6	—	6,801.1
Total liabilities.....	11,706.1	11,677.0	11,995.2	—	9,637.4
Net debt <sup>(4)</sup> .....	7,487.8	7,126.7	6,851.4	—	6,199.4
<b>Other Financial Data:</b>					
EBITDA before exceptionals <sup>(5)</sup> .....	578.3	1,222.2	1,644.1	1,425.7	1,524.0
RC/HC EBITDA before exceptionals <sup>(6)</sup> .....	855.3	984.6	1,563.9	—	—
Depreciation, amortization and impairment .....	777.0	616.1	580.3	341.3	315.4
Net cash interest expense <sup>(7)</sup> .....	595.5	683.2	703.7	529.1	454.8
Capital expenditures <sup>(8)</sup> .....	624.0	264.0	344.3	226.3	235.7
Ratio of net debt to RC/HC EBITDA before exceptionals <sup>(4)(6)</sup> .....	8.8x	7.2x	4.4x	—	—
Ratio of RC/HC EBITDA before exceptionals to cash interest expense <sup>(5)(7)</sup> .....	1.4x	1.4x	2.2x	—	—
Ratio of EBITDA before exceptionals to net cash interest expense <sup>(5)(7)</sup> .....	0.97x	1.79x	2.34x	2.69x	3.35x

- (1) The financial data for each of the nine-month periods ended September 30, 2010 and 2011 treat certain items as discontinued operations. This presentation is not consistent with the information presented as of and for the years ended December 31, 2010, 2009 and 2008.
- (2) Working capital represents net current assets (current assets less current liabilities).
- (3) Total interest-bearing loans and borrowings represents gross loans and borrowings as presented in note 20 to the audited consolidated financial statements for INEOS Group Holdings plc as of and for the year ended December 31, 2010, and note 8 to the unaudited condensed consolidated interim financial information for INEOS Group Holdings S.A. as of and for the nine months ended September 30, 2011, each included elsewhere in this offering memorandum.
- (4) Net debt represents total interest-bearing loans and borrowings before issue costs less cash and cash equivalents.



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

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

	Year ended December 31,			Nine months ended September 30,	
	2008	2009	2010	2010	2011
	(€in millions)				
Operating profit/(loss) .....	(197.1)	540.5	1,038.8	1,081.2	1,175.4
Depreciation, amortization and impairment .....	777.0	616.1	580.3	341.3	315.4
Exceptional charges excluding items relating to impairment and financing .....	56.2	41.9	12.1	3.2	33.2
Share of profit/(loss) of associates and jointly controlled entities .....	(57.8)	23.7	12.9	—	—
EBITDA before exceptionals <sup>(A)</sup> .....	578.3	1,222.2	1,644.1	1,425.7	1,524.0

- (A) For the nine months ended September 30, 2011 and 2010, the Group changed its definition of EBITDA before exceptionals to exclude share of profit/(loss) from joint ventures.

- (6) RC/HC EBITDA before exceptionals represents our combined consolidated operating profit (with the adjustment described below) before depreciation, amortization, impairment and exceptional charges. In accordance with IFRS, we use both the FIFO and weighted average cost methods of accounting for purposes of determining our inventory cost in connection with the preparation of our audited annual consolidated financial information. As supplementary information, we also reported our operating results to management for the Refining segment to reflect cost of sales using our replacement cost method of accounting for inventory. Our replacement cost method values raw materials and consumables and finished goods at their replacement cost at the time the related finished goods are sold. RC/HC EBITDA before exceptionals is based on the replacement cost method of accounting for inventory for the Refining segment; for our other segments, RC/HC EBITDA before exceptionals is based on the FIFO and weighted average cost methods of accounting for inventory used in connection the preparation of our audited annual consolidated financial information on a historical costs basis. Although our EBITDA-based measures should not be considered a substitute measure for operating profit, profit, cash flows from operating activities or other measures of performance as defined by IFRS, we believe that they provide useful information regarding our ability to meet future debt service requirements. The EBITDA measure presented may not be comparable to similarly titled measures used by other companies. See "Presentation of Financial and Non-GAAP Information." As a result of the Refining Divestiture, we will no longer be reporting RC/HC EBITDA before exceptionals.

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

	Year ended December 31,		
	2008	2009	2010
	(€in millions)		
Operating profit/(loss) .....	(197.1)	540.5	1,038.8
Inventory holding (gains)/losses <sup>(B)</sup> .....	277.0	(237.6)	(80.2)
Depreciation, amortization and impairment .....	777.0	616.1	580.3
Exceptional charges excluding items relating to impairment and financing .....	56.2	41.9	12.1
Share of profit/(loss) of associates and jointly controlled entities .....	(57.8)	23.7	12.9
RC/HC EBITDA before exceptionals .....	855.3	984.6	1,563.9

- (B) Inventory holding gains/(losses) reflects inventory cost for the Refining segment calculated using our replacement cost method of accounting for inventory.

- (7) Net cash interest expense comprises interest income on bank balances, less interest payable on senior notes; interest payable on bank loans and overdrafts; interest payable on securitization and interest payable on finance leases (see note 9 to the audited consolidated financial statements for INEOS Group Holdings plc as of and for the year ended December 31, 2010, and note 4 to the unaudited condensed consolidated interim financial information for INEOS Group Holdings S.A. as of and for the nine months ended September 30, 2011, each included elsewhere in this offering memorandum).

- (8) Capital expenditures represents payments to acquire property, plant and equipment as recorded on the consolidated cash flow statements.

## SUMMARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND OTHER FINANCIAL DATA

The following summary unaudited pro forma condensed consolidated financial information gives effect to the Refining Divestiture and the Offering. The summary unaudited pro forma condensed consolidated financial information has been derived from the unaudited pro forma condensed consolidated financial information included elsewhere in this offering memorandum. See “Unaudited Pro Forma Condensed Consolidated Financial Information”.

The unaudited pro forma condensed consolidated financial information has been derived from:

- the audited consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010; and
- the unaudited consolidated condensed interim financial information of INEOS Group Holdings S.A. as of and for the nine months ended September 30, 2011, which includes, as a comparative, the unaudited consolidated condensed interim financial information of INEOS Group Holdings plc for the nine months ended September 30, 2010.

The unaudited pro forma condensed consolidated income statement for the twelve months ended September 30, 2011, has been prepared by aggregating certain line items from the unaudited pro forma condensed consolidated income statement for INEOS Group Holdings plc for the year ended December 31, 2010, and such items from the unaudited pro forma condensed consolidated income statement for the nine months ended September 30, 2011, less such items from the unaudited pro forma condensed consolidated income statement for the nine months ended September 30, 2010.

The unaudited pro forma condensed consolidated financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act or the Prospectus Directive. The unaudited pro forma condensed consolidated financial information has been prepared in accordance with the basis of preparation described in “Unaudited Pro Forma Condensed Consolidated Financial Information—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information.” The pro forma disposal and financing adjustments described in notes 3 and 4 are based on available information and certain assumptions made by our management.

The unaudited pro forma condensed consolidated financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that INEOS Group Holdings S.A. would have reported had the Refining Divestiture and the Offering been completed as of January 1, 2010, and should not be taken as indicative of INEOS Group Holdings S.A.’s future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the unaudited pro forma condensed consolidated financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the unaudited pro forma condensed consolidated financial information and actual amounts. While the pro forma condensed consolidated financial information has been derived from historical financial information prepared in accordance with IFRS, the pro forma condensed consolidated financial information contains financial measures other than those in accordance with IFRS and should not be considered in isolation from or as a substitute for our historical financial statements.

The summary unaudited pro forma condensed consolidated financial information should be read in conjunction with the information contained in “Use of Proceeds,” “Operating and Financial Review and Prospects,” “The Refining Divestiture,” the unaudited pro forma condensed consolidated financial information included elsewhere in this offering memorandum and the historical financial statements of the Group included elsewhere in this offering memorandum.

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

	Pro forma twelve months ended September 30, 2011 <sup>(1)</sup> (€in millions)
<b>Income Statement:</b>	
Revenue .....	17,587.5
Cost of sales .....	<u>(15,815.5)</u>
Gross profit .....	1,772.0
Distribution costs .....	<u>(244.0)</u>

Administrative expenses .....	(239.9)
Exceptional administrative expenses .....	(41.2)
Operating profit .....	1,246.9
Total share of (loss)/profit of associates and jointly controlled entities using the equity accounting method .....	30.1
Loss on disposal of businesses .....	(2.4)
Profit before net finance costs .....	1,274.6
Net finance costs .....	(729.3)
Profit before tax .....	545.3
Tax charge .....	(313.2)
Profit .....	232.1

**Statement of Financial Position:**<sup>(2)</sup>

Property, plant and equipment .....	3,432.1
Cash and cash equivalents .....	601.7
Working capital <sup>(3)</sup> .....	1,971.1
Total assets .....	9,520.3
Total equity .....	(117.1)
Total interest-bearing loans and borrowings .....	6,801.1
Total liabilities .....	9,637.4
Net debt <sup>(4)</sup> .....	6,199.4

**Other Financial Data:**

Pro forma EBITDA before exceptionals <sup>(5)</sup> .....	1,746.7
Depreciation, amortization and impairment .....	458.6
Net cash interest expense <sup>(6)</sup> .....	629.4
Pro forma net cash interest expense <sup>(7)</sup> .....	636.0
Capital expenditures <sup>(8)</sup> .....	265.3
Pro forma net debt <sup>(9)</sup> .....	6,288.0
Ratio of pro forma net debt to pro forma EBITDA before exceptionals <sup>(4)(5)</sup> .....	3.6x
Ratio of pro forma EBITDA before exceptionals to pro forma net cash interest expense <sup>(5)(7)</sup> .....	2.75x

- (1) The unaudited pro forma condensed consolidated financial information has been prepared in accordance with the basis of preparation described in "Unaudited Pro Forma Condensed Consolidated Financial Information—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information." The pro forma disposal and financing adjustments described in notes 3 and 4 are based on available information and certain assumptions made by our management.
- (2) Information not adjusted for the Offering.
- (3) Working capital represents net current assets (current assets less current liabilities).
- (4) Net debt represents total interest-bearing loans and borrowings before issue costs less cash and cash equivalents.
- (5) Pro forma EBITDA before exceptionals represents operating profit before depreciation, amortization, impairment and exceptional charges. In accordance with IFRS, we use both the FIFO and weighted average cost methods of accounting for purposes of determining our inventory cost in connection with the preparation of our audited annual consolidated financial information. Pro forma EBITDA before exceptionals is based on the FIFO and weighted average cost methods of accounting for inventory used in connection with the preparation of such financial information. Pro forma EBITDA before exceptionals is derived from income statement line items calculated in accordance with IFRS on a historical cost basis. Although our Pro forma EBITDA-based measures should not be considered a substitute measure for operating profit, profit, cash flows from operating activities or other measures of performance as defined by IFRS, we believe that they provide useful information regarding our ability to meet future debt service requirements. The Pro forma EBITDA measure presented may not be comparable to similarly titled measures used by other companies. See "Presentation of Financial and Non-GAAP Information."

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

	Pro forma twelve months ended September 30, 2011 (€in millions)
Operating profit .....	1,246.9
Depreciation, amortization and impairment .....	458.6
Exceptional charges excluding items relating to impairment and financing .....	41.2
Pro forma EBITDA before exceptionals .....	1,746.7

- (6) Net cash interest expense comprises interest income on bank balances, less interest payable on senior notes; interest payable on bank loans and overdrafts; interest payable on securitization and interest payable on finance leases (see note 9 to the audited consolidated financial statements for INEOS Group Holdings plc as of and for the year ended December 31, 2010, and note 4 to the unaudited condensed consolidated interim financial

information for INEOS Group Holdings S.A. as of and for the nine months ended September 30, 2011, each included elsewhere in this offering memorandum).

- (7) Pro forma net cash interest expense represents interest paid on pro forma debt balances.
- (8) Capital expenditures represents:
  - (i) 'acquisition of property, plant and equipment' as reported on the consolidated statement of cash flows for INEOS Group Holdings plc as of and for the year ended December 31, 2010, and
  - (ii) 'acquisition of property, plant and equipment' as reported on the consolidated statement of cash flows reduced by investing cash flows for the refining segment, presented in note 7.c) to the unaudited condensed consolidated interim financial information for INEOS Group Holdings SA as of and for the nine months ended September 30, 2011, each included elsewhere in this offering memorandum.
- (9) Pro forma net debt represents total interest-bearing loans and borrowings before issue costs less cash and cash equivalents as adjusted for the Offering.

## RISK FACTORS

### Risks Relating to Our Businesses and Industries

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

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

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

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

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

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

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

Our margins are largely a function of the relationship between the prices that we are able to charge for our products and the costs of the feedstocks we require to make these products. The prices for a large portion of our raw materials are cyclical. After falling from 1996 through 1999, prices for most raw materials increased throughout 2000, fell again during 2001 and then increased from 2002 through to mid 2008. Prices again fell significantly at the end of 2008, before gradually increasing during 2009 and 2010. Prices continued at these higher levels throughout 2011.

While we attempt to match raw material price increases with corresponding product price increases, our ability to pass on increases in the cost of raw materials to our customers is, to a large extent, dependent upon our contractual arrangements and market conditions. There may be periods of time during which we are not able to recover increases in the cost of raw materials due to our contractual arrangements or to weakness in demand for, or oversupply of, our products. Specifically, timing differences in pricing between raw material prices, which may change daily, and product

prices, which in many cases are negotiated only monthly or less often, sometimes with an additional lag in effective dates for increases, have had and may continue to have a negative effect on profitability. Even in periods during which raw material prices decline, we may suffer decreasing profits if raw material price reductions occur at a slower rate than decreases in the selling prices of our products. In addition, when raw material costs decrease, customers may seek relief in the form of lower sales prices. Furthermore, some of our customers take advantage of fluctuating prices by building inventories when they expect product prices to increase and reducing inventories when they expect product prices to decrease.

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

We obtain a significant portion of our raw materials from selected key suppliers. If any of these suppliers is unable to meet its obligations under present supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials and we may not be able to increase prices for our finished products. Therefore, volatility in raw material prices or interruptions in supply could place increased pressure on our margins and reduce our cash flow, which could impair our ability to make debt payments or make further investments in our business.

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

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

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

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

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

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

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

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

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

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

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

The markets for most of our products are highly competitive. We are exposed to the competitive characteristics of several different geographic markets and industries. Competition in most of our industries is based primarily on price and, to a lesser extent, on product performance, product quality, product deliverability and customer service. Our principal competitors vary from business to business and range from large global petrochemical companies to numerous smaller regional companies. Some of our competitors are larger and more vertically integrated than we are and therefore may be able to manufacture products more economically than we can. In addition, some of our competitors have greater financial, technical, research and technology and marketing resources than we do. Furthermore, some of our competitors are fully or partially state owned and could have broader goals than maximizing profits, such as investing in the economies of their respective countries and providing local employment and therefore may continue to provide capacity and products even at unprofitable price points creating downward pricing pressure on our products. As the markets for our products expand, we expect that existing competitors may commit more resources to the markets in which we operate, further enhancing competition. All of the above could hinder our ability to compete effectively in the markets in which we operate in the future and our competitive position and results of operations may suffer as a result. For example, in the petrochemical industry in Europe, where the majority of our petrochemical assets are concentrated, and, to a lesser extent, in North America, we face competitive pressures from companies with facilities in the Middle East, which enjoy substantial cost advantages due to access to low-cost gas feedstock available in this region. These cost advantages are particularly significant when oil prices are high, as has sometimes been the case in recent years. The competitive pressure we experience could be exacerbated if the Chinese economy fails to grow as expected, in which case more of the product manufactured in the Middle East to meet the growth expected in China could be redirected to Europe and North America, potentially resulting in greater supply to these markets and corresponding downward pricing pressure.

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

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

Our credit procedures and policies may not be adequate to minimize or mitigate customer credit risk. Our customers may experience financial difficulties, including bankruptcies, restructurings and liquidations. These and other

financial problems that may be experienced by our customers, as well as potential financial weakness in our industry, may increase our risk in extending trade credit to customers. A significant adverse change in a customer relationship or in a customer's financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's receivables or limit our ability to collect accounts receivable from that customer, all of which could have a material adverse effect on our business, results of operations, financial condition and liquidity.

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

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

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

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

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

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

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

BP accounts for a substantial proportion of our petrochemical feedstock requirements. While the substantial majority of these feedstocks are secured by long-term contracts (as generally described in the section entitled "Business—Agreements with BP"), BP may terminate each of these agreements for cause or, after the initial terms, notice of one to three years. If we lose BP as a supplier or if, as a result of operational problems at any of its facilities, BP is unable or unwilling to supply us with raw materials in the required quantities or at all, we could experience disruptions that could force us to shut down facilities. In addition, we could experience substantial delays in finding suitable replacement feedstocks on commercially viable terms. At sites that are deeply integrated with BP's facilities and therefore depend entirely on BP for the supply of raw materials, we may be unable to find a suitable alternative supplier. For example, our facilities in Carson, California and Texas City, Texas, depend on raw materials from the BP refineries located on the same sites and have no convenient access to alternative supply channels. If BP fails to supply us with raw materials at any of these sites, we may be forced to close the affected facilities, either temporarily or permanently. If any of these risks materialize, our business, results of operations and financial condition could be materially adversely affected.

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

Our results of operations are materially influenced by the degree to which we utilize our assets in order to achieve maximum production volumes. We cannot guarantee that we will be able to implement our strategy of maximizing utilization of assets in accordance with our plans or at all. For example, the number and length of turnarounds (scheduled outages of a unit in order to perform necessary inspections, tests to comply with industry



regulations and any maintenance activities that may be necessary) and unplanned outages have had, and may in the future have, an impact on our operating results, even if such outages are covered by insurance.

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

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

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

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

In the United States, we are required, as of January 2010, to monitor and report to the U.S. Environmental Protection Agency (“EPA”) annual GHG emissions from certain of our U.S. facilities. In addition, EPA is moving forward with efforts to regulate GHG emissions under the Clean Air Act (“CAA”) and other existing legislation as comprehensive climate change legislation has not yet been enacted by the U.S. Congress. EPA promulgated regulations which, as of January 2011, subject the GHG emissions of certain newly constructed or modified facilities to pre-construction and operating program requirements. Pursuant to these requirements, newly constructed or modified facilities with the potential to emit certain quantities of GHGs are required to implement “best available control technology,” which could include carbon efficiency standards, GHG emission concentration limits, specific technology requirements, or other measures. In addition, EPA is in the process of developing “new source performance standards” under section 111 of the CAA. A number of bills were introduced in the U.S. Congress in 2011 which, if enacted into law, would restrict EPA’s ability to regulate GHGs under the CAA. EPA’s continued implementation of GHG regulations is also clouded by numerous judicial challenges. In light of the legislative and judicial challenges to EPA action, and given that EPA is engaged in additional GHG rulemakings, significant uncertainty exists as to how GHG regulations will in the future impact large stationary sources, such as our facilities in the United States, and what costs or operational changes these regulations may require. We continue to monitor the situation closely.

At the international level, in December 2009, more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce GHG emissions. The international community is continuing to negotiate a binding treaty that would require reductions in GHG emissions by developed countries. Although we believe it is likely that GHG emissions will be regulated in the United States, and other countries (in addition to the EU) in the future, we cannot yet predict the form such regulation will take (such as a cap-and-trade program, technology mandate, emissions tax or other regulatory mechanism) or, consequently, to estimate any costs that we may be required to incur in respect of such requirements, for example, to install emissions control equipment, purchase emissions allowances, administer and manage our GHG emissions program, or address other regulatory obligations. Such requirements could also adversely affect our energy supply, or the costs (and types) of raw materials we use for fuel. Regulations controlling or limiting GHG emissions could have a material adverse impact on our business, financial condition or results of operations, including by reducing demand for our products.

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

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

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

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

Many of our sites have an extended history of industrial chemical processing, storage and related activities, and may currently be subject to engineering or institutional controls or restrictions or may become subject to such controls or restrictions in the future. We are currently, and from time to time have been or may be, required to investigate and remediate releases of hazardous materials or contamination at or migrating from certain of these sites, as well as properties we formerly owned, leased or operated. We are, and in the future may be, responsible for investigating and cleaning up contamination at off-site locations where we or our predecessors disposed of or arranged for the disposal or treatment of hazardous wastes. Under some environmental laws, including the U.S. Comprehensive Environmental Response, Compensation and Liability Act, commonly referred to as “Superfund,” liability can be imposed retroactively, without regard to fault or knowledge, and on a joint and several basis. In addition, we also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property or natural resource damages resulting from environmental contamination or hazardous exposure caused by our operations, facilities or products. The discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at our facilities, could result in substantial unanticipated costs. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impact on our business, financial condition or results of operations in any period in which such costs need to be incurred could be material. In addition, HSSE laws and regulations can impose various financial responsibility requirements on us, and pursuant to these requirements we may be required to post bonds, create trust funds or provide other assurances that we will be able to remediate contamination at our sites and comply with our decommissioning obligations once our facilities reach the end of their useful lives.

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

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

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

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

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

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

Due to the nature of our business, we are at risk of business interruption due to the actions of third parties. For example, many of our vendors and subcontractors have operations that are also subject to HSSE risks associated with the use of hazardous materials. Any future HSSE-related incidents affecting our vendors and subcontractors may result in significant regulatory actions, fines and other penalties, including restrictions, prohibitions or sanctions on their operations, and could impair their ability to perform their contracts with us or could otherwise subject us to liability, all of which could have a material adverse effect on our business, reputation, financial condition and results of operations. In addition, if any facilities experience damage due to any number of hazards caused by third parties, our reputation, business and results of operations may be adversely affected.

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

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

In addition, some of our products (including our raw materials) are subject to extensive environmental and industrial hygiene regulations governing the registration and safety analysis of their component substances. For example, in connection with the EU’s Registration, Evaluation and Authorization of Chemicals (“REACH”) Regulation or the new EU Classification, Labelling and Packaging (“CLP”) Regulation, any key raw material, chemical or substance, including

our products, could be classified as having a toxicological or health-related impact on the environment, users of our products, or our employees.

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

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

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

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

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

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

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

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

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

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

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

As of September 30, 2011, we employed over 7,500 people (measured as full-time equivalents (“FTEs”)) in our operations around the world, not including employees of our joint ventures. The majority of our employees are unionized. In addition, a majority of our employees reside in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the United States. These employment rights may require us to expend greater time and expenses in altering or amending employees’ terms of employment or making staff reductions. For example, most of our employees in Europe are represented by works councils which generally must approve changes in conditions of employment, including salaries and benefits. Further, a labor disturbance or work stoppage at any of our facilities as a result of any changes to our employment terms and conditions or for any other reason could have a material adverse effect on that facility’s operations and, potentially, on our business, results of operations and financial condition. For example, during 2008, employees at the Grangemouth refinery (which was part of the Group at the time, but is no longer part of the Group following the Refining Divestiture) went on a 48-hour strike over proposed changes to the pension plan which caused significant disruptions to our operations at the site and resulted in negative publicity for us. There can be no assurance that our employees will not go on similar or longer strikes in the future that could have a material adverse impact on our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

Under the credit support deed, IHL and BP agreed to provide reciprocal credit support for trade obligations under any agreement between such parties or their affiliates. Further, each of BP and IHL has agreed to guarantee the payment obligations (with gross-ups for any required withholding or deduction) of BP or IHL (and their respective affiliates), as the case may be, under any trading agreement between such parties. In addition, our obligations to BP are guaranteed by each of the guarantors under the Indenture, the Existing Indentures and the Senior Facilities Agreement. As of September 30, 2011, the aggregate principal amount of our net trade obligations to BP was \$229.8 million. This number could increase or decrease significantly because it will vary in accordance with the amount of feedstock purchased or sold between the parties.

To support its obligations under the various trading agreements, reorganization agreements and commercial interface agreements, each party has agreed to provide the other with letters of credit (including a credit support letter of credit to BP of \$90 million) and has agreed to pledge other collateral (consisting of cash and government obligations) in an amount equal to the aggregate amount owed to the other party under such agreements, less certain threshold amounts, which threshold amounts decrease over time and increase as our credit rating improves.

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

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

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

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

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

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

We have a history of making acquisitions and in the future we may acquire companies or assets engaged in similar or complementary businesses to our own if we identify appropriate acquisition targets. However, restrictions in the Indenture, the Existing Indentures and the Senior Facilities Agreement may limit or preclude our ability to make certain acquisitions or capital expenditures. Further, we may use debt financing for any permitted acquisitions, which would increase our debt service requirements. In order to manage any acquisitions we successfully complete, we will need to expand and continue to improve our operational, financial and management information systems. If making acquisitions or integrating any acquired business diverts too much management attention from the operations or our core businesses, this could adversely affect our financial condition and results of operations. Any acquisition that we make could be subject to a number of risks, including:

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

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

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

While we believe we have facilities in place that should allow us to borrow or otherwise raise funds as needed, adverse conditions in the credit and financial markets could prevent us from obtaining financing, if the need arises. We have a significant amount of debt obligations maturing prior to the maturity date of the notes. Our ability to invest in our businesses and refinance maturing debt obligations could require access to the credit and capital markets and sufficient

bank credit lines to support cash requirements. If we are unable to access the credit and capital markets, we could experience a material adverse effect on our financial position or results of operations.

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

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

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

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the "EFSF") and the European Financial Stability Mechanism (the "EFSM") to provide funding to eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism (the "ESM"), which will be activated by mutual agreement, to assume the role of the EFSF and the EFSM in providing external financial assistance to eurozone countries after June 2013. Despite these measures, concerns persist regarding the debt burden of certain eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, or, in particularly dire circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Euro Floating Rate Notes and could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated and, as we have a substantial amount of debt denominated in euro, our financial condition may be materially affected. Furthermore, the Existing Indentures, the Indenture and the Senior Facilities Agreement contain covenants restricting our and our subsidiaries' corporate activities. See "—Restrictive covenants in our debt instruments—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities." Certain of such covenants impose limitations based on euro amounts (e.g., the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

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

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

We are, and after the issuance of the notes will continue to be, highly leveraged. As of September 30, 2011, after giving pro forma effect to the issuance of the notes and application of the proceeds therefrom, we would have had total consolidated loans and borrowings of €6,830.7 million as compared to total equity of negative €17.1 million. In addition, we would have had €459.5 million available for future borrowings under the unused portion of our Securitization Program and €149.6 available for borrowings under the unused portion of our revolving credit facility. Our substantial indebtedness could have important consequences to holders of notes by adversely affecting our financial position including, but not limited to:

- requiring us to dedicate all of our cash flow from operations (after the payment of operating expenses) to payments with respect to our indebtedness, thereby reducing the availability of our cash flow for working



capital, capital expenditures, acquisitions, joint ventures, product research and development, and other general corporate expenditures;

- increasing our vulnerability to, and reducing our flexibility to respond to, adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, competition or changes in our business or industry;
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing;
- restricting us from making strategic acquisitions or exploring business opportunities; and
- placing us at a competitive disadvantage relative to competitors that have less debt or greater financial resources.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the notes. Our ability to make payments on and refinance our indebtedness will depend on our ability to generate cash from our operations. Our ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate enough cash flow from operations nor obtain enough capital to service our debt or fund our planned capital expenditures.

A portion of our debt (including the Euro Floating Rate Notes and debt under the Senior Facilities Agreement) bears interest at a variable rate which is based on EURIBOR or LIBOR, as applicable, plus an agreed margin and certain additional costs. Fluctuations in our borrowing costs may increase our overall debt obligations and could have a material adverse effect on our ability to service our debt obligations.

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

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

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

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

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

- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

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

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

Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Senior Facilities Agreement. This would permit the lending banks to take certain actions, including declaring all amounts that we have borrowed under the Senior Facilities Agreement to be due and payable, together with accrued and unpaid interest. A failure to pay such amounts would also result in an event of default under the Indenture and the Existing Indentures. If we are unable to repay our debt to the lending banks, they could proceed against the collateral that secures the debt under the Senior Facilities Agreement, the 2015 Notes, the 2016 Notes and the notes. If the debt under our Senior Facilities Agreement, the notes, the 2015 Notes, the 2016 Notes or any other material financing arrangement that we enter into were to be accelerated, our assets may be insufficient to repay in full the notes and our other debt.

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

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

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

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

Our ability to make principal or interest payments when due on our indebtedness, including the notes, the Senior Facilities Agreement, the 2015 Notes and the 2016 Notes, will depend upon our future performance and our ability to generate cash. Our ability to generate cash depends on many factors beyond our control. The ability of our subsidiaries to transfer monies upstream to us, as well as to pay operating expenses and to fund planned capital expenditures, any future acquisitions and research and development efforts, will depend on our businesses’ ability to generate cash in the future, as well as limitations that may be imposed under applicable law. This, to an extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, including those factors discussed in this “Risk Factors” section or elsewhere in this offering memorandum, many of which are beyond our and our subsidiaries’ control. Furthermore, while for the nine months ended September 30, 2011, we had a profit for the period of €15.1 million, for the years ended December 31, 2010, 2009 and 2008, we sustained losses for the year of €6.5 million, €15.1 million and €72.6 million, respectively. Please see “Selected Consolidated Financial Information” and “Operating and Financial Review and Prospects.” If we sustain losses in the future, our ability to repay and service our debt may be materially impaired.

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

Agreement, the Indenture and the Existing Indentures, will limit our ability to pursue any of these alternatives. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

***Decisions regarding Collateral—Holders of the notes will not control certain decisions regarding the Collateral.***

The notes are secured by the same Collateral securing the obligations under our Senior Facilities Agreement, the obligations under our 2015 Notes and, with respect to certain Collateral, the obligations under the 2016 Notes (which obligations rank junior to the notes, the obligations under the Senior Facilities Agreement and the 2015 Notes) and, with respect to the BP Receivables, the BP Creditor Liabilities. In addition, under the terms of the Indenture, we are permitted in the future to incur additional indebtedness and other obligations that may share in the liens on the Collateral securing the notes and the liens on the collateral securing our other secured debt.

The Intercreditor Deed provides that a common Security Trustee, who will serve as the Security Trustee for the secured parties under the Senior Facilities Agreement, the 2015 Notes Indenture and the Indenture will (subject to certain limited exceptions) act with respect to such collateral only at the direction of the majority (66 $\frac{2}{3}$ %) with respect to the then outstanding first-priority secured debt (which excludes creditors in respect of the BP Liabilities and under the Term D Facility and the 2016 Notes and, until the aggregate amount committed or funded under such first-priority secured debt (excluding the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) is less than 30% of the aggregate principal amount of all such committed or funded first-priority secured debt (including the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) for a period of at least 30 days, the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed). At any time following the date falling 30 days after the first-priority secured debt (other than debt under the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) falls below 30% of the aggregate amount of first-priority secured debt, creditors holding a simple majority of the aggregate amount of outstanding first-priority secured debt (including the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) will be able to instruct the security trustee to enforce the security. No noteholder will have any separate right to enforce or to require the enforcement of the Collateral. See “Description of Other Indebtedness—Intercreditor Deed.” As a result, the holders of the notes will not be able to force a sale of such Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents for so long as any amounts under other first-priority senior secured debt (other than the notes, any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) remain outstanding in an amount equal to or greater than 30% of the aggregate principal amount of total first-priority senior secured debt (including the notes, any additional notes, the 2015 Notes, any additional 2015 Notes, any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed and amounts outstanding under our Senior Facilities Agreement excluding the Term D Facility) (and for 30 days after such proportion falls below 30%). Upon the consummation of the Offering, we expect amounts under other first-priority senior secured debt (other than the notes and the 2015 Notes) to remain outstanding in an amount equal to or greater than 30% of the aggregate principal amount of total first-priority senior secured debt. The creditors under our Senior Facilities Agreement and the 2015 Notes Indenture may have interests that are different from the interests of holders of the notes and they may not elect to pursue their remedies under the security documents at a time when it would otherwise be advantageous for the holders of the notes to do so.

In addition, if the Security Trustee sells the shares of our subsidiaries that have been pledged as Collateral through an enforcement of their security interest in accordance with the Intercreditor Deed, claims under the guarantees of the notes by such subsidiaries and the liens over any other assets of such subsidiaries securing the notes and the guarantees may be released. See “Description of Other Indebtedness—Intercreditor Deed” and “Description of the Notes—Security.”

As a result, until 30 days have passed since the first-priority secured debt (other than debt under the notes and any additional notes, the 2015 Notes, any additional 2015 Notes and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) has fallen below 30% of the aggregate amount of first-priority secured debt, lenders under the Senior Facilities Agreement (other than lenders under the Term D Facility) will have effective control of all decisions with respect to the Collateral. It is possible that disputes may occur between the holders of the notes, the holders of 2015 Notes and the lenders under the Senior Facilities Agreement as to the appropriate manner of pursuing enforcement remedies with respect to the Collateral. In such an event, the holders of the notes will be bound by any decisions of the lenders under the Senior Facilities Agreement, which may result in enforcement actions against the Collateral that are not approved by the holders of the notes or that

may be adverse to you. The effective control of the lenders under the Senior Facilities Agreement may delay enforcement against the Collateral. See “Description of Other Indebtedness—Intercreditor Deed.”

Further, the security interests in the Collateral that will constitute security for the obligations of the Issuer under the notes and the Indenture will not be granted directly to the holders of the notes, but rather to the Security Trustee on behalf of the holders of the notes. The Indenture also operates so-called “Parallel Debt” obligations to satisfy a requirement under the laws of Belgium, Germany and France (and any other applicable jurisdictions with similar requirements) that the Security Trustee, as grantee of certain types of Collateral, be a creditor of the relevant security provider. The Parallel Debt is in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Indenture and the notes (the “Principal Obligations”). Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Although the Security Trustee will have, pursuant to the Parallel Debt, a claim against the Issuer and the Guarantors for the full principal amount of the notes, holders of the notes bear some risks associated with a possible insolvency or bankruptcy of the Security Trustee. In addition, there is no assurance that such a structure will be effective before courts in the governing law jurisdictions of the security documents as there is no judicial or other guidance as to its efficacy, and therefore the ability of the Security Trustee to enforce the Collateral may be restricted. See “Limitations on Validity and Enforceability of the Guarantees and the Security Interests.”

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

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

- in connection with any sale of the property or assets to a person that is not Parent, Lux I or a Restricted Subsidiary (as defined under “Description of the Notes—Certain Definitions”), if the sale or other disposition does not violate the requirements of the covenant set forth under “Description of the Notes—Certain Covenants—Limitation on Sales of Assets,” or is otherwise permitted in accordance with the Indenture;
- if such Collateral is an asset of a Guarantor (other than Parent) or any of its subsidiaries, in connection with any sale or other disposition of capital stock of that Guarantor to a person that is not Lux I or a Restricted Subsidiary that does not violate the requirements of the covenant set forth under “Description of the Notes—Certain Covenants—Limitation on Sales of Assets”;
- in the case of a Guarantor that is released from its guarantee pursuant to the terms of the Indenture, the security documents or the Intercreditor Deed or any additional intercreditor deed (which release shall be of the liens on the property and assets, and capital stock, of such Guarantor);
- if Lux I designates any Restricted Subsidiary to be an “Unrestricted Subsidiary” in accordance with the applicable provisions of the Indenture (which release shall be of the Liens on the property and assets, and capital stock, of such subsidiary);
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions “Description of the Notes—Defeasance or Covenant Defeasance of the Indenture” and “—Satisfaction and Discharge”;
- as described under “Description of the Notes—Modifications and Amendments”;
- in connection with an enforcement sale pursuant to or other sales contemplated and permitted by the Intercreditor Deed;
- with respect to liens on the Funding Loans, the Proceeds Loan and certain other proceeds loans, upon the payment in full or other discharge of the applicable proceeds loans;
- to release and/or re-take any lien on any Collateral to the extent otherwise permitted by the terms of the Indenture, the security documents governing the Collateral or the Intercreditor Deed or any additional intercreditor agreement; or
- in the case of any liens governed by French law and required under the Indenture to be granted by INEOS Polymers Sarralbe SAS and INEOS Chemicals Lavéra SAS, in effect on the Issue Date or that are required

to be created within 30 days following the Issue Date simultaneously with the release of the liens on such Collateral securing the 2015 Notes and the loans under the Senior Facilities Agreement, to the extent such release would not violate the provisions set forth in the first paragraph of the covenant contained under the caption “Description of the Notes—Certain Covenants—Limitation on Liens.”

Even though the holders of the notes share in the Collateral securing the notes ratably with the lenders under the Senior Facilities Agreement (excluding, by virtue of provisions under the Intercreditor Deed, the lenders in respect of the Term D Facility, as they are subordinated as “Second Secured Creditors” under the Intercreditor Deed) and the holders of the 2015 Notes, the lenders under the Senior Facilities Agreement (excluding, by virtue of provisions under the Intercreditor Deed, the lenders in respect of the Term D Facility) will initially control enforcement actions with respect to the Collateral through the Senior Security Agent, whether or not the holders of the notes agree or disagree with those actions. See “Description of the Notes—Security—Enforcement of Security.”

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

- with respect to a Guarantor that is a Restricted Subsidiary of Lux I (a “Subsidiary Guarantor”), in connection with any sale or other disposition (including any transfer to certain joint ventures) of all or substantially all of the assets of such subsidiary Guarantor (including by way of merger or consolidation) (including, for the avoidance of doubt, after giving effect to any substantially concurrent sales or other dispositions to the Parent, Lux I, a Guarantor or a Restricted Subsidiary) to a Person that is not (either before or after giving effect to such transaction) the Parent, Lux I, a Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under the heading “Description of the Notes—Certain Covenants—Limitation on Sale of Assets”;
- with respect to a Subsidiary Guarantor, in connection with any other sale or other disposition (including any transfer to certain joint ventures) of all or substantially all of the capital stock (or the shares of any holding company of such subsidiary Guarantor (other than Lux I or the Parent)) of such subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent, Lux I, a Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under the heading “Description of the Notes—Certain Covenants—Limitation on Sale of Assets”;
- with respect to a Subsidiary Guarantor, if the Parent designates any such Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- with respect to a Subsidiary Guarantor, upon covenant defeasance as provided below under the caption “Description of the Notes—Defeasance or Covenant Defeasance of the Indenture”;
- upon legal defeasance or satisfaction and discharge of the Indenture as provided below under the captions “Description of the Notes—Defeasance or Covenant Defeasance of the Indenture” and “—Satisfaction and Discharge”;
- so long as no event of default has occurred and is continuing under the Indenture and such Subsidiary Guarantor is unconditionally released and discharged from its liability with respect to Indebtedness in connection with which such guarantee was executed pursuant to the covenant described under the caption “Description of the Notes—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries”;
- as described under “Description of the Notes—Consolidation, Merger, Sale of Assets” and “—Modifications and Amendments”;
- with respect to a Subsidiary Guarantor that is an Immaterial Subsidiary (as defined under “Description of the Notes—Certain Definitions”), so long as no event of default has occurred and is continuing under the Indenture, to the extent that such Subsidiary Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Facilities Agreement and the 2015 Notes and (ii) does not guarantee any other credit facility or public debt; and
- with respect to the Guarantees granted by INEOS Polymers Sarralbe SAS and INEOS Chemicals Lavéra SAS, upon the release of the guarantees by such Restricted Subsidiaries of the 2015 Notes, the 2016 Notes and the loans under the Senior Facilities Agreement; provided that at the time of such release no other indebtedness of Lux I or any Restricted Subsidiary has been secured or guaranteed by such entities or such guarantees or security are also released.

In addition, certain guarantees of the notes will be subject to release upon enforcement sale as contemplated under the Intercreditor Deed. Unless consented to, the Intercreditor Deed provides that the Security Trustee shall not, in an enforcement scenario, exercise its rights to release the guarantees or security interests in the Collateral unless the relevant sale or disposal is made:

- for consideration all or substantially all of which is in the form of cash or cash equivalents;
- to the extent there is a release of guarantees or security granted for the benefit of the holders of the 2016 Notes, concurrently with the discharge or release of the indebtedness of the disposed entities to certain other creditors, including the creditors under the Senior Facilities Agreement and holders of the 2015 Notes or the notes; and
- pursuant to a public auction or a fair value opinion obtained from an internationally recognized investment bank or accounting firm selected by the Security Trustee.

See “Description of Other Indebtedness—Intercreditor Deed.”

***Finance Subsidiary Issuer—The Issuer is a finance company with no independent operations and will depend on payments under the Proceeds Loan to provide it with funds to meet its obligations under the notes.***

The Issuer is a wholly owned finance company that conducts no business operations. It has limited assets, no subsidiaries and a limited ability to generate revenues. The only significant assets of the Issuer are the Proceeds Loan made by it to IHL and the 2015 Funding Loan. The Issuer’s material liabilities include the notes, the 2015 Notes, the guarantee of obligations under the Senior Facilities Agreement, the BP Creditor Liabilities and the 2016 Notes and any additional debt it may incur in the future. See “Description of the Notes” and “Description of Other Indebtedness.” As such, the Issuer will be dependent upon payments from IHL to make any payments due on the notes. If IHL fails to make scheduled payments on the 2015 Funding Loan or the Proceeds Loan, it is not expected that the Issuer will have any other sources of funds that would allow it to make payments on its indebtedness. In addition, IHL is a holding company that conducts no independent business operations.

The ability of our subsidiaries to make payments to IHL to fund payments on the 2015 Funding Loan and the Proceeds Loan will depend upon their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these “Risk Factors” and elsewhere in this offering memorandum.

The payment of dividends and the making, or repayment, of loans and advances to IHL by IHL’s direct subsidiaries and such payments by its indirect subsidiaries to their respective parent entity are subject to various restrictions. Existing and future debt of certain of these subsidiaries may prohibit the payment of dividends or the making, or repayment, of loans or advances to IHL or its parent entities. The terms of the Intercreditor Deed also restrict certain intra-group payments (other than payments under the 2015 Funding Loan or the Proceeds Loan). In addition, the ability of any of IHL’s direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws and other legal restrictions which, if violated, might require the recipient to refund unlawful payments.

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

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

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

Our operating subsidiaries are separate and distinct legal entities and those of our subsidiaries that do not guarantee the notes have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes or to make any funds available therefor, whether by dividends, loans, distributions or other payments, and do not guarantee the payment of interest on, or principal of, the notes. Generally, claims of creditors of a non-guarantor subsidiary, including

trade creditors, and claims of any preferred stockholders of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims against IHL by the Issuer under the Proceeds Loan and by noteholders under the guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, the creditors of the Guarantors (including the holders of the notes) will have no right to proceed against such subsidiary's assets and holders of their indebtedness and their trade creditors will generally be entitled to payment in full of their claims from the assets of those subsidiaries before any Guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary. As such, the notes, each guarantee and the Proceeds Loan will each be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries.

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

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

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

Moreover, in certain jurisdictions, it is unclear whether all security interests in the Collateral give the Security Trustee a right to prevent other creditors from foreclosing on and realizing the Collateral or whether certain security interests only give the Security Trustee and the noteholders priority (according to their rank) in the distribution of any proceeds of such realization. Accordingly, the Security Trustee and the noteholders may not be able to avoid foreclosure by other creditors (including unsecured creditors) on the Collateral.

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

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

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

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

The notes and the guarantees are secured by security interests in the Collateral described in this offering memorandum, which Collateral also secures the obligations under the Senior Facilities Agreement, the 2015 Notes and, with respect to certain Collateral, the 2016 Notes (on a second-ranking basis with respect to the Existing High Yield Notes Shared Collateral (as defined in the "Description of the Notes")) and the BP Creditor Liabilities (on a prior-ranking basis with respect to the BP Receivables). The Collateral may also secure additional debt to the extent permitted by the terms of the Indenture, the Senior Facilities Agreement, the Existing Indentures and the Intercreditor Deed. Your rights to

the Collateral would be diluted by any increase in the first-priority debt secured by the Collateral or a reduction of the Collateral securing the notes.

The value of the Collateral and the amount to be received upon a sale of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The Collateral is located in a number of countries, and the multijurisdictional nature of any foreclosure on the Collateral may limit the realizable value of the Collateral. The Collateral will be released in connection with an enforcement sale pursuant to the Intercreditor Deed and lenders under the Senior Facilities Agreement will, on the Issue Date, so long as certain circumstances continue (as described in the risk factor entitled “Decisions regarding Collateral—Holders of the notes will not control certain decisions regarding the Collateral”), have effective control of all decisions with respect to the Collateral.

***Prior ranking security interests—The BP Creditors and any other creditors with prior ranking liens will have prior access to proceeds of certain Collateral and your rights to enforce your security over the Collateral are limited.***

To the extent that the BP Creditors and holders of other secured debt or third parties enjoy liens (including statutory liens) or other prior ranking security interests, whether or not permitted by the Indenture, such holders or third parties may have rights and remedies with respect to certain Collateral securing the notes and the guarantees that, if exercised, could reduce the proceeds available to satisfy the obligations under the notes and the guarantees. In addition, certain security interests under German and French law were, as a matter of local law, granted as junior ranking security interests in relation to the security granted in respect of the Senior Secured Credit Facilities and the 2015 Notes. Therefore, you may not be able to recover on such security interests or, in respect of security interests under German law, accessory security interests, because the beneficiaries of the senior ranking security interests will have a prior claim to all proceeds from the enforcement of the same, although the Intercreditor Deed provides for certain *pari passu* rules of allocation agreed as between the parties to it. See the specific local law security interests described under “Description of the Collateral and the Guarantees—Summary of the Collateral and the Guarantees for the Notes,” “Limitations on Validity and Enforceability of Guarantees and the Security Interests” and “Description of other Indebtedness—Intercreditor Deed.”

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

If there is an event of default on the notes, the holders of the notes will be secured only to the extent of the value of the assets that have been granted as security for the notes. Not all of the INEOS Group’s assets will secure the notes. In addition, in the future, the obligations to provide additional guarantees and grant additional security over assets, whether as a result of the acquisition or creation of future assets or subsidiaries or otherwise, is subject to agreed security principles under the Indenture and, in certain circumstances, indirectly through the Senior Facilities Agreement, subject to certain other agreed security principles. To the extent that lenders under the Senior Facilities Agreement are granted security, the negative pledge in the Indenture may require such security to also be granted for the benefit of holders of the notes. The agreed security principles set forth in the Senior Facilities Agreement contain a number of limitations on the rights of the lenders to be granted security in certain circumstances. The operation of the agreed security principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted or perfected over a particular type or class of assets. Accordingly, the agreed security principles may affect the value of the security provided by the Issuer and the Guarantors.

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

***Enforcement of French share pledges—Under the security interests governed by French law, you may be required to pay a “soulte” in the event you decide to enforce the pledges of the shares by judicial or contractual foreclosure of the Collateral consisting of shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie rather than by a sale of such Collateral in a public auction.***

The pledges over shares of French companies may be enforced at the option of the secured creditor either by a sale of the pledged shares in a public auction (the proceeds of the sale being paid to the secured creditors), by judicial foreclosure (*attribution judiciaire*) or by contractual foreclosure (*attribution conventionnelle*) of the shares to the secured



creditor, following which the secured creditor is the legal owner of the pledged shares. In a proceeding for judicial or contractual foreclosure, an expert is appointed to value the collateral (in this case, the pledged shares) and if the value of the collateral exceeds the amount of secured debt, the secured creditors may be required to pay the obligor a *soulte* equal to the difference between the value of the shares and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the Collateral.

Consequently, in the event (i) the lenders under the Senior Secured Credit Facilities, holders of the 2015 Notes or the holders of the notes decide to, and are entitled to, enforce the share pledges of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie through a judicial or contractual foreclosure and (ii) the value of such shares exceeds the amount of the secured debt, such lenders under the Senior Secured Credit Facilities and such holders of the notes and the 2015 Notes may be required to pay to the pledgor a *soulte* equal to the amount by which the value of such shares exceeds the amount of secured debt.

If the value of such shares is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such shares, and the remaining amount owed to such creditors will be unsecured.

Should the lenders under the Senior Secured Credit Facilities, holders of the 2015 Notes or the holders of the notes decline to request the judicial or contractual foreclosure of the shares, a realization of the pledged shares could be undertaken by public auction in accordance with applicable law. As such public auction procedures are not designed for a sale of a business as a going concern, however, it is possible that the sale price received in any such auction might not reflect the value of any such company as a going concern.

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

The Collateral securing the notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the notes from time to time, whether on or after the date the notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the notes as well as the ability of the Security Trustee to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

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

In addition, our business requires a variety of national, state and local permits and licenses. The continued operation of properties that comprise part of the Collateral and which depend on the maintenance of such permits and licenses may be prohibited. Our business is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or changes in applicable regulations or requirements. In the event of foreclosure, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the Collateral may be significantly decreased.

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

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

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

***Sufficiency of liens—We may not have all U.S. mortgage documents delivered at the Issue Date.***

In order to ensure that each of the U.S. mortgage liens secures the obligations under the notes as well as the Senior Facilities Agreement and the 2015 Notes, one or more of the mortgages already existing on the Issue Date may need to be amended. There can be no assurance as of the Issue Date that, among other things, (i) the U.S. mortgages definitively secure the obligations under the notes, (ii) the U.S. real property encumbered by each mortgage includes all of the relevant U.S. property that it was intended to include, (iii) we own the rights to the owned properties that we purport to own in each mortgage and that our title to such owned U.S. real property is not encumbered by liens not permitted by the Indenture and (iv) no encroachments, adverse possession claims, or other restrictions exist with respect to such owned U.S. real properties which could result in a material adverse effect on the value or utility of such owned U.S. real properties.

***Value of Collateral—The Collateral is subject to casualty risks.***

We intend to continue to maintain insurance or otherwise insure against hazards in the manner described in this offering memorandum. There are, however, certain losses that may be either uninsurable or not economically insurable, in whole or in part. Insurance proceeds may not compensate us fully for our losses. If there is a complete or partial loss of any of the Collateral, the insurance proceeds may not be sufficient to satisfy all of the secured obligations, including the notes and the guarantees. In addition, even if there is sufficient insurance coverage, if there is a total or partial loss of certain Collateral, there may be significant delays in obtaining replacement Collateral.

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

The grant of Collateral in favor of the Security Trustee may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified “clawback” period following the grant.

For example, certain Collateral was secured after the Issue Date. If the grantor of such security interest were to become subject to a bankruptcy or winding up proceeding after the Issue Date, any mortgage or security interest in Collateral delivered after the Issue Date would face a greater risk than security interests in place on the Issue Date of being avoided by the grantor or by its trustee, receiver, liquidator, administrator or similar authority, or otherwise set aside by a court, as a preference under insolvency law. To the extent that the grant of any security interest is voided, holders of the notes would lose the benefit of the security interest.

See “Limitations on Validity and Enforceability of the Guarantees and the Security Interests.”

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

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

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

Under the terms of the Indenture and the Existing Indentures, we will be required to offer to repurchase the notes, the 2015 Notes or the 2016 Notes, as applicable, if certain events constituting a change of control occur. Our obligations under the Senior Facilities Agreement could also be accelerated upon the occurrence of a change of control under the Indenture, the 2015 Notes Indenture or the 2016 Notes Indenture or other change of control events. It is possible that we may not have sufficient funds at the time of a change of control to repurchase the notes, the 2015 Notes or the 2016 Notes or refinance the Senior Facilities Agreement. We expect that we would require third party financing to make an offer to purchase the notes, the 2015 Notes and the 2016 Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Our failure to repurchase the notes, the 2015 Notes and the 2016 Notes would be an event of default under the Indenture and the Existing Indentures, respectively, and would cause a cross-default under the Senior Facilities Agreement. You should read the section titled “Description of the Notes—Purchase of the Notes upon a Change of Control” for further information regarding the change of control provisions.

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

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

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

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

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

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

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

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

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

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

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

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

Further, certain security documents governing security interests granted by the Guarantors will provide that the amounts guaranteed by such security interests will be limited to the extent of the amount guaranteed by such Guarantor. Therefore, limitations in the guarantees will also serve to limit the amounts guaranteed by the pledges of Collateral. In certain cases, the limitations may be such that no amount is covered by the guarantee. For instance, as described in “Limitations on Validity and Enforceability of the Guarantees and the Security Interests—France,” the guarantees provided by INEOS Polymers Sarrealbe and INEOS Chemicals Lavéra will provide that they are limited to the amount of the proceeds of the notes on-lent to such entities or any of their subsidiaries. As no proceeds were on-lent to INEOS Polymers Sarrealbe (which represented 0.8% of the Parent’s pro forma consolidated EBITDA for the twelve months ended September 30, 2011, after giving effect to the Refining Divestiture and the Offering, and held 0.2% of the Parent’s consolidated total assets as of September 30, 2011) or INEOS Chemicals Lavéra (which represented 0.5% of the Parent’s pro forma consolidated EBITDA for the twelve months ended September 30, 2011, after giving effect to the Refining Divestiture and the Offering, and held 2.0% of the Parent’s consolidated total assets as of September 30, 2011) or any of their subsidiaries, the guarantees and security interests granted by such entities are of no value.

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

We and certain of the Guarantors are incorporated under the laws of England and Wales. Therefore, any insolvency proceedings by or against us or such Guarantors would likely be based on English insolvency laws. The other Guarantors and the Scottish Security Grantors are incorporated or organized in Belgium, Canada, France, Germany, Ireland, Jersey, Luxembourg, Malta, Norway, Singapore, Switzerland and the United States.

See “Limitation on Validity and Enforceability of the Guarantees and the Security Interests” for a description of the insolvency laws in England and Wales, Belgium, Canada, France, Germany, Ireland, Jersey, Luxembourg, Malta, Norway, Scotland, Singapore, Switzerland and the United States, which could limit the enforceability of the guarantees and the security interests.

In the event that any one or more of the Issuer, the Guarantors, any future Guarantors, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Guarantees

and security provided by entities organized in jurisdictions not discussed in this offering memorandum are also subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of the guarantees or security after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity's jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the guarantees or the security in these jurisdictions and limit any amounts that you may receive.

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

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

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

The audit report of PricewaterhouseCoopers LLP for the year ended December 31, 2010, which is included in this offering memorandum, includes a statement to the effect that PricewaterhouseCoopers LLP does not assume responsibility to anyone other than the members of INEOS Group Holdings plc for its audit report or the opinions it has formed and the accountants report of PricewaterhouseCoopers LLP for the years ended December 31, 2009, 2008 and 2007, which is included in this offering memorandum, includes a statement to the effect that PricewaterhouseCoopers LLP does not assume responsibility to anyone other than the directors of INEOS Group Holdings plc and to investors and the initial purchasers in the offering of the 2015 Notes to its accountants report.

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

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

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

- the liquidity of any market in the notes;
- your ability to sell your notes; or
- the prices at which you would be able to sell your notes.

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

Historically, the markets for non-investment grade debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. Future trading prices for the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The

market, if any, for the notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the notes. If no active trading market develops, you may not be able to resell your holding of the notes at a fair value, if at all.

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

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

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

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

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

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

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

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

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

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

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

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

## THE REFINING DIVESTITURE

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

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

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

As a result of the Refining Divestiture and related transactions, on July 1, 2011, we received cash proceeds (after expenses) equal to €674.2 million and 400 shares in INEOS Investments, subscribed for at an aggregate subscription price of \$1.015 billion. For more information, please see Note 7 “Discontinued Operations” to the unaudited condensed interim financial information of INEOS Group Holdings S.A. included elsewhere in this offering memorandum. Subsequently, in October 2011, we paid our counterparty to the Refining Divestiture an amount equal to €16.2 million out of cash on hand as part of the agreed completion adjustment mechanics. For so long as any of the 2015 Notes and the 2016 Notes are outstanding or amounts remain outstanding under the Senior Facilities Agreement, the ordinary shares will have the right to receive an amount equal to all amounts received by INEOS Investments (net of a good faith estimate of its audit, company secretarial and other administrative expenses, as determined by the directors of INEOS Investments) in respect of its investments, including its equity interest in the Refining and Entrepreneurial JVs and the Infrastructure Entity, and INEOS Investments shall be obliged to distribute to the INEOS Group, subject to applicable legal requirements, in the form of dividends or as a return of capital, all amounts received by it in respect of such investments, less such audit, company secretarial and other administrative expenses. For so long as any of the 2015 Notes and 2016 Notes are outstanding, or there are amounts owed to lenders under the Senior Facilities Agreement, a holder of the ordinary shares will be entitled to receive all returns of capital made by INEOS Investments, including upon a merger, sale or similar transaction involving, or a winding-up or liquidation of, INEOS Investments. While we do not have voting control of INEOS Investments, the INEOS Group does retain the majority of the current economic benefits of the entity as we are entitled to receive the foregoing amounts through the ordinary shares we hold. By virtue of the Group’s retained economic interest in INEOS Investments, the INEOS Group consolidates INEOS Investments as a subsidiary in its consolidated financial statements. The investments in the Refining Business held by INEOS Investments are therefore accounted for as investments in joint ventures in the consolidated financial statements of the INEOS Group. Once the 2015 Notes and the 2016 Notes have been redeemed or repaid and there are no amounts owing to the lenders under the Senior Facilities Agreement, on a return of capital or on a winding up of INEOS Investments (or otherwise), the holders of the ordinary shares shall be entitled to, in priority to any payment to holders of any other class of shares, \$1.015 billion of the total capital returned to the voting shareholders. The ordinary shares are unsecured equity interests. Subject to applicable law, the ordinary shares do not carry voting rights other than class voting rights in relation to changes in the Articles of Association of INEOS Investments that would affect the rights of the ordinary shares, including the issuance of shares ranking *pari passu* or prior to the ordinary shares, or in relation to any proposal to wind-up INEOS Investments. Except with respect to the limited class voting rights of the ordinary shares, the voting shares of the principal shareholders of the Issuer have 100% of the voting rights of INEOS Investments.



On July 29, 2011, we used the net cash proceeds from the Refining Divestiture along with cash on hand to permanently repay €46.1 million of term loans and the associated €0.7 million of PIK interest under the Senior Facilities Agreement. In connection with the Refining Divestiture, on July 1, 2011, the INEOS Group also repaid the 2005 Senior Secured Credit Facilities with cash on hand.

## USE OF PROCEEDS

The gross proceeds from the sale of the notes were €1,232.6 million (in a combination of euro and U.S. dollars). The net proceeds are expected to be €1,203.0 million. These proceeds were used to make the Proceeds Loan to IHL. In turn, IHL intends to use the proceeds from the Proceeds Loan to prepay or procure the prepayment of (including by on-lending a portion of the proceeds to INEOS US Finance LLC for such purposes) all indebtedness outstanding under the Term B Facility, certain indebtedness outstanding under the Term C Facility and to pay or discharge (whether directly or by authorizing a deduction or otherwise) certain fees, costs and expenses relating to the Offering. The proceeds of the notes (less fees, costs and expenses relating to the Offering) were paid into a mandatory prepayment account on the Issue Date in accordance with the terms of the Senior Facilities Agreement. Such proceeds were then applied in permanent repayment of all indebtedness outstanding under the Term B Facility and certain indebtedness outstanding under the Term C Facility.

Certain of the initial purchasers or their affiliates are lenders under the Term B Facility and the Term C Facility and will be repaid with the proceeds of the issuance of notes. See “Plan of Distribution.”

### Sources and Uses

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

Sources of Funds	(€in millions) <sup>(1)</sup>	Uses of Funds	(€in millions) <sup>(1)</sup>
Notes offered hereby <sup>(2)</sup> .....	1,232.6	Prepayment of Term B Facility <sup>(3)</sup> .....	1,055.6
Cash and cash equivalents .....	59.0	Prepayment of Term C Facility <sup>(3)</sup> .....	147.4
		Payment of PIK Interest accrual <sup>(4)</sup> .....	59.0
		Estimated transaction fees and expenses .....	29.6
Total sources .....	1,291.6	Total uses .....	1,291.6

(1) Unless otherwise indicated, euro equivalents of U.S. dollar amounts are translated at an exchange rate of \$1.365=€1.00, which is the exchange rate used for our balance sheet as of September 30, 2011. The exchange rate of the euro on March 15, 2012, was U.S.\$1.3238=€1.00.

(2) Represents €500 million plus the euro equivalent of \$1,000 million translated at an exchange rate of \$1.365=€1.00.

(3) Certain of the initial purchasers or their affiliates are lenders under the Term B Facility and the Term C Facility and will be repaid with the proceeds of the issuance of notes. See “Plan of Distribution.”

(4) The accrued PIK Interest on the portion of the Term B Facility and the Term C Facility being repaid.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of September 30, 2011, and on an adjusted basis after giving pro forma effect to the issuance of the notes and the application of the net proceeds therefrom, as if they occurred on September 30, 2011. This table should be read in conjunction with “Use of Proceeds,” “Operating and Financial Review and Prospects,” “Description of Other Indebtedness” and our consolidated financial information and related notes thereto included elsewhere in this offering memorandum.

Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, fluctuations in cash on hand between September 30, 2011, and the Issue Date and fluctuations in applicable exchange rates. No material changes to our capitalization, except as disclosed in this offering memorandum, were made between September 30, 2011, and the Issue Date.

	At September 30, 2011	
	Actual <sup>(1)</sup>	As Adjusted <sup>(1)</sup>
	(€in millions)(unaudited)	
<b>Cash and cash equivalents</b> .....	601.7	542.7
<b>Loans and borrowings</b>		
Senior Secured Credit Facilities:		
Term B Facility .....	1,055.6	—
Term C Facility .....	1,154.1	1,006.7
Revolving Credit Facility .....	443.6	443.6
Term D Facility .....	650.0	650.0
2015 Notes .....	717.6	717.6
2016 Notes .....	2,028.5	2,028.5
Notes offered hereby <sup>(2)</sup> .....	—	1,232.6
Securitization Program .....	740.5	740.5
Other <sup>(3)</sup> .....	11.2	11.2
<b>Total loans and borrowings</b> .....	6,801.1	6,830.7
<b>Total equity</b> .....	(117.1)	(117.1)
<b>Total capitalization</b> .....	6,684.0	6,713.6

(1) Unless otherwise indicated, euro equivalents of U.S. dollar amounts are translated at an exchange rate of \$1.365 = €1.00, which is the exchange rate used for our balance sheet as of September 30, 2011. This exchange rate differs from the Bloomberg Composite Rate as of September 30, 2011, which was \$1.339=€1.00. The Bloomberg Composite Rate on March 15, 2012, was \$1.3238 = €1.00.

(2) Reflects the issuance of €500 million of Euro Floating Rate Notes and \$1,000 million of Dollar Fixed Rate Notes in the Offering. The principal amount of the \$1,000 Dollar Fixed Rate Notes has been translated at an exchange rate of \$1.365 = €1.00. This exchange rate may differ from the exchange rate in effect as of the date the Dollar Notes were issued.

(3) Reflects finance lease liabilities and other loans.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present the summary consolidated financial information of INEOS Group Holdings plc as of and for the three years ended December 31, 2010, 2009 and 2008. The following financial data are qualified in their entirety by reference to, and should be read in conjunction with, our consolidated financial information and notes thereto included elsewhere in this offering memorandum. The following financial data as of and for each of the three years ended December 31, 2010, 2009 and 2008 have been derived from the audited consolidated financial information and notes thereto of INEOS Group Holdings plc, included elsewhere in this offering memorandum. Such information was prepared in accordance with IFRS and was audited by PricewaterhouseCoopers LLP, independent accountants.

The following tables present the summary unaudited condensed interim financial information of INEOS Group Holdings S.A. as of and for the nine-month period ended September 30, 2011, and of INEOS Group Holdings plc as of and for the nine month period ended September 30, 2010, which is derived from the unaudited condensed consolidated interim financial information and notes thereto of INEOS Group Holdings S.A., included elsewhere in this offering memorandum. The following financial data are qualified in their entirety by reference to, and should be read in conjunction with, our unaudited condensed consolidated interim financial information and notes thereto, included elsewhere in this offering memorandum. Such information was prepared in accordance with IFRS.

The financial data for the years ended December 31, 2008, 2009 and 2010 include the results of operations of our Refining Business, which was disposed of in connection with the Refining Divestiture on July 1, 2011, and will not be included in our financial information going forward. The financial data for each of the nine-month periods ended September 30, 2010 and 2011 treat the results of operations of our Refining Business as a discontinued operation. In such presentation, certain line items in the income statement, balance sheet and statement of cash flows were reclassified in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” For further details, please see note 1 to the tables in this “Selected Consolidated Financial Information” and note 7 to the unaudited condensed interim financial information, included elsewhere in this offering memorandum.

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

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	
	2008	2009	2010	2010	2011
	(€in millions)				
<b>Income Statement:</b>					
Revenue .....	29,073.3	18,077.3	22,912.7	12,107.8	13,687.5
Cost of sales .....	(28,271.1)	(16,707.9)	(21,327.1)	(10,628.7)	(12,093.1)
Gross profit.....	802.2	1,369.4	1,585.6	1,479.1	1,594.4
Distribution costs .....	(543.7)	(425.5)	(267.1)	(197.3)	(183.9)
Administrative expenses .....	(455.6)	(403.4)	(279.7)	(200.6)	(235.1)
Operating profit/(loss).....	(197.1)	540.5	1,038.8	1,081.2	1,175.4
Total share of (loss)/profit of associates and jointly controlled entities using the equity accounting method.....	(57.8)	23.7	12.9	4.9	(12.3)
(Loss)/profit on disposal of businesses .....	143.0	(276.5)	(74.7)	(59.1)	13.2
Profit/(loss) before net finance costs .....	(111.9)	287.7	977.0	1,027.0	1,176.3
Net finance costs .....	(772.3)	(888.9)	(820.4)	(564.9)	(468.6)
Profit/(loss) before tax .....	(884.2)	(601.2)	156.6	462.1	707.7
Tax (charge)/credit .....	311.6	(13.9)	(213.1)	(184.9)	(257.0)
Profit/(loss) from discontinued operations <sup>(1)</sup> .....	—	—	—	(95.9)	64.4
Profit/(loss) for the period.....	(572.6)	(615.1)	(56.5)	181.3	515.1
<b>Statement of Cash Flows:</b>					
Cash flows from/(used in):					
Operating activities.....	1,245.4	1,226.5	1,032.1	490.0	664.6
Investing activities .....	(529.1)	(261.9)	83.2	194.7	454.3
Financing activities.....	(1,012.1)	(944.4)	(1,185.4)	(814.2)	(1,107.2)
<b>Statement of Financial Position:</b>					
Property, plant and equipment .....	5,440.6	5,093.2	4,402.3	—	3,432.1
Cash and cash equivalents.....	651.8	662.1	599.2	—	601.7
Working capital <sup>(2)</sup> .....	1,267.6	479.5	1,243.0	—	1,971.1
Total assets .....	11,777.9	11,119.8	11,558.5	—	9,520.3
Total equity .....	71.8	(557.2)	(436.7)	—	(117.1)

Total interest-bearing loans and borrowings .....	7,949.4	7,749.3	7,342.8	—	6,722.0
Total liabilities.....	11,706.1	11,677.0	11,995.2	—	9,637.4
Net debt <sup>(3)</sup> .....	7,487.8	7,126.7	6,851.4	—	6,199.4
<b>Other Financial Data:</b>					
EBITDA before exceptionals <sup>(4)</sup> .....	578.3	1,222.2	1,644.1	1,425.7	1,524.0
Depreciation, amortization and impairment .....	777.0	616.1	580.3	341.3	315.4
Capital expenditures <sup>(5)</sup> .....	624.0	264.0	344.3	226.3	235.7

- (1) The financial data for each of the nine-month periods ended September 30, 2010 and 2011 treat certain items as discontinued operations. This presentation is not consistent with the information presented as of and for the years ended December 31, 2010, 2009 and 2008.
- (2) Working capital represents net current assets (current assets less current liabilities).
- (3) Net debt represents gross loans and borrowings before issue costs less cash and cash equivalents.
- (4) EBITDA before exceptionals represents operating profit before depreciation, amortization, impairment and exceptional charges. In accordance with IFRS, we use both the FIFO and weighted average cost methods of accounting for purposes of determining our inventory cost in connection with the preparation of our audited annual consolidated financial information. EBITDA before exceptionals is based on the FIFO and weighted average cost methods of accounting for inventory used in connection with the preparation of such financial information. EBITDA before exceptionals is derived from income statement line items calculated in accordance with IFRS on a historical cost basis. Although our EBITDA-based measures should not be considered a substitute measure for operating profit, profit, cash flows from operating activities or other measures of performance as defined by IFRS, we believe that they provide useful information regarding our ability to meet future debt service requirements. The EBITDA measure presented may not be comparable to similarly titled measures used by other companies. See "Presentation of Financial and Non-GAAP Information."

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

	Year ended December 31,			Nine months ended September 30,	
	2008	2009	2010	2010	2011
	(€in millions)			(€in millions)	
Operating profit/(loss) .....	(197.1)	540.5	1,038.8	1,081.2	1,175.4
Depreciation, amortization and impairment .....	777.0	616.1	580.3	341.3	315.4
Exceptional charges excluding items relating to impairment and financing.....	56.2	41.9	12.1	3.2	33.2
Share of profit/(loss) of associates and jointly controlled entities.....	(57.8)	23.7	12.9	—	—
EBITDA before exceptionals .....	578.3	1,222.2	1,644.1	1,425.7	1,524.0

- (5) Capital expenditures represent payments to acquire property, plant and equipment as recorded on the consolidated cash flow statements.

## UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information gives effect to the Refining Divestiture and the Offering. As described below, the unaudited pro forma condensed consolidated financial information is presented based on historical financial information included elsewhere in this offering memorandum of INEOS Group Holdings plc and INEOS Group Holdings S.A. and prepared in accordance with the basis of preparation described in “Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information.”

The pro forma condensed consolidated income statements for the year ended December 31, 2010, has been derived from the audited consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010, included elsewhere in this offering memorandum. Such information was prepared in accordance with IFRS.

The pro forma condensed consolidated income statements for the nine-month periods ended September 30, 2010 and 2011, have been derived from the unaudited condensed consolidated interim financial information of INEOS Group Holdings S.A. as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010, included elsewhere in this offering memorandum. Such information was prepared in accordance with IFRS.

The unaudited pro forma condensed consolidated income statement for the twelve months ended September 30, 2011, has been prepared by aggregating certain line items from the unaudited pro forma condensed consolidated income statement for INEOS Group Holdings plc for the year ended December 31, 2010, and such items from the unaudited pro forma condensed consolidated income statement for the nine months ended September 30, 2011, less such items from the unaudited pro forma condensed consolidated income statement for the nine months ended September 30, 2010.

The unaudited pro forma condensed consolidated income statement information gives effect to the Refining Divestiture and the Offering as if they had occurred on January 1, 2010.

The unaudited pro forma condensed consolidated financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. The unaudited pro forma condensed consolidated financial information has been prepared in accordance with the basis of preparation described in “Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information.” The pro forma disposal and financing adjustments described in notes 3 and 4 are based on available information and certain assumptions made by our management.

The unaudited pro forma condensed consolidated financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that INEOS Group Holdings S.A. would have reported had the Refining Divestiture and the Offering been completed as of January 1, 2010, and should not be taken as indicative of INEOS Group Holdings S.A.’s future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the unaudited pro forma condensed consolidated financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the unaudited pro forma condensed consolidated financial information and actual amounts. While the pro forma condensed consolidated financial information has been derived from historical financial information prepared in accordance with IFRS, the pro forma condensed consolidated financial information contains financial measures other than those in accordance with IFRS and should not be considered in isolation from or as a substitute for our historical financial statements.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the information contained in “Use of Proceeds,” “Operating and Financial Review and Prospects,” “The Refining Divestiture” and the historical financial statements of the Group included elsewhere in this offering memorandum.

### INEOS Group Holdings Unaudited Pro Forma Condensed Consolidated Income Statement for the Year ended December 31, 2010

	Historical INEOS Group Holdings (Note 2) <sup>(2)(a)</sup>	Refining Divestiture Adjustments (Note 3)	Financing Adjustments (Note 4)	Pro Forma
	(€in millions)			
Revenue .....	22,912.7	(6,904.9)	—	16,007.8
Cost of sales .....	(21,327.1)	6,978.5	—	(14,348.6)
Gross profit .....	1,585.6	73.6	—	1,659.2
Distribution costs .....	(267.1)	9.7	—	(257.4)

Administrative expenses .....	(267.6)	32.2	—	(235.4)
Exceptional administrative expenses .....	(12.1)	0.9	—	(11.2)
Operating profit .....	1,038.8	116.4	—	1,155.2
Total share of profit of associates and jointly controlled entities using the equity accounting method .....	12.9	(48.3)	—	(35.4)
(Loss)/profit on disposal of businesses .....	(74.7)	—	—	(74.7)
Net finance costs.....	(820.4)	1.4	(6.6)	(825.6)
Profit/(loss) before tax.....	156.6	69.5	(6.6)	219.5
Taxation .....	(213.1)	(30.3)	2.4	(241.0)
Profit/(loss) after taxation.....	(56.5)	39.2	(4.2)	(21.5)
<i>Other Financial Data:</i>				
Operating profit .....	1,038.8	116.4	—	1,155.2
Depreciation, amortization and impairment .....	580.3	(95.8)	—	484.5
Exceptional charges.....	12.1	(0.9)	—	11.2
EBITDA before exceptionals.....	1,631.2	19.7	—	1,650.9

See accompanying “—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information.”  
Superscript footnote references in this unaudited pro forma condensed consolidated income statement are references to the part of the Note referred to in the related column heading.

**INEOS Group Holdings**  
**Unaudited Pro Forma Condensed Consolidated Income Statement**  
**for the Nine-Month Period ended September 30, 2011**

	Historical INEOS Group Holdings (Note 2) <sup>(2)(b)</sup>	Refining Divestiture Adjustments (Note 3)	Financing Adjustments (Note 4)	Pro Forma
	(€in millions)			
Revenue .....	13,687.5	—	—	13,687.5
Cost of sales.....	(12,093.1)	—	—	(12,093.1)
Gross profit.....	1,594.4	—	—	1,594.4
Distribution costs.....	(183.9)	—	—	(183.9)
Administrative expenses .....	(201.9)	—	—	(201.9)
Exceptional administrative expenses .....	(33.2)	—	—	(33.2)
Operating profit .....	1,175.4	—	—	1,175.4
Total share of profit of associates and jointly controlled entities using the equity accounting method .....	(12.3)	32.2	—	19.9
(Loss)/profit on disposal of businesses .....	13.2	—	—	13.2
Net finance costs.....	(468.6)	—	(5.0)	(473.6)
Profit/(loss) before tax.....	707.7	32.2	(5.0)	734.9
Taxation .....	(257.0)	—	1.8	(255.2)
Profit/(loss) from continuing operations.....	450.7	32.2	(3.2)	479.7
Discontinued operations.....	64.4	(64.4)	—	—
Profit/(loss) for the period.....	515.1	(32.2)	(3.2)	479.7
<i>Other Financial Data:</i>				
Operating Profit.....	1,175.4	—	—	1,175.4
Depreciation, amortization and impairment .....	315.4	—	—	315.4
Exceptional charges.....	33.2	—	—	33.2
EBITDA before exceptionals.....	1,524.0	—	—	1,524.0

See accompanying “—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information.”  
Superscript footnote references in this unaudited pro forma condensed consolidated income statement are references to the part of the Note referred to in the related column heading.

**INEOS Group Holdings**  
**Unaudited Pro Forma Condensed Consolidated Income Statement**  
**for the Nine-Month Period ended September 30, 2010**

	Historical INEOS Group Holdings (Note 2) <sup>(2)(b)</sup>	Refining Divestiture Adjustments (Note 3)	Financing Adjustments (Note 4)	Pro Forma
	(€in millions)			
Revenue .....	12,107.8	—	—	12,107.8
Cost of sales .....	(10,628.7)	2.5	—	(10,626.2)
Gross profit .....	1,479.1	2.5	—	1,481.6
Distribution costs .....	(197.3)	—	—	(197.3)
Administrative expenses .....	(197.4)	—	—	(197.4)
Exceptional administrative expenses .....	(3.2)	—	—	(3.2)
Operating profit .....	1,081.2	2.5	—	1,083.7
Total share of profit of associates and jointly controlled entities using the equity accounting method .....	4.9	(50.5)	—	(45.6)
(Loss)/profit on disposal of businesses .....	(59.1)	—	—	(59.1)
Net finance costs .....	(564.9)	—	(5.0)	(569.9)
Profit/(loss) before tax .....	462.1	(48.0)	(5.0)	409.1
Taxation .....	(184.8)	—	1.8	(183.0)
Profit/(loss) from continuing operations .....	277.3	(48.0)	(3.2)	226.1
Discontinued operations .....	(95.9)	95.9	—	—
Profit/(loss) for the period .....	181.4	47.9	(3.2)	226.1
<i>Other Financial Data:</i>				
Operating profit .....	1,081.2	2.5	—	1,083.7
Depreciation, amortization and impairment .....	341.3	—	—	341.3
Exceptional charges .....	3.2	—	—	3.2
EBITDA before exceptionals .....	1,425.7	2.5	—	1,428.2

See accompanying “—Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information.”  
Superscript footnote references in this unaudited pro forma condensed consolidated income statement are references to the part of the Note referred to in the related column heading.

**INEOS Group Holdings**  
**Unaudited Pro Forma Condensed Consolidated Income Statement**  
**for the Twelve-Month Period ended September 30, 2011**

	Pro Forma INEOS Group Holdings for the Year Ended December 31, 2010 (Note 1)	Less: Pro Forma INEOS Group Holdings for the Nine-Month Period ended September 30, 2010	Add: Pro Forma INEOS Group Holdings for the Nine-Month Period ended September 30, 2011	Pro Forma INEOS Group Holdings for the Twelve Months ended September 30, 2011
	(€in millions)			
Revenue .....	16,007.8	(12,107.8)	13,687.5	17,587.5
Cost of sales .....	(14,348.6)	10,626.2	(12,093.1)	(15,815.5)
Gross profit .....	1,659.2	(1,481.6)	1,594.4	1,772.0
Distribution costs .....	(257.4)	197.3	(183.9)	(244.0)
Administrative expenses .....	(235.4)	197.4	(201.9)	(239.9)
Exceptional administrative expenses .....	(11.2)	3.2	(33.2)	(41.2)
Operating profit .....	1,155.2	(1,083.7)	1,175.4	1,246.9
Total share of profit of associates and jointly controlled entities using the equity accounting method .....	(35.4)	45.6	19.9	30.1



(Loss)/profit on disposal of businesses .....	(74.7)	59.1	13.2	(2.4)
Net finance costs.....	<u>(825.6)</u>	<u>569.9</u>	<u>(473.6)</u>	<u>(729.3)</u>
Profit/(loss) before tax.....	219.5	(409.1)	734.9	545.3
Taxation .....	<u>(241.0)</u>	<u>183.0</u>	<u>(255.2)</u>	<u>(313.2)</u>
Profit/(loss) after taxation.....	<u>(21.5)</u>	<u>(226.1)</u>	<u>479.7</u>	<u>232.1</u>
<i>Other Financial Data:</i>				
Operating Profit .....	1,155.2	(1,083.7)	1,175.4	1,246.9
Depreciation, amortization and impairment.....	484.5	(341.3)	315.4	458.6
Exceptional charges.....	<u>11.2</u>	<u>(3.2)</u>	<u>33.2</u>	<u>41.2</u>
EBITDA before exceptionals	<u>1,650.9</u>	<u>(1,428.2)</u>	<u>1,524.0</u>	<u>1,746.7</u>

See accompanying “—Notes to the Unaudited Pro forma Condensed Consolidated Financial Information.”

## Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information

### INEOS Group Holdings

#### Note 1—Basis of pro forma presentation

Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial information.

The unaudited pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. The unaudited pro forma condensed income statement does not reflect any non-recurring charges that the company will record on or following the closing of the Offering. The following adjustments give pro forma effect to events that are: (1) directly attributable to the Refining Divestiture or the Offering; (2) factually supportable; and (3) with respect to the income statement, expected to have a continuing impact on our results.

#### Note 2—Historical Financial Information of INEOS Group Holdings

The historical financial information has been derived from:

(a) the audited consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010, prepared in accordance with IFRS, included elsewhere in this offering memorandum.

(b) the unaudited consolidated condensed interim financial information of INEOS Group Holdings S.A. as of and for the nine months ended September 30, 2011, and the unaudited consolidated condensed interim financial information for INEOS Group Holdings plc for the nine months ended September 30, 2010, prepared in accordance with IFRS, included elsewhere in this offering memorandum.

#### Note 3—Refining Divestiture—Pro Forma Adjustments to the income statement

Represents the adjustments associated with the disposition by INEOS of the Refining Business and the Entrepreneurial (Refining) Business, as if such disposition occurred on January 1, 2010. Refer to “The Refining Divestiture”.

#### Note 4—Financing—Pro Forma Adjustments to the income statement

(a) Represents the estimated change in interest expense as a result of the repayment in full of the Term B Facility and in part of the Term C Facility with the net proceeds of the notes:

	Year ended December 31, 2010	Nine months ended September 30, 2010	2011
	(€in millions)		
Pro forma interest expense <sup>(1)</sup> .....	906.5	587.8	488.9
Less historical interest expense <sup>(2)</sup> .....	(899.9)	(582.8)	(483.9)
Net adjustment to interest expense.....	6.6	5.0	5.0

(1) Pro forma interest expense represents interest expense based on an interest rate of 7.250% (assuming EURIBOR of 1.250%) for the Euro Floating Rate Notes and 8.375% for Dollar Fixed Rate Notes.

(2) Historical interest expense for the year ended December 31, 2010, excludes €1.4 million relating to the Refining Business.

(b) Represents the tax effect of the pro forma adjustment included in note (a) at the Group’s effective tax rate.



## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion is based upon the consolidated financial information of INEOS and should be read in conjunction with the consolidated financial information of INEOS and the notes thereto included elsewhere in this offering memorandum. Our combined financial information includes the results of operations of our Refining Business, which has been disposed of in connection with the Refining Divestiture and will not be included in our financial information going forward. The consolidated financial information of INEOS has been prepared in accordance with IFRS. The consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010, have been audited by PricewaterhouseCoopers LLP, independent auditors. The consolidated financial information of INEOS Group Holdings plc as of and for the years ended December 31, 2007, 2008 and 2009 has been audited by PricewaterhouseCoopers LLP, independent accountants. The consolidated condensed interim financial information of INEOS Group Holdings S.A. as of and for the nine months ended September 30, 2011, and the consolidated condensed interim financial information of INEOS Group Holdings plc for the nine months ended September 30, 2010, have not been audited and have been derived from our unaudited interim financial information and the notes thereto, included elsewhere in this offering memorandum. Prior to January 31, 2011, the reporting entity for INEOS' financial statements was the UK entity, INEOS Group Holdings plc. Effective January 31, 2011, the reporting entity for INEOS' financial statements is the Luxembourg entity, INEOS Group Holdings S.A. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, particularly in "Risk Factors" and "Forward-Looking Statements."*

### Overview

#### Combined Business

We are one of the world's largest chemical companies as measured by revenue. Our business has highly integrated, world-class chemical facilities and production technologies. We have leading global market positions for a majority of our key products, a strong and stable customer base and a highly experienced management team. We operate 29 manufacturing sites in 8 countries throughout the world, including petrochemical facilities in Europe which are co-located and fully integrated with refineries. As of September 30, 2011, our total chemical production capacity was approximately 25,000 kta, of which 67% was in Europe and 33% was in North America.

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

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

We benefit from the cost advantages of operating large-scale, well-invested, highly integrated facilities strategically located near major transportation facilities and customer locations. Since January 1, 2007, we and our predecessors have invested more than €1.7 billion in our production facilities to ensure that they operate efficiently, resulting in integrated, state-of-the-art production units (including investments in divested assets). We believe these investments allow us to operate at lower cost and higher utilization rates than most of our competitors, and enable us to maintain positive margin and cash flows even during downturns in industry cycles or customer demand. After giving pro forma effect to the Refining Divestiture and the Offering, for the twelve months ended September 30, 2011, our revenue would have been €17.6 billion and our pro forma EBITDA before exceptionals would have been €1.7 billion.

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

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

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

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

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

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

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

The global economic downturn in 2008 saw volumes and margins for olefins and polymers decrease significantly in the fourth quarter of that year. Market conditions continued to be weak in 2009 before seeing a significant upturn in 2010 as demand improved. The recent global macroeconomic uncertainties resulting, inter alia, from sovereign debt risks in the eurozone have again caused demand to weaken and margins to drop to bottom of cycle levels. According to Nexant, from a supply perspective, downward pressure on operating rates will ease over the next couple of years as the start-up of a major wave of new capacity in Asia and the Middle East over the period 2009-2011 is now essentially complete. Recovery, however, also depends on demand growth, which Nexant forecasts will recover under a scenario that sees the general economic picture improving. Nexant expects the next peak to be in 2015. Factors leading to this peak are supply-and-demand tightness, as demand growth is forecasted to have recovered by then, and a lack of further

investments in key regions. As with refining margins, the actual pace of the recovery in margins for olefins and polymers will be heavily dependent on the pace of recovery in end-user product demand. Cycle periods in the industry are typically between six to eight years.

In addition to the global petrochemical cycle, margins are also susceptible to potentially significant swings in the short term. This volatility, which may be global or isolated in individual regions, can be caused by a number of factors, including fluctuations in utilization rates due to planned or unplanned plant outages, political and economic conditions driving rapid changes in prices for key feedstocks, exchange rate fluctuations and changes in inventory management policies by petrochemical customers (such as inventory building or de-stocking in periods of expected price increases).

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

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

In the aggregate, refining industry margins experienced a sharp upturn after 2002, with the 2004-2008 period returning strong growth. This was the result of rapidly increasing world demand leading to increasing utilization of the available refining capacity. Refining capacity additions were not sufficient to keep pace with the demand in general, and this especially applied to the middle distillate products (for example, diesel, jet and gas oil), where growth was substantial. In late 2008, demand dropped rapidly as a result of the deterioration in the global economy. For much of 2009, and 2010-2011, margins languished at the bottom of cycle levels, as the system adjusted to the prevailing demand level. Industry experts expect a gradual recovery over the next few years in the refining sector. The actual pace of the recovery in margins is heavily dependent on the pace of recovery in end-user product demand. Even given planned capacity additions, middle distillate capacity could come under pressure if the recovery in demand emerges more quickly than forecast, potentially resulting in higher margins in the near term.

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

#### *Asset Utilization*

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

For example, the number and length of turnarounds (scheduled outages of a unit in order to perform necessary inspections and testing to comply with industry regulations and to permit us to carry out any maintenance activities that may be necessary) carried out in any given period can impact operating results. When possible, we seek to schedule the timing of turnarounds to coincide with periods of relatively low demand for the products of the relevant units. Olefins crackers typically undergo major turnarounds every four or five years, with each turnaround lasting four to six weeks. Similarly, refineries typically undergo major turnarounds lasting several weeks every four or five years. Turnarounds for polymers and derivatives units are more frequent, typically every one to two years, but generally last only seven to 10 days. Our cumene plant in Port Arthur, Texas, United States was mothballed in early 2009 due to the impact of the global recession. Likewise, unplanned outages, such as the fire at the Chocolate Bayou facility in August 2005, the impact of Hurricane Ike in Autumn 2008 and the lightning strike at the Chocolate Bayou site in November 2010, can impact our operating results, even if such outages are covered by insurance. Similarly, planned or unplanned outages of our competitors can positively affect our operating results by decreasing the supply of product in the market.

## *Oil and Gas Price Movements*

Feedstock costs are a significant component of the operating costs of our petrochemical business. The costs of the feedstocks we require to make our petrochemical products (naphtha, ethane, butane and propane) are principally driven by the price of oil and natural gas. According to the U.S. Energy Administration, the spot price for Brent crude oil increased from approximately \$19 per barrel in January 2002 to approximately \$113 per barrel in September 2011, while the U.S. natural gas wellhead price increased from \$2.50 per thousand cubic feet in January 2002 to \$3.82 per thousand cubic feet in September 2011. During 2008, there was a significant level of volatility in crude oil prices and thus petrochemical products, with crude oil prices reaching their peak of approximately \$147 per barrel in July 2008 before decreasing sharply to approximately \$41 per barrel by the end of 2008. They have since risen to approximately \$75 per barrel in December 2009 and to approximately \$113 per barrel in September 2011. The increase in our revenue, peaking in 2008, reflects the fact that in the recent past we have been able to pass on increases in feedstock prices to our customers in the form of higher product prices. The reduction in revenue for 2009 is largely the converse effect as crude prices were much lower than the prior year, although the recovery of crude prices in 2010 and 2011 has once again led to an increase in revenues. Our ability to pass on price increases for crude is limited due to the impact of time lags resulting from the repricing intervals of our contracts with suppliers and customers, particularly in the petrochemical business. While most of our feedstock contracts reprice daily, our contracts with customers generally reprice on a monthly basis. A further limitation is that many of our customers take advantage of fluctuating prices by building inventories when they expect product prices to increase and reducing inventories when they expect prices to decrease. The effect of these time lags and our customers' inventory management policies on our ability to pass through feedstock price increases is magnified in periods of high volatility. In addition, changes in oil and gas prices have a direct impact on our working capital levels. In general, increases in feedstock prices lead to an increase in our working capital and decreases in feedstock prices lead to a decrease in our working capital.

## *Implementation of Cost Reduction*

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

## *Refining Divestiture*

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

## *Debt Structure*

As of September 30, 2011, we had €6,801.1 million (December 31, 2010: €7,450.6 million) of indebtedness. Our future results of operations, and in particular our net finance charges, will be significantly affected by the amount of indebtedness, including the interest we pay on our indebtedness. The servicing of this indebtedness will impact, among other things, our cash flows and our cash balance. See "Summary Historical and Pro forma condensed consolidated Financial Information and Other Financial Data."

## *Foreign Exchange Rate Fluctuations*

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

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

## *Environmental Considerations*

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

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

## **Results of Operations**

The consolidated financial information of INEOS is prepared in accordance with IFRS. The income statement data for the years ended December 31, 2010, December 31, 2009, and December 31, 2008, and for the nine months ended September 30, 2011, and September 30, 2010, represent the consolidated results of the Group.

The results for the year ended December 31, 2008 include the results of the vinyl acetate monomer/ethyl acetate business from March 31, 2008, the Seal Sands business from August 18, 2008, and the ABS India business from October 2, 2008. The results for the year ended December 31, 2009, included ABS, Styrenics, Melamines, Healthcare, Bio and Films Italia Srl businesses, together with our shareholding in the INEOS Nova JV, each of which was transferred out of the Group during that year. The results for the year ended December 31, 2010, include the ChlorVinyls business, the business associated with fluorochemicals and the global films business, which were all sold during the year, and the Refining Business, which was disposed of on July 1, 2011, in connection with the Refining Divestiture. The financial data for the years ended December 31, 2008, 2009 and 2010 includes the results of operations of our Refining Business, which was disposed of in connection with the Refining Divestiture on July 1, 2011, and will not be included in our financial information going forward. The financial data for each of the nine-month periods ended September 30, 2010 and 2011 treats the results of operations of our Refining Business as a discontinued operation.

## *Description of Key Line Items*

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

- *Revenue.* Group revenue represents the invoiced value of products sold or services provided to third parties net of sales discounts and value-added taxes. It also excludes our share of joint venture revenue. The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites, and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which we charge a toll fee.
- *Cost of sales.* Cost of sales includes fixed and variable production costs. Such production costs typically include the costs of raw materials, packaging, utilities, direct wages and salaries, repairs and maintenance, waste disposal and effluent treatment, consumables, attributable depreciation charges and directly attributable overheads, including wages and salaries, depreciation charges and overheads, that are attributable to production. Fixed costs included in the cost of sales are rent, depreciation, repairs and maintenance, while variable costs include raw materials, packaging, consumables and wages and salaries.
- *Distribution costs.* Distribution costs typically include the costs of warehousing, carriage and freight, together with sales and distribution wages and salaries and depreciation on tangible fixed assets used for sales and distribution.
- *Administrative expenses before exceptional items.* Administrative expenses typically include indirect wages and salaries and indirect overheads. Indirect overheads would include such items as insurance costs, legal and professional fees and office supplies. Administrative expenses also include the depreciation of tangible fixed assets not directly attributable to production or sales and distribution.
- *Exceptional administrative expenses.* Exceptional administrative expenses are those expenses which, because of their size or nature, are disclosed to give a proper understanding of the underlying results for the



period. These expenses are mainly related to business restructuring and the provision for severance payments.

- *Share of profit/(loss) of associates and jointly controlled entities before exceptional items.* Share of profit/(loss) of associates and jointly controlled entities relates to the results from the investment in associated undertakings and joint ventures.
- *Finance income before exceptional items.* Finance income before exceptional items includes interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.
- *Finance costs before exceptional items.* Finance costs before exceptional items includes interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives and net foreign exchange losses.

## Consolidated Results

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

	INEOS Group Holdings									
	For the year ended December 31,						For the nine months ended September 30,			
	2008		2009		2010		2010		2011	
	€m	%	€m	%	€m	%	€m	%	€m	%
<b>Revenue</b> .....	29,073.3	100.0	18,077.3	100.0	22,912.7	100.0	12,107.8	100.0	13,687.5	100.0
Cost of sales before exceptional items .....	(28,140.8)	(96.8)	(16,707.9)	(92.4)	(21,327.1)	(93.0)	(10,628.7)	(87.8)	(12,093.1)	(88.4)
Exceptional cost of sales .....	(130.3)	(0.4)	—	—	—	—	—	—	—	—
Gross profit .....	802.2	2.8	1,369.4	7.6	1,585.6	7.0	1,479.1	12.2	1,594.4	11.6
Distribution costs .....	(543.7)	(1.9)	(425.5)	(2.4)	(267.1)	(1.2)	(197.3)	(1.6)	(183.9)	(1.3)
Administrative expenses before exceptional items .....	(403.9)	(1.4)	(361.5)	(2.0)	(267.6)	(1.2)	(197.4)	(1.6)	(201.9)	(1.5)
Exceptional administrative expenses .....	(80.7)	(0.3)	(41.9)	(0.2)	(12.1)	(0.1)	(3.2)	—	(33.2)	(0.2)
Exceptional administrative gain ..	29.0	0.1	—	—	—	—	—	—	—	—
<b>Operating profit/(loss)</b> .....	(197.1)	(0.7)	540.5	3.0	1,038.8	4.5	1,081.2	8.9	1,175.4	8.6
Share of profit/(loss) of associates and jointly controlled entities before exceptional items .....	(53.3)	(0.2)	23.7	0.1	12.9	0.1	4.9	—	(12.3)	(0.1)
Share of exceptional loss of associates and jointly controlled entities .....	(4.5)	0.0	—	—	—	—	—	—	—	—
Profit/(loss) on disposal of businesses .....	143.0	0.5	(276.5)	(1.5)	(74.7)	(0.3)	(59.1)	(0.5)	13.2	0.1
<b>Profit/(loss) before finance costs</b> .....	(111.9)	(0.4)	287.7	1.6	977.0	4.3	1,027.0	8.5	1,176.3	8.6
Finance income before exceptional items .....	173.9	0.6	95.1	0.5	80.9	0.3	17.9	0.1	15.3	0.1
Exceptional finance income .....	—	—	89.0	0.5	—	—	—	—	—	—
Finance costs before exceptional items .....	(946.2)	(3.3)	(863.8)	(4.8)	(901.3)	(3.9)	(582.8)	(4.8)	(483.9)	(3.5)
Exceptional finance cost .....	—	—	(209.2)	(1.2)	—	—	—	—	—	—
Profit/(loss) before tax .....	(884.2)	(3.0)	(601.2)	(3.3)	156.6	0.7	462.1	3.8	707.7	5.2
Tax (charge)/credit .....	311.6	1.1	(13.9)	(0.1)	(213.1)	(0.9)	(184.9)	(1.5)	(257.0)	(1.9)
Profit/(loss) from discontinued operations .....	—	—	—	—	—	—	(95.9)	(0.8)	64.4	0.5
<b>Profit/(loss) for the period</b> .....	(572.6)	(2.0)	(615.1)	(3.4)	(56.5)	(0.2)	181.3	1.5	515.1	3.8

## Nine-Month Period Ended September 30, 2011, Compared to Nine-Month Period Ended September 30, 2010

### Consolidated

**Revenue.** Revenue increased by €1,579.7 million, or 13.0%, to €13,687.5 million in the nine-month period ended September 30, 2011, as compared to €12,107.8 million for the same period in 2010. The increase can largely be attributed to the increase in feedstock prices which were passed on to customers in the final selling prices. The higher feedstock prices have been driven from the higher crude oil prices which averaged \$112/bbl in the nine-month period ended September 30, 2011, as compared to \$77/bbl for the same period in 2010. In addition, sales volumes were up in the

nine-month period ended September 30, 2011, as compared to the same period in 2010 following the strong start to 2011, as the improved economic situation resulted in an increase in global demand across most of the business segments. However the global economic and political turbulence in the third quarter of 2011 created hesitancy in many markets, leading to softening demand in a number of sectors towards the end of the third quarter and a corresponding reduction in sales volumes compared to the same quarter in the prior year.

*Cost of sales.* Cost of sales increased by €1,464.4 million, or 13.8%, to €2,093.1 million in the nine-month period ended September 30, 2011, as compared to €10,628.7 million for the same period in 2010. This increase reflects the rise in feedstock prices that the Group has experienced largely as a result of the higher crude oil prices and related raw materials in the nine-month period ended September 30, 2011, as compared to the same period in 2010.

*Gross profit.* Gross profit increased by €15.3 million, or 7.8%, to €1,594.4 million in the nine-month period ended September 30, 2011, as compared to €1,479.1 million for the same period in 2010. The increase reflects the rise in volumes experienced across most businesses as the global economy continued to strengthen at the start of the year resulting in stronger demand in the chemical business across all sectors and regions, although the third quarter of 2011 has experienced a general decline in margins which have been squeezed by the high raw material costs and softening demand across some markets.

*Distribution costs.* Distribution costs decreased by €3.4 million, or 6.8%, to €183.9 million in the nine-month period ended September 30, 2011, as compared to €197.3 million for the same period in 2010. The decrease in distribution costs is primarily due to the disposal of the ChlorVinyls, fluorochemicals and Films businesses in 2010 which reported €26.3 million of distribution costs in the nine-month period ended September 30, 2010. This decrease was partially offset by higher distribution costs as a result of higher sales volumes in the nine-month period September 30, 2011, as compared to the same period in 2010.

*Administrative expenses before exceptional items.* Administrative expenses before exceptional items increased by €4.5 million, or 2.3%, to €201.9 million in the nine-month period ended September 30, 2011, as compared to €197.4 million for the same period in 2010. This increase is primarily due to higher accruals for employee performance bonuses being charged in the nine-month period ended September 30, 2011, as compared to the same period in 2010.

*Exceptional administrative expenses.* Exceptional administrative expenses increased to €3.2 million in the nine-month period ended September 30, 2011, as compared to €3.2 million for the same period in 2010. The costs incurred in the nine months ended September 30, 2011, primarily relate to restructuring costs in respect of the transition of the Group's headquarters to Switzerland.

*Operating profit.* Operating profit increased by €4.2 million, or 8.7%, to €1,175.4 million for the nine-month period ended September 30, 2011, as compared to €1,081.2 million for the same period in 2010.

*Share of (loss)/ profit of associates and jointly controlled entities.* Share of (loss)/profit of associates and jointly controlled entities decreased by €17.2 million to a loss of €12.3 million for the nine-month period ended September 30, 2011, as compared to a profit of €4.9 million for the same period in 2010. The loss in the nine months ended September 30, 2011, primarily reflects our share of the losses incurred within the newly formed Refining Business JV.

*Profit/(loss) on disposal of businesses.* Profit on disposal of businesses was €13.2 million for the nine-month period ended September 30, 2011, as compared to a loss of €59.1 million for the same period in 2010. The profit in the nine-month period ended September 30, 2011, relates primarily to the disposal of the refining business to a new joint venture between PetroChina and INEOS Investments, a related party, in July 2011. The loss in the same period in 2010 primarily relates to the loss on disposal of the ChlorVinyls business in January 2010 and the Films business in September 2010 partially offset by a profit on disposal of the fluorochemicals business in March 2010.

*Profit before net finance costs.* Profit before net finance costs was €1,176.3 million for the nine-month period ended September 30, 2011, as compared to €1,027.0 million for the same period in 2010.

*Finance income.* Finance income decreased by €2.6 million to €15.3 million for the nine-month period ended September 30, 2011, as compared to €17.9 million for the same period in 2010. The income in the period relates primarily to interest income on the Group's investment in INEOS Investments LLP and fair value gains on derivatives in the period.

*Finance costs.* Finance costs decreased by €98.9 million to €483.9 million for the nine-month period ended September 30, 2011, as compared to €582.8 million for the same period in 2010. The lower finance costs primarily reflects a decrease in foreign exchange losses associated with short term intra group funding to a profit of €43.6 million in the nine-month period ended September 30, 2011, as compared to a loss of €11.6 million in the same period in 2010.

In addition the Group has benefited from the 1.0% reduction in the PIK margin on the Senior Facilities Agreement from November 2010 onwards and the reduction in the term loans from the prepayment made with the disposal proceeds from the Refining Divestiture in July 2011.

*Profit before tax.* Profit before tax increased by €245.6 million, to €707.7 million for the nine-month period ended September 30, 2011, as compared to €462.1 million for the same period in 2010.

*Tax charge.* Tax charge increased by €72.1 million to €257.0 million for the nine-month period ended September 30, 2011, as compared to €184.9 million for the same period in 2010. The effective tax rate of approximately 36% for the nine-month period ending September 30, 2011, is higher than the anticipated tax rate for the full year following a reduction in the UK deferred tax asset balances in the third quarter of 2011 after the enactment by the UK tax authorities of a reduced corporation tax rate. The effective tax rate of approximately 40% for the nine-month period ending September 30, 2010, is impacted by the loss on disposal of the ChlorVinyls business of €159.9 million which was disallowed for tax purposes.

*Profit for the period for continuing operations.* Profit for the period from continuing operations increased by €73.5 million to €450.7 million for the nine-month period ended September 30, 2011, as compared to €277.2 million for the same period in 2010.

*Profit/(loss) for the period from discontinued operations.* Profit for the period from discontinued operations for the nine-month period ended September 30, 2011, was €64.4 million as compared to a loss of €5.9 million for the same period in 2010 and is in relation to the Refining business which has been classified as a discontinued operation following the disposal of the business to the Refining Business JV on July 1, 2011. The results of this newly formed joint venture are now reported against the share of (loss)/profit of associates and jointly controlled entities using the equity accounting method.

*Profit for the period.* Profit for the period increased by €333.8 million to €15.1 million for the nine-month period ended September 30, 2011, as compared to €81.3 million for the same period in 2010.

### ***Business Segments***

The Group has previously reported under four business segments: O&P North America, O&P Europe, Chemical Intermediates and Refining. On July 1, 2011, the Group disposed of its Refining Business to a new joint venture between PetroChina and INEOS Investments, a related party, and as such the Refining segment has been treated as a discontinued operation for the nine-month periods ended September 30, 2010 and 2011.

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

	Nine-Month Period Ended September 30,	
	2010	2011
	(€in millions)	
<i>Revenue</i>		
<b>Continuing operations</b>		
O&P North America.....	2,446.1	2,749.9
O&P Europe .....	4,911.0	5,863.0
Chemical Intermediates.....	6,699.3	7,646.3
Eliminations.....	(1,948.6)	(2,571.7)
<i>Revenue from continuing operations</i> .....	12,107.8	13,687.5
<b>Discontinued operations</b>		
Refining .....	6,697.2	6,261.8
Eliminations.....	(1,510.2)	(891.6)
	<u>17,294.8</u>	<u>19,057.7</u>
<i>EBITDA before exceptionals</i>		
<b>Continuing operations</b>		
O&P North America.....	297.6	431.4
O&P Europe .....	321.5	369.9
Chemical Intermediates.....	806.6	722.7
<i>EBITDA before exceptionals from continuing operations</i> .....	1,425.7	1,524.0
<b>Discontinued operations</b>		
Refining .....	(56.9)	126.4
	<u>1,368.8</u>	<u>1,650.4</u>

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

*Revenue.* Revenue in the O&P North America segment increased by €303.8 million, or 12.4%, to €2,749.9 million for the nine months ended September 30, 2011, as compared to €2,446.1 million for the same period in 2010. The increase is due to higher sales prices which were partially offset by lower sales volumes. Sales prices for the whole business were up in the nine months ended September 30, 2011, as compared to the same period in 2010 as the final selling prices were on average higher across all product lines driven by strengthening demand and short supply. Total sales volumes were down in the nine months ended September 30, 2011, as compared to the same period in 2010 due to a turnaround in the Nitriles business at the Green Lake site in the first quarter of 2011 which led to lower propylene sales and also due to a softening of demand towards the end of the third quarter of 2011 as compared to growing demand during 2010. Also partially offsetting this increase was the depreciation of the US dollar by approximately 8% against the euro in the nine months ended September 30, 2011, as compared to the same period in 2010.

*EBITDA before exceptionals.* EBITDA before exceptionals in the O&P North America segment increased by €133.8 million, or 45.0%, to €431.4 million for the nine months ended September 30, 2011, as compared to €297.6 million in the same period in 2010. This increase has been primarily driven by improved margins due to short supply and increased demand in the nine months ended September 30, 2011, as compared to the same period in 2010. In addition the business has continued to benefit from its flexibility to be able to utilize cheaper gas feedstocks to maintain good margins. Partially offsetting this increase was a reduction in sales volumes and also the depreciation of the US dollar by approximately 8% against the euro in the nine months ended September 30, 2011, as compared to the same period in 2010.

#### ***O&P Europe***

*Revenue.* Revenue in the O&P Europe segment increased by €952.0 million, or 19.4%, to €5,863.0 million for the nine months ended September 30, 2011, as compared to €4,911.0 million for the same period in 2010. The increase in revenue reflects higher sales prices in the nine months ended September 30, 2011, as compared to the same period in 2010, as sales prices increased across all product lines driven by a significant increase in commodity prices with record levels of monthly contract pricing for olefin products during the period. This increase in revenues was partially offset by a change in the product mix with lower sales of ethylene and reduced derivative demand.

*EBITDA before exceptionals.* EBITDA before exceptionals in the O&P Europe segment increased by €48.4 million, or 15.1% to €369.9 million, for the nine months ended September 30, 2011, as compared to €21.5 million

in the same period in 2010. The increase is primarily driven by higher margins and increased volumes following high plant reliability during the period. Olefins margins increased in the nine months ended September 30, 2011, as compared to the same period in 2010, driven by higher prices for butadiene and raffinate 1. Polymer margins started 2011 strongly as market conditions were buoyant, although margins softened in the third quarter as weakening demand put margins under pressure. The overall increase in margins was offset by increased fixed costs driven by planned plant turnarounds at the Grangemouth and Köln sites and also due to the depreciation of the US dollar against the euro of approximately 8% in the nine months ended September 30, 2011, as compared to the same period in 2010 which impacted the US dollar sales.

### ***Chemical Intermediates***

**Revenue.** Revenue in the Chemical Intermediates segment increased by €947.0 million, or 14.1%, to €7,646.3 million for the nine months ended September 30, 2011, as compared to €6,699.3 million for the same period in 2010. The increase in revenue in the nine months ended September 30, 2011, as compared to the same period in 2010 was due to an increase in volumes and selling prices across most of the businesses within the segment as demand for chemical intermediates started 2011 strongly, although the third quarter of 2011 did see some weakening of demand. The Oligomers business experienced strong sales volumes across most product lines and regions in the nine months ended September 30, 2011, as compared to the same period in 2010 as overall market demand improved. Volumes in the nine months ended September 30, 2011, were higher than the same period of 2010 as sales continued to be strong, helped by the lifting of the Gulf of Mexico drilling moratorium in the second quarter of 2011. Selling prices increased in the nine months ended September 30, 2011, as markets remained steady and the higher raw material costs were reflected in the final selling prices. The Oxide business saw revenues increase following higher sales prices as a result of the increased feedstock costs of ethylene and propylene being passed onto customers in the final selling prices. In addition, volumes were higher in the nine months ended September 30, 2011, as compared to the same period in 2010 following a strong start to 2011, although uncertainty from customers over the economic climate and a force majeure at our Hull site due to certain supply issues (subsequently resolved) has meant a decline in volumes in the third quarter of 2011 as compared to the same period in 2010. The Phenol business also reported an increase in revenue in the nine months ended September 30, 2011, as compared to the same period in 2010 due to increases in selling prices as a result of the rise in the underlying raw material costs, although prices eased off toward the end of the third quarter. The increase in revenues was also driven by higher sales volumes driven by strong domestic demand in both Europe and the US in the first quarter of the year and a scheduled maintenance shutdown of the Gladbeck plant in May 2010 which impacted volumes in the second quarter of 2010. Nitrile revenues increased in the nine months ended September 30, 2011, as compared to the same period in 2010 driven by higher raw material costs passed onto customers; however this was partially offset by lower volumes as markets weakened throughout the third quarter of 2011 after a strong start to the year.

**EBITDA before exceptionals.** EBITDA before exceptionals in the Chemical Intermediates segment decreased by €83.9 million, or 10.4%, to €722.7 million for the nine months ended September 30, 2011, as compared to €806.6 million for the same period in 2010. The Oligomers business saw an improvement in results for the nine months ended September 30, 2011, as compared to the same period in 2010 driven by higher sales volumes and higher margins as product sales prices outpaced the raw material costs in most products. PAO margins have been improving steadily since mid-2010 and the ethylene cost advantage at the Joffre site continued to support the LAO global profitability as the underlying natural gas price remained flat. Specialty oligomers (“SO”) margins have also continued to improve, with strong demand and competitor issues supporting profitability. The Oxide business results in the nine months ended September 30, 2011, increased compared to same period in 2010 driven by a strong first quarter following higher margins as the glycol markets improved due to the cold winter which led to strong demand for de-icer products, although this was partially offset by uncertainty from customers over the economic climate which meant a reduction in sales volumes and margins in the third quarter of 2011. The Phenol business performance improved in the nine months ended September 30, 2011, as compared to the same period in 2010, following higher phenol margins aided by the export business, although a planned shutdown at the Antwerp site in September 2011 adversely affected volumes in the third quarter of 2011. The Nitriles business has seen a decline in business performance in the nine months ended September 30, 2011, as compared to the same period in 2010. The first quarter of 2011 was an excellent quarter for Nitriles driven by higher acrylonitrile margin sales, although this has been offset by weakening margins for the remainder of the period following a weakening in the end markets for its products, in particular ABS. The Nitriles business was also impacted by a turnaround at the Green Lake site in the first quarter of 2011.

### ***Year Ended December 31, 2010, Compared With Year Ended December 31, 2009***

#### ***Consolidated***

**Revenue.** Revenue increased by €1,835.4 million, or 26.7%, to €22,912.7 million for the year ended December 31, 2010, as compared to €18,077.3 million in 2009. The increase in revenue is primarily attributable to increased sales volumes within the Chemical Intermediates segment and higher product prices experienced across all of the business segments during the majority of 2010, which followed the increase in the price of crude oil from an average

of \$62/bbl in 2009 to an average of \$80/bbl in 2010. In addition, the appreciation of the U.S. dollar compared to the euro by approximately 5% in 2010 as compared to 2009 has positively impacted the reported revenues of the U.S. dollar reported businesses within the Group.

*Cost of sales before exceptional items.* Cost of sales before exceptional items increased by €4,619.2 million, or 27.6%, to €21,327.1 million for the year ended December 31, 2010, as compared to €16,707.9 million in 2009. The increase reflects the rise in feedstock prices the Group experienced throughout the majority of 2010, largely as a result of higher crude oil prices in 2010 as compared to 2009. This overall increase is also due to the appreciation of the U.S. dollar against the euro by approximately 5% in 2010 as compared to 2009.

*Gross profit.* Gross profit increased by €216.2 million, or 15.8%, to €1,585.6 million for the year ended December 31, 2010, as compared to €1,369.4 million in 2009. The global economic downturn at the end of 2008 improved throughout 2010 resulting in some strong demand in the chemical businesses across all sectors and regions, which led to improved margins. However, the fourth quarter of 2010 was impacted by some exceptional events. The strike action in the port of Marseilles in France had a knock-on effect on the operations of our Lavéra site, which resulted in lost contribution margin of approximately €36.0 million. In addition, the lightning strike at the Chocolate Bayou site in Texas in November 2010 had a significant impact on the operations of O&P North America, resulting in lost contribution margin of approximately €51.0 million. Lastly, the extreme weather conditions in Scotland in the period had an adverse impact on the operations in Grangemouth, resulting in lost contribution margin of approximately €28.0 million. However, the underlying performance of the business in 2009 was significantly impacted by volatile raw material prices, demand slowdown and some exceptional events. The increase in gross profit in 2010 as compared to 2009 has partially been offset by lower inventory holding gains as the business experienced inventory holding gains of €80.2 million in the Refining segment in 2010 as compared to holding gains of €237.6 million in 2009. The appreciation of the U.S. dollar against the euro by approximately 5% in 2010 compared to 2009 positively impacted the results of our U.S. dollar reporting businesses.

*Distribution costs.* Distribution costs decreased by €158.4 million, or 37.2%, to €267.1 million for the year ended December 31, 2010, as compared to €425.5 million for the same period in 2009. The decrease is primarily due to the disposal of the ChlorVinyls business and the business associated with fluorochemicals, which were both sold during 2010, resulting in lower distribution costs. In addition, 2009 included distribution costs relating to a number of businesses disposed of to a related party, INEOS Industries Limited, which did not happen until the second half of 2009.

*Administrative expenses before exceptional items.* Administrative expenses before exceptional items decreased by €93.9 million, or 26.0%, to €267.6 million for the year ended December 31, 2010, as compared to €361.5 million for the same period in 2009. In 2010, the Group continued to benefit from the fixed cost reduction programs introduced into the businesses, with further reductions experienced in both manpower and non-manpower fixed costs. Also, this decrease in fixed costs was largely attributable to the disposal of the ChlorVinyls business, the business associated with fluorochemicals and the global films business, which were all sold during 2010, resulting in lower administrative expenses. In addition, 2009 included administrative expenses relating to a number of businesses disposed of to a related party, INEOS Industries Limited, which did not happen until the second half of 2009.

*Exceptional administrative expenses.* Exceptional administrative expenses decreased by €29.8 million, or 71.1%, to €12.1 million for the year ended December 31, 2010, as compared to €41.9 million for the same period in 2009. During 2010, the Group relocated its corporate headquarters to Switzerland, which resulted in exceptional administrative expenses of €7.7 million being incurred in relation to the Group restructuring. Further restructuring costs of €4.4 million in 2010 relate to the continued restructuring program for the acquired Innovene business as compared to €29.9 million in 2009. Other restructuring costs of €12.0 million charged in 2009 primarily related to restructuring and the provision of severance payments in the Compounds and ABS businesses.

*Exceptional administrative gain.* There was no exceptional administrative gain for the years ended December 31, 2010 and 2009.

*Operating profit/(loss).* Operating profit increased by €498.3 million, or 92.2%, to €1,038.8 million for the year ended December 31, 2010, as compared to €540.5 million for the same period in 2009.

*Share of profit/(loss) of associates and jointly controlled entities before exceptional items.* Share of profit of associates and jointly controlled entities before exceptional items decreased by €10.8 million to a profit of €12.9 million for the year ended December 31, 2010, as compared to €23.7 million for 2009. The decrease reflects the impact of the disposal of the INEOS Nova Styrenics joint venture in the third quarter of 2009.

*Share of exceptional loss of associates and jointly controlled entities.* There was no share of exceptional loss of associates and jointly controlled entities for the years ended December 31, 2010 and 2009.

*Profit/(loss) on disposal of businesses.* Loss on disposal of businesses was €74.7 million for the year ended December 31, 2010, as compared to a loss of €276.5 million for the same period in 2009. The loss on disposal of businesses during 2010 relates to the sale of the ChlorVinyls business and the global films business of €61.1 million and €90.1 million, respectively. This was partially offset by a profit from the sale of the business associated with fluorochemicals of €176.5 million. During 2009, the Group made a number of disposals to a related party, INEOS Industries Limited. The Group received no consideration for the disposals, which included the Group's ABS, Styrenics, Melamines and Films businesses, together with 80% of the Group's Bio and Healthcare businesses, which resulted in an overall non-cash loss of €169.6 million. As part of the disposal agreement, the Group committed to provide further support to the businesses disposed of for the purpose of working capital management of €75.0 million and therefore included this amount within the loss on disposal. In addition, the Group completed the sale of the Compounds Italia business to a third party for a nominal consideration, resulting in a non-cash loss on disposal of €43.5 million.

*Profit/(loss) before finance costs.* Profit before finance costs increased by €689.3 million to a profit of €777.0 million for the year ended December 31, 2010, as compared to €287.7 million for the same period in 2009.

*Finance income before exceptional items.* Finance income before exceptional items decreased by €14.2 million, or 14.9%, to €80.9 million for the year ended December 31, 2010, as compared to €95.1 million for the same period in 2009. This decrease was partly attributable to lower expected returns on defined benefit pension plan assets of €12.3 million in 2010 as compared to 2009.

*Exceptional finance income.* There was no exceptional finance income for the year ended December 31, 2010. During 2009, the Group finalized the settlement of a legal claim against a third party. The defendant agreed to acquire 2016 Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million), and the Group received 2016 Notes with a book value of €14.1 million, resulting in a gain of €89.0 million.

*Finance costs before exceptional items.* Finance costs before exceptional items increased by €37.5 million, or 4.3%, to €901.3 million for the year ended December 31, 2010, as compared to €863.8 million for the same period in 2009. This increase is primarily a result of exchange losses associated with short-term intra-group funding of €58.3 million incurred in 2010, as compared to €12.4 million in 2009. In addition, 2010 included bank consent fees in relation to the group restructuring of €10.4 million.

*Exceptional finance cost.* There was no exceptional finance cost for the year ended December 31, 2010. During 2009, the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's Senior Facilities Agreement. The Group assessed that the package of amendments to the Senior Facilities Agreement represented a substantial modification and resulted in the extinguishment of the existing debt. As a result, the existing debt was derecognized and the modified debt recognized at fair value. Accordingly, the Group recognized a charge of €209.2 million as an exceptional finance cost, which includes the write-off of the deferred issue costs on the existing Senior Facilities Agreement debt and the costs associated with the July 2010 amendment.

*Profit/(loss) before tax.* Profit before tax increased by €757.8 million to a profit of €156.6 million for the year ended December 31, 2010, as compared to a loss of €601.2 million for the same period in 2009.

*Tax (charge)/credit.* Tax increased by €199.2 million to a charge of €213.1 million for the year ended December 31, 2010, as compared to a charge of €13.9 million for the same period in 2009. The increase in taxation was due to improved profitability in 2010 as compared to 2009. The change in the effective tax rate is largely due to the non-deductibility of the loss on disposal of businesses made in 2010.

*(Loss)/Profit for the year.* Loss for the year decreased by €558.6 million to a loss of €6.5 million for the year ended December 31, 2010, as compared to €15.1 million for the same period in 2009.

## Business Segments

The Group reports under the following four business segments: Refining, O&P North America, O&P Europe and Chemical Intermediates. As a result of the consummation of the Refining Divestiture, the Group will no longer report under the Refining segment after the quarter ended June 30, 2011. The following table provides an overview of the historical Group revenue and EBITDA before exceptionals of each of the business segments for the periods indicated:

Group Revenue	For the year ended December 31,	
	2009	2010
	(€in millions)	
Refining .....	6,941.7	8,782.5

O&P North America.....	2,166.3	3,253.8
O&P Europe .....	4,634.3	6,543.7
Chemical Intermediates .....	7,354.4	8,917.3
Corporate and eliminations .....	(3,019.4)	(4,584.6)
<b>Total</b> .....	<b>18,077.3</b>	<b>22,912.7</b>

<b>EBITDA before exceptionals</b>	<b>2009</b>	<b>2010</b>
	<b>(€in millions)</b>	
Refining .....	228.7	(10.7)
O&P North America.....	276.5	330.8
O&P Europe .....	170.8	326.5
Chemical Intermediates.....	546.2	997.5
<b>Total</b> .....	<b>1,222.2</b>	<b>1,644.1</b>

### **Refining**

**Revenue.** Revenue in the Refining segment increased by €1,840.8 million, or 26.5%, to €3,782.5 million for the year ended December 31, 2010, as compared to €1,941.7 million for the year ended December 31, 2009. The increase in revenue was due to higher product prices, which followed the increase in the crude oil price from an average of \$62/bbl in 2009 to an average of \$80/bbl in 2010. This increase in price was partly offset by lower volumes in 2010 following a crude distillation unit (“CDU”) and HCU turnaround at Lavéra and the impact of strike action in the Port of Marseilles.

**EBITDA before exceptionals.** EBITDA before exceptionals in the Refining segment decreased by €39.4 million, or 104.7%, to a loss of €10.7 million for the year ended December 31, 2010, as compared to a profit of €28.7 million for the year ended December 31, 2009. This decrease primarily reflects lower inventory holding gains of €80 million in the year ended December 31, 2010, compared to inventory holding gains of €38 million for the year ended December 31, 2009. In addition, there was higher turnaround activity in 2010 as compared to 2009, although this was partially offset by higher margins in 2010 relative to 2009, reflecting the modest improvement in global economic activity. The fourth quarter of 2010 was also adversely impacted by the strike action in the Port of Marseilles, which led to the shutdown of the Lavéra refinery for a period and the severe weather conditions in Grangemouth in the latter part of the quarter.

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

**Revenue.** Revenue in the O&P North America segment increased by €1,087.5 million, or 50.2%, to €3,253.8 million for the year ended December 31, 2010, as compared to €2,166.3 million for the year ended December 31, 2009. This increase resulted primarily from rising feedstock and commodity material prices from 2009 to 2010. In addition, the appreciation of the U.S. dollar compared to the euro during 2010 of approximately 5% positively impacted the reported revenues of the segment. These increases were partially offset by lower volumes in 2010 as compared to 2009 following planned olefin turnarounds and an unplanned olefins outage in the last quarter of 2010 due to a lightning strike at the Chocolate Bayou site.

**EBITDA before exceptionals.** EBITDA before exceptionals in the O&P North America segment increased by €4.3 million, or 19.6%, to €330.8 million for the year ended December 31, 2010, as compared to €276.5 million for the year ended December 31, 2009. The increase was largely due to higher product margins in 2010 as compared to 2009 due to a tighter supply-and-demand environment with improving domestic demand. The business continues to benefit from its flexible feedstock advantage to enable it to use cheaper gas feedstocks rather than higher priced naphtha. Also contributing to the increase was the stronger U.S. dollar, which appreciated approximately 5% against the euro in 2010. This was partially offset by lower volumes in 2010 due to planned olefin turnarounds and an unplanned olefins outage in the fourth quarter of 2010 due to a lightning strike at the Chocolate Bayou site, which led to a significant impact on performance.

### **O&P Europe**

**Revenue.** Revenue in the O&P Europe segment increased by €1,909.4 million, or 41.2%, to €6,543.7 million for the year ended December 31, 2010, as compared to €4,634.3 million for the year ended December 31, 2009. The increase in revenue reflects the impact of higher sales prices as a result of higher feedstock costs and an improved market environment in 2010 as compared to 2009. Volumes were at a similar level for the year ended December 31, 2010, as compared to the year ended December 31, 2009.

**EBITDA before exceptionals.** EBITDA before exceptionals in the O&P Europe segment increased by €55.7 million, or 91.2%, to €326.5 million for the year ended December 31, 2010, as compared to €70.8 million for



the year ended December 31, 2009. There was an increase in demand in the olefins markets for all products in 2010, which resulted in margins significantly improving in 2010 as compared to 2009, particularly for butadiene, which was driven by strong automotive demand against a background of industry rationalization. After the focus on maintaining volumes in a difficult environment in 2009, the polyolefins business benefited from increasing demand and margins in 2010, driven by a strategy of product differentiation. Demand was particularly strong in the polypropylene and LDPE businesses. Overall polymer volumes were maintained at a similar level to the prior year based mainly on improving European demand with lower exports to the Far East. New olefin and polymer capacity in the Middle East, which has come online in the last two years, had no discernible effect on our markets primarily due to continued healthy demand growth for polyolefins in the Far East. As in the prior year, the ongoing focus on fixed costs was maintained in 2010. Despite an overall decrease compared to 2009, there was increased maintenance spend in 2010 in order to target reliability improvements in the medium term.

### ***Chemical Intermediates***

*Revenue.* Revenue in the Chemical Intermediates segment increased by €1,562.9 million, or 21.3%, to €8,917.3 million for the year ended December 31, 2010, as compared to €7,354.4 million for the year ended December 31, 2009. The increase in revenues in 2010 was due to strong demand across all sectors and all regions leading to increased volumes and increased sales prices driven by stronger demand and higher raw material costs in 2010 as compared to 2009.

*EBITDA before exceptionals.* EBITDA before exceptionals in the Chemical Intermediates segment increased by €451.3 million, or 82.6%, to €997.5 million for the year ended December 31, 2010, as compared to €546.2 million for the year ended December 31, 2009. The Chemical Intermediates businesses experienced an increase in margins due to higher volumes and demand across all businesses. During the year ended December 31, 2010, the market for acrylonitrile was very tight resulting in high margins and volumes for the nitriles business. The Phenol business experienced higher margins primarily as a result of increases in both volumes and prices driven by recovering demand and very attractive export markets, particularly China. The Oxide business saw margins improve due to increased volumes and more significantly through increases in sales prices in excess of the increased raw material costs. The Oligomers business experienced stronger global demand during 2010 with price increases generally outpacing the rising raw material prices leading to better margins and higher sales volumes. The overall increase in EBITDA before exceptionals for the segment was helped by a decrease in fixed costs as the Group focused on reducing fixed cost levels further during the year ended December 31, 2010. Also contributing to the increase was the stronger U.S. dollar, which appreciated approximately 5% against the euro in 2010, which positively impacted the results of the U.S. dollar reported businesses.

### ***Year Ended December 31, 2009, Compared With Year Ended December 31, 2008***

#### ***Consolidated***

*Revenue.* Revenue decreased by €10,996.0 million, or 37.8%, to €18,077.3 million for the year ended December 31, 2009, as compared to €29,073.3 million in 2008. The decrease in revenue is primarily attributable to lower product prices experienced across all of the business segments during the majority of 2009, which followed the decrease in the price of crude oil from an average of \$97/bbl in 2008 to an average of \$62/bbl in 2009. In particular, the Refining segment saw revenue decrease by €4,816.0 million in 2009 as compared to 2008. The decrease was partially offset by the appreciation of the U.S. dollar against the euro by approximately 6% in 2009 compared to 2008.

*Cost of sales before exceptional items.* Cost of sales before exceptional items decreased by €1,432.9 million, or 40.6%, to €16,707.9 million for the year ended December 31, 2009, as compared to €28,140.8 million in 2008. The decrease reflects the decline in feedstock prices the Group experienced throughout the majority of 2009, largely as a result of lower crude oil prices in 2009 as compared to 2008. This overall decrease is partially offset by the appreciation of the U.S. dollar against the euro by approximately 6% in 2009 compared to 2008.

*Exceptional cost of sales.* There was no exceptional cost of sales for the year ended December 31, 2009, as compared to €130.3 million for the same period in 2008. The charge in 2008 reflects the closure of the polypropylene assets in Bamble, Norway, together with the planned closures of the Per and Trichloroethylene plants in Runcorn, England, and the polypropylene assets in Battleground, Texas, in early 2009. Costs incurred to date on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium, were also written off after these projects were shelved. An impairment charge was also taken against the HFC 125 assets in Runcorn after a review of the business was carried out.

*Gross profit.* Gross profit increased by €567.2 million, or 70.7%, to €1,369.4 million for the year ended December 31, 2009, as compared to €802.2 million in 2008. The global economic downturn at the end of 2008 continued into 2009, resulting in a challenging year, with the Refining segment continuing to be impacted by weak demand leading to lower margins, particularly in middle distillates, while the chemical businesses saw slow but steady improvement as

2009 progressed. The underlying performance of the business in 2008 was significantly impacted by volatile raw material prices, demand slowdown and some exceptional events. The business experienced a number of exceptional events in 2008, the most significant of which was the shutdown of the Grangemouth facilities relating to a strike by employees, which resulted in lost contribution margins of approximately €101.0 million. A number of other events, including a large fire on the ARG pipeline at Köln and hurricane-related shutdowns in Texas, resulted in a further €80.0 million reduction in gross profits. In addition, the business experienced inventory holding gains of €237.6 million in the Refining segment in 2009, as compared to holding losses of €277.0 million in 2008. The appreciation of the U.S. dollar against the euro by approximately 6% in 2009 compared to 2008 positively impacted the results of our U.S. dollar reporting businesses.

*Distribution costs.* Distribution costs decreased by €18.2 million, or 21.7%, to €425.5 million for the year ended December 31, 2009, as compared to €443.7 million for the same period in 2008. The decrease was partly due to decreased freight costs and lower volumes in 2009, as compared to the same period in 2008. In addition, during 2009, the Group disposed of a number of businesses to INEOS Industries Limited, an entity held under common control by the Group's ultimate shareholders, which resulted in lower distribution costs as compared to the previous year.

*Administrative expenses before exceptional items.* Administrative expenses before exceptional items decreased by €2.4 million, or 10.5%, to €361.5 million for the year ended December 31, 2009, as compared to €403.9 million for the same period in 2008. In 2009, the Group continued to benefit from the fixed cost reduction programs, with further reductions experienced in both manpower and non-manpower fixed costs. Also, this decrease in fixed costs was partly attributable to the disposal of a number of businesses during 2009 which would have had a full year's charge in the 2008 reported costs.

*Exceptional administrative expenses.* Exceptional administrative expenses decreased by €38.8 million, or 48.1%, to €41.9 million for the year ended December 31, 2009, as compared to €80.7 million for the same period in 2008. Restructuring costs of €29.9 million in 2009 (€20.4 million in 2008) relate to the continued restructuring program for the acquired Innovene business. The restructuring has focused on the operations at the main sites in the business at Grangemouth, Lavéra, Köln and Chocolate Bayou. The restructuring costs largely relate to severance and early retirement costs. Other restructuring costs of €12.0 million charged in 2009 primarily related to restructuring and the provision of severance payments in the Compounds and ABS businesses. In 2008, other restructuring costs of €26.5 million were charged in relation to other acquired businesses in 2008 and primarily relate to severance costs, early retirement costs and contract termination penalties at Bamble, Norway. During 2008, the Group agreed to an out-of-court settlement of €33.8 million (including costs) to settle a patent case in the United States. The claim against the Group was based on the contention that Phenolchemie took the claimant's idea of using phenol residue as a feedstock for making carbon black in the late 1990s.

*Exceptional administrative gain.* There was no exceptional administrative gain for the year ended December 31, 2009, as compared to €29.0 million for the same period in 2008. The gain in 2008 related to the write-off of negative goodwill recognized on the acquisition of Seal Sands.

*Operating profit/(loss).* Operating profit increased by €737.6 million, or 374.2%, to €540.5 million for the year ended December 31, 2009, as compared to a loss of €197.1 million for the same period in 2008.

*Share of profit/(loss) of associates and jointly controlled entities before exceptional items.* Share of profit of associates and jointly controlled entities before exceptional items increased by €77.0 million to a profit of €23.7 million for the year ended December 31, 2009, as compared to a loss of €53.3 million for 2008. The increase reflects the improved trading environment for the INEOS Nova JV in 2009, as compared to 2008. Rising feedstock prices in the first three quarters of 2008 compressed margins, and, in addition, in 2008 Hurricane Ike led to lower sales and production losses in North America. INEOS Nova JV also experienced significant inventory holding losses in the last quarter of 2008 as prices fell dramatically.

*Share of exceptional loss of associates and jointly controlled entities.* Share of exceptional loss of associates and jointly controlled entities decreased by €4.5 million to nil for the year ended December 31, 2009, as compared to €4.5 million for 2008. INEOS Nova JV restructured some of its operations in North America in 2008 and the restructuring charges relate to the Group's share of the asset write-downs and severance costs incurred by INEOS Nova JV.

*Profit/(loss) on disposal of businesses.* Loss on disposal of businesses was €276.5 million for the year ended December 31, 2009, as compared to a profit of €143.0 million for the same period in 2008. During 2009, the Group made a number of disposals to a related party, INEOS Industries Limited. The Group received no consideration for the disposals, which included the Group's ABS, Styrenics, Melamines and Films businesses, together with 80% of the Group's Bio and Healthcare businesses, which resulted in an overall non-cash loss of €169.6 million. As part of the disposal agreement, the Group committed to provide further support to the businesses disposed of for the purpose of

working capital management of €75.0 million and therefore included this amount within the loss on disposal. In addition, the Group completed the sale of the Compounds Italia business to a third party for a nominal consideration, resulting in a non-cash loss on disposal of €43.5 million. The profit in 2008 relates to the sale of the INEOS Silicas business to PQ Corporation, the specialty chemical company owned by The Carlyle Group. The business was sold for a total consideration of €304.0 million, of which €198.5 million was received in cash.

*Profit/(loss) before finance costs.* Profit before finance costs increased by €399.6 million to a profit of €287.7 million for the year ended December 31, 2009, as compared to a loss of €11.9 million for the same period in 2008.

*Finance income before exceptional items.* Finance income before exceptional items decreased by €78.8 million, or 45.3%, to €95.1 million for the year ended December 31, 2009, as compared to €173.9 million for the same period in 2008. This decrease was partly attributable to a reduction in interest income of €29.0 million following lower cash balances and lower interest rates obtained in 2009, as compared to 2008, together with lower expected returns on defined benefit pension plan assets of €27.1 million in 2009, as compared to 2008.

*Exceptional finance income.* During 2009, the Group finalized the settlement of a legal claim against a third party. The defendant agreed to acquire 2016 Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million), and the Group received 2016 Notes with a book value of €14.1 million, resulting in a gain of €9.0 million.

*Finance costs before exceptional items.* Finance costs before exceptional items decreased by €82.4 million, or 8.7%, to €863.8 million for the year ended December 31, 2009, as compared to €946.2 million for the same period in 2008. This decrease is primarily a result of exchange losses associated with short-term intra-group funding of €12.4 million incurred in 2009, as compared to €158.0 million in 2008. Partially offsetting this is an increase in interest payable under the 2005 Facilities Agreement following an increase in margins as part of a package of amendments to the agreement during 2009.

*Exceptional finance cost.* During 2009, the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's 2005 Facilities Agreement. The Group assessed that the package of amendments to the 2005 Facilities Agreement represented a substantial modification and resulted in the extinguishment of the existing debt. As a result, the existing debt was derecognized and the modified debt recognized at fair value. Accordingly, the Group recognized a charge of €209.2 million as an exceptional finance cost, which includes the write-off of the deferred issue costs on the 2005 Facilities Agreement debt and the costs associated with the July 2009 amendment.

*Profit/(loss) before tax.* Loss before tax decreased by €283.0 million to a loss of €601.2 million for the year ended December 31, 2009, as compared to a loss of €884.2 million for the same period in 2008.

*Tax (charge)/credit.* Tax increased by €325.5 million to a charge of €13.9 million for the year ended December 31, 2009, as compared to a credit of €311.6 million for the same period in 2008. The increase in taxation was due to improved profitability in 2009, as compared to 2008. The change in the effective tax rate is largely due to the non-deductibility of the loss on disposal of businesses made in 2009.

*Profit/(loss) for the year.* Loss for the year increased by €42.5 million to a loss of €615.1 million for the year ended December 31, 2009, as compared to a loss of €572.6 million for the same period in 2008.

### **Business Segments**

The Group reports under the following four business segments: Refining, O&P North America, O&P Europe and Chemical Intermediates. As a result of the consummation of the Refining Divestiture, the Group will no longer report under the Refining segment after the quarter ended June 30, 2011. The 2008 acquisitions of the vinyl acetate monomer/ethyl acetate business, Seal Sands and ABS India are included within the results of the Chemical Intermediates segment.

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

<b>Group Revenue</b>	<b>For the year ended December 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>(€in millions)</b>	
Refining .....	11,757.7	6,941.7
O&P North America.....	2,950.9	2,166.3
O&P Europe .....	9,946.6	4,634.3
Chemical Intermediates.....	12,842.3	7,354.4
Corporate and eliminations .....	(8,424.2)	(3,019.4)
<b>Total</b> .....	<b>29,073.3</b>	<b>18,077.3</b>
<b>EBITDA before exceptionals</b>	<b>2008</b>	<b>2009</b>
	<b>(€in millions)</b>	
Refining .....	43.4	228.7
O&P North America.....	26.2	276.5
O&P Europe .....	101.4	170.8
Chemical Intermediates.....	422.5	546.2
<b>Total</b> .....	<b>593.5</b>	<b>1,222.2</b>

### **Refining**

*Revenue.* Revenue in the Refining segment decreased by €4,816.0 million, or 41.0%, to €6,941.7 million for the year ended December 31, 2009, as compared to €11,757.7 million for the year ended December 31, 2008. The decrease in revenue was due to lower product prices, which followed the decrease in the crude oil price from an average of \$97/bbl in 2008 to an average of \$62/bbl in 2009. This decrease in price was partly offset by higher volumes in 2009 following a CDU shutdown at Lavéra and industrial action at Grangemouth, both of which occurred in 2008.

*EBITDA before exceptionals.* EBITDA before exceptionals in the Refining segment increased by €85.3 million, or 427.0%, to €228.7 million for the year ended December 31, 2009, as compared to €43.4 million for the year ended December 31, 2008. This increase primarily reflects inventory holding gains of €237.6 million in the year ended December 31, 2009, compared to inventory holding losses of €277.0 million for the year ended December 31, 2008, although this was partially offset by the significantly lower margins in 2009 relative to 2008 as the effect of reduced demand as a result of the global economic recession impacted the business. The profitability of the business was

also adversely impacted in 2008 by the industrial action at Grangemouth and an unplanned CDU outage at Lavéra. Also, the appreciation of the U.S. dollar compared to the euro during 2009 of approximately 6% positively impacted the results of the segment.

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

**Revenue.** Revenue in the O&P North America segment decreased by €784.6 million, or 26.6%, to €1,166.3 million for the year ended December 31, 2009, as compared to €2,950.9 million for the year ended December 31, 2008. This decrease resulted from falling feedstock and commodity material prices from the highs experienced in 2008, although some recovery in price was seen in 2009. This was partially offset by an appreciation of the U.S. dollar against the euro during 2009 of approximately 6%. In addition, sales volumes in 2009 were higher than 2008, reflecting recovering demand and the negative impact of hurricane-related outages during the middle of 2008.

**EBITDA before exceptionals.** EBITDA before exceptionals in the O&P North America segment increased by €250.3 million, or 955.3%, to €276.5 million for the year ended December 31, 2009, as compared to €26.2 million for the year ended December 31, 2008. The increase was largely due to inventory holding gains of €53.0 million in the year ended December 31, 2009, as compared to losses of €140.0 million for the year ended December 31, 2008. Also contributing to the increase was the stronger U.S. dollar, which appreciated approximately 6% against the euro in 2009. The business also benefited from a settlement of a legal claim during the third quarter of 2009 of approximately €25.1 million. In addition, lower fixed costs in 2009 contributed to the improved performance, driven primarily by lower headcount costs.

#### ***O&P Europe***

**Revenue.** Revenue in the O&P Europe segment decreased by €5,312.3 million, or 53.4%, to €4,634.3 million for the year ended December 31, 2009, as compared to €9,946.6 million for the year ended December 31, 2008. The decrease in revenue reflects the impact of lower sales prices as a result of lower feedstock costs in 2009, as compared to 2008, particularly in the first three quarters of 2008. Volumes were also lower for the year ended December 31, 2009, as compared to the year ended December 31, 2008, due to a decrease in demand as a result of the global economic downturn. The fourth quarter of 2009 saw volumes increase, compared to the fourth quarter in 2008, as markets recovered.

**EBITDA before exceptionals.** EBITDA before exceptionals in the O&P Europe segment increased by €69.4 million, or 68.4%, to €170.8 million for the year ended December 31, 2009, as compared to €101.4 million for the year ended December 31, 2008. Low feedstock prices at the beginning of 2009 were a reflection of very weak demand and low cracker margins compared with the same period in 2008. The move to monthly monomer pricing in late 2008 was maintained during 2009 and allowed monomer prices to flex more quickly as feedstock prices recovered during the year. In other key olefin markets, both butadiene and benzene markets recovered gradually during 2009 from their troughs at the end of 2008 due to key markets, such as automotive, benefiting from government-led support. The significant fall in feedstock prices in the last quarter of 2008 led to inventory holding losses of €124.0 million for the segment, which also had a significant adverse impact on the 2008 results. Following the extraordinary de-stocking by customers at the end of 2008, the polyolefins business focused on maintaining volumes, in the first half of 2009, albeit at lower margins than in the previous year, but benefiting from exports to the Far East, while European volumes recovered as the year progressed. New Middle East olefin and polymer capacities which came online in 2009 had no discernible effect on our markets primarily due to healthy demand growth for polyolefins in the Far East. The 2009 results also benefited from the ongoing focus on fixed costs which reduced during the year ended December 31, 2009, as compared to the year ended December 31, 2008. This reduction included the impact of the closure of the unprofitable polyolefin assets at Bamble in 2008 and in Sarralbe during 2009.

#### ***Chemical Intermediates***

**Revenue.** Revenue in the Chemical Intermediates segment decreased by €5,487.9 million, or 42.7%, to €7,354.4 million for the year ended December 31, 2009, as compared to €12,842.3 million for the year ended December 31, 2008. The global economic downturn resulted in most businesses within the segment experiencing a fall in revenue due to lower product prices and lower volumes in the year ended December 31, 2009, as compared to the year ended December 31, 2008.

**EBITDA before exceptionals.** EBITDA before exceptionals in the Chemical Intermediates segment increased by €23.7 million, or 29.3%, to €546.2 million for the year ended December 31, 2009, as compared to €422.5 million for the year ended December 31, 2008. The Chemical Intermediates businesses experienced a decline in margins due to lower volumes and demand driven by the weak economic conditions and competitive pressures during the first half of 2009; although in the second half of 2009, the segment saw significant and steady improvement in performance, with reasonable core demand and increased export opportunities returning. The significant fall in feedstock prices in the last

quarter of 2008 led to inventory holding losses of €304.0 million for the segment, which had a significant adverse impact on the 2008 results. During the year ended December 31, 2009, the Nitriles business saw margins improve due to increased volumes as customers started to restock from historically low inventory levels, although this was partially offset by price pressures as a result of the difficult global economic environment. The Phenol results in the prior year were impacted by the significant fall in prices in the fourth quarter of 2008, although a gradual recovery has been experienced in 2009. The Oxide results were adversely impacted by the general price decrease on the back of lower raw material prices and a changed supply/demand balance. The Oligomers business saw lower margins reflecting lower volumes due to a global reduction in demand, and increased raw material prices outpacing the ability to increase sale prices. Improved margins were experienced in the ChlorVinyls business following a fall in raw material and energy costs. The overall increase in EBITDA for the segment was helped by a decrease in fixed costs as the Group focused on reducing fixed cost levels further during the year ended December 31, 2009.

## **Liquidity and Capital Resources**

### ***Capital Resources***

Our historical liquidity requirements have arisen primarily from the need for us to meet our debt service requirements, to fund capital expenditures for the general maintenance and expansion of our production facilities and for new facilities, and to fund growth in our working capital.

Our primary sources of liquidity are cash flows from operations of subsidiaries, cash on our balance sheet and borrowings under the revolving credit facility and the Securitization Program. Our ability to generate cash from our operations depends on future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control.

We believe that our operating cash flows, together with the cash resources and future borrowings under the revolving credit facility and the Securitization Program, will be sufficient to fund our working capital requirements, anticipated capital expenditures and debt service requirements as they become due, although this may not be the case. In particular, future drawings under the revolving credit facility will only be available if, among other things, we meet the financial covenants included in the Senior Facilities Agreement.

### ***Financing Arrangements***

Our Senior Secured Credit Facilities consist of €3,510.0 million and \$1,930.0 million of senior secured term loans, and a revolving credit facility of €754.2 million (or its equivalent in optional currencies). Our Term D Facility consisted of €650.0 million second secured term loans. The Senior Secured Credit Facilities outstanding at September 30, 2011, before issue costs, were €2,859.7 million. The revolving credit facility outstanding at September 30, 2011, before issue costs, was €443.6 million. All outstanding amounts under the revolving credit facility must be repaid on December 16, 2013, or, if earlier, the date on which the term loans are repaid or prepaid in full and all commitments thereunder are reduced to zero. See “Description of Other Indebtedness—Senior Facilities Agreement.”

On July 1, 2011, we permanently repaid all amounts outstanding under our 2005 Facilities Agreement with cash on hand.

The Group also has a €1,200.0 million Securitization Program in place, which matures in December 2014.

As of September 30, 2011, we had a total of €17.6 million of our 2015 Notes and €2,028.5 million of our 2016 Notes outstanding.

### ***Capital Expenditures***

As part of our strategy to focus capital investments on improving returns, we have instituted measures to ensure the most efficient uses of capital investment. We intend to manage capital expenditures to maintain our well-invested asset base. For example, notwithstanding the recession, our revenue maintenance spend remained stable from 2007 through September 30, 2011, and for the twelve months ended September 30, 2011, our average plant reliability was approximately 99%.

During the years ended December 31, 2008, 2009 and 2010, and the nine months ended September 30, 2010 and 2011, capital expenditures analyzed by business segment were as follows:

For the year ended December 31,			For the nine months ended September 30,	
2008	2009	2010	2010	2011

	(€in millions)			(€in millions)	
Refining .....	90.5	70.7	130.2	96.6	54.8 <sup>(1)</sup>
O&P North America.....	57.8	31.4	44.6	39.1	17.6
O&P Europe .....	152.0	48.0	63.0	28.0	55.5
Chemical Intermediates.....	323.7	113.9	106.5	62.6	107.8
<b>Total .....</b>	<b>624.0</b>	<b>264.0</b>	<b>344.3</b>	<b>226.3</b>	<b>235.7</b>

(1) Capital expenditures in the Refining segment occurred prior to July 1, 2011.

In the nine months ended September 30, 2011, the main capital expenditures were cash payments in the first six months of 2011 in respect of fourth quarter 2010 scheduled turnarounds in the Refining segment and license to operate costs at the Lavéra site. In addition, there were scheduled turnarounds within the O&P Europe segment at the Grangemouth and Köln sites. There was further capital expenditure on the ethylene terminal project in Antwerp within the Chemical Intermediates segment. The remaining capital expenditures related primarily to sustenance capital expenditure.

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

In 2009, the relevant actions were taken to significantly reduce capital expenditure levels, with all businesses contributing to the reduction as spend was primarily focused on sustenance and license to operate (“LTO”) expenditure. The main capital expenditures in 2009 were the fourth train Nitriles project in Green Lake, the LAO/PAO capacity expansion at Feluy, Belgium, the Bimodal project in Battleground, Texas, and the Alkox 5 expenditure in Antwerp. There were also scheduled turnarounds at our EO/EG facility in Köln, our Catalytic Reforming Unit, which converts aliphatic compounds into aromatics, and Cryogenic units in Grangemouth and our KG cracker in Grangemouth. The remaining capital expenditure related primarily to sustenance capital expenditure.

The main capital expenditure projects in 2008 were the capacity expansion of the Phenol Antwerp facility, the fourth train Nitriles project in Green Lake, Texas, United States, and the LAO/PAO capacity expansion at Feluy, Belgium. There were also scheduled turnarounds at our Carson polypropylene facility, our EO plant in Lavéra, our LDPE plant in Köln and our Oligomers plant in Joffre, Alberta, Canada.

We expect that our aggregate capital expenditure for 2012 will be approximately €350.0 million. The increase in expenditure compared to 2011 reflects additional expenditure to complete the ethylene terminal in Antwerp of €70.0 million and increased levels of essential maintenance expenditure that is now required to be done.

### **Working Capital**

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

### **Cash Flows**

During the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2010 and 2011, our cash flow was as follows:

	For the year ended December 31,			For the nine months ended September 30,	
	2008	2009	2010	2010	2011
	(€in millions)			(€in millions)	
Net cash flow provided by operating activities .....	1,245.4	1,226.5	1,032.1	490.0	664.6
Net cash flow provided by / (used in) investing activities	(529.1)	(261.9)	83.2	194.7	454.3
Net cash flow used in financing activities .....	(1,012.1)	(944.4)	(1,185.4)	(814.2)	(1,107.2)

### *Cash flows from operating activities*

Net cash flow from operating activities was an inflow of €664.6 million for the nine-month period ended September 30, 2011 (inflow of €490.0 million in the nine months ended September 30, 2010). This inflow was due to the profit generated from operations, partially offset by working capital outflows of €829.8 million in the nine-month period (outflow of €765.0 million in the nine months ended September 30, 2010). The working capital outflows reflect the increase in raw material and selling prices experienced in the period across the Group, together with the increased level of business the Group has experienced in 2011 as compared to the same period in 2010.

Net cash flow from operating activities was an inflow of €1,032.1 million for the year ended December 31, 2010 as compared to €1,226.5 million for the year ended December 31, 2009. The reduction in operating cash flows was primarily due to increased working capital outflows across the Group during 2010 as compared to 2009. There were working capital outflows of €451.6 million in 2010 compared to outflows of €71.7 million in 2009. The working capital outflows in 2010 were largely due to the increases in raw material prices and increased levels of business activity experienced across the Group as a result of the improved economic conditions during 2010.

Taxation payments of €15.3 million were made in the nine months ended September 30, 2011 (payments of €70.1 million in the nine months ended September 30, 2010). The payments in the nine months ended September 30, 2011, primarily reflect prepayments made to the tax authorities in Canada and the US.

Taxation payments of €1.5 million were made in the year ended December 31, 2010. These payments primarily reflect payments made in the U.S., Canada and Belgium.

Taxation refunds of €1.1 million were received in the year ended December 31, 2009. The net refund for the period reflects tax refunds received by the Group from the U.S. and Canadian tax authorities. The refunds largely relate to the repayment of payments on account made during 2008.

### *Cash flows from investing activities*

On July 1, 2011, the Group successfully completed the Refining Divestiture, upon completion of which the Group received €674.2 million cash consideration (after expenses).

In the nine months ended September 30, 2011, the Group received deferred proceeds of €6.0 million in relation to the sale of the fluorochemicals business. In September 2010, the Group disposed of the Films business to Bilcare AG for gross proceeds of approximately €96 million. Cash balances transferred with the businesses disposed of were €8.8 million.

During the first quarter of 2010, the Group disposed of the ChlorVinyls and Compounds Switzerland businesses to Kerling plc, a new holding company formed to combine together INEOS Enterprises, ChlorVinyls and the INEOS Norwegian Polymers business. The Group received €65.0 million cash consideration from the disposal of the ChlorVinyls business. As part of the disposal transaction, the Group transferred the €160.0 million INEOS Vinyls Notes to Kerling, together with gross pension liabilities of approximately €197.7 million.

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

During 2009, the Group disposed of its Monfalcone site in Italy for €24.6 million in cash. In addition, the Group disposed of the INEOS ABS, Melamines, Styrenics and Films Italia businesses, together with 80% of the Group's Bio and Healthcare businesses to INEOS Industries Limited, a related party, for no consideration. Cash balances transferred with the businesses disposed of were €29.8 million.

During 2008, the Group acquired the vinyl acetate monomer and ethyl acetate businesses from BP for a cash consideration of €55.2 million (including acquisition expenses). The Group also completed the acquisition of the Lanxess ABS business in India for a total cash consideration of €49.4 million. The business was acquired with cash balances of €13.5 million. This acquisition formed part of the original Lanxess ABS deal, which originally occurred in October 2007. In addition the Group completed the purchase of the Seal Sands site on Teesside, United Kingdom, from BASF for a total cash consideration of €15.6 million.

During 2008, the Group completed the sale of the INEOS Silicas business to PQ Corporation, the specialty chemical company owned by The Carlyle Group, for a total consideration of €304.0 million, of which €198.5 million was received in cash. In addition, the Group received the remaining deferred consideration of €4.9 million in relation to the disposal of the E-PVC business, which was made in 2007.



### *Cash flows from financing activities*

Interest payments of €538.1 million were made in the nine-month period ended September 30, 2011 (€609.6 million in the nine months ended September 30, 2010). The interest payments during the first nine months of 2011 relate to monthly cash payments in respect of the Senior Facilities Agreement and semi-annual interest on the 2015 Notes and the 2016 Notes. In addition the Group paid €30.7 million of accrued PIK interest under the Senior Facilities Agreement with cash on hand. The interest payments during the first nine months of 2010 relate to cash payments in respect of interest on the 2015 Notes, the 2016 Notes and the Senior Facilities Agreement.

The Group made scheduled repayments under the Senior Facilities Agreement of €74.6 million, together with a voluntary repayment of €200.0 million in the year ended December 31, 2010, as compared to scheduled repayments of €18.9 million for the same period in 2009. The Group made a repayment of €239.8 million on the revolving credit facility during 2010 as compared to a drawdown of €167.9 million for the same period in 2009 and a drawdown of €19.7 million on the Securitization Program during 2010 as compared to a payment of €148.4 million for the same period in 2009.

The Group made a drawdown of €105.4 million on the revolving credit facility (€239.8 million repayment in the nine months ended September 30, 2010) and a repayment of €1.2 million (€85.1 million drawdown in the nine months ended September 30, 2010) on the Securitization Program during the nine months ended September 30, 2011. The Group made a scheduled repayment on the Senior Facilities Agreement of €16.5 million during the nine months ended September 30, 2011 (repayment of €29.2 million in the nine months ended September 30, 2010).

On July 29, 2011, we used the net cash proceeds from the Refining Divestiture along with cash on hand to permanently repay €46.1 million of term loans and the associated €30.7 million of PIK interest under the Senior Facilities Agreement.

Interest payments of €763.4 million were made in the year ended December 31, 2010, as compared to €729.5 million for the same period in 2009. These payments represent payments of interest in respect of the 2015 Notes, the 2016 Notes, the Senior Facilities Agreement and the Securitization Program during the year.

In May 2010, the Group issued the 2015 Notes, resulting in a cash inflow of €730.4 million. The proceeds of the notes were used to repay senior debt of €678.2 million (plus the associated PIK interest). The Group paid associated debt issue costs of €68.8 million during the nine months ended September 30, 2010. Debt issue costs of €10.7 million were paid in the nine-month period ended September 30, 2011, in relation to a 25 bps deferred consent fee payable to the 2005 Facilities Agreement lenders, following the issue of the 2015 Notes in May 2010.

The Group made no dividend payments in the years ended December 31, 2008, 2009 and 2010, or the nine months ended September 30, 2011.

During 2010, the Group issued the 2015 Notes, resulting in a cash inflow of €730.4 million. The proceeds of the 2015 Notes were used to repay senior debt of €678.2 million (plus the associated PIK interest). The Group also paid associated debt issue costs of €79.3 million during 2010.

### *Net debt*

Total net debt as at September 30, 2011, was €6,199.4 million (December 31, 2010: €6,851.4 million). The Group held net cash balances of €601.7 million as at September 30, 2011 (December 31, 2010: €599.2 million). The Group has utilized €604.6 million (including ancillary facilities) of the €754.2 million revolving credit facility as at September 30, 2011. As at September 30, 2011, the Group had accrued PIK interest of €141.3 million (December 31, 2010: €148.7 million).

Total net debt as at December 31, 2010, was €6,851.4 million, compared to €7,126.7 million for the same period in 2009. The Group held net cash balances of €599.2 million as at December 31, 2010 (December 31, 2009: €662.1 million). The Group utilized €535.2 million (including ancillary facilities) of the €797.8 million revolving credit facility as at December 31, 2010 (December 31, 2009: €789.1 million). As at December 31, 2010, the Group had accrued PIK interest of €148.7 million (December 31, 2009: €71.1 million).

For additional information about our past hedging transactions and derivative financial instruments, see note 26 to the audited consolidated financial information.

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

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

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

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

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

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

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

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

The following areas are considered to involve a significant degree of judgment or estimation (this section should be read in conjunction with note 33 to the consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010, and with note 33 to the consolidated financial information of INEOS Group Holdings plc as of and for the three years ended December 31, 2009, 2008 and 2007, included elsewhere in this offering memorandum).

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

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgment, and estimates and assumptions made.

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

On acquisition of a business, the identifiable intangible assets may include customer contracts, customer relationships and preferential supply contracts. The fair value of these assets is determined by discounting estimated

future net cash flows generated by the asset. The use of different estimates and assumptions for the expectations of future cash flows and the discount rate would change the valuation of these intangible assets.

## **Taxation**

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

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

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

## **Post-Retirement Benefits**

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

## **Provisions**

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

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

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

## **Impairment Reviews**

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

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

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

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes

could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilization from events, such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalized intellectual property rights, could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

### **Segment Aggregation**

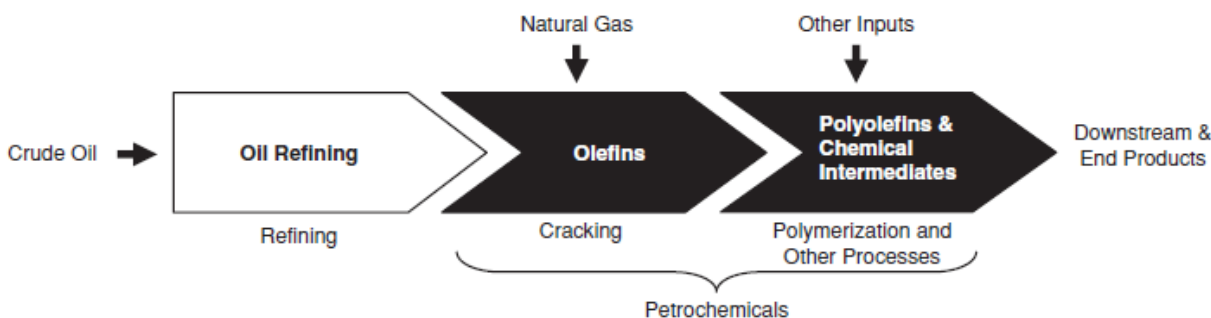
IFRS 8 “Operating Segments” permits two or more operating segments to be aggregated into one for disclosure purposes when individual segments have characteristics so similar that they can be expected to have essentially the same future prospects. Management applies this judgment taking into account aspects such as economic characteristics, the nature of products and services, the type of customers, etc.

## INDUSTRY AND MARKET OVERVIEW

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

### Overview

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



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

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

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

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

### Olefins & Polyolefins

#### Overview

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

#### Manufacturing

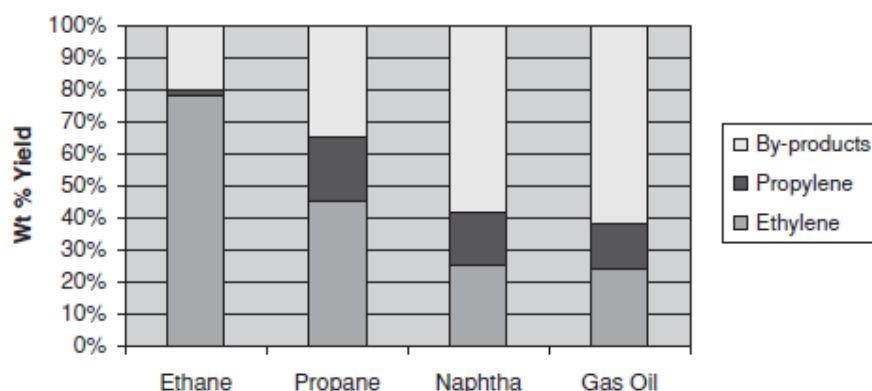
Olefins are produced primarily by the steam cracking of hydrocarbon feedstocks. In steam cracking, a gaseous or liquid hydrocarbon feed, such as naphtha, liquefied petroleum gas or ethane, is diluted with steam and briefly heated in

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

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

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

**Product Yields by Feedstock**



Source: Nexant

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

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

The following is a summary of the four processes:

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

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

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

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

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

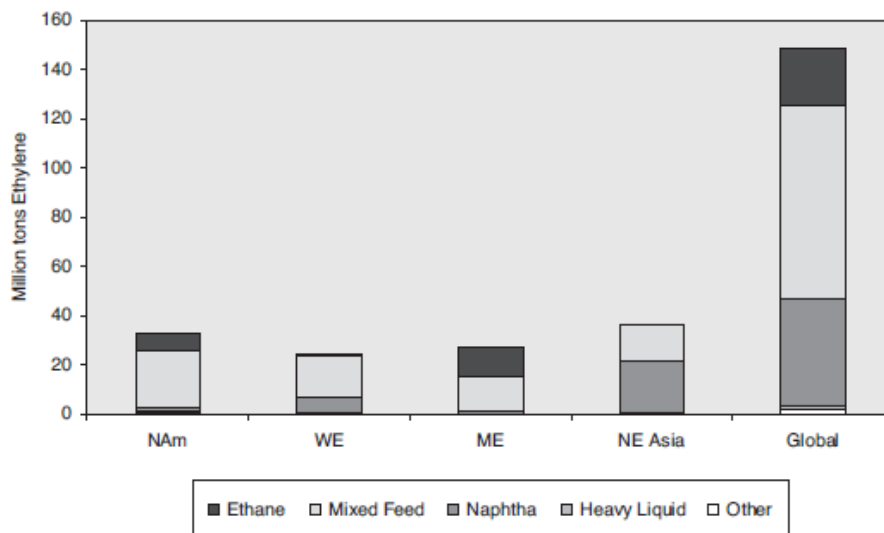
Post polymerization, any catalyst is deactivated, the polyolefin is freed of any solvent, unreacted monomer or liquid diluent, and the resulting polyolefin flake or crumb is combined with additives and extruded into pellets prior to sale to downstream fabricators.

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

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

## Feedstock

The principal feedstocks of our Olefins and Polymers businesses are naphtha (mainly obtained in the process of refining crude oil) and gas or NGLs (mainly ethane, propane and butane, obtained either as a by-product of crude oil processing or directly recovered from natural gas supplies). The predominate feedstock in North America, Western Europe, the Middle East and Northeast Asia is naphtha, with the majority of global cracking capacity now capable of operating with mixed feed:

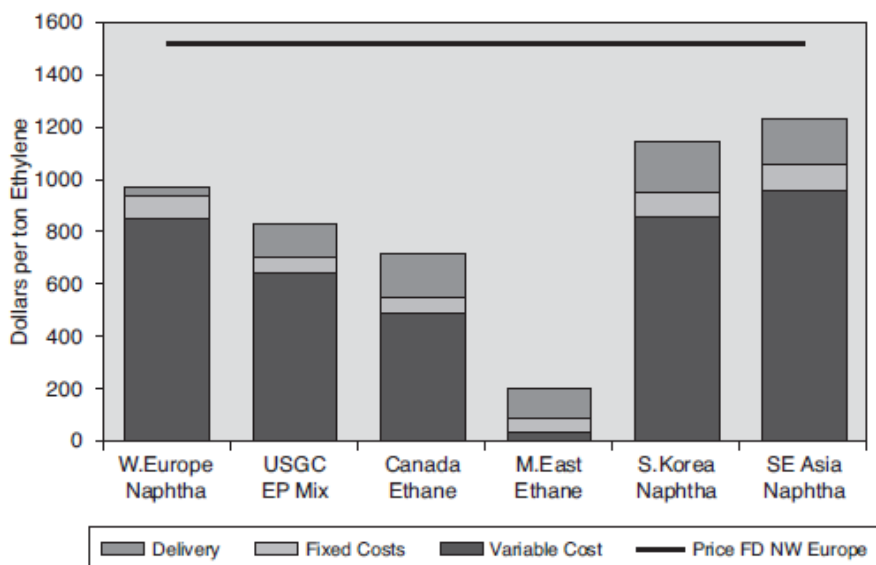


Source: Nexant

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

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

### World Ethylene Manufacturing and Delivered Cost Competitiveness





## Products

According to Nexant, worldwide demand for petrochemical products has grown at a rate greater than the growth rate of GDP over the last 15 years, reflecting in part the ongoing substitution of thermoplastics for other industrial materials, including paper, wood, glass and metal, and the change in consumption patterns of developing nations. Nexant projects demand growth for petrochemical products to be moderate as compared to historical levels, but nonetheless to grow slightly faster than GDP on a worldwide basis as this penetration matures in established markets, and despite petrochemical growth rates which can be below GDP growth rates for certain products in North America and Western Europe. Between 2010 and 2015, Nexant projects GDP to grow at an average annual growth rate of 3.1% in North America, 2.4% in Western Europe and 5.4% in Northeast Asia. According to Nexant, in Northeast Asia, China is expected to experience the strongest growth, with projected average annual growth in the range of 7.5% to 10% in the same period.

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

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

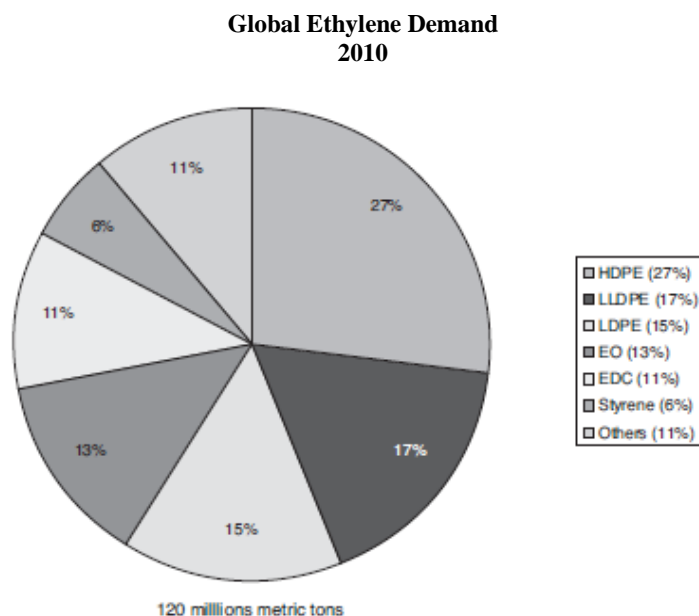
	Average annual GDP and demand growth rates (%) <sup>(1)</sup>							
	2005-2010				2010-2015			
	North America	Western Europe	Northeast Asia	Global	North America	Western Europe	Northeast Asia	Global
GDP .....	0.8	0.7	4.7	2.5	3.1	2.4	5.4	3.9
Ethylene .....	(0.0)	(1.1)	5.7	3.1	1.5	1.5	3.7	4.5
Propylene .....	(1.5)	(1.1)	6.1	2.9	2.0	1.0	5.1	4.8
Butadiene .....	(2.9)	(1.2)	6.5	1.9	1.6	0.8	4.9	4.1
Polyethylene .....	(0.6)	(1.0)	6.7	3.2	3.3	2.6	5.7	5.3
High-density polyethylene	(0.8)	(0.7)	7.9	3.6	3.3	3.0	5.3	5.4
Low-density polyethylene	(1.7)	(1.1)	4.1	1.5	2.0	1.2	4.9	3.7
Linear low-density polyethylene .....	0.4	(1.3)	7.4	4.2	4.1	3.8	6.9	6.5
Polypropylene .....	(1.5)	(1.7)	6.4	3.4	3.7	2.9	5.4	5.3

Source: Nexant, January 2012

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

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

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

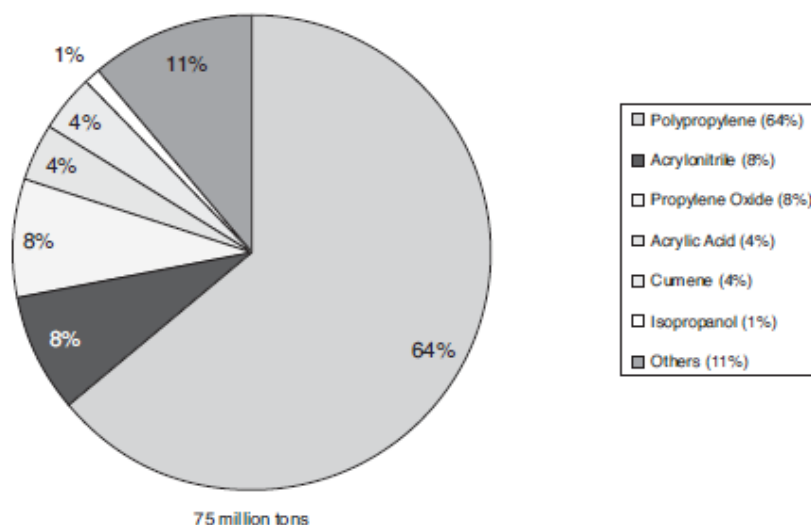


Source: Nexant—Jan 2012

While ethylene itself has no consumer applications, demand for ethylene is driven essentially by its use as feedstock for various thermoplastics, which are plastics that soften when heated and harden again when cooled, including polyethylene and other polymer derivatives. Aside from being the feedstock for polyethylene production, demand for ethylene is also driven by the manufacture of ethylene oxide and derivatives, ethylene dichloride and ethyl benzene. According to Nexant, the global market for ethylene is forecast to grow at 4.5% per annum through 2015 versus forecast GDP growth of 3.9% during the same period, driven by polyethylene applications such as high-density polyethylene and linear low-density polyethylene.

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

**Global Chemical & Polymer Grade  
Propylene 2010**



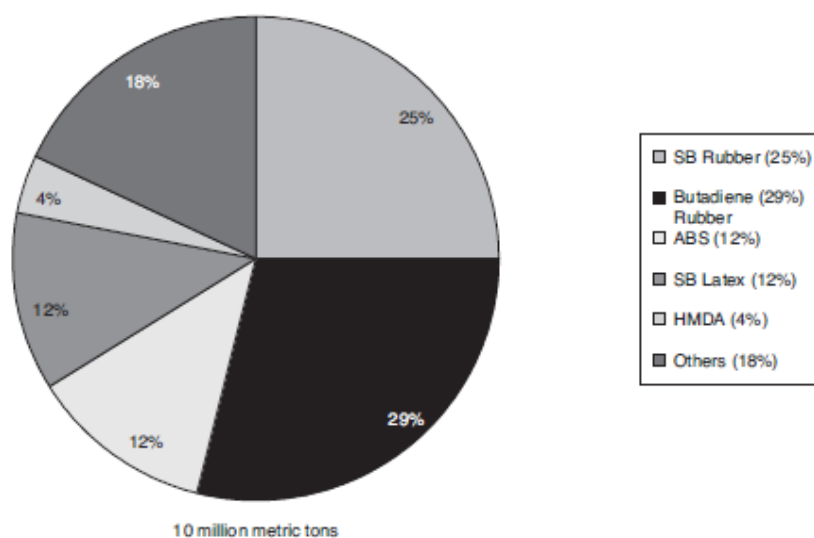
Source: Nexant—Jan 2012

Global propylene demand is driven essentially by its use as feedstock for various thermoplastics (polypropylene and other polymer derivatives) and by the level of demand for propylene derivatives, particularly polypropylene, propylene oxide, acrylonitrile, oxo-alcohols, cumene and acrylic acid. Growth in the demand for polypropylene has stemmed from the substitution of non-polymers (paper, wood, glass and metal, etc.), due to a relative cost advantage and superior performance. According to Nexant, the global market for propylene is projected to grow at 4.8% per annum through 2015, driven by polypropylene demand.

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

Butadiene demand is driven primarily by growth in consumption of synthetic rubber. According to Nexant, the global market for butadiene is projected to grow at an average of 4.1% per annum through 2015.

**Global Butadiene Derivatives  
2010**

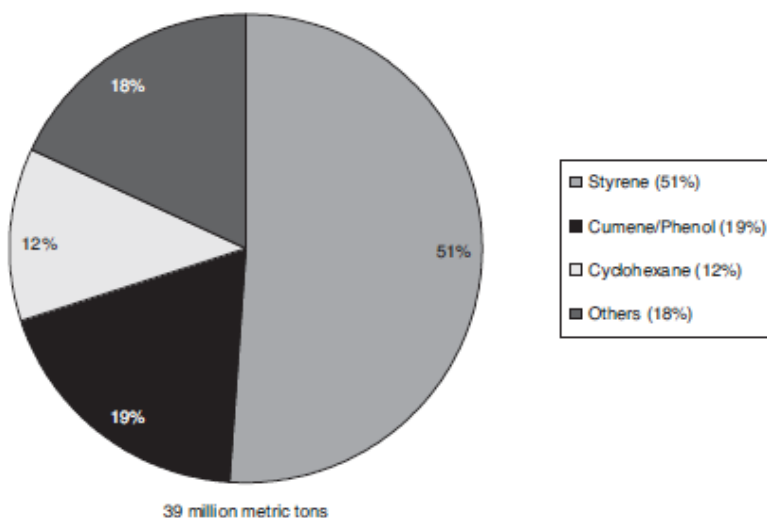


Source: Nexant—Jan 2012

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

Styrene is the largest chemical outlet for benzene at around 52% of demand. The second largest outlet for benzene, accounting for 19% of demand, is cumene which is nearly all consumed in phenol production with acetone formed as a co-product. For 2010, Nexant estimated the global benzene demand to be almost 39 million tons, with over 70% being consumed in the production of ethylbenzene for the styrenics industry and cumene for the phenolics industry. Nexant forecasts an average global growth rate in demand of approximately 4.2% per year in the 2010-2015 period.

**Global Benzene Derivatives  
2010**

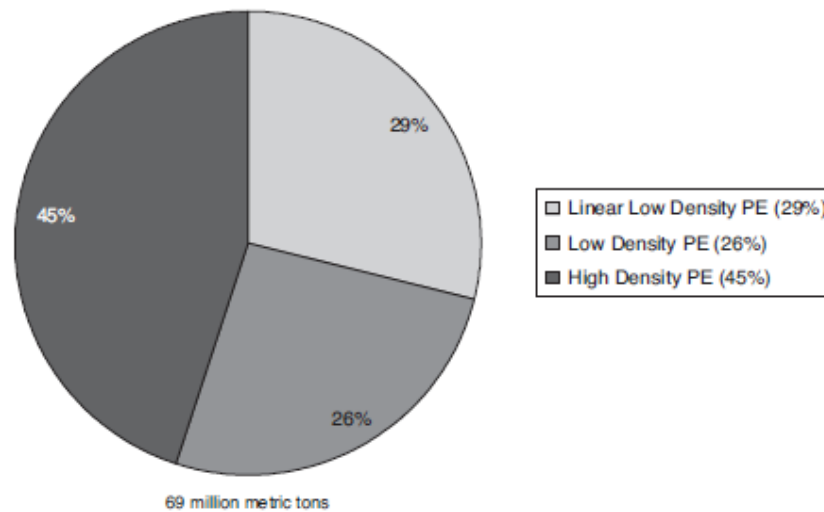


Source: Nexant—Jan 2012

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

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

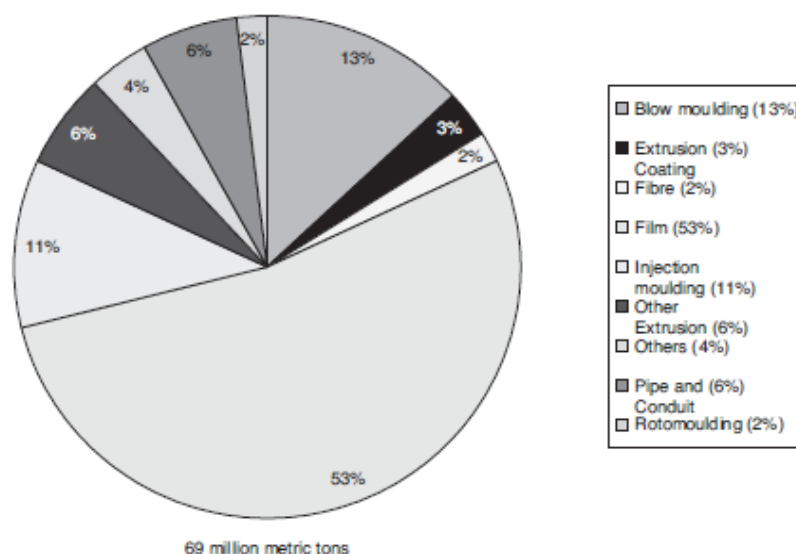
**Global Polyethylene Demand  
2010**



Source: Nexant—Jan 2012

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

### Global Polyethylene Applications 2010

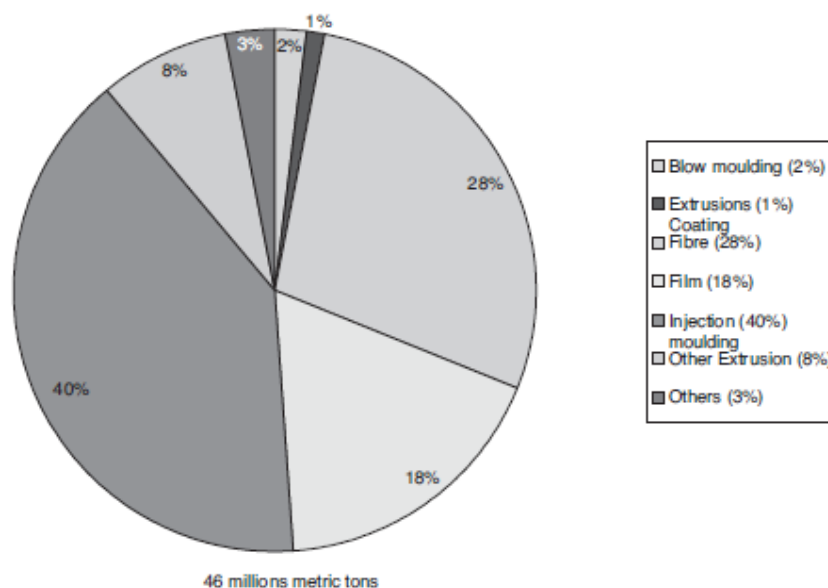


Source: Nexant—Jan 2012

Film is the largest single use of global polyethylene production and the primary driver of demand, representing approximately one-half of worldwide polyethylene consumption. Film includes a myriad of end-use applications, from food packaging to trash bags, stretch films and shrink films. Blow-molding and injection-molding are the next largest uses and are also important demand drivers. In the blow-molded category, blow-molded bottles are the single largest end use. Nexant forecasts an average global growth rate in demand of approximately 5.3% per year in the 2010-2015 period.

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

**Global Polypropylene Applications  
2010**



Source: Nexant—Jan 2012

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

According to Nexant, the global polypropylene market is projected to grow at 5.3% per annum through 2015. Nexant expects that the demand for polypropylene in Asia will continue to grow at higher rates than North America and Europe, primarily as a result of growth in the Chinese market.

### **Market Environment**

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

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

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

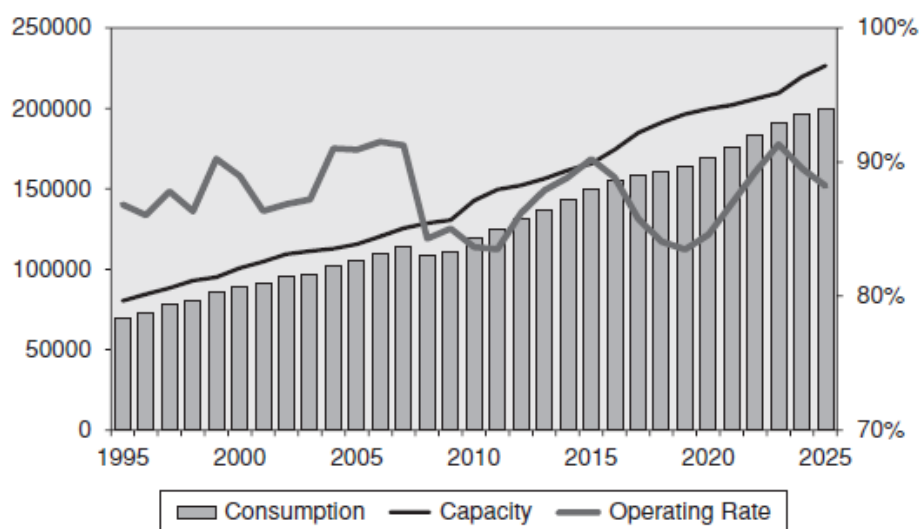


a reduction of margins. In response to falling margins, producers typically shut uncompetitive assets or limit further capacity additions, eventually causing the market to be relatively undersupplied. The alternation between periods of substantial capacity addition and periods of limited capacity addition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

Historically, the industry’s profitability has been correlated with swings in industry capacity utilization. The petrochemical cycle is often described by reference to the ethylene cycle, as ethylene is the key feedstock for many petrochemical products. According to Nexant, the bottom of the last ethylene cycle was reached in 2001 and continued through 2003 due to weak demand and substantial capacity additions. The upturn began in 2004 and continued until 2008, driven by robust demand from end-use sectors, including growth in Asian markets, and capacity expansion (which the market was able to absorb). In the third quarter of 2008 petrochemicals markets reached an inflection point whereby the global recession led to a collapse in demand, significantly lower operating rates and a resulting down cycle. According to Nexant, the industry recovered somewhat in the second half of 2009 as a massive Chinese stimulus program boosted infrastructure investment projects and caused a rapid increase in demand for polymers and chemical intermediates. The momentum gained from the program however weakened in 2011 as the Chinese government acted to reduce the easy availability of credit, with market sentiment further impacted by weak consumer demand in developed economies, most particularly in the eurozone.

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

**Global Ethylene Supply and Demand**



Source: Nexant

From a supply perspective, downwards pressure on operating rates will ease over the next couple of years as the start-up of a major wave of new capacity in Asia and the Middle East over the period 2009 - 2011 is now essentially complete. Recovery however also depends on demand growth, which Nexant forecasts will recover under a scenario that sees the general economic picture will improve. Nexant proposes that the next peak in the petrochemical cycle will occur in 2015 under this environment. Since 1985, cycle periods in the industry (measured from one cyclical peak or trough to the next one) have typically been around eight years.

Over the past 5-10 years, most new ethylene capacity added has been in either in the Middle East, which typically benefits from attractive feedstock economics, or in Asia, where producers have built assets on the ground in the highest growth market. Asia is also the key export market for new Middle Eastern capacity. While new capacity is now coming onstream in China and more will continue to follow over the next several years, China's strong demand growth is expected to remain ahead of supply growth such that China will continue to be a major importer of petrochemical products.

The Middle East has attracted investment in petrochemical production capacity because of its significant reserves of low-cost gas feedstocks. The governments of many Middle Eastern countries support building an export-oriented petrochemical industry that utilizes these gas reserves. While these factors have been a key driver for the large-scale development of the Middle East petrochemical market, low-cost gas allocations have become more scarce, owing to finite availability and competition with other gas uses, such as LNG or power generation. Furthermore, as discussed above, the major wave of new capacity in the Middle East is now essentially complete.

Despite a decline in global ethylene operating rates (which are typically key indicators for ethylene margins), U.S. and European ethylene margins remained relatively high, by historical standards, in 2010, though for different reasons in each region. In the United States, the majority of capacity uses natural-gas based feedstocks. While historically natural gas has shown a strong correlation to oil prices, growth in unconventional gas resources in North America has contributed to natural gas prices remaining at relatively low levels, despite a rise in oil prices since 2009 lows. On a global basis, this has significantly improved the cost position of U.S. producers. In a market where oil-based capacity represents the marginal cost capacity in the industry (and thus sets the global pricing level, net of freight costs for international trade), margins for U.S. producers, have increased. In Europe, ethylene margins are currently being positively impacted by co-product credits associated with the sale of the non-ethylene outputs of the steam cracker process. As described above, since European crackers typically crack naphtha, the resulting product mixture contains a significant amount of propylene and aromatic hydrocarbons. Given the high prices in the European market for these products, the margins for European cracking of naphtha have remained at non-trough levels, despite lower global operating rates.

Despite currently attractive margins, Nexant does not expect additional capacity to be brought on-line during its forecast period (though 2015) in Western Europe. According to Nexant, given the recovery of cost competitiveness for gas crackers in the United States, there may be modest expansion in the United States in 2014, with the possibility of new facilities starting in 2015-2016.

While margins are primarily determined by the position in the cycle and relative feedstock/product positions, they are also susceptible to potentially significant swings in the short term. This volatility, which may be global or isolated in individual regions, can be caused by a number of factors, including fluctuations in utilization rates due to planned or unplanned plant outages, political and economic conditions driving rapid changes in prices for key feedstocks, exchange rate fluctuations and changes in inventory management policies by petrochemical customers (such as inventory building or restocking). According to Nexant, cracker and polyolefin margins in Europe and the United States are expected to increase from 2012 through 2015.

## Chemical Intermediates

### Overview

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

### Manufacturing

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

### Feedstock

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

### Products

The worldwide demand for our principal chemical intermediates is summarized below:

	Average annual demand growth rates (%)							
	2005-2010				2010-2015			
	North America	Western America	Northeast Asia	Global	North America	Western America	Northeast Asia	Global
Acrylonitrile.....	(5.2)	(3.9)	1.6	(0.4)	3.5	0.0	3.8	3.5
Ethylene oxide .....	(5.9)	(3.7)	6.4	2.9	1.4	1.1	4.6	5.0
Propylene oxide .....	(0.9)	0.2	10.2	2.9	2.3	2.5	6.4	4.6
Mono ethylene glycol.....	(1.8)	(6.3)	5.3	3.2	1.6	4.2	5.8	5.5
Phenol .....	(3.0)	0.3	5.9	1.8	3.6	2.2	7.8	5.8

Source: Nexant, January 2012

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

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

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

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

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

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

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

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

Although Nexant forecasts that the demand for ethylene oxide will continue to grow over the period to 2015, there is also significant new manufacturing capacity being commissioned, especially in the Middle East. Much of this is being focused on conversion into commodity ethylene glycol for export shipment. Combined with the impact of the recent global recession, supply is thus now exceeding demand. Industry operating rates have thus declined and according to Nexant are now projected to slowly increase again. Differentiated products are less impacted by such effects.

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

Historically, acrylonitrile demand has been driven by demand for acrylic fiber. More recently, acrylonitrile butadiene styrene (ABS) and styrene-acrylonitrile polymers have taken over as the main drivers of demand for acrylonitrile. As with other petrochemicals, the growth in demand for acrylonitrile butadiene styrene and styrene-acrylonitrile polymers has been greatest in Asia, while demand in North America and Europe has declined. Currently, Asia is a major net importer of acrylonitrile and derivatives, with a significant proportion of the Asian imports coming from North America. Acrylonitrile is sometimes viewed as a mature product, with global demand forecast to grow on par with GDP growth at 3.5% per annum. With Nexant forecasting only limited scheduled additional capacity coming onstream between 2010 and 2015, capacity utilization and unitary margins are thus expected to rise.

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

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

Producers of linear alpha olefins may be divided into two groups: “full-range” producers, which manufacture the entire range of linear alpha olefins and “on purpose” or “single product” producers, which specialize in those linear alpha olefins which historically have experienced the fastest growth. Demand for linear alpha olefins has experienced an increasing divergence between demand for linear alpha olefins with shorter carbon chains, which has grown more quickly, and demand for linear alpha olefins with higher

carbon chains, which on average has experienced slower growth. As a result, the industry has focused on developing single product technologies to target the fastest growing linear alpha olefins. Demand for poly alpha olefins is driven by the need for higher performing lubricants offering improved fuel economy, lower emissions, improved cold start properties and longer drain intervals.

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

Nexant projects global phenol demand to grow on average at 5.8% per annum to 2015. Phenol margins are stable despite increased benzene and energy prices. A stable outlook through the medium term is expected to result in favorable operating rates and margins between 2010 and 2015.

### **Market Environment**

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

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

In addition, product demand fluctuates with overall economic conditions. This was clearly demonstrated by the rapid improvement in demand for many chemical intermediates in 2010 as the recovery from the global recession takes effect. Global capacity utilization for many products has accelerated dramatically as a result. Market volatility for chemical intermediates varies by product, with the wide range of applications for the different products providing a natural hedge for demand across the range.

## BUSINESS

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

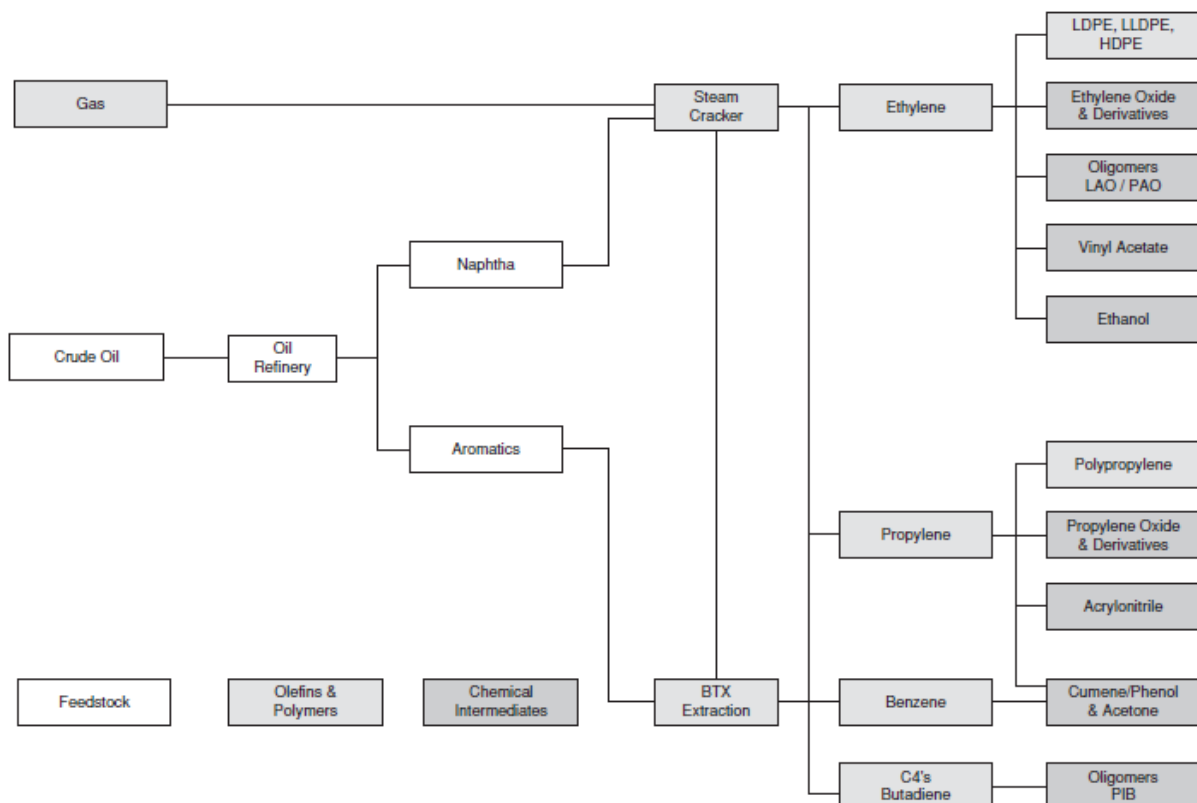
### Introduction

We are one of the world’s largest chemical companies as measured by revenue. Our business has highly integrated, world-class chemical facilities and production technologies. We have leading global market positions for a majority of our key products, a strong and stable customer base and a highly experienced management team. We operate 29 manufacturing sites in 8 countries throughout the world, including petrochemical facilities in Europe which are co-located and fully integrated with refineries. As of September 30, 2011, our total chemical production capacity was approximately 25,000 kta, of which 67% was in Europe and 33% was in North America.

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

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

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



We benefit from the cost advantages of operating large-scale, well-invested, highly integrated facilities strategically located near major transportation facilities and customer locations. Since January 1, 2007, we and our predecessors have invested more than €1.7 billion in our production facilities to ensure that they operate efficiently, resulting in integrated, state-of-the-art production units (including investments in divested assets). We believe these investments allow us to operate at lower cost and higher utilization rates than most of our competitors, and enable us to maintain positive margin and cash flows even during downturns in industry cycles or customer demand. After giving pro forma effect to the Refining Divestiture and the Offering, for the twelve months ended September 30, 2011, our revenue would have been €17.6 billion and our pro forma EBITDA before exceptionals would have been €1.7 billion.

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

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

issuer in respect of the 2016 Notes, the parent under the 2015 Notes Indenture and the ultimate parent of the banking group under the Senior Facilities Agreement. See “Summary—Swiss Reorganization.”

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

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

Key products	Full-year capacity as of September 30, 2011 (Kilotonnes)	Selected market positions
Ethylene .....		#1 in Europe
	4,675	#6 in U.S.
Propylene .....		#3 in Europe
	1,865	#8 in U.S.
Polyethylene .....		#2 in Europe
	3,040	#6 in U.S.
Polypropylene .....		#5 in Europe
	1,695	#5 in U.S.
Ethylene Oxide .....		#1 in Europe
	925	#2 Globally
Ethanolamines .....		#1 in U.S.*
		#1 Globally*
	230	#3 in Europe*
Phenol .....		#1 Globally
		#1 in Europe
	1,870	#3 in U.S.
Acetone .....		#1 Globally
		#1 in Europe
	1,165	#1 in U.S.
Acrylonitrile.....		#1 Globally
		#1 in Europe
	1,655	#3 in U.S.
Linear Alpha Olefins .....		#3 Globally
	585	#1 in Europe
Poly Alpha Olefins .....		#1 Globally
		#1 in Europe
	205	#1 in U.S.
Polyisobutylene .....		#1 Globally
		#2 in Europe
	170	#2 in U.S.

Sources: Nexant and INEOS

\* Merchant market sales

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

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

We operate a total of 14 sites for olefins and polyolefins, including our large integrated olefins cracker and polyolefin facilities at Köln, Germany, Grangemouth, United Kingdom, Lavéra, France, Rafnes, Norway, and Chocolate Bayou, Texas, United States. These facilities support our highly competitive proprietary polyolefin process technologies,



which are also marketed and licensed by our INEOS Technologies business in cooperation with our olefins and polymers businesses. The technologies include our cost-effective gas phase polypropylene technology, our specialized technology for high-density polyethylene and our flexible proprietary “swing” technology for both linear low-density and high-density polyethylene.

The North American and European markets for olefins and polyolefins are quite distinct, with separate pricing structures and distribution channels. As a result, each market may experience different rates of growth and levels of return. Therefore, we operate these two businesses separately and report them as two distinct segments—INEOS Olefins & Polymers Europe and INEOS Olefins & Polymers North America. For the twelve months ended September 30, 2011, our Olefins & Polymers Europe and Olefins & Polymers North America businesses contributed €7.5 billion and €3.6 billion of revenue and €373.5 million and €464.5 million of EBITDA before exceptionals, respectively, excluding inter-segmental eliminations.

### *Chemical Intermediates*

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

We have four main product groups within our Chemical Intermediates business: INEOS Nitriles, INEOS Oligomers, INEOS Oxide and INEOS Phenol. The activities of INEOS Enterprises and INEOS Technologies are also included within Chemical Intermediates. Together they produce a wide range of products including phenol, acetone, alpha olefins, synthetic ethanol, ethylene oxide and derivatives, acrylonitrile, ammonia and nitric acid. We have a total of 19 manufacturing sites globally, with many of our plants integrated either directly with their key raw materials on-site, or integrated via pipeline connection.

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

As referenced above, through INEOS Technologies, we are a leading developer and licensor of technologies to the global petrochemical industry. This not only includes technologies for the manufacturing of polyolefins, but also those for polystyrene, nitriles, maleic anhydride, ethylene dichloride and polyvinyl chloride, and chlor-alkali. In addition, we manufacture and supply high-quality catalysts and additives in support of these technologies to major companies around the world, and also to our own manufacturing assets. For the twelve months ended September 30, 2011, our Chemical Intermediates business contributed €9.9 billion of revenue and €908.7 million of EBITDA before exceptionals, excluding intersegmental eliminations.

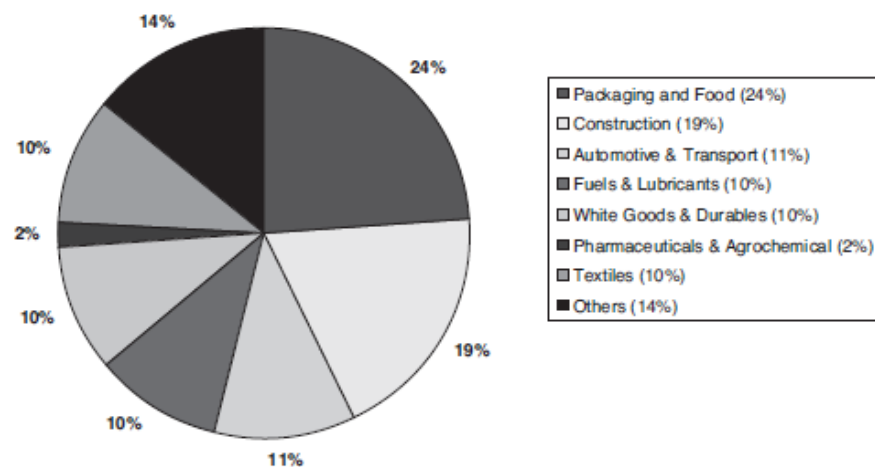
### **Our Competitive Strengths**

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

- ***Diversified Portfolio of Businesses with Leading Market Positions.*** We are one of the world’s largest chemical companies. We operate 29 manufacturing sites in 8 countries around the world. These assets have a total production capacity of approximately 25,000 kta as of September 30, 2011. We believe we have a top 3 or better global or regional market position in 11 of our key products, representing more than 50% of our total sales as measured by volume.

Our petrochemical products are utilized in a wide range of end-market applications. The following diagram sets forth our petrochemicals revenue by end use application in 2010.

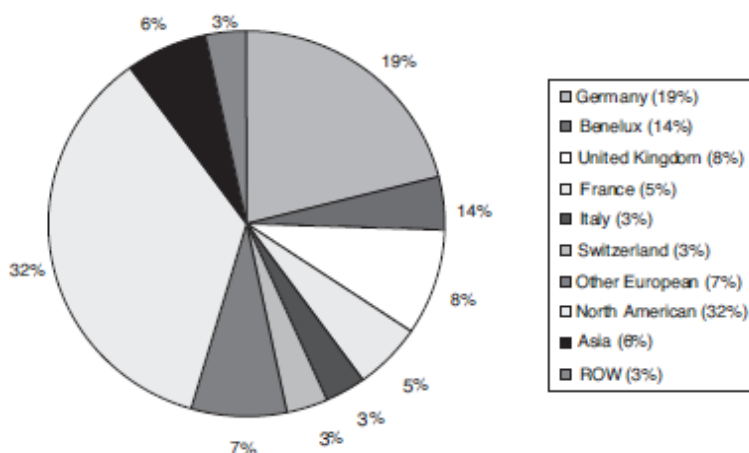
### Petrochemical Revenue by Application 2010†



† Excludes revenue from the Refining segment.

Our petrochemical products are sold to customers in diverse geographic locations. The following diagram sets forth the group third-party revenue by region in 2010.

**Group Third Party Revenue by Region 2010†**



† Excludes revenue from the Refining segment.

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

- **Vertically Integrated, World-Scale Producer.** We have four large scale petrochemical sites, accounting for 51% of our total petrochemical production capacity. Each of these sites is integrated with a major cracker and/or polymers and derivatives unit, two of which are also integrated with the refineries disposed of in the Refining Divestiture. In connection with the Refining Divestiture, we entered into various contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity in order to continue the provision by the Refining and Entrepreneurial JVs of various feedstocks to our business on an ongoing basis. In addition, certain of these agreements provide our businesses with access to certain shared utilities and infrastructure assets located on the sites. See “The Refining Divestiture.”

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

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

- **Well-Invested, Highly Efficient Production Facilities.** Our large, well-invested plants benefit from economies of scale and favorable locations. Our acquisition activity has focused on acquiring businesses that complement our existing manufacturing facilities with well-invested physical assets from major chemical companies. In addition, each year we continue to invest in improving and expanding our facilities. Since January 1, 2007, we and our predecessors have invested more than €1.7 billion in our manufacturing assets (including investments in divested assets) to maximize efficiency and create integrated state-of-the-art production units.
- **Extensive Portfolio of Leading Proprietary Technologies.** We are a leading developer and licensor of manufacturing technologies for our own use and for the global petrochemical industry. We use our technologies for the manufacturing of our key products, and believe that they enable us to be one of the

lowest cost producers and provide us with a significant competitive advantage in terms of product quality. Our proprietary technologies, including our gas phase polyethylene, gas phase polypropylene, slurry high-density polyethylene and acrylonitrile technologies, are positioned around our key products. In addition, our technologies are widely licensed to industry participants and they are often integrated into new chemical plant design and construction. For example, we believe that our acrylonitrile technology is used in more than 90% of the world's acrylonitrile production capacity.

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

- ***Experienced Management Team with a Strong Track Record.*** Our senior management team has been operating INEOS and our predecessors for the past 13 years and has a demonstrated track record of achieving profitable growth in the chemical industry, successfully integrating large acquisitions, dramatically reducing the fixed cost base, and deleveraging the business following such acquisitions. James A. Ratcliffe, our controlling shareholder, and the other existing shareholders have a successful record of investing in the chemical industry. We have completed 19 significant acquisitions since the formation of INEOS in 1998. Each of these acquisitions has been integrated effectively and we have been able to achieve significant cost-savings in the acquired businesses. Our management team has extensive experience in the chemical industry, including with leading companies such as ICI, DuPont, Dow Chemical, Degussa and BP, and a proven ability to increase productivity, reduce costs and control capital expenditures and working capital. We believe the experience of our management team is a distinct competitive advantage.

In addition, our senior management team has demonstrated the ability to streamline our businesses by focusing on core competencies and disposing of non-core businesses. In the past three years, we have disposed of three non-core businesses (our fluorochemicals, Chlor Vinyls and global films businesses), collectively infusing €791 million into the Group, thereby increasing the efficiency of our businesses by focusing on core competencies and deleveraging by applying the proceeds to prepay debt outstanding at the time. The Group also recently disposed of the Refining Business and the Entrepreneurial (Refining) Business and received €674.2 million in cash after expenses (excluding a subsequent €16.2 million paid by INEOS out of cash on hand as part of the agreed completion adjustment mechanics) and in connection therewith obtained ordinary shares in INEOS Investments at an aggregate subscription price of \$1.015 billion. The disposal of the Refining Business has also reduced our capital expenditures going forward. For more information, please see Note 7 “Discontinued Operations” to the unaudited condensed interim financial information of INEOS Group Holdings S.A. included elsewhere in this offering memorandum.

## Our Business Strategy

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

- ***Generate Cost Savings and Enhance Efficiency.*** We have historically succeeded in reducing costs at our acquired businesses by making rapid reductions in underlying fixed costs and implementing an efficient corporate and management structure. Continuous improvements in the efficiency of our existing sites and opportunities for site consolidation are key aspects of this strategy, as we seek to maintain upper quartile cost positions and world-scale facilities across the majority of our operations. We have achieved significant fixed cost reductions in businesses that we have acquired, delivering on average a reduction of 22% of inherited fixed costs in the four-year period post-acquisition. As the economic downturn took effect in the third quarter of 2008, we applied a target of an additional 10% reduction in fixed costs for all of our businesses for the fourth quarter, which we achieved. In 2009, we targeted a further €200 million reduction on fixed costs for the year, which we surpassed. Overall, fixed costs were reduced by €434 million between 2006 and 2010. The control of fixed costs will continue to be a key priority for our business.
- ***Maintain World-Class Health, Safety, Security and Environmental (“HSSE”) Excellence.*** We are dedicated to continually improving our HSSE performance. We ensure that all employees receive appropriate training, thereby enabling them to effectively contribute to HSSE performance and HSSE improvement processes. It is our policy to design our processes and manufacture and distribute our products

in a responsible manner so that our employees, customers, the public and the environment are protected from avoidable risks. Our strategy is to continue achieving injury and environmental compliance ratings better than world-class benchmarks.

- ***Generate Strong Cash Flow to Reduce Leverage.*** We intend to continue our focus on cash flow generation by maximizing the utilization of assets, leveraging existing resources, continuously improving working capital practices and following focused capital expenditure and cost reduction plans. We apply when possible the cash flows generated from these initiatives to help reduce our debt.
- ***Maximize Utilization of Assets.*** As a low-cost focused producer, we believe in operating our facilities at full capacity. We believe this allows us to maintain positive margins and cash flows, even during downturns in industry cycles or customer demand, more readily than some of our competitors who have higher production costs. We intend to achieve growth in production volume by improving utilization rates within the defined availability of an asset, improving availability of an asset by minimizing planned and unplanned facility downtime and improving capacity of an asset through de-bottlenecking projects. We have a strong track record of improving utilization rates of acquired assets.
- ***Maintain a Lean Corporate Structure and Incentivize Employees.*** We intend to operate our business in a manner that is consistent with the philosophy of our shareholders and maintain a simple and decentralized, flat organizational structure that minimizes corporate bureaucracy, coupled with compensation arrangements that incentivize our employees. We believe that a simple and decentralized organizational structure is cost-effective and will allow each of our management teams the freedom to use their industry knowledge to respond to market opportunities. We believe that we can increase the value of our business when our employees share in the value they create. In the past, we have granted our employees tracking shares with respect to each of our businesses and regions, with management and employee bonuses linked to the EBITDA performance and other factors of the business in which they work.
- ***Where and When Appropriate, and Within the Confines of Our Capital Structure, to Pursue Long-term Value-added Growth Opportunities.*** As a result of our lean corporate structure, we are able to maintain a level of agility that few organizations our size are able to match. Opportunities for profitable growth are identified and vetted in an efficient, non-bureaucratic format, which, in many cases, we believe enables us to establish a first-mover advantage. We have significant expertise in identifying, executing and integrating acquisitions. During the past 12 years, we have made 19 acquisitions, significantly growing EBITDA. We have a highly disciplined acquisition screening and evaluation process and a detailed series of metrics by which we measure the value creation prospects of potential transactions. Although we have no current plans to complete further acquisitions, we believe that we are well-positioned to consider transactions that would be consistent with our goal to reduce leverage as the market environment and our financial position improve.

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

## **Business Segments**

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

### **Olefins and Polymers**

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

## Products

The following table provides an overview of our key olefin and polymer products and their principal applications. All market positions are provided by Nexant, as measured by average annual capacity for 2010.

Key products	Principal applications	Selected market positions
<i>Olefins and related products</i>		
Ethylene <sup>(1)</sup> .....	Polyethylene, polyvinyl chloride, ethylene oxide and styrene	#1 in Europe #6 in United States
Propylene <sup>(2)</sup> .....	Polypropylene, acrylonitrile, cumene and propylene oxide	#3 in Europe #8 in United States
Butadiene .....	Synthetic rubbers and acrylonitrile butadiene styrene	#1 in Europe
Benzene .....	Styrene, cumene and nylon	#6 in Europe
<i>Polymers</i>		
Polyethylene (high-density polyethylene, low-density polyethylene, linear low-density polyethylene) .....	Films for packaging, agricultural applications, molded products, pipes and coatings	#2 in Europe <sup>(3)</sup> #6 in United States
Polypropylene .....	Molded products, filaments, fibers and films	#5 in Europe #5 in United States

- (1) In Europe, we consume more ethylene than we produce, which allows us to operate our crackers in Europe at higher operating rates than the industry average. In North America, the olefin crackers at our Chocolate Bayou facility manufacture substantially more ethylene than is required by our polymers and derivatives units in the Gulf Coast region. As a result, we sell substantial amounts of the ethylene that we produce to customers in the Gulf Coast region of the United States.
- (2) In Europe and North America, we consume more propylene than we produce. Our propylene consumption is primarily related to the production of polypropylene, propylene oxide, oxo-alcohols, phenol and acrylonitrile.
- (3) According to Nexant, measured by average annual capacity for 2010, we are the second largest manufacturer of high-density polyethylene in Europe and the fourth largest manufacturer of linear low-density polyethylene in Europe.

Source for market positions: Nexant and INEOS.

## Research and Intellectual Property

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

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

## ***Transportation***

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

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

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

## ***Competition***

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

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

## **Olefins & Polymers Europe**

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

## Overview

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

	For the year ended December 31,			For the nine months ended September 30,	
	2008	2009	2010	2010	2011
	(€in millions)				
Revenue <sup>(1)</sup> .....	9,946.6	4,634.3	6,543.7	4,911.0	5,863.0
EBITDA before exceptionals <sup>(2)</sup> .....	101.4	170.8	326.5	321.5	369.9

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

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

## Products

In Olefins & Polymers Europe, we manufacture in our upstream business ethylene, propylene, butadiene, raffinate 1 and 2, benzene, toluene and gasoline blending components and in our downstream business low-density polyethylene, linear low-density polyethylene and high-density polyethylene and polypropylene. In our upstream business, the majority of our ethylene and propylene is either used for polyolefins production or sold to other INEOS businesses as feedstock. Our butadiene, raffinate 1, benzene, toluene and gasoline blending components are sold to producers of synthetic rubber, ABS plastics, oligomers, cumene, styrene and polyurethanes and are traded on the open markets. Olefins & Polymers Europe is the largest ethylene and butadiene producer in Europe and the third largest polyolefin producer.

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

## Manufacturing

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

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

These facilities have a total capacity of 8,455 kilotonnes for the production of ethylene, propylene, butadiene, benzene, polyethylene and polypropylene. In Europe, we own and operate four major cracker complexes, two that are integrated with refineries in Grangemouth, United Kingdom, and Lavéra, France, and two additional complexes in Köln, Germany, and Rafnes, Norway. Each of these sites includes polyolefins and other olefin-derivatives units. The Norway cracker is a 50/50 joint venture with Kerling, a related party. The Lavéra facility consists of a combination of units wholly owned by us and various 50/50 joint ventures with Total. Two of our olefin crackers, one in Grangemouth and the other in Rafnes are very efficient gas crackers, feeding from advantaged gas sources in the North Sea. The other olefin



crackers at Grangemouth, Köln and Lavéra are naphtha crackers, each with significant gas cracking flexibility. This flexibility enables management of feedstock mix in response to changes in economic and market conditions, resulting in the maximization of margins. All of these crackers are either co-located with, or connected by pipeline to, polyolefins and other olefin-derivative units, enabling us to realize economies of scale, optimize the margin across a broad portfolio of olefin-derivatives, improve our facilities' energy management and minimize logistics costs. In addition, since our Grangemouth and Lavéra sites are fully integrated with refineries on these sites, we enjoy further hydrocarbon optimization on the supply side.

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

Grangemouth is connected by the Forties Pipeline System (FPS) which transports crude oil to BP's oil and gas processing complex at Kinneil, Scotland. This site separates the associated gas from the oil carried through the FPS and delivers our feedstock needs directly into the oil refinery and associated gases direct to our olefins cracker. The cracker complex in Köln, Germany, is located in the center of one of the key industrial clusters of Germany, accessing gas and naphtha feedstocks by pipeline and ship from the Rotterdam area in the Netherlands, one of the world's most competitive naphtha supply regions. It is the fourth largest cracker complex in Europe, is very reliable and benefits from considerable downstream integration with a wide portfolio of olefin derivatives on- and off-site, including polyethylene, ethylene oxide, nitriles, oligomers, ABS engineering plastic and synthetic rubber. Like the other cracker sites, Köln can also sell its excess ethylene and propylene to the merchant market via ethylene pipelines and its own barge jetty on the River Rhine. In particular, Köln sits at the center of Europe's largest ethylene pipeline network owned by Aethylen Rohrleitungs Gesellschaft mbH & Co. KG ("ARG"), a company jointly owned by INEOS and five other European petrochemical companies. Rafnes, Lavéra and Grangemouth are also connected to dedicated ethylene liquefaction and export terminals.

While our four large standalone polyethylene and polypropylene sites in Lillo, Geel, Sarralbe and Rosignano are not co-located on cracker sites, they are all located on major olefin pipelines or in the case of Rosignano, connected to its own ethylene terminal through which it imports ethylene by ship. In each case, this infrastructure provides each of these facilities with flexibility in sourcing their feedstock. Moreover, all of these sites are located in close proximity to their customers.

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

Significant investments have also been made in the asset capability, including the building of a 100 kta swing furnace on the Köln cracker and the commencement of a feedstock flexibility upgrade of the KG gas cracker at Grangemouth, which once completed will enable it to crack heavier, more readily available gases from the North Sea. Capacity expansion has been implemented on our Grangemouth polypropylene unit together with the addition of ethylene co-polymer capability. The Grangemouth linear low density polyethylene unit has been converted to swing capability, to produce a range of linear low- and high-density polyethylene. In Köln, the linear low density polyethylene unit has been converted to highly differentiated metallocene capability (a proprietary catalyst technology that permits the production of super-tough film grades). A key improvement theme of our polyolefins business has been to increase the volume of differentiated polymers produced from 30% on acquisition to 55% by the end of 2010, with plans to increase this still further to 65% by 2013.

Our manufacturing facilities are periodically shut down for scheduled turnarounds, to carry out necessary inspections and testing to comply with industry regulations and to carry out any maintenance activities that may be

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

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

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

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

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

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

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

### ***Customers and Contracts***

We have approximately 2,200 customers worldwide whom are serviced by an in-house team of business, sales and technical service personnel. Customers of our upstream business tend to be major European petrochemical companies, who use our products to make a wide range of polymers, synthetic rubber, intermediates and specialty chemicals. In our downstream business we sell to a large number of companies in a variety of plastic conversion industries involving rigid and flexible packaging, pipe, car fuel systems, rotomoulding, wire and cable, medical and other industrial and consumer products. In Olefins & Polymers Europe as a whole, no single customer accounts for more than 5% of our annual revenues and our top 10 customers account for less than 15% of our annual revenues.

In our upstream business the majority of our ethylene, propylene and raffinate 1 and a substantial portion of our benzene production is sold to other INEOS olefin-derivative businesses at market-related transfer prices. Approximately 60% of the olefin requirements of our downstream polyolefin business is satisfied by internal supply from our own crackers, while the rest is sourced from the open market. Our remaining production of ethylene, propylene, butadiene, raffinate 1, benzene, toluene and gasoline blends are sold directly to customers predominately via contracts of 1-3 years duration, with pricing either freely negotiated, cost-plus or market-referenced (such as ICIS or Platts public quotes). Pricing therefore changes daily or monthly. A significant change to how the European market prices ethylene and propylene took place in early 2009 when the contract price system changed from quarterly to monthly, to reflect more dynamically changes in supply and demand. At the beginning of 2011, this monthly contract pricing was extended to include butadiene.

In our downstream business the majority of our polyolefin production is sold directly to customers predominately via contracts of 1-3 years duration, with pricing either freely negotiated, cost-plus or market-referenced (such as ICIS or Platts public quotes). Pricing therefore changes weekly or monthly depending on the pricing mechanism. The majority of sales are enacted in Europe, with exports outside the 27 EU countries accounting for approximately 20% of total polyolefin sales volumes and supported via our worldwide network of distributors and agents.

## Olefins & Polymers North America

Set forth below is a discussion of the products, manufacturing, new materials and energy and customers and contracts, for our Olefins & Polymers North America business.

### Overview

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

	For the year ended December 31,			For the nine months ended September 30,	
	2008	2009	2010	2010	2011
	(€in millions)				
Revenue <sup>(1)</sup> .....	2,950.9	2,166.3	3,253.8	2,446.1	2,749.9
EBITDA before exceptionals <sup>(2)</sup> .....	26.2	276.5	330.8	297.6	431.4

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

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

### Products

Our olefin products—ethylene, propylene, butadiene, mixed butenes, and crude benzene—are the basic building blocks for a vast family of petrochemicals produced by our chemical manufacturing customers. A significant portion of our olefin output serves as feedstock for our polymers production, while the remaining output is sold to affiliates and third parties.

The only type of polyethylene we manufacture in Olefins & Polymers North America is slurry loop high-density polyethylene. Our high-density polyethylene products are sold to customers for use in manufacturing food packaging, household chemical containers, pipe, injection-molded products such as caps and closures, and crates and pails. Our polypropylene is transformed into crates and trays, food packaging, carpets, automotive products, DVD cases, rope and toys. Consumables such as caps, closures, film and packaging represent approximately 75% of our polymer sales volume.

### Manufacturing

The key assets of Olefins & Polymers North America include the following:

- the Chocolate Bayou, Texas, facility, one of the largest cracker installations in North America;
- the Battleground, Texas, facility, one of the largest North American high-density polyethylene facilities and integrated with the Chocolate Bayou site through a company-owned pipeline system;
- a 50% joint venture in the Horizon High-Density Polyethylene Plant located at Chevron Phillips’ Cedar Bayou, Texas, site;
- the Carson Polypropylene Plant—integrated with the BP refinery at Carson, California; and
- the Hobbs Fractionation Unit, which can process 1,455 kta of Natural Gas Liquids feedstock for our Chocolate Bayou cracker.

All of the olefins crackers are either co-located with, or connected by pipeline to, polymers units, enabling them to realize economies of scale, improve their facilities’ energy management and minimize logistics costs.

In North America, our olefins and polymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas. In 2010, these facilities had total production volumes of approximately 3,500 kilotonnes inclusive of olefins, polyethylene and polypropylene finished goods only. Two expansions expected to be fully realized in 2012 will add approximately 45 kilotonnes of ethylene and approximately 18 kilotonnes of high-density polyethylene capacity. There was a permanent shutdown of one polypropylene unit at Chocolate Bayou in late 2007 and two polypropylene lines were closed at Battleground in early 2009.

Chocolate Bayou is one of the largest cracker installations in the Gulf Coast region and, according to Nexant, is the third largest site by ethylene capacity in the United States. The site has access to cavern storage, rail service, and

approximately 350 miles of pipeline, either owned or leased by us. This allows integration to our polymer assets and our Hobbs fractionation unit, and permits the site to place its surplus ethylene and other products either directly in the local merchant market or in storage to bridge time lags between production and consumption. The scale of the Chocolate Bayou crackers should also enable the leveraging of the facility's infrastructure and workforce. Another key strength of the facility is the crackers' flexible design. While their main feedstock is natural gas liquid gas-based feedstock, which is obtained from various sources, including approximately 45% from our natural gas liquid fractionator near Hobbs, New Mexico, the commodity markets and BP's refinery in Texas City, Texas, the facility also has the ability to process naphtha. This flexibility enables management of feedstock mix in response to changes in economic and market conditions. All of our polymers facilities in North America are either connected with the Chocolate Bayou crackers or are adjacent to facilities operated by BP or third parties with whom we have feedstock arrangements.

Among our North American polymers units, our key facility is the site at Battleground, Texas, which hosts both polypropylene and high-density polyethylene production. Our high-density polyethylene site is the fourth largest high-density polyethylene complex in North America. Battleground is integrated with Chocolate Bayou by way of a pipeline system owned by us. Complimenting our Battleground polymers production is our Carson polypropylene unit and our 50% ownership interest in the Cedar Bayou Horizon high-density polyethylene line. The Horizon line, which is operated by Chevron Phillips, is one of the largest single slurry loop high density polyethylene lines in North America.

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

Our procurement efforts remain focused on expanding access to low cost materials, services and equipment and creating independence from sole or limited sources of supply. We are connected via pipeline to multiple hydrocarbon suppliers at Chocolate Bayou Works and Battleground Manufacturing Complex to ensure a secure supply at reasonable costs.

We, together with our North American affiliates, have centralized the purchasing of energy, natural gas, rail routes and propylene (including refinery-, chemical- and polymer-grades), providing scale, common voice in the market and, in the case of propylene, flexibility to manage our supply and demand. Our olefins and polymers business primarily uses naphtha and NGLs as the basic feedstocks for our olefins crackers.

Although most external feedstock supplies of the business are available from a variety of third parties, our Carson Polypropylene Plant depends on raw materials from the BP refineries located on the same site and has no convenient access to alternative supply channels. Most of the petrochemical feedstocks purchased from BP are pursuant to hydrocarbon sale and purchase agreements of varying durations. In addition, a substantial proportion of our feedstock requirements is also obtained on the commodity markets. We manage the procurement and trading of our feedstocks internally.

Our U.S. ethylene production capacity exceeds our U.S. consumption. We, thus, sell ethylene on the merchant market through supply contracts and swaps with other petrochemical and refining companies. Our propylene production is lower than consumption. To address this shortfall, we purchase propylene on the merchant market through supply contracts and swaps with other petrochemical and refining companies.

Although energy is generated at several of our sites, including as part of petrochemical manufacturing processes, we are a significant net purchaser of both electricity and gas. Typically we procure our requirements from local producers or utilities at local market prices.

### ***Customers and Contracts***

We work with customers to meet evolving market requirements. We market our products both directly—business to business—and through authorized distributors. In 2010, approximately 23% of our sales were achieved through distributors and traders. We have a small base of olefins customers and approximately 350 polymer customers worldwide. Our industrial customers include a large number of companies in a variety of downstream industries involving rigid packaging, fibers and flexible packaging. Our top 12 customers represented approximately 41% of our total external revenue in 2010, 45% in 2009 and 47% in 2008.

Most of our olefins sales are by multiyear contracts, with prices subject to monthly industry pricing. Our polymer sales are to customers in the merchant market and are made either on contract or spot terms. Some contracts are based on negotiated prices, while others are based on pricing formulas or refer to spot market rates.

## Chemical Intermediates

Set forth below is a discussion of the products, manufacturing, raw materials and energy, customers and contracts, research and intellectual property and competition for our Chemical Intermediates activities. This includes the following key businesses: INEOS Nitriles, INEOS Oligomers, INEOS Oxide, INEOS Phenol, INEOS Enterprises and INEOS Technologies.

### Overview

The following table provides a breakdown of the revenue and EBITDA before exceptionals of the Chemical Intermediates business for the periods and as of the dates indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2008	2009	2010	2010	2011
	(€in millions)				
Revenue <sup>(1)</sup> .....	12,842.3	7,354.4	8,917.3	6,699.3	7,646.3
EBITDA before exceptionals <sup>(2)</sup> .....	422.5	546.2	997.5	806.6	722.7

(1) Excludes inter-segmental eliminations.

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

### Products

The following table provides an overview of our key chemical intermediate products and their principal applications:

Business	Key Products	Principal Applications
INEOS Nitriles .....	Acrylonitrile	Acrylic fibers and acrylonitrile butadiene styrene and styrene acrylonitrile polymers
	Acetonitrile	Performance solvent for pharmaceuticals industry
	Oxazole	Chemical intermediates
	Hydrogen Cyanide	Gold extraction, perspex manufacture and animal feeds
	Acetone Cyanohydrin	Chemical intermediates
INEOS Oligomers .....	Ammonium Sulphate	Fertilizers
	Linear alpha olefins	Co-monomers for polyethylene, synthetic lubricants, detergents and oil drilling chemicals
	Poly alpha olefins	Synthetic lubricants
	Polyisobutylene	Fuel additives, lubricants, coatings, adhesives, sealants and cable insulation
	Isoolefins, Isoparaffins and Specialties	Chemical intermediates
INEOS Oxide .....	Ethylene oxide and derivatives, including ethylene glycol, ethanolamines, alkoxylates, glycol ethers and GasSpec™ gas-treating amines	Polyester resins, fibers, film, antifreeze/coolants, industrial detergents, agrochemicals, surfactants, cosmetics, construction chemicals, glyphosates, pharmaceuticals, synthetic lubricants and oil and gas processing
	Propylene oxide and derivatives, including propylene glycols	Polyurethane foam, polyester resins and de-icing
	Oxo-Alcohols	Chemical intermediates primarily for plasticizers
	Ethylidene norbornene monomer	ethylene propylene diene monomer rubber
	Glycol Ether Esters	Surface coating, paints
	Acetate esters	Surface coating, inks, paints, process solvents
	Ethylene Glycol	Automotive antifreeze/coolants
	Phenol	Bisphenol A for the production of polycarbonates and epoxy resins, acrylics, phenolic resins, pharmaceuticals and caprolactam for the production of nylons
INEOS Phenol .....		

	Acetone	Methylmethacrylate, polymethylmethacrylate, acrylate, bisphenol A for the production of polycarbonates and epoxy resins, acrylics, pharmaceuticals and acetone-based solvents. Also used in isophorone for the agrochemicals industry
	Cumene	Chemical intermediates
	Alphamethylstyrene	Chemical intermediates
INEOS Enterprises .....	Synthetic ethanol	Solvent used in personal care products, inks, household chemicals and industrial applications.
	Ammonia	Intermediate used to produce a range of products, including nitric acid polymer resins and textiles
	Nitric Acid	Polyurethanes
	Vinyl Acetate Monomer	Key intermediate used to produce a range of products including emulsions and resins for the paints & coatings industry, adhesives, textiles, food packaging and laminated safety glass
	CDM	Environmental emissions credits
INEOS Technologies .....	Technology licenses for polyethylene, polypropylene, polystyrene, vinyls and acrylonitrile	License, design and support for construction and operation of petrochemical production plants
	Catalyst and Additives	Polymers, vinyls and acrylonitrile

*INEOS Nitriles.* Our main product in the nitriles sector is acrylonitrile. According to Nexant, measured by expected average annual capacity for 2010, we are the largest manufacturer of acrylonitrile in the world. The primary applications for acrylonitrile are acrylic fiber and acrylonitrile butadiene styrene plastics. We employ safeguards to ensure the safe handling of Nitriles' products including the use of specially designed railcars and pipelines for transportation to nearby customers. We believe that our competitive position in the worldwide acrylonitrile market is strengthened by our proprietary fluid bed acrylonitrile process and related catalysts.

In addition, the Nitriles business produces acetonitrile, oxazole, hydrogen cyanide, acetone cyanohydrin and ammonium sulphate.

*INEOS Oligomers.* Measured by expected average annual capacity, we are the largest producer of poly alpha olefins worldwide and the third largest linear alpha olefins producer. As a "full-range" linear alpha olefins producer, we manufacture a broad range of co-produced linear alpha olefins and must manage production levels consistent with our ability to utilize or sell the entire product slate. As different segments of the linear alpha olefins market tend to grow at different rates, the business has developed a variety of internal and external outlets for the key products, which allow the plants to operate with minimal constraints. Our unique technology does allow some flexibility to adjust our product slate, in order to emphasize certain linear alpha olefins products and de-emphasize others as demand fluctuates. The primary applications for linear alpha olefins are as a comonomer for polyethylene and use in detergents, lubricants and drilling fluids. Polyalpha olefins are primarily used in synthetic motor oils, transmission fluids and other demanding lubricant applications such as wind turbines.

Specialty Oligomers products are manufactured from C4/C5 olefins and are used as intermediates in a variety of high margin applications such as tire manufacture, specialty acids, agricultural chemicals and plastic additives. Measured by annual capacity data, we believe we are the largest producer of polyisobutylene in the world. Applications for polyisobutylene are diverse, from cosmetics and personal care products, through sealants and adhesives to fuel additives.

*INEOS Oxide.* We manufacture ethylene and propylene oxides, from which we manufacture a range of derivatives including ethylene glycol, propylene glycol, acetate esters and ethylidene norbornene monomer. We believe, as measured by expected aggregate annual capacity for 2010, we are the largest producer of ethylene oxide and ethylene glycol in Western Europe and one of only two producers of ethylidene norbornene monomer in the world.

Ethylene oxide is a highly reactive, flammable and toxic molecule. As a consequence, ethylene oxide producers typically use a significant proportion of their ethylene oxide for captive production or sell it to third parties located reasonably close to, or on, their ethylene oxide production sites. The majority of ethylene oxide produced in Western Europe is used for captive production and there are virtually no ethylene oxide imports into, or exports from, Western Europe. INEOS Oxide uses its ethylene oxide production for the captive production of ethylene glycol, ethylene oxide derivatives and sales to third parties.

Our ethylene oxide derivatives include ethanolamine, a broad range of alkoxyates, glycol ethers and GasSpec™ gas treating amines. We own and operate one of the world's largest ethanolamine units and produce a family of

molecules that are used in applications such as agrochemicals, surfactants (used in personal care products and detergent formulations), cement additives, textile chemicals, metal working fluids, electronics and pigments. We have five alkoxyate reactors based in Antwerp, which we use to make a broad range of alkoxyates used in household detergents, herbicides, industrial cleaners, petroleum production, cosmetics, pharmaceuticals, synthetic lubricants and surface coating. We also operate one of Europe's largest glycol ether assets to produce a range of methyl, ethyl and butyl glycol ethers used as solvents in surface coatings and inks, and as jet fuel de-icers. We also produce GasSpec™ gas treating amines, which are high performance specialty chemical formulations, often patent-protected, which are used in oil and gas processing in order to remove hydrogen sulphide and carbon dioxide from natural gas, gasoline and ammonia production streams.

We are one of only two suppliers of ethylidene norbornene (ENB) monomer globally and the only producer in Europe. Ethylidene norbornene monomer is used in the production of ethylene propylene diene monomer (EPDM) rubber, a high performance rubber that is both wear and weather resistant and is increasingly used in place of conventional rubbers in automobiles, roofing materials and household appliances.

Ethylene glycol is used primarily as a feedstock to produce polyethylene terephthalate for film, fiber and resin and in a variety of other industrial applications including antifreeze/coolants for automotive vehicles.

Ethyl acetate is primarily used as a solvent and diluent, favored because of its low cost, low toxicity and agreeable odor. For example, it is commonly used to clean circuit boards and some nail varnish remover. Coffee beans and tea leaves are decaffeinated with this solvent. It is also used in paints as an activator or hardener and is present in confectionery, perfumes and fruits. In addition, we produce acetate esters which are used as solvents in surface coatings, inks and pharmaceutical manufacturing.

*INEOS Phenol.* According to Nexant, measured by average annual capacity in 2010 we are the largest producer of phenol in the world. Phenol is a primary material for a large number of chemical products. In recent years, the use of phenol for the production of bisphenol A, an intermediate product used to produce polycarbonate and epoxy resins, has increased substantially and is now the largest phenol application. Polycarbonate is an engineering thermoplastic material which, due to its superior optical qualities, structural strength and weight, has a wide range of uses, including CDs and DVDs, optic-fibers, optical lenses, bulletproof glass and other ballistic resistant materials, structural parts in cars and trucks and housings for electrical household appliances and office equipment. The primary end use for epoxy resins is for printed circuit boards and adhesives.

Phenol is also combined with formaldehyde to produce phenolic resins and is used in the production of caprolactam. Caprolactam is a precursor for polyamide (nylon) which is used in the textile industry and in a range of industrial applications, primarily due to its resistance to corrosive chemicals. Phenolic resins, which represent the second largest commercial use of phenol, are used in a wide range of applications, including in the manufacturing of plywood for use in housing, and furniture, in binders for the production of insulation materials, in laminates for the construction industry, in molds in the foundry industry and in adhesives.

According to Nexant, measured by average annual capacity in 2010, we are the largest producer of acetone in the world. The largest commercial use of acetone is for solvents, either through the use of acetone itself as a solvent or through the acetone-based production of solvents. The second largest commercial use of acetone is the manufacture of methylmethacrylate. Methylmethacrylate is used to manufacture polymethylmethacrylate resins, including acrylic sheets and compounds for molding and extrusion. Acrylic sheets and compounds are used in a wide range of architectural and industrial applications, ranging from point of sale retail displays to glazing and decorative light panels. The third major use of acetone is in the production of bisphenol A.

Alphamethylstyrene is also produced as a by-product from the phenol production process.

*INEOS Enterprises.* Measured by average annual capacity for 2010, INEOS Enterprises is the largest provider of synthetic ethanol in the world. Due to the high level of purity of our synthetic ethanol compared with fermentation ethanol, we are able to market this product to the cosmetics and pharmaceuticals sectors. Our competitive position in the market is led by the cost benefits of our integrated status on the Grangemouth site, as we are the only producer with an integrated position.

Ammonia production finds major application in the fertilizer industry, but in the case of INEOS Enterprises is used in the production of acrylonitrile, nylon and other non-fertilizer applications. Nitric acid is similarly used in the fertilizer industry, and for INEOS Enterprises is primarily used in the manufacture of polyurethanes. In this highly competitive market, we benefit from a cost base lower than that of many of our competitors, having an advantaged location within our Köln integrated petrochemical site and supplying 80% of our customer volume directly by pipeline.

Vinyl Acetate Monomer is the major component of many water-based emulsion paint and coating systems. It is also utilized in the production of adhesives and epoxy resins for applications such as films for solar cells and the intermediate layer in laminated safety glass, and in the manufacture of textiles and shoe soles. We benefit from an integrated ethylene feedstock position with supply by pipeline and are co-located with the largest acetic acid plant in Europe, supporting the lower variable costs offered by our differentiated technology.

Following the sale of the INEOS Fluor business in March 2010, two activities have been retained with management's oversight from INEOS Enterprises. The first is the clean development mechanism (CDM) activities, which utilize proven technology for the abatement of fluorocarbon emissions. We are a participant in three CDM projects in India and Korea which successfully operate our abatement technology. Reductions in emissions are being achieved at all locations and following successful periodic verifications, certified emission reductions (CERs) are issued by the United Nations Framework Convention on Climate Change, which we then market. The second is the fluorspar mining business (Glebe Mines). This supplies fluorspar to the Runcorn, United Kingdom, site. Production at the mine ceased in December 2010 and we sold the mine in September 2011.

*INEOS Technologies.* INEOS Technologies is a leading developer and licensor of polyolefin, polystyrene, nitriles, maleic anhydride, and vinyls technologies to the global petrochemical industry. It manufactures and supplies high-quality catalysts and additives in support of these technologies to major companies around the world as well as to our own manufacturing assets.

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

Under INEOS' ownership, the business has grown its overall licensing market share in all product lines, and, on the basis of market share data, we are the leading licensor of polyethylene, polypropylene, polystyrene, polyvinylchloride, vinyl chloride monomer, ethylene dichloride, and acrylonitrile technologies. A total of 23 major new licenses have been agreed since the beginning of 2008, through the activities of our sales offices located in Lisle, Illinois, United States, Lyndhurst, United Kingdom, and Shanghai, China, and we have agreed a total of 366 licenses in 55 countries.

We market and sell the catalysts and additives required to operate the processes. We manufacture catalysts for polyethylene, acrylonitrile and maleic anhydride in our own facilities, and have established toll-manufacturing arrangements for polypropylene catalysts, ethylene dichloride catalysts and some polyethylene catalysts, and for process additives for the polyvinylchloride process. Manufacturing facilities exist in Lima, Ohio, United States (acrylonitrile catalysts), Green Lake, Texas, United States (maleic anhydride catalysts), Lavéra and Sarralbe, France (both polyethylene catalysts).

In order to sustain the competitiveness of our process technologies and catalysts, we invest a substantial proportion of our Technologies profits in research and development. We have major research centers in Naperville, Illinois, United States, and Lavéra, France. In addition, the business has research or pilot facilities in Grangemouth, Scotland, Neder-over-Heembeek, Belgium, Runcorn, England, and Porto Marghera, Italy.

Our proprietary gas phase polyethylene technology serves the linear low-density polyethylene and high-density polyethylene markets, which are the fastest growing segments of the commodity polyethylene markets. We also own a slurry phase technology (characterized by low capital and operating costs) for the manufacture of specialized high-density polyethylene products. Our acrylonitrile technology is known in the industry as the propylene ammoxidation process, in which propylene and ammonia are converted into acrylonitrile. We have provided five generations of acrylonitrile catalysts, and there is continuing industry demand for these catalysts. Our polyvinyl chloride process allows for rapid production rates without the need for chilled water to cool the reactors, providing substantial capital savings by eliminating the need for expensive refrigeration systems. We have developed and sell a range of leading additives to enable smooth and optimized running of the polyvinyl chloride production process. We also offer a range of technologies and catalysts for the manufacture of ethylene dichloride and vinyl chloride.

### ***Manufacturing***

INEOS Nitriles operates from four sites, two in the United States and two in Europe. Measured by capacity, we believe that Green Lake, Texas, is the largest facility for acrylonitrile and related products in the world. The second U.S. site is in Lima, Ohio, and is an integrated nitriles complex, producing acrylonitrile and related products, with access to feedstock from an adjacent refinery. Lima also manufactures acrylonitrile catalysts for other facilities on a global basis



and Barex resin for the Films business. In Europe, we manufacture at the former BASF site in Seal Sands in the north east of England and in Köln, Germany.

INEOS Oligomers operate from six sites split across Europe and North America. Joffre, in Alberta, Canada, is one of the newest linear alpha olefins units in the world and has access to low-cost ethylene feedstock derived from Canadian gas. Other North American assets include La Porte, Texas, which manufactures polyalpha olefins, and Whiting, Indiana. The Whiting polyisobutylene plant obtains isobutene feedstock from a variety of sources including the INEOS Chocolate Bayou site and local refineries. In Europe, production of polyisobutylene takes place in Lavéra, France, production of linear alpha olefins and poly alpha olefins occurs in Feluy, Belgium, and specialty oligomers are manufactured in Köln, Germany

INEOS Oxide operates from six sites, in Antwerp, Belgium, Plaquemine, Louisiana, United States, Lavéra, France, Köln, Germany, Hull, United Kingdom, and a small facility in Freeport, Texas, United States. Our largest production facility is at the Antwerp complex on the coast of Belgium. This site has direct or indirect connections to four major ethylene pipelines linking it to most ethylene crackers in Northwest Europe. It also has pipeline connections to pipelines for nitrogen, oxygen, natural gas and ship/rail logistic capabilities for sourcing bulk feedstocks of propylene oxide, butadiene, acetic acid and alcohols. In addition, the site has its own jetty facility on the Schelde River which links it to the port of Antwerp and the Amsterdam-Rotterdam-Antwerp (“ARA”) pipeline and with rail and road tanker loading facilities. We produce ethanolamine at our Plaquemine plant located on the Mississippi/Gulf Coast of the United States. This is a prime location for chemicals production due to advantaged access to feedstock and direct access to sea jetties and close proximity to our customer base.

INEOS Phenol operates phenol and acetone plants at sites in Gladbeck, Germany, Antwerp, Belgium, and Mobile, Alabama, United States. Pipelines to the cumene plant and the canal port in Marl, Germany, and BPRP’s cumene plant in Scholven, supply the Gladbeck site with cumene. Our Antwerp site is located in the Antwerp industrial area with direct deepwater access. All of the cumene reaches the site via ship. The majority of the site’s end-products are transported to its customers by ship, with the balance being transported by road. Our Mobile, Alabama, United States, plant is located in the Mobile Bay on the Gulf of Mexico, close to certain major phenol consumers. All cumene is supplied via ship mainly from producers on the Gulf Coast. About 50% of the phenol and acetone produced is transported via ship, and the balance by rail and road. We also own and operate a cumene plant in Port Arthur, Texas, United States. All of the cumene produced at this facility is utilized as feedstock for our Mobile facility. The cumene can also be shipped to our European facilities. The facility was mothballed in early 2009 due to the impact of the global recession.

INEOS Enterprises operates three sites. We manufacture ethanol on the Grangemouth complex in Scotland, ammonia and nitric acid at the Köln complex in Germany and vinyl acetate monomer at the Saltend site in Hull, United Kingdom (where we also operate the acetate esters unit on behalf of INEOS Oxide).

INEOS Technologies operates a catalyst production unit in Lima, Ohio, United States, but in general utilizes third parties for the toll manufacture of the majority of our catalyst and additives products.

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

Acrylonitrile is manufactured from propylene, ammonia and air with the use of a special catalyst. Acrylonitrile is toxic and flammable and, unless chemical stabilizers are added for storage and shipment, can undergo an explosive chemical reaction. We employ safeguards to ensure the safe handling of nitriles, including the use of specially designed railcars and pipelines for transportation to nearby customers.

Ethylene is the primary feedstock for the production of the linear alpha olefins of INEOS Oligomers, being supplied in Joffre from the neighboring cost advantaged Nova facility (benefiting from the “Alberta Advantage” cost base, which is the cost differential in the ethane compared to the Gulf Coast market prices) and in Europe by pipeline. Poly alpha olefins are made by merging several linear alpha olefins together. Isobutene is the key feedstock for Polyisobutylenes, and is supplied from within our site in Lavéra, France, from the neighboring refinery complex in Whiting or can be railed from a variety of other supply sources.

INEOS Oxide’s principal raw material is ethylene. Our Antwerp complex is the largest chemical site in Europe and the largest ethylene consumer in Europe, and we benefit from this. This supply flexibility is further bolstered by access to or ownership of major ethylene deep sea terminals connected to the ARA pipeline network. We have short- and medium-term contracts of one to five years that generally specify minimum and maximum volumes with several different suppliers. The cost of our key feedstock ethylene supply is based on a discount to the current Northwestern European contract price.

Cumene, which is made from the combination of benzene and propylene, is INEOS Phenol's main raw material. We acquire cumene from our suppliers pursuant to four different types of contractual arrangements. Under a toll contract, we supply the benzene and propylene required for the production of cumene to our suppliers, who then convert these inputs into cumene. For this service, we are charged a conversion fee reflecting the supplier's costs and a margin. Under the second type of contractual arrangement, the suppliers charge us for cumene according to contractually agreed formulas based on benzene and propylene market prices and agreed yield factors. A conversion fee is added to the charge. The third type of arrangement is the toll contract, discussed above, pursuant to which customers pay for or provide raw materials to us and receive, in exchange for a toll fee, corresponding phenol and acetone outputs in fixed proportions. Finally, we also make some incidental purchases of cumene in the open market. As a result of these arrangements, we are exposed to changes in the market contract and spot rates for benzene and propylene. We believe that our use of toll contracts with customers and formula-based contracts can reduce our exposure to raw material price fluctuations.

INEOS Enterprises' key raw materials are ethylene, natural gas and acetic acid. The Ethylene is supplied by pipeline to our ethanol and vinyl acetate monomer units predominately from the INEOS Olefins and Polymer crackers in Grangemouth. Natural gas is supplied from utility companies via pipeline from the German natural gas grid to the Köln plant to manufacture Ammonia. Acetic acid is supplied from third parties, via pipeline and via imports to our vinyl acetate monomer unit in Hull.

### ***Customers and Contracts***

INEOS Nitriles has approximately 200 customers worldwide, with the top 10 customers accounting for 74% of revenue. Major customers include, in Asia, Chi Mei, LG, Samsung and Toray, and, in Europe, Styrolution, Aksa, Dralon, Sabic and Styron. We are the only supplier to provide customers with the security of supply from capacity in the United States and in Europe and the only supplier to service all key regions of the world: United States, Europe, Asia (including the Indian subcontinent).

INEOS Oligomers has approximately 450 worldwide customers with its top 10 customers accounting for approximately half of revenue. Major customers typically include large polyethylene manufacturers, such as Dow Chemical, Total and Nova and leading lubricant, surfactant and drilling fluid companies.

INEOS Oxide sells most of its products to leading chemical manufacturers, including Dow, Cognis, Monsanto, DSM, Bayer, Indorama and DuPont. The majority of our sales are made pursuant to short- and medium-term market contracts of one to five years in duration. Under a long-term swap agreement entered into with Dow Chemical as part of the ethanolamine and GasSpec™ gas treating amines acquisition in February 2001, we swap a significant proportion of our ethylene glycol production from our Antwerp facilities for an equivalent volume of ethylene oxide production from Dow Chemical's ethylene oxide plant in Plaquemine. We generally determine the prices for our chemicals on a monthly or quarterly basis based on current market conditions, including raw material costs. Other than ethylene oxide prices, which are based on the European market price, our prices are generally based on the international market price.

INEOS Phenol sells to most of the major phenol and acetone consumers in Europe and North America and is establishing a market presence in Asia through traders. Customers in Europe and North America include Bayer, Sabic IP and DSM. We generate approximately 65% of our total sales from our 10 largest customers with whom we have developed strong relationships. As outline above, most of our sales are made under either long-term contracts or long-standing informal arrangements with our customers, including toll, formula and market contract arrangements.

INEOS Enterprises sells its ethanol, vinyl acetate monomer and ammonia products to a broad range of both internal and external customers, predominantly in Europe. This includes some of the largest consumers in the chemical intermediate, coatings, inks and adhesives and pharmaceutical industries. The majority of our sales are conducted via short- and medium-term market contracts of between one to five years.

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

The market position of our Chemical Intermediates business is supported by a range of technologies. Our main technology in this area is the proprietary fluid bed acrylonitrile process and related catalysts. We believe that this technology is the leading nitriles manufacturing technology and, we believe, it is used in more than 90% of the world acrylonitrile production. The other supplier of acrylonitrile technology, Asahi Kasei Corporation of Japan, tends to maintain the technology for its own use only, thus providing INEOS with considerable leverage in this sector.

INEOS Technologies as a business takes responsibility to focus resources onto more fundamental improvements of the capital operating costs of the different technology platforms, and catalyst and additive performance, including development of novel catalysts and additives. The operating businesses focus on applications and improvements to existing asset performance.

For example, since 1995, INEOS Phenol has filed in excess of 20 patent applications for new process technology, including acetone recycling, improvements in product quality and process optimization.

Our policy is to protect all of our significant technologies by seeking patents and where appropriate, defending and enforcing our intellectual property rights. We believe that this strategy allows us to preserve the advantages of the products we sell and the technologies we use and license, and helps us to maximize the return on our investment in research and development. We own, or have rights to, approximately 3,660 patents or patent applications (including patents pending), divided into approximately 450 patent families, in the United States, Europe and various other regions. In order to protect confidential technical information which is not subject to patent protection, we rely on trade secret law and frequently enter into confidentiality agreements with our employees, customers and partners.

While we believe that our intellectual property provides competitive advantages, we do not regard our business as being materially dependent on any single patent, trade secret or trademark.

In addition to our patents and trade secrets, we are party to licensing and other agreements authorizing us to use patents, trade secrets, confidential technical information and related technology owned by third parties and operate within the scope of patents owned by third parties.

In addition, we own a number of registered trademarks, including our Innovene brand. We police our existing trademarks and enforce our legal entitlements in situations where third parties infringe upon any of these rights.

### ***Competition***

Although INEOS Nitriles competes with numerous manufacturers of acrylonitrile, we are by far the largest producer in the world. In addition, 90% of the world's acrylonitrile capacity is based on our process technology. Our

most significant competitor is Asahi Kasei Corporation, which is the market leader in Asia. Other competitors include Ascend in North America and DSM in Europe.

The main competitors for INEOS Oligomers with linear alpha olefins are Royal Dutch Shell, Chevron Phillips and Sasol Limited.

The main competitors of INEOS Oxide in the ethylene glycol, antifreeze, ethylene oxide and ethylene oxide derivatives markets are BASF, Shell and Dow Chemical, while those in acetate esters include BASF and E-Oxo. Our only competitor in the ethylidene norbornene monomer merchant market is JX Nippon Oil & Energy.

In Europe, the major competitors for INEOS Phenol are Cepsa and Polimeri. In North America, our major competitors are Sunoco and Shell.

Integration is the key factor supporting the competitive status for INEOS Enterprises. In the global market for ammonia, we face over 90 competitive production units located in 33 countries. Thirty of these units are within Western Europe. In the ethanol business, competition is from both synthetic ethanol and fermentation producers, based on sugar and grain, respectively.

### **Refining Divestiture**

In connection with the Refining Divestiture, we disposed of the Refining Business. The Refining Business, which includes the refineries at Lavéra, France, and Grangemouth, United Kingdom, was transferred into new joint ventures formed between PetroChina and INEOS Investments. See “The Refining Divestiture.”

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

### ***Contractual Arrangements with the Refining and Entrepreneurial JVs***

To ensure that the companies in the INEOS Group retain access to the feedstocks provided by the Refining and Entrepreneurial JVs, we have entered into several contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity. Pursuant to these arrangements, the INEOS Group will retain access to the feedstocks that are essential to the retained Business segments, thereby contributing to the long-term viability, security and profitability of our businesses.

Below are several of the key steps that we have taken to facilitate the ongoing relationship between the Refining and Entrepreneurial JVs and the INEOS Group:

- Secure competitive and reliable chemicals feedstock supplies.
  - *Naphtha.* We have entered into a long-term agreement with the Refining and Entrepreneurial JVs for the continued provision of the naphtha supply that we have historically received from the Refining Business, on substantially similar commercial terms as those that governed the inter-INEOS Group transfer for the supply of naphtha previously.
  - *Refining and Chemical Intermediates.* The feedstock synergy between the Refining Business and Chemicals Intermediates Business in respect of other feedstock streams has been retained via similar long-term and market-based agreements, on essentially the same commercial terms as the historical internal transfer terms.
  - *BP Agreement.* The INEOS Group will continue to benefit from the North Sea feedstock supply agreement between the Refining and Entrepreneurial JVs and BP in relation to the Grangemouth location.
- Obtain competitive and reliable utilities supplies.
  - *Lavéra.* At Lavéra, the utilities provision to the separate businesses (including the Refining and Entrepreneurial JVs and the plants retained by the INEOS Group) is largely standalone;

therefore, we do not anticipate that the Refining Divestiture will have an impact on utilities supply to our businesses located on that site. We have entered into several agreements with INEOS Manufacturing France SAS to govern situations in which if either party experiences a disruption in its utility supply, the other party would be obliged to provide the necessary supply, subject to the terms of the agreement, until such service is restored.

- *Grangemouth.* At Grangemouth, the utilities supply arrangements between our facilities and the facilities owned by the Refining and Entrepreneurial JVs are intertwined, with a single integrated utilities system providing utilities to all of the facilities located on the site, including those related to the Refining Business, the Chemical Intermediates Business, and BP's Forties Pipeline System gas plant. We have entered into long-term contracts with the new Infrastructure Entity to ensure that the provision of steam, power and other minor utilities to our facilities located at Grangemouth on that site continue on essentially the same terms as were the case historically.
- Retain access to shared infrastructure on the Lavéra and Grangemouth sites. In some cases on the integrated sites at Lavéra and Grangemouth, the site businesses have enjoyed shared access to certain infrastructure assets. We have entered into long-term agreements with the Infrastructure Entity, on essentially the same terms as were available to the businesses historically, to maintain access to these infrastructure assets for us and the Refining and Entrepreneurial JVs.
- Include protective mechanisms in all of the long-term shared infrastructure and utilities agreements to ensure long-term fair access for all parties. To ensure that all parties are able to maintain access to the shared infrastructure and utilities discussed above, the infrastructure and utilities agreements contain protective mechanisms that will prevent either party from being able to interfere with the other party's access to the key shared infrastructure and utilities, thereby leaving one party without access to the required services.
- Maintain the historical synergy value between the Refining and the Chemical Intermediates businesses. The post-Refining Divestiture contractual arrangements include a continued long-term exchange of key streams between the Refining and Entrepreneurial JVs and the businesses retained by the INEOS Group on essentially the same commercial terms as were the case historically. Therefore, the INEOS Group will continue to benefit from the historical share of the synergy benefit.

Key site shared services have been retained for the benefit of all site businesses. At Grangemouth, the businesses retained by the INEOS Group host the majority of the services on the site, and will provide these services to the Refining and Entrepreneurial JVs. Whereas, at Lavéra, the Refining and Entrepreneurial JVs host the provision of the shared services, and will make these services available to the businesses retained by the INEOS Group. The site shared services will continue to be provided to all parties on essentially the same terms as was the case historically.

## **Research and Technologies ("R&T")**

We consider R&T to be a key element of both the short-term performance and the long-term growth of our business. The majority of our R&T work is performed by INEOS Technologies. The balance is carried out by individual businesses for their own specific purposes.

Our R&T work has three principal objectives:

- minimize production costs with a view to increasing the margins that can be achieved in the manufacture and sale of our products;
- make better products in order to sustain or capture more margin or market share; and
- reduce capital costs to minimize the investments necessary to meet demand.

A substantial portion of our R&T expenditure is dedicated to the continuous improvement of our existing processes, products, assets and operations and is intended to yield returns in less than two years. This R&T work is carried out by a combination of integrated teams based at our facilities and centrally located specialists and research teams in one of our R&T centers. In addition, we carry out longer-term projects targeted at more fundamental improvements, which we typically intend to yield returns within two to five years. We protect our process technologies and products by seeking patents or retaining them as trade secrets.

We believe that the quality of our scientific staff is important to our success. The employees working in our R&T centers have comprehensive expertise in a variety of areas, including catalysis, process development, product and material science, modeling and project management. Our R&T project teams also have commercial expertise. We consistently aim to improve the effectiveness of our R&T efforts by targeting our projects at the most valuable applications and using project management tools to monitor progress. To attract and retain the best-qualified scientists and develop a high level of capability and competence in the key areas of processes, products and operations, we offer our employees challenging development opportunities and a competitive compensation package that is aligned with performance of the relevant business in both the short and long term.

We also draw on external resources to enhance the scope, depth and effectiveness of our internal R&T efforts. We proactively seek mutually beneficial partnerships with third parties, including other petrochemical companies and leading universities.

## Facilities

We currently lease the office space for our principal executive offices, which are located in Rolle, Switzerland. We also lease administrative, technical and sales office space in various locations in the countries in which we operate.

Our production network comprises 30 manufacturing facilities in 8 countries throughout the world. The following table provides information regarding these facilities:

Country	Location <sup>(1)</sup>	Business	Principal products manufactured	Capacity <sup>(2)</sup>
<b>Belgium</b>	Doel <sup>(3)</sup>	Phenol	Phenol, acetone	1,105 kta
	Feluy	Oligomers	Linear alpha olefins, poly alpha olefins	435 kta
	Geel	O&P Europe	Polypropylene	290 kta
	Lillo	O&P Europe	Polypropylene, high-density polyethylene	530 kta
	Zwijndrecht	Oxide	Ethylene oxide, ethylene glycol, ethylene oxide derivatives, ethylidene norbornene monomer, Butyl acetate	1,105 kta
<b>Canada</b>	Joffre	Oligomers	Linear alpha olefins	275 kta
<b>France</b>	Lavéra <sup>(4)</sup>	O&P Europe	Ethylene, propylene, butadiene, benzene, high-density polyethylene, polypropylene	1,290 kta
		Oligomers	Polyisobutylene	80 kta
		Oxide	Ethylene oxide, ethylene oxide derivatives, oxo alcohols	610 kta
	Sarralbe	O&P Europe	Polypropylene, high-density polyethylene	260 kta
			Phenol, acetone, alpha methyl styrene	
<b>Germany</b>	Gladbeck	Phenol	Phenol, acetone, alpha methyl styrene	1,105 kta
	Köln	Enterprises	Ammonia, nitric acid <sup>(5)</sup>	1,235 kta
		Nitriles	Acrylonitrile and related products	410 kta
		O&P Europe	Ethylene, propylene, butadiene, benzene, low-density polyethylene, linear low-density polyethylene	3,030 kta
		Oligomers	Isoolefins, isoparaffins, specialties	100 kta
<b>Italy</b>		Oxide	Ethylene oxide and derivatives, ethylene glycol, Propylene oxide, Propylene glycol, oxo alcohols	945 kta
	Marl <sup>(6)</sup>	Phenol	Cumene	260 kta
	Rosignano	O&P Europe	High-density polyethylene	200 kta
<b>Norway</b>	Bamble	O&P Europe	Low-density polyethylene	150 kta
	Rafnes <sup>(7)</sup>	O&P Europe	Ethylene, propylene	340 kta
<b>United Kingdom</b>	Grangemouth <sup>(8)</sup>	Enterprises	Ethanol	300 kta
		O&P Europe	Ethylene, propylene, butadiene, benzene, high-density polyethylene, linear low-density polyethylene, polypropylene	2,365 kta
	Hull	Enterprises	Vinyl acetate monomer	250 kta
		Oxide	Ethyl acetate	235 kta

United States	Seal Sands	Nitriles	Acrylonitrile and related products	350 kta
	Battleground	O&P North America	High-density polyethylene, polypropylene	930 kta
	Carson	O&P North America	Polypropylene	230 kta
	Cedar Bayou <sup>(9)</sup>	O&P North America	High-density polyethylene	150 kta
	Chocolate Bayou	O&P North America	Ethylene, propylene, butadiene, polypropylene	2,640 kta
	Freeport	Oxide	Gas treating amines	12 kta
	Green Lake	Nitriles	Acrylonitrile and related products	680 kta
	Hobbs	O&P North America	Ethane/propane mix, propane	1,455 kta
	La Porte	Oligomers	Poly alpha olefins	80 kta
	Lima	Nitriles	Acrylonitrile and related products, barex	230 kta
		Technologies	Acrylonitrile catalyst	2 kta
	Mobile	Phenol	Phenol, acetone	875 kta
	Plaquemine	Oxide	Ethanolamines	175 kta
	Port Arthur <sup>(10)</sup>	Phenol	Cumene	500 kta
	Whiting	Oligomers	Polyisobutylene	90 kta

(1) We own all of the production facilities except where otherwise indicated.

(2) The unit kta is kilo-tonnes per annum.

(3) We own the production assets, but lease the land under a long-term lease that expires in 2040.

(4) This facility consists of a combination of units fully owned by us and various 50/50 joint ventures with Total Petrochemicals, France. The refining capacity was disposed of on July 1, 2011, in connection with the Refining Divestiture, but we still have access to the capacity through our contracts with the Refining and Entrepreneurial JVs. See “The Refining Divestiture.”

(5) Nitric acid plant owned by third party, operated by INEOS.

(6) Plant owned by INEOS Enterprises.

(7) The business is a 50/50 joint venture with Kerling. Capacities shown are the IGL share of the activities.

(8) 110 kta of this capacity is currently mothballed. The refining capacity was disposed of on July 1, 2011, in connection with the Refining Divestiture, but we still have access to the capacity through our contracts with the Refining and Entrepreneurial JVs. See “—Refining Divestiture—Contractual Arrangements with the Refining and Entrepreneurial JVs.”

(9) A 50/50 joint venture with Chevron Phillips, operated by Chevron Phillips. The capacities shown are the INEOS share of the activities.

(10) Plant currently mothballed.

## **Health, Safety, Security and Environment**

### ***Overview***

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

Violations of HSSE requirements may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, cleanup costs, claims for personal injury, health or property damages, requirements to install additional pollution control equipment, or restrictions on, or the suspension of, our operating permits or activities. At certain sites where we operate, regulators have alleged or we have otherwise learned that these sites may be in noncompliance with HSSE laws and/or the permits which authorize operations at these sites. Some of these allegations or instances of noncompliance are ongoing, and substantial amounts may need to be spent to attain and/or maintain compliance. In addition, we have in the past paid, and in the future may pay, penalties to resolve such matters. Our businesses and facilities have experienced, and in certain cases, are in the process of investigating or remediating, hazardous materials in the soil and groundwater at locations where we operate and/or adjacent properties and/or natural resources at public and private lands not owned by us. We are also in the process of investigating and remediating contamination at certain sites where our facilities disposed of hazardous wastes. In addition, HSSE laws and regulations can impose various financial responsibility requirements on us, and pursuant to these requirements we may be required to post bonds, create trust funds or provide other assurances that we will be able to remediate contamination at our sites and comply with our decommissioning obligations once our facilities reach the end of their useful lives.

Other HSSE laws and regulations may impose product or raw material use, import or sale restrictions on us or on our customers. For example, it is possible that certain of our products or by-products or the raw materials we use may, in the future, be classified as hazardous or harmful, which could impact our production or demand for our products and, in turn, could materially and adversely affect our business and/or results of operations.

We believe that our operations are nonetheless currently in material compliance with all HSSE laws, regulations and permits. We actively address compliance issues in connection with our operations and properties and we believe that we have systems in place to ensure that environmental costs and liabilities will not have a material adverse impact on us. Nevertheless, estimates of future environmental costs and liabilities are inherently imprecise, and the imposition of unanticipated costs or obligations could have a material adverse effect on our business, financial condition or results of operations in any period in which those costs are incurred.

### **Major Regulatory Matters and Developments**

#### ***Climate Change Regulations and Initiatives***

##### ***EU Emissions Trading Scheme***

Our operations in Europe are covered by the European Union Emissions Trading Scheme (“EU ETS”), an EU-wide trading system for industrial greenhouse gas (“GHG”) emissions. Industrial sites receive or purchase allowances to emit GHGs and must surrender one allowance for each ton of carbon dioxide emitted. Companies which emit less GHGs than their allowances cover are able to sell the excess allowances, whereas those which emit more must buy additional allowances through the EU ETS.

In addition, in response to the United Kingdom Climate Change Levy, we belong to CIABATA, a division of the Chemical Industries Association established for the trading of energy credits related to emissions of carbon dioxide. As a member of CIABATA, we currently receive a 65% rebate on the amount of climate change levy we have to pay.

##### ***U.S. Clean Air Act and Climate Change Regulations***

In the United States, the federal Clean Air Act (“CAA”) regulates air emissions from various sources and requires, among other things, monitoring of specified pollutants, including hazardous air pollutants, stringent air emission limits and technological controls to reduce emissions to air. Strict federal and state controls on ozone, carbon monoxide,



benzene, sulfur dioxide, nitrogen oxide and other emitted substances impact our activities and increase our operational costs in the United States.

A compliance challenge relating to operating permits for our Texas facilities developed in June of 2010, when the U.S. Environmental Protection Agency (“EPA”) began efforts to disapprove of an aspect of the Texas permitting program. Amendments to the permits were submitted in 2011 to meet the new EPA requirements. The resulting outcome could be stricter emission control requirements and limits on new projects.

Growing concern about the sources and impacts of global climate change has led to a number of legislative and administrative measures, both proposed and enacted, to monitor, regulate and limit carbon dioxide and other GHG emissions. As of January 2010, we are required to monitor and report to EPA annual GHG emissions from certain of our U.S. facilities. In addition, EPA is moving forward with efforts to regulate GHG emissions under the Clean Air Act (“CAA”) and other existing legislation as comprehensive climate change legislation has not yet been enacted by the U.S. Congress. EPA promulgated regulations which, as of January 2011, subject the GHG emissions of certain newly constructed or modified facilities to pre-construction and operating program requirements. Pursuant to these requirements, newly-constructed or modified facilities with the potential to emit certain quantities of GHGs are required to implement “best available control technology,” which could include carbon efficiency standards, GHG emission concentration limits, the imposition of specific technology requirements, or other measures. In addition, EPA is in the process of developing “new source performance standards” under section 111 of the CAA. A number of bills were introduced in the U.S. Congress in 2011 which, if enacted into law, would restrict EPA’s ability to regulate GHGs under the CAA. EPA’s continued implementation of GHG regulations is also clouded by numerous judicial challenges. In light of the legislative and judicial challenges to EPA action, and given that EPA is engaged in additional GHG rulemakings, significant uncertainty exists as to how GHG regulations will in the future impact large stationary sources, such as our facilities in the United States, and what costs or operational changes these regulations may require. We continue to monitor the situation closely.

In addition, EPA has finalized or proposed several rules relating to emissions reporting and emissions reductions, including rules known as the “Boiler MACT”, which would establish new standards for emissions of hazardous air pollutants from commercial and industrial boilers. Significant capital expenditures could be required for emissions control equipment in order to comply with the Boiler MACT rules issued by EPA in March 2011, or the revised rules EPA is expected to issue in summer 2012 following completion of a formal reconsideration process. In light of continuing uncertainty about the scope of these rules, as well as pending legislative and administrative challenges, we are still evaluating the precise impact of these rules on our operations and costs. Similarly, the nature, scope and timing of climate change legislation and/or other proposed rules regulating GHGs is highly uncertain and, currently, we do not know what precise effect, if any, such legislation will have on our financial condition and operations.

In the United States, stringent controls on nitrogen oxides and ozone emissions, and/or the need to purchase nitrogen oxide emissions credits for certain facilities, impact our operations and, indirectly, the cost of our products. Credit pricing is subject to general economic conditions, but we believe such credits should remain available and affordable. EPA has delayed their scheduled revisions to the ozone standards until 2013. The revised standards would require states to restrict or prohibit emissions that “significantly contribute” to non-attainment of, or interfere with a state’s ability to maintain, the revised ozone standard in other “downwind” states. As a result, emissions permits issued by states and/or the federal government to facilities such as ours could contain stricter limits for nitrogen oxides, including best available control technology, or other operating limitations that could cause us to incur additional compliance and/or capital costs and/or adversely impact our production and our results of operations.

In Ontario, Canada, air pollution regulations, enacted pursuant to the Environmental Protection Act, have recently been amended to include benzene on the list of substances subject to Point of Impingement emissions standards.

At the international level, in December 2009 more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce GHG emissions. The international community is continuing to negotiate a binding treaty that would require reductions in GHG emissions by developed countries. Although we believe it is likely that GHG emissions will be regulated in the U.S. and other countries (in addition to the EU) in the near future, we cannot yet predict the form such regulation will take (such as a cap-and-trade program, technology mandate, emissions tax or other regulatory mechanism) or, consequently, to estimate any costs that we may be required to incur, for example, to install emissions control equipment, purchase emissions allowances or address other regulatory obligations. Such requirements could also adversely affect our energy supply or the costs (and types) of raw materials we use for fuel. Regulations controlling or limiting GHG emissions could have a material adverse impact on our business, financial condition or results of operations, including by reducing demand for our products.

***The Registration, Evaluation, and Authorization of Chemicals (“REACH”) Directive, the Classification, Labeling and Packaging Regulation (“CLP”), the Toxic Substance Control Act (“TSCA”) and the Canadian Environmental Protection Act (“CEPA”)***

The EU regulates chemical products within the EU by imposing on all affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. The REACH Regulation, which came into effect in 2007, requires the registration of all chemicals manufactured and imported into the EU (either alone, in mixtures or in articles) with the new European Chemicals Agency (“ECHA”). The regulation requires formal documentation of the relevant data required for hazard assessments for each substance registered as well as development of risk assessments for their registered uses. Most uses of high hazard substances, such as carcinogens, will require authorization by the ECHA. REACH requires extensive toxicological testing, documentation and risk assessments for many of our chemical products and raw materials. As a corollary to the REACH Regulation, the EU has recently adopted the CLP Regulation to harmonize the EU’s system of classifying, labeling and packaging chemical substances with the United Nation’s Globally Harmonized System. The Regulation is expected to standardize communication of hazard information of chemicals and to promote regulatory efficiency. It introduces new classification criteria, hazard symbols and labeling phrases, while taking account of elements that are part of the current EU legislation.

In the United States and Canada, our products and raw materials are subject to extensive environmental, health and industrial hygiene regulations, including under TSCA and the CEPA, requiring the registration and safety analysis of the substances contained in them. EPA is undergoing a reassessment of TSCA which may result in additional or more stringent regulatory testing, labeling and notification requirements.

Such regulations could result in a key raw material, chemical, or other substance being classified or reclassified as having a toxicological or health-related impact on the environment, users of our products, or our employees. Such reclassification of any of our raw materials or products could affect its availability of marketability, result in a ban on its purchase or sale, or require us to incur increased costs to comply with notification, labeling, or handling requirements.

***Risk Management—Prevention of Major Accidents and Process Safety***

Risks are inherent in the chemical and petrochemical businesses, particularly risks associated with safety, health and the environment, and each of our facilities actively assesses and manages such risks as required by law. Within the European Union, an EU directive on the control of major accident hazards (the “Seveso II Directive”), regulates facilities that present a risk of accidents involving dangerous substances and imposes specific plans and procedures on them, particularly for the storage of such substances. The Directive provides for control measures aimed at preventing and limiting the consequences of major accidents. All of our major production sites are in the top tier of regulation under the Directive due to the quantity of dangerous substances stored at them. As such, we must establish a major accident prevention policy, safety reporting system, safety management system and emergency plan compliant with the requirements of the Directive.

In the United States, all of our manufacturing facilities are subject to EPA’s Risk Management Program (“RMP”), which requires facilities that produce, handle, process, distribute or store certain highly hazardous chemicals to develop a risk management plan and program in the event of an accidental release of such chemicals. RMP also requires facilities to assess potential impacts to off-site populations in the event of a credible worst-case release and to document the policies, procedures, equipment and work practices in place to mitigate identified risks. Similar risk management requirements are imposed upon our facilities under the Emergency Planning and Community Right-to-Know Act (“EPCRA”), which contains chemical emergency response planning, accident release and other reporting and notification requirements applicable to our U.S. manufacturing facilities.

In addition, our U.S. facilities are subject to the Occupational Safety and Health Administration (“OSHA”) Process Safety Management (“PSM”) standard, which requires development of a program to manage workplace risks associated with highly hazardous chemicals. To better manage risks and process safety we pursue certifications within OSHA’s Voluntary Protection Program (“VPP”), and this past year our Greenlake, Battleground (Houston), and Lima (a site which will make siting improvements under the PSM program), sites were certified to Star status, the highest level achievable. In addition, our largest North American site (Chocolate Bayou) entered the VPP program by achieving Merit status in its first attempt after an extensive external audit. Merit status means that a site has the potential to achieve the “Star” level within three years. Star level means that the site has successfully implemented a safety and health management system and achieved a combined injury and illness rate that is below the industry rate nationwide. The American Petroleum Institute (“API”) issued a new recommended practice (API 754) to standardize the reporting of PSM incidents in 2010. The National Petrochemical and Refining Association have endorsed this recommended practice, and INEOS’ North American operations began contributing to the database in 2011.

Programs employed to manage PSM risks include instrumentation and overpressure relief devices. ISA 84 is a new international standard that addresses the application of safety-instrumented systems for process industries. We

expect to incur €10 million to €15 million in costs between 2011 and 2015 in meeting this standard. Our pressure relief systems are all designed in accordance with relevant legal (OSHA, ASME, NFPA, PED, ISO), industry (API, DIERS), and internal standards. As these standards and their interpretation evolve, issues of use and sizing of pressure relief systems are addressed on a priority basis. While the issues at any individual site are not anticipated to be material, the aggregate spend on relief device corrections over the next 5-year period is expected to be on the order of €10 million to €15 million.

In addition, all of our businesses are aware that effective safety management is consciously required to address and deal with major accident and process safety risks. We promote personal leadership for the management of these risks and our Business Board of Directors operates a business “Letter of Assurance” process whereby each of the Operations Directors/Site Managers reviews compliance with local regulations and the effectiveness of the safety management system. They then formally inform their Executive Team and Chief Executive in writing about any issues about which they need to be concerned. This process is intended to provide assurance that all businesses are in compliance in all material respects with applicable health, safety and environmental laws in the countries in which they operate.

### ***Environmental Remediation and Closure Liabilities***

Many of our sites have an extended history of industrial chemical processing, storage and related activities, and sites with known or suspected contamination exist. We are currently, and from time to time have been or may be, required to investigate and remediate releases of hazardous materials or contamination at or migrating from certain of these sites, as well as properties we formerly owned, leased or operated. We could also be responsible for investigating and cleaning up contamination at off-site locations where our predecessors or we disposed of or arranged for the disposal or treatment of hazardous wastes. Under some environmental laws, liability can be imposed regardless of whether the owner or operator knew of or caused the contamination and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. In connection with contaminated properties, as well as our operations generally, we also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by our operations, facilities or products.

Baseline surveys of soil and groundwater conditions were conducted at many of our sites in the EU in connection with obtaining our IPPC permits, and such data was reported to the relevant authorities. In addition, many of our other sites were the subject of intrusive investigations when they were acquired by us or in connection with historical activities or operational changes over the years. The process of investigation and remediation can be lengthy, varies from site to site and is subject to changing legal requirements and developing technologies. We are not currently aware of any additional sites as to which material claims or clean-up obligations exist. The discovery of previously unknown contamination, however, or the imposition of new obligations to investigate or remediate contamination at our facilities, could result in substantial unanticipated costs. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impact on our business, financial condition or results of operations in any period in which those costs need to be incurred could be material.

### ***Product Stewardship and Innovation***

While many of our products have some hazardous properties, some of them require specialized handling procedures due to their acute and chronic toxicity. Our polymer products have widespread end uses in a variety of tightly regulated consumer industries, including in food packaging and medical applications. To manage these risks, our product stewardship team works closely with industry associations, government regulators and others to develop regulations, which are based in science and are commensurate with the magnitude of the risk.

### ***Security and Crisis Management***

The U.S. Department of Homeland Security (“DHS”) requires compliance by our facilities as defined in the Marine Transportation Security Act (“MTSA”), the Chemical Facilities Anti-Terrorism Standards (“CFATS”) and U.S. Department of Transportation Hazardous Materials regulations.

Railroad transportation of hazardous chemicals was assessed for each location. Where high-risk chemicals were loaded, stored or shipped, security plans and additional security equipment were required. Negotiations on new legislation proposed in the United States resulted in a one-year reauthorization of current standards. These standards will be re-evaluated and may result in an increase in the security requirements in the chemical manufacturing facilities in 2011.

The DHS, the U.S. Federal Emergency Management Administration and individual state emergency management regulators require that all sites hosting emergency response teams train responders to the National Incident

Management System (“NIMS”) standards. It is required that the emergency response teams and incident management teams have the knowledge, skills and equipment to allow them to work in concert with local, state, and Federal agencies in the manner defined by NIMS. Training is conducted at all sites to meet this requirement. This allows the site responders to join with the governmental groups in cases of widespread emergencies, including pandemics, where multiple agencies and organizations are involved.

### ***HSSE Principles***

We remain very strongly committed to excellent HSSE performance and believe we are a top decile performer within the chemicals industry. For example, for the year ended December 31, 2011, our classified injury rate per 100,000 hours was 0.21. We strive to operate throughout the world with a commitment to doing what is needed to protect the environment and to comply with all applicable regulations in the countries in which we operate.

Our aim is to avoid injuries to the community, employees and contractors. We focus on reducing major plant losses of containment of chemicals with health and safety impact. Core to our HSSE standards is our HSSE policy, which promotes Executive management and individual responsibility, adherence to operating procedures and training and requires our sites to be designed, operated and managed with the goal of preventing major incidents.

### **Employees**

As of September 30, 2011, we had over 7,500 employees in our operations around the world, excluding employees of our joint ventures. Approximately 77% of these employees were located in Europe, approximately 22% were located in North America and 1% were located in the rest of the world.

Historically, we have enjoyed good labor relations and we are committed to maintaining these relationships. Other than management and professional personnel, the majority of our employees are represented by local trade unions and are covered by collective bargaining agreements, including a European Employee Forum agreement under the European Council 94/45/EC, Article 6, which covers all businesses and employees across Europe within INEOS Group and is designed to provide a formal mechanism for management and employee representatives to communicate on significant or potentially significant issues across the INEOS Group’s European operations.

### **Insurance**

We carry an all-risk insurance policy for our assets, as well as policies for consequential loss of profits and payments of fixed costs as a consequence of fire, explosion, electrical damage, machinery breakdown, flooding or fuel or power shortages, third-party liability insurance, transport insurance, computer insurance and life insurance for all of our employees. We believe our policies are in accordance with customary industry practices, including deductibles and coverage amounts. Our broker, lead insurers and underwriters monitor fire and explosion risks and routinely inspect all assets. The insurance replacement value of our assets is approximately €19 billion.

### **Legal proceedings**

As is the case with many companies in the chemical industry, we are and may from time to time become a party to claims and lawsuits incidental to the ordinary course of our business. We are not currently involved in any legal or arbitration proceedings that are expected to have a material adverse effect on our financial position and, to our knowledge, no such legal or arbitration proceedings are currently threatened.

### **Agreements with BP**

We have ongoing relationships with BP under various agreements as summarized below.

#### ***Reorganization Agreements***

In connection with the separation of the certain businesses that INEOS acquired from BP in December 2005, there are certain reorganization arrangements in place with BP. The principal arrangement relates to access to the RMR Pipeline. A significant portion of the annual naphtha supply required by the petrochemical cracker at our Köln, Germany site is transported through the RMR pipeline. BP is entitled to a certain amount of RMR pipeline capacity every year, consistent with its overall 35% interest in the pipeline. We have an arrangement with BP pursuant to which we have a right to use a portion of this capacity, along with associated infrastructure at Nerefco, The Netherlands, to enable us to meet an agreed amount of the naphtha requirements of our Köln site. This agreement has an indefinite term.

## ***Commercial Interface Agreements***

We have a series of commercial interface agreements with BP which cover, among other things:

- the sale and purchase of hydrocarbons at or between sites where INEOS and BP have a continuing relationship (which agreements generally have initial terms of five to 13 years and automatically renew thereafter unless terminated upon one to three years' notice by either party);
- a supply and trading agreement under which BP provides the INEOS Olefins business with certain supply, trading and optimization services (having evergreen terms, but terminable upon 12 months' notice at the end of a calendar quarter); and
- framework interface agreements covering the provision by INEOS to BP and vice versa of services, utilities and infrastructure rights at certain INEOS sites (both standalone and shared) and in some cases between INEOS' respective sites (generally having initial terms of five to 13 years with termination upon one to four years' notice (although in some cases, the agreements may be terminated upon 30 days' notice by BP)). Following completion of the Refining Divestiture, certain of the services, utilities and complex infrastructure rights to be provided to BP at the Grangemouth site are now provided by the Refining and Entrepreneurial JVs and the Infrastructure Entity, both of which are now outside the INEOS Group.

## ***Related Agreements***

In connection with our relationship with BP, we and BP (among others) entered into the agreements summarized below.

### ***The Credit Support Deed***

Under the Credit Support Deed, INEOS Holdings Limited and BP agreed to provide reciprocal credit support for trade obligations under any agreement between such parties or their affiliates. Further, each of BP and INEOS Holdings Limited has agreed to guarantee the payment obligations (with gross-ups for any required withholding or deduction) of BP or INEOS Holdings Limited (and their respective affiliates), as the case may be, under any trading agreement between such parties. In addition, our obligations to BP are guaranteed by each of the guarantors under the Senior Facilities Agreement and the Existing Indentures. As of September 30, 2011, the aggregate principal amount of INEOS' net trade obligations to BP was \$229.8 million. This number could increase or decrease significantly because it will vary in accordance with the amount of feedstock and refined products purchased or sold between the parties.

To support its obligations under the various trading agreements, reorganization agreements and commercial interface agreements, each party has agreed to provide the other with letters of credit (including a credit support letter of credit to BP of \$90 million) and has agreed to pledge other collateral (including cash, letters of credit and government obligations) in an amount equal to the aggregate amount owed to the other party under such agreements, less certain threshold amounts, which threshold amounts increase as our credit rating improves.

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

### ***The Master Bilateral Netting Deed***

Under a Master Bilateral Netting Deed, the parties agreed that in the event any of the various trading agreements, reorganization agreements or commercial interface agreements between the parties is automatically terminated or BP is entitled to terminate any such agreement, then BP may terminate all such agreements between the parties that have not otherwise been automatically terminated, netting or setting off any obligations it owes to us against amounts we owe to BP under such contracts.

### ***The Security Assignment***

Under a Security Assignment, (1) certain of our subsidiaries have provided guarantees of the payment obligations owed to BP by such subsidiaries under the various trading agreements, reorganization agreements and

commercial interface agreements and (2) such subsidiaries have pledged their interests under such agreements to secure their obligations to BP.

Upon completion of the Refining Divestiture, INEOS Commercial Services UK Limited entered into a further Security Assignment on substantially similar terms to the Security Assignment described above, in respect of the trading agreements, reorganization agreements and commercial interface agreements novated from INEOS Europe Limited to INEOS Commercial Services UK Limited pursuant to the Refining Divestiture.

## THE ISSUER

### The Issuer

The Issuer, INEOS Finance plc, is a public limited company that was incorporated in England and Wales on November 23, 2009. It is registered at Companies House with Company Number 07084307. The address of the Issuer's registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom. The Issuer was established as a financing vehicle for the purpose of assisting in the financing of the operations of the Group. The issued capital of INEOS Finance plc consists of 50,000 ordinary shares of £1.00 each, all of which are held by INEOS Holdings Limited and are fully paid. The Issuer is an indirect wholly owned subsidiary of INEOS Group Holdings S.A. The issued capital of INEOS Group Holdings S.A. consists of 924,803 ordinary shares of €1 each, all of which are held by INEOS Holdings Luxembourg S.A. and are fully paid. The Issuer has not issued any convertible debt securities, exchangeable debt securities or debt securities with warrants attached.

The Issuer is a wholly owned finance company that conducts no business operations and has no plans to conduct any business operations. The Issuer has no subsidiaries. As of the date of this offering memorandum, the Issuer's borrowings are limited to the notes and the 2015 Notes, each of which is guaranteed by INEOS Group Holdings S.A., INEOS Luxembourg I S.A., INEOS Holdings Limited and certain of their subsidiaries. See "Description of the Notes" and "Description of Other Indebtedness." As of September 30, 2011, as adjusted for the Offering, the total amount outstanding on the 2015 Notes was €717.6 million (based on an exchange rate of \$1.365 to €1.000) and the total amount outstanding on the notes was €1,232.6 million (based on an exchange rate of \$1.365 to €1.000). The Issuer also guarantees the obligations under the 2016 Notes, the BP Creditor Liabilities and the Senior Facilities Agreement. The Issuer does not have any other indebtedness or contingent liabilities outstanding. The only significant assets of the Issuer are the Proceeds Loan made by it to IHL and the 2015 Funding Loan, each of which is an amount equal to the total amount outstanding on the notes and the 2015 Notes, respectively.

The Issuer has not incurred any additional indebtedness or made any additional investments, in each case other than the issuance of the notes, from September 30, 2011, until the date of this offering memorandum. The Issuer may from time to time incur additional indebtedness or make additional investments in compliance with the terms of its then outstanding indebtedness.

Accordingly, the Issuer will be dependent upon payments from IHL to make any payments due on the notes. If IHL fails to make scheduled payments on the 2015 Funding Loan or the Proceeds Loan, it is not expected that the Issuer will have any other sources of funds that would allow it to make payments on its indebtedness. In addition, IHL is a holding company that conducts no independent business operations. See "Risk Factors—Risks Related to the Notes and Our Capital Structure—Finance Subsidiary Issuer—The Issuer is a finance company with no independent operations and will depend on payments under the Proceeds Loan to provide it with funds to meet its obligations under the notes."

The financial statements of INEOS Finance plc, included elsewhere in this offering memorandum and prepared in accordance with UK GAAP, are audited by PricewaterhouseCoopers LLP (89 Sandyford Road, Newcastle upon Tyne, NE1 8HW, United Kingdom). Please see "Presentation of Financial and Non-GAAP Information."

### Executive Officers and Directors of the Issuer

The directors of the Issuer are Graeme Leask and Jim Dawson.

**Graeme Leask** became the Chief Financial Officer of IHL in 2006. Prior to this role he was Chief Financial Officer of INEOS Phenol. Before joining INEOS in 2002, he was with PricewaterhouseCoopers LLP, where he advised a number of companies in the chemicals industry. During his time with PricewaterhouseCoopers LLP, he worked in both the United Kingdom and the United States. Mr. Leask holds a degree in geography from Oxford University and is a Chartered Accountant.

**Jim Dawson** became a non-executive director of INEOS Capital in 2005. Dr. Dawson has been serving as a consultant to INEOS since 2001. Dr. Dawson served as a director of Shell International Chemicals until 2000. Dr. Dawson has a first degree in chemistry and a doctorate of philosophy from Oxford University.

Mr. Leask's business address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom. Dr. Dawson's business address is Avenue des Uttins 3, 1180 Rolle, Switzerland. Please see "Management."

## MANAGEMENT

### Executive Officers and Directors of INEOS AG

The Issuer is an indirect wholly owned subsidiary of INEOS AG, the ultimate parent company.

The following table sets forth the name, age (as of September 30, 2011) and principal position of each of INEOS AG's members of the board of directors and officers:

Name	Age	Position
James A. Ratcliffe .....	59	Chairman
Andrew Currie .....	56	Member of the Board
John Reece .....	54	Member of the Board
Jim Dawson .....	67	Non-Executive Director of INEOS Capital

Jim Dawson is a director of INEOS Capital Limited. INEOS Capital Limited and INEOS AG (together, known as "INEOS Capital") provide operational management services to us.

**James A. Ratcliffe** has been the Chairman of INEOS Capital since 1998. Mr. Ratcliffe, who has over 30 years of experience in the chemical industry, is experienced in managing buyouts of chemical companies. In 1992, he led the successful buyout of Inspec Group plc. In 1998, he left Inspec to lead the acquisition of INEOS plc (now INEOS Oxide) from Inspec. Mr. Ratcliffe started his career with Exxon Chemicals before moving to Courtaulds. He then completed his MBA at London Business School before joining Advent International and then Inspec.

**Andrew Currie** has been a director of INEOS Capital since 1999. He was previously Managing Director, Laporte Performance Chemicals, having served as a director of the Inspec Group from 1994 until the Laporte acquisition of Inspec in 1998. Mr. Currie has a degree in natural sciences from Cambridge University and spent the first 15 years of his career with BP Chemicals in various technical and business management functions.

**John Reece** joined INEOS Capital as Finance Director in January 2000. He was previously a partner with PricewaterhouseCoopers, where he advised companies in the chemical industry. Mr. Reece has a degree in economics from Cambridge University and is a Chartered Accountant.

**Jim Dawson** became a non-executive director of INEOS Capital in 2005. Dr. Dawson has been serving as a consultant to INEOS since 2001 and is a director of INEOS Finance plc. Dr. Dawson served as a director of Shell International Chemicals until 2000. Dr. Dawson has a first degree in chemistry and a doctorate of philosophy from Oxford University.

All of the members of the board of directors and officers of INEOS AG have their business address at Avenue des Uttins 3, 1180 Rolle, Switzerland.

### Executive Officers and Directors of the Issuer

The directors of the Issuer are Graeme Leask and Jim Dawson.

**Graeme Leask** became the Chief Financial Officer of IHL in 2006. Prior to this role he was Chief Financial Officer of INEOS Phenol. Before joining INEOS in 2002, he was with PricewaterhouseCoopers LLP, where he advised a number of companies in the chemicals industry. During his time with PricewaterhouseCoopers LLP, he worked in both the United Kingdom and the United States. Mr. Leask holds a degree in geography from Oxford University and is a Chartered Accountant.

The members of the board of directors of INEOS AG control the Issuer and us. The principal executive offices of the Issuer are located at: Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.



## **Executive Officers and Directors of INEOS Group Holdings S.A.**

INEOS Group Holdings S.A. is an indirect wholly owned subsidiary of INEOS AG. The directors of INEOS Group Holdings S.A. are Peter Huyck, Florence Bardot and Natalina Arena. The business address of Mr. Huyck is 35, Eikerlandstraat, B-2870, Ruisbroek, Belgium. The business address of Ms. Bardot is 3, Avenue des Uttins, CH – 1180 Rolle, Switzerland. The business address of Ms. Arena is 310, Ransbeekstraat, B-1120 Bruxelles, Belgium. The principal executive offices of INEOS Group Holdings S.A. are located at: 58, rue Charles Martel, Luxembourg, L-2134 Luxembourg.

## **Compensation of Directors and Executive Officers**

An aggregate of €1.1 million was paid to our executive officers and directors in their capacity as directors and officers of INEOS Group Holdings plc in 2010, the predecessor of IGH prior to the Swiss reorganization.

### ***Board Practices***

Our board meets on a regular basis to review performance and our business plans. In addition, the board has established policies for the conduct of our business, including delegations of board authority to directors and members of senior management. The board has appointed committees to ensure appropriate oversight of our companies' operations. None of the members of the board of directors has a service contract that provides for benefits upon his termination as a director.

### ***Board Committees***

We have an audit committee and a remuneration committee. The members of the audit committee are James A. Ratcliffe, Andrew Currie and John Reece acting as chairman, none of whom is an independent director. The members of the remuneration committee are James A. Ratcliffe, Andrew Currie and Jim Dawson.

The audit committee meets at least twice a year. The committee is responsible for appointing auditors and reviewing the suitability and effectiveness of internal control systems and the application of corporate policies.

The remuneration committee meets at least once a year. The primary function of the remuneration committee is to determine remuneration and other terms of employment for the directors and senior employees of the company, having due regard for performance. We anticipate that, in setting the remuneration policy, the committee will consider a number of factors, including the salaries and benefits available to senior management in comparable companies and the need to ensure senior management commitment to the continued success of the business by means of incentive schemes.

## PRINCIPAL SHAREHOLDERS

The Issuer and each Guarantor (except for INEOS Group Holdings S.A.) is a direct or indirect wholly owned subsidiary of INEOS Group Holdings S.A. The issued capital of INEOS Group Holdings S.A. consists of 924,803 ordinary shares of €1 each, all of which are held by INEOS Holdings Luxembourg S.A. and are fully paid. The issued voting share capital of INEOS Holdings Luxembourg S.A. is held by INEOS Holdings AG and by Cannon Nominees Limited, a trust established for the benefit of family members and other associates of Mr. Ratcliffe and over which Mr. Ratcliffe exercises control. The remaining non-voting issued share capital is held by Appleby Trust (Jersey) Limited, as trustee of the INEOS Group Share Benefit Trust, by INEOS Trustees Limited as trustee of the INEOS UK Employee Benefit Trust and by certain employees, former employees or their family members. INEOS Holdings AG exercises a controlling interest over INEOS Holdings Luxembourg S.A. through its majority interest in the voting share capital. The issued share capital of INEOS Holdings AG is held by INEOS AG. See also “Management” and “Certain Relationships and Related Party Transactions.”

The share capital of INEOS AG consists of Ordinary Management Shares and Preferred Shares (“Series A to J Preferred Shares”).

The following table sets forth information regarding the ownership of INEOS AG’s share capital, as of September 30, 2011.

	Number of Ordinary Management Shares	Number of Preferred Shares	Percentage of Total INEOS AG Share Capital
James Ratcliffe .....	66,666,033	72,624,709	71.240%
Andrew Currie .....	12,628,293	14,656,751	14.380%
John Reece .....	12,628,293	14,656,751	14.380%
<b>TOTAL</b> .....	<b>91,922,619</b>	<b>101,938,211</b>	<b>100.0%</b>

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than what they would expect to negotiate with disinterested third parties.

### Relationship with INEOS AG

Mr. J.A. Ratcliffe, Mr. A.C. Currie and Mr. J. Reece are partners in INEOS Capital Partners. INEOS Capital Partners provides operational management services to us through a management services agreement. The management services agreement was novated from INEOS Capital Partners to INEOS AG in April 2010. INEOS AG (previously INEOS Capital Partners) management fees of €67.4 million (2009: €65.8 million) were charged to the income statement during the year ended December 31, 2010 and fees of €52.8 million during the nine month period ended September 30, 2011. We did not recover any costs during the year ended December 31, 2010 (2009: €0.2 million) or the nine month period ended September 30, 2011. At September 30, 2011, amounts owed to INEOS AG were €74.7 million (December 31, 2010: €54.1 million; December 31, 2009: €4.1 million), and amounts due from INEOS AG were €25.7 million (December 31, 2010: €6.8 million; December 31, 2009: no amounts outstanding).

### Relationship with Kerling

Kerling is an indirect wholly owned subsidiary of INEOS AG and is indirectly controlled by our controlling shareholder, thus making it our affiliate. On January 28, 2010, we transferred certain business engaged in the production of chlor-alkali and polyvinyl chloride ("PVC") to Kerling and its subsidiaries, herein referred to as the "Kerling Group." We made sales to the Kerling Group of €24.6 million (September 30, 2010: €27.1 million) and recovered costs of €0.3 million (September 30, 2010: €nil million) during the nine month period ended September 30, 2011. €2.1 million (September 30, 2010: €2.4 million) was owed by and €13.7 million (September 30, 2010: €13.3 million) was owed to the Kerling Group as at September 30, 2011.

The Kerling Group has an agreement with INEOS Olefins, a business division of the INEOS Group, pursuant to which they obtain the ethylene required for vinyl chloride monomer ("VCM") and PVC production at their Runcorn, United Kingdom, facility by direct pipeline from INEOS Olefins' ethylene cracker in Grangemouth, Scotland through the United Kingdom ethylene pipeline system, which also gives them access to various other suppliers. Ethylene from the Grangemouth cracker is also shipped to the Kerling VCM and PVC production facility in Wilhelmshaven, Germany. The agreement runs from 2008 through 2011, and on a continuous basis thereafter, unless earlier terminated by either party upon two years' notice. The total annual supply volume that the Kerling Group is entitled to obtain pursuant to the agreement ranges from 117 to 143 kilotonnes for the Runcorn facility and 99 to 121 kilotonnes for the Wilhelmshaven facility. These supply volumes are subject to periodic adjustments by both parties. Prices under the agreement are generated by reference to market indicators, in particular the monthly contract price for ethylene quoted in ICIS ethylene pricing reports. As recently as 2007, the Kerling Group purchased the majority of their ethylene requirements at Runcorn and Wilhelmshaven from suppliers other than us.

INEOS Bamble AS, a subsidiary of the INEOS Group, holds a 50.0% interest in Noretyl AS, with the Kerling Group holding the other 50.0% interest in the joint venture. Noretyl AS operates a hydrocarbon cracking plant in Rafnes, Norway, from which the Kerling Group is entitled to obtain approximately 288 kilotonnes of ethylene per year (approximately 50% of the facility's total production) pursuant to a processing agreement between them and INEOS Bamble AS. Pursuant to the agreement, the ethylene is piped directly to Kerling's VCM and PVC plant at Rafnes and shipped to their Stenungsund, Sweden facility.

### Relationship with INEOS Industries

INEOS Industries Limited is an entity controlled by our controlling shareholder. During 2009, we disposed of the ABS, Styrenics, Melamines and Films Italia businesses, together with 80% of our Bio and Healthcare businesses, to the INEOS Industries Group.

For the year ended December 31, 2010, the Group made sales to the INEOS Industries Group of €424.4 million, recovered costs of €11.1 million and made purchases of €14.1 million. At December 31, 2010, €8.0 million was owed by, and €52.9 million was owed to, the INEOS Industries Group. We expect these amounts to be significantly lower in the future because of the transfer of styrenics assets from the INEOS Industries Group to Styrolution. See "—Relationship with Styrolution."

## **Relationship with the Entrepreneurial (Refining) Business JV and the Refining Business JV**

INEOS Investments, a newly formed entity, whose shareholders are the principal shareholders of the Issuer, holds a 49.9%, a 50.1% and a 50.0% direct interest in the Entrepreneurial (Refining) Business JV, the Refining Business JV and the Infrastructure Entity, respectively. INEOS Investments holds a 25.05% indirect interest in the Infrastructure Entity by virtue of its 50.1% stake in the Refining Business JV. The Refining Business and Entrepreneurial JVs, the Infrastructure Entity and their subsidiaries may be “Affiliates” of Lux I for the purposes of the Indenture because each is owned in part by, and in some cases operated or controlled by, entities controlled by or under common control with the principal shareholders of Lux I, the Senior Facilities Agreement and the Existing Indentures. We transferred certain businesses to the Refining and Entrepreneurial JVs that related to our Refining Business segment and related entrepreneurial activities. See “The Refining Divestiture.”

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

There may be certain ongoing liabilities on the part of the Group under existing guarantees and indemnities, which may extend to liabilities of the Refining Business. Except as described below, PetroChina is required to procure the release of these guarantees and indemnities and, in the interim, has provided a counter-indemnity in respect of such liabilities.

Certain indemnities relating to losses that may be incurred by BP in connection with the Refining business and third-party claims regarding the refining intellectual property that was provided by INEOS LLC and INEOS European Holdings Limited (which is not part of the joint venture business) to BP under a Master Reorganization Agreement (“MRA”) and an Intellectual Property and Information Technology Separation Agreement at the time of the separation of Innovene from BP (prior to the Innovene Acquisition) will remain in place. PetroChina has no obligation to procure the release of the indemnity related to the MRA or provide an indemnity in relation to it.

## **Relationship with Styrolution**

Styrolution is a joint venture among INEOS Industries Holdings Limited (which owns 50% of Styrolution through its shareholding in Styrolution Holding GmbH), BASF SE (which owns 34.05% of Styrolution through its shareholding in Styrolution Holding GmbH) and BASF Antwerpen N.V. (which owns 15.95% of Styrolution through its shareholding in Styrolution Holding GmbH). INEOS Industries Holdings Limited is a wholly owned subsidiary of INEOS Industries Limited, and INEOS Industries Limited is a wholly owned subsidiary of INEOS AG, thereby making it an affiliate of ours.

Styrolution began operating on October 1, 2011, and is involved in the business of developing, manufacturing, distributing, marketing, selling and commercialization of styrene monomer, polystyrene, acrylonitrile butadiene styrene, styrene-butadiene block copolymers and other styrene-based copolymers, as well as copolymer blends and compounds.

Styrolution has entered into a series of supply agreements with members of the INEOS Group for the purchase of feedstock and other raw material supplies, such as ethylene, benzene, butadiene and acrylonitrile. Each feedstock supply agreement will run for an initial five-year term from October 1, 2011, and will be automatically extended for an indefinite term at the end of the initial term unless terminated by either party by giving notice at least 24 months in advance. Following the expiry of the initial term and automatic extension (if any), each party may terminate the relevant agreement by giving notice 24 months in advance, provided that the relevant member of the INEOS Group may not exercise its right to terminate to the extent that, and so long as, there is no reasonably obtainable alternative source of supply of the relevant products. Purchase volumes levels are set forth in the agreements, and unit prices are determined by market price indicators, such as the U.S. Gulf Coast net transaction price and CMAI spot price.

## DESCRIPTION OF OTHER INDEBTEDNESS

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

### Senior Facilities Agreement

#### *Overview*

The following is a summary of the provisions of our Senior Facilities Agreement entered into with, among others, Barclays Bank PLC, as original issuing lender, facility agent and security agent and Barclays Capital and J.P. Morgan, as joint mandated lead arranger and joint bookrunners, on May 12, 2010, as amended and restated on December 23, 2010, and April 26, 2011. IHL is the principal obligor and a borrower and guarantor under the Senior Facilities Agreement, and INEOS US Finance LLC is also a borrower and a guarantor under the Senior Facilities Agreement. In addition, the Parent and certain of its subsidiaries are guarantors under the Senior Facilities Agreement, each guaranteeing, subject to certain limitations, the obligations of each borrower and other guarantor.

#### *Structure*

Under the Senior Facilities Agreement, facilities of approximately €3,442 million and \$1,553 million were made available, comprising:

- (1) the following term facilities:
  - a term loan A facility, incorporating approximately €570 million and \$222 million, which was repaid in full on July 1, 2011 with the proceeds of the Refining Divestiture;
  - a term loan B facility, incorporating subtranches of approximately €1,059 million and \$665 million, which was repaid in full with the proceeds of the Offering;
  - a term loan C facility, incorporating subtranches of approximately €1,059 million and \$665 million, certain amounts of which were repaid with the proceeds of the Offering; and
  - a €650 million second lien secured term loan D facility; and
- (2) a revolving credit facility with commitments of approximately €754 million (or its equivalent in optional currencies, of which €443.6 million was drawn at September 30, 2011).

For additional information, please see Note 8 “Borrowings” to the unaudited interim financial statements of INEOS Group Holdings S.A. as of and for the period ended September 30, 2011, included elsewhere in this offering memorandum.

#### *Interest and Fees*

In summary, outstanding loans under the Senior Facilities Agreement initially bear interest at rates per annum equal to LIBOR or, for loans denominated in euro, EURIBOR (in each case subject to a floor equal to 3.00%) plus certain mandatory costs and the following applicable cash margins:

- 4.50% per annum for loans under the term B facility (which is being repaid in full with the proceeds of the Offering);
- 5.00% per annum for loans under the term C facility;
- 6.00% per annum for loans under the term D facility; and
- 6.00% per annum for loans under the revolving credit facility.

In addition, interest accrues (but is not capitalized) in the form of PIK interest on each of the term facilities at the rate of 2.00% per annum for the period from (and including) May 12, 2010, to (and including) the date of repayment or prepayment of the relevant term advance.

The cash margin for the revolving credit facility and the PIK margin for the term facilities may be reduced to agreed levels in certain circumstances if no event of default is outstanding and the ratio of total net debt to EBITDA falls within the specified ranges set out in the Senior Facilities Agreement. As of September 30, 2011, we had satisfied such requirements to reduce the applicable margins. See Note 8 “Borrowings” to the unaudited interim financial statements of INEOS Group Holdings S.A. as of and for the period ended September 30, 2011, included elsewhere in this offering memorandum.

A commitment fee equal to 1.5% is payable on the aggregate of the daily, undrawn, uncanceled amount of the commitments of the revolving lenders (other than a defaulting lender) under the Senior Facilities Agreement.

Any bank guarantees and letters of credit issued under the revolving credit facility bear a commission payable to each lender equal to the amount of the margin per annum for such facility noted above, calculated on a lender’s contingent liability from day-to-day in relation to such bank guarantees and letters of credit. An additional fee of 0.125% per annum is payable on the last day of each period of three months from the date of issue of a bank guarantee or letter of credit on the contingent liability of the issuing lender in respect of each such bank guarantee or letter of credit (less the amount of the issuing lender’s contingent liability as a revolving lender).

### ***Security and Guarantees***

The Senior Facilities Agreement, the 2015 Notes and the notes will, to the extent possible, share the same security package. See “Description of the Collateral and the Guarantees” for further information.

### ***Covenants***

The Senior Facilities Agreement contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of the Parent, Lux I, Lux II and each other “Holdco,” the Issuer, each borrower (including IHL) and each guarantor (and in many cases, the subsidiaries of such borrowers or guarantors) to, among other things:

- make acquisitions or investments;
- make loans or otherwise extend credit to others;
- incur indebtedness or issue guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- pay dividends, redeem share capital or redeem or reduce subordinated indebtedness;
- issue shares, options or warrants;
- enter into joint venture transactions;
- pay certain investors and creditors;
- make certain derivative transactions;
- make a substantial change to the general nature of its business;
- enter into transactions other than at arm’s length;
- acquire the 2016 Notes;
- enter into sale and leaseback transactions; and
- modify certain acquisition documents and other agreements, including agreements governing other indebtedness.

The Parent, Lux I, Lux II and each other “Holdco,” the Issuer, each borrower (including IHL) and certain other subsidiaries of the Parent are also subject to more stringent restrictions upon their activities (for example, in relation to the ownership of assets and the liabilities that they may incur).

The Senior Facilities Agreement also requires each borrower (including IHL) and each guarantor (and in many cases, the subsidiaries of such borrowers or guarantors) to observe certain affirmative covenants, subject to certain exceptions and, including, but not limited to, covenants relating to:

- maintenance of certain relevant authorizations;
- maintenance of certain insurance;
- compliance with laws, including certain environmental laws and regulations;
- payment of taxes;
- ensuring that its payment obligations under the Senior Facilities Agreement rank at least *pari passu* with all its other present and future unsecured payment obligations (except for obligations mandatorily preferred by law applying to companies generally);
- provision of financial and other information to the lenders;
- maintenance of pension schemes; and
- maintenance of certain intellectual property.

The Senior Facilities Agreement contains the following financial covenants:

- a minimum ratio of cash flow to net debt service;
- a minimum ratio of EBITDA (as defined therein) to consolidated total net finance charges;
- a maximum ratio of total net debt to EBITDA (as defined therein);
- a maximum ratio of senior leverage;
- a maximum level of capital expenditure per financial year; and
- a weekly minimum level of available liquidity (which shall not be tested for any period during which the corporate rating for the Parent provided by Standard & Poor’s is B—or better and by Moody’s is B3 or better).

### ***Repayment***

The Term A Facility has been repaid in full. The Term B Facility was repaid in full with the proceeds of the Offering and the Term C Facility was partially repaid with the proceeds of the Offering. The outstanding amount of the Term C Facility is to be repaid in four installments with the final installment payable on December 16, 2014. The Term D Facility is to be repaid in full on June 16, 2015. No amounts repaid by the borrowers in respect of the term loan facilities may be reborrowed.

Loans made under the revolving credit facility must be repaid in full on the last day of the relevant interest period. All outstanding amounts under the revolving credit facility must be repaid on December 16, 2013, or, if earlier, the date on which the term loans are repaid or prepaid in full and all commitments thereunder are reduced to zero. Amounts repaid by the borrowers in respect of loans made under the revolving credit facility may be reborrowed, subject to certain conditions.

### ***Prepayments***

The facilities under the Senior Facilities Agreement will be immediately cancelled, and all obligations under the Senior Facilities Agreement will be immediately payable in full, if, among other events, there is a change of control or sale, in each case as defined in the Senior Facilities Agreement.

Mandatory prepayments are required to be made out of, among others, the following funds:

- net cash proceeds from certain sales, transfers and other disposals, insurance claims, recovery claims in respect of certain acquisitions and excess proceeds of certain debt refinancing, in each case to the extent that such net cash proceeds exceed certain agreed thresholds and have not satisfied other conditions; and
- for each financial year, a percentage of excess cash flow in the event that excess cash flow exceeds a minimum threshold amount, which percentage decreases as the Group's leverage ratio decreases.

Subject to payment of break costs (if any), the borrowers may voluntarily prepay amounts outstanding under the Senior Facilities Agreement (and cancel any unused available commitments), without penalty or premium, at any time in whole or in part subject to agreed minimum amounts and multiples, on not less than 10 business days, notice (in the case of prepayment) and five business days, notice (in the case of cancellation), in each case to the facility agent.

### ***Events of Default***

The Senior Facilities Agreement sets out certain events of default, the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments, including, among other events and subject in certain cases to agreed grace periods, thresholds and other qualifications:

- non-payment of amounts due under the Senior Finance Documents (as defined in the Senior Facilities Agreement);
- breach of covenants;
- inaccuracy of representation or statement when made, deemed to be made or repeated;
- cross defaults and certain judgment defaults;
- invalidity or unlawfulness of the Senior Facilities Agreement;
- certain insolvency events;
- nationalization or expropriation of all or any material part of the assets of a material member of the INEOS Group without full market value compensation causing material adverse effect or curtailment;
- certain security interests becoming enforceable;
- the occurrence of certain ERISA-related events;
- commencement of certain litigation;
- material adverse change;
- materially adverse audit qualification; and
- failure of any party (other than the lenders) to comply with material obligations under the Intercreditor Deed causing material prejudice to the lenders or the Intercreditor Deed to cease to be binding on any party.

If, in the opinion of the facility agent under the Senior Facilities Agreement or those lenders under the Term D Facility with aggregate commitments of more than  $66\frac{2}{3}\%$  of the total commitments under the Term D Facility (the "Majority Second Secured Creditors") (acting reasonably) a potential event of default under the Senior Facilities Agreement has occurred and is continuing that would, or is reasonably likely to, permit the Majority Senior Secured Creditors to exercise separate acceleration rights has occurred or is reasonably likely to occur, the facility agent or the Majority Second Secured Creditors (acting reasonably and after consultation with IHL) may appoint any person (subject to certain conditions) as agent to act on behalf of the lenders under the Term D Facility.

### ***Miscellaneous***

A facility change provision in the Senior Facilities Agreement permits, among other things, the introduction of additional loans and tranches under the Senior Facilities Agreement and the increase or extension of commitments with the consent of the affected lenders and majority lenders under the Senior Facilities Agreement.



The Senior Facilities Agreement includes parameters in relation to the issue of further senior secured debt, second secured debt and high yield debt.

The Senior Facilities Agreement is governed by English law.

## **Senior Secured Notes due 2015**

### ***Overview***

On May 12, 2010, the Issuer issued €300,000,000 aggregate principal amount of 9<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2015 (the “2015 Euro Notes”) and \$570,000,000 9% Senior Secured Notes due 2015 (the “2015 Dollar Notes” and together with the 2015 Euro Notes, the “2015 Notes”) under an indenture dated May 12, 2010, as amended (the “2015 Notes Indenture”), among the Issuer, each of the guarantors named therein, The Bank of New York Mellon, as trustee (the “2015 Notes Trustee”), principal paying agent and transfer agent, The Bank of New York Mellon, as U.S. paying agent and transfer agent, the Bank of New York (Luxembourg) S.A., as registrar, Luxembourg paying agent and Luxembourg transfer agent and Barclays Bank PLC, as security trustee. As of December 31, 2010, there were €300,000,000 aggregate principal amount of 2015 Euro Notes and \$570,000,000 aggregate principal amount of 2015 Dollar Notes issued and outstanding.

### ***Ranking***

The 2015 Notes are the general senior secured obligations of the Issuer and rank equally in right of payment with the Issuer’s existing and future indebtedness that is not subordinated to the 2015 Notes (including, without limitation, the guarantee of the notes and the Senior Facilities Agreement), are guaranteed on a senior secured basis by the 2015 Notes Guarantors (as defined below), rank effectively senior to all existing and future indebtedness of the Issuer that is unsecured or secured by liens junior to the liens securing the 2015 Notes to the extent of the value of the collateral and rank senior in right of payment to all existing and future obligations of the Issuer subordinated in right of payment to the 2015 Notes, including the Issuer’s guarantee of obligations under the 2016 Notes (as defined below). In addition, the 2015 Notes are effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of the Issuer’s non-guarantor subsidiaries.

### ***Interest Rates, Payment Dates and Maturity***

The 2015 Euro Notes bear interest at a rate of 9<sup>1</sup>/<sub>4</sub>% per annum. The 2015 Dollar Notes bear interest at a rate of 9% per annum. Interest on the 2015 Notes is payable semi-annually in arrears on May 15 and November 15, beginning November 15, 2010. The 2015 Notes will mature on May 15, 2015.

### ***Guarantees***

The 2015 Notes are jointly and severally guaranteed on a senior secured basis by the Initial Guarantors and the Additional Guarantors (collectively, the “2015 Notes Guarantors”).

The guarantee of each 2015 Notes Guarantor is its general senior secured obligation and (i) ranks equally in right of payment with all existing and future indebtedness of such 2015 Notes Guarantor that is not subordinated in right of payment to such guarantee, including with respect to the guarantee of the 2015 Notes by each 2015 Notes Guarantor, indebtedness under the Senior Facilities Agreement and, with respect to the guarantee of the 2015 Notes by the issuer of the 2016 Notes, the 2016 Notes, (ii) ranks effectively senior to all existing and future indebtedness of such 2015 Notes Guarantor that is unsecured or secured by liens junior to the liens securing the notes to the extent of the value of the collateral, (iii) ranks senior in right of payment to all existing and future indebtedness of such 2015 Notes Guarantor that is subordinated in right of payment to such guarantee, and (iv) is effectively subordinated to any existing and future indebtedness and other liabilities of such 2015 Notes Guarantor that are secured by liens senior to the liens securing such guarantee, or secured by property and assets that do not secure such guarantee, to the extent of the value of the property and assets securing such indebtedness and other liabilities, including the BP Creditor Liabilities secured on a first priority basis by the BP Receivables.

### ***Security***

The 2015 Notes and the related guarantees are secured by first ranking liens (subject to certain exceptions) on the same assets that secure the obligations under the Senior Facilities Agreement.

### ***Optional Redemption and Change of Control***

At any time on or prior to May 15, 2013, the Issuer may redeem all or part of the 2015 Notes at a redemption price equal to 100% of the principal amount of the 2015 Notes redeemed plus the greater of (1) 1.0% of the principal amount of such note; and (2)(x) with respect to the 2015 Dollar Notes, the excess of (a) the present value at such redemption date of (i) the redemption price of such 2015 Dollar Note at May 15, 2013 (such redemption price being 104.500%), plus (ii) all required interest payments that would otherwise be due to be paid on such 2015 Dollar Note during the period between the redemption date and May 15, 2013 (excluding accrued but unpaid interest), computed using a discount rate equal to the applicable treasury rate plus 50 basis points; over (b) the principal amount of such 2015 Dollar Note, and (y) with respect to the 2015 Euro Notes, the excess of: (a) the present value at such redemption date of (i) the redemption price of such 2015 Euro Note at May 15, 2013 (such redemption price being 104.625%), plus (ii) all required interest payments that would otherwise be due to be paid on such 2015 Euro Note during the period between the redemption date and May 15, 2013 (excluding accrued but unpaid interest), computed using a discount rate equal to the applicable bund rate plus 50 basis points; over (b) the principal amount of such 2015 Euro Note.

The 2015 Notes will be subject to redemption at any time on or after May 15, 2013 at the option of the Issuer, in whole or in part, at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning on May 15 of the year indicated below:

<b>Year</b>	<b>2015 Euro Notes Redemption Price</b>	<b>2015 Dollar Notes Redemption Price</b>
2013 .....	104.625%	104.500%
2014 and thereafter .....	100.000%	100.000%

At any time on or prior to May 15, 2013, the Issuer may redeem up to 35% of the aggregate principal amount of each of the 2015 Euro Notes and the 2015 Dollar Notes with the net cash proceeds of certain public equity offerings at 109.250% of the principal amount of the 2015 Euro Notes and 109.000% of the principal amount of the 2015 Dollar Notes, in each case, plus accrued interest to the redemption date, if at least 65% of the originally issued aggregate principal amount of each of the 2015 Euro Notes and the 2015 Dollar Notes remains outstanding.

Upon the occurrence of certain change of control events, each holder of 2015 Notes may require the Issuer to repurchase all or a portion of its 2015 Notes at a purchase price equal to 101% of the principal amount of the 2015 Notes, plus accrued and unpaid interest to, but not including, the date of purchase.

If the Issuer sells assets under certain circumstances, the Issuer is required to make an offer to purchase the 2015 Notes at 100% of the principal amount of the 2015 Notes, plus accrued interest to, but not including, the date of purchase, with the excess proceeds from the sale of the assets.

In addition, in the event that the Issuer becomes obligated to pay additional amounts (as defined in the 2015 Notes Indenture) to holders of the 2015 Notes as a result of changes affecting withholding taxes applicable to payments on the 2015 Notes, the Issuer may redeem the 2015 Notes in whole but not in part at any time at 100% of the principal amount of the 2015 Notes plus accrued and unpaid interest to the redemption date.

### ***Covenants***

The 2015 Notes Indenture contains covenants that, among other things, limit the ability of our subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- layer debt;
- make restricted payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create or permit to exist certain liens;
- transfer, lease or sell certain assets;

- enter into arrangements that impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to IHL;
- engage in certain transactions with affiliates;
- enter into unrelated business or engage in prohibited activities;
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis;
- impair the security interests for the benefit of the holders of the 2015 Notes; and
- amend certain documents.

These covenants are subject to a number of important limitations and exceptions. Currently, all of IGH's subsidiaries are restricted subsidiaries, as defined in the 2015 Notes Indenture.

### ***Events of Default***

The 2015 Notes Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the 2015 Notes, certain failures to perform or observe any other obligation under the 2015 Notes Indenture or security documents, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of IHL or any Significant Restricted Subsidiary (as defined in the 2015 Notes Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the 2015 Notes.

## **IGH Senior Notes due 2016**

### ***Overview***

On February 7, 2006, IGH issued €1,750,000,000 aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2016 (the "2016 Euro Notes") and \$750,000,000 8<sup>1</sup>/<sub>2</sub>% Senior Notes due 2016 (the "2016 Dollar Notes" and together with the 2016 Euro Notes, the "2016 Notes") under an indenture dated February 7, 2006, as amended (the "2016 Notes Indenture"), among IGH, each of the guarantors named therein, The Bank of New York, as trustee (the "2016 Notes Trustee"), collateral agent, registrar and principal paying agent and the Bank of New York (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent. As of September 30, 2011, there were €1,532,130,000 aggregate principal amount of 2016 Euro Notes and \$677,513,000 aggregate principal amount of 2016 Dollar Notes issued and outstanding.

### ***Ranking***

The 2016 Notes are the general unsubordinated obligations of IGH and rank equally with IGH's existing and future senior indebtedness, rank senior to all of IGH's existing and future subordinated indebtedness and are effectively subordinated to all of its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, unless such assets also secure the 2016 Notes on an equal and ratable basis. In addition, the 2016 Notes are effectively subordinated to all existing and future indebtedness and other liabilities of IGH's non-guarantor subsidiaries.

### ***Interest Rates, Payment Dates and Maturity***

The 2016 Euro Notes bear interest at a rate of 7<sup>7</sup>/<sub>8</sub>% per annum. The 2016 Dollar Notes bear interest at a rate of 8<sup>1</sup>/<sub>2</sub>% per annum. Interest on the 2016 Notes is payable semi-annually in arrears on February 15 and August 15, beginning August 15, 2006. The 2016 Notes will mature on February 15, 2016.

### ***Guarantees***

The 2016 Notes are jointly and severally guaranteed on an unsecured senior subordinated basis by certain guarantors (collectively, the "IGH Note Guarantors").

The guarantees by the IGH Note Guarantors are their senior subordinated obligations and rank junior to all of the existing and future senior indebtedness (including any second secured liabilities) of the IGH Note Guarantors, which includes the subsidiary guarantees under our 2015 Notes and the Senior Facilities Agreement, rank equally with the existing and future senior subordinated indebtedness of the IGH Note Guarantors, rank senior to all of the existing and future subordinated indebtedness of the IGH Note Guarantors other than indebtedness of the IGH Note Guarantors that is

secured by liens on the assets of the IGH Note Guarantors, and are effectively subordinated to all of the existing and future secured indebtedness of the IGH Note Guarantors to the extent of the value of the assets securing such indebtedness.

### ***Security***

The 2016 Notes are secured by a junior pledge of the loan of the gross proceeds of the 2016 Notes to INEOS Holdings Limited and a junior pledge of 100% of the shares of INEOS Holdings Limited. These pledges rank junior to pledges of these assets securing certain senior indebtedness, including indebtedness under the 2016 Notes, the 2015 Notes, the Senior Facilities Agreement and the BP Credit Support Deed.

### ***Optional Redemption and Change of Control***

At any time on or prior to February 15, 2011, IGH may redeem all or part of the 2016 Notes at a redemption price equal to 100% of the principal amount of the 2016 Notes redeemed plus the greater of (1) 1.0% of the principal amount of such note; and (2) with respect to the 2016 Dollar Notes, the excess of (a) the present value at such redemption date of (i) the redemption price of such 2016 Dollar Note at February 15, 2011 (such redemption price being 104.250%), plus (ii) all required interest payments that would otherwise be due to be paid on such 2016 Dollar Note during the period between the redemption date and February 15, 2011 (excluding accrued but unpaid interest), computed using a discount rate equal to the applicable treasury rate plus 50 basis points; over (b) the principal amount of such 2016 Dollar Note, and (3) with respect to the 2016 Euro Notes, the excess of: (a) the present value at such redemption date of (i) the redemption price of such 2016 Euro Note at February 15, 2011 (such redemption price being 103.938%), plus (ii) all required interest payments that would otherwise be due to be paid on such 2016 Euro Note during the period between the redemption date and February 15, 2011 (excluding accrued but unpaid interest), computed using a discount rate equal to the applicable bund rate plus 50 basis points; over (b) the principal amount of such 2016 Euro Note.

The 2016 Notes will be subject to redemption at any time on or after February 15, 2011, at the option of IGH, in whole or in part, at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning on February 15 of the year indicated below:

<b>Year</b>	<b>2016 Euro Notes Redemption Price</b>	<b>2016 Dollar Notes Redemption Price</b>
2011 .....	103.938%	104.250%
2012 .....	102.625%	102.833%
2013 .....	101.313%	101.417%
2014 and thereafter .....	100.000%	100.000%

Upon the occurrence of certain change of control events, each holder of 2016 Notes may require IGH to repurchase all or a portion of its 2016 Notes at a purchase price equal to 101% of the principal amount of the 2016 Notes, plus accrued interest to, but not including, the date of purchase.

If IGH sells assets under certain circumstances, IGH is required to make an offer to purchase the 2016 Notes at 100% of the principal amount of the 2016 Notes, plus accrued interest to, but not including, the date of purchase, with the excess proceeds from the sale of the assets.

In addition, in the event that IGH becomes obligated to pay additional amounts (as defined in the 2016 Notes Indenture) to holders of the 2016 Notes as a result of changes affecting withholding taxes applicable to payments on the 2016 Notes, IGH may redeem the 2016 Notes in whole but not in part at any time at 100% of the principal amount of the 2016 Notes plus accrued interest to the redemption date.

## ***Covenants***

The 2016 Notes Indenture contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- incur additional indebtedness;
- make restricted payments, including dividends or other distributions;
- create certain liens;
- sell assets;
- in the case of our restricted subsidiaries, enter into arrangements that restrict dividends or other payments to us;
- in the case of our restricted subsidiaries, guarantee or secure debt;
- engage in transactions with affiliates;
- create unrestricted subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

These covenants are subject to important exceptions and qualifications. Currently, all of IGH's subsidiaries are restricted subsidiaries, as defined in the 2016 Notes Indenture.

## ***Events of Default***

The 2016 Notes Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the 2016 Notes, certain failures to perform or observe any other obligation under the 2016 Notes Indenture or security documents, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of IGH or any Significant Restricted Subsidiary (as defined in the 2016 Notes Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the 2016 Notes.

## **Securitization Program**

In July 2006, INEOS Holdings Limited and certain of its subsidiaries (the "Sellers") entered into a five-year €1,500.0 million receivables securitization (as amended, supplemented, varied, novated, extended or replaced from time to time, the "Securitization Program"). The margins on amounts drawn and the commitment fee on amounts undrawn under the Securitization Program have been amended from time to time, most recently on December 20, 2011. The overall facility amount has also been amended from time to time, most recently to €1,200.0 million pursuant to an amendment deed dated October 8, 2010. On December 20, 2011, the scheduled termination date for the facility was extended to December 31, 2014. The Securitization Program complies with the terms for a Permitted Receivables Securitization as defined in the Senior Facilities Agreement.

Under the Securitization Program, the trade receivables originated by the Sellers (other than those receivables that are specifically identified as "excluded receivables") are sold to a bankruptcy-remote special purpose vehicle incorporated under the laws of the Republic of Ireland, INEOS Finance (Ireland) Limited (the "SPV"). The SPV finances these purchases from borrowings, primarily funded through asset-backed commercial paper ("ABCP") conduits. The cost of funding for the ABCP conduits reflects the rating of the pooled financial assets in which they invest, thus allowing the Securitization Program to benefit from financing costs that are not linked to the group's corporate rating.

The Securitization Program is restricted to receivables denominated in U.S. dollars, euro or sterling that are sold to the SPV at face value less a small discount to reflect the carry cost until settlement. In some jurisdictions, the sale of the receivables requires the involvement of an intermediate purchaser in order to comply with local securities and banking regulations. The SPV acquires title, on a non-recourse basis, to new receivables as the liability arises and settles its purchases with the Sellers on a twice-monthly basis. Between settlement dates, the Sellers have the use of the cash received from customers which has been paid into segregated bank accounts, either in the name of the SPV or held on trust for the SPV. Responsibility for the administration of the receivables, including adherence to established credit and

collection policies, remains with the Sellers, with INEOS Holdings Limited acting on their behalf in its capacity as Master Servicer.

The twice-monthly settlement period is tied to the term of the loans advanced to the SPV by the lenders against the security of the outstanding receivables. The lenders' advance rate is adjusted each month to reflect the actual performance of the receivables portfolio and standard Rating Agency methodology for calculating loss and dilution reserves and other potential shortfalls is applied. The balance of the SPV's funding requirements are provided by INEOS Holdings Limited through a subordinated loan facility.

## **Intercreditor Deed**

Unless the context otherwise requires, terms defined below in this description of the Intercreditor Deed apply only to this section.

### ***Overview***

Lux I and certain of its subsidiaries (including IHL and the Issuer) and INEOS Tenderco Limited ("Tenderco") (together, the "Obligors"), the Parent (as the issuer of the 2016 Notes) and INEOS Holdings Luxembourg S.A. (together, the "Subordinated Creditors"), certain affiliates of BP plc (the "BP Creditors"), and certain INEOS intra-group creditors (the "Intra-Group Creditors") are subject to an intercreditor deed dated May 12, 2010 (as amended and restated by a first amendment deed dated December 23, 2010 and as further amended by a second amendment deed dated February 18, 2011) (the "Intercreditor Deed") entered into with the lenders under the Term D Facility (the "Second Secured Creditors") and the other lenders under the Senior Facilities Agreement (the "Senior Lenders"), Barclays Bank PLC as senior facility agent (the "Senior Facility Agent") for the Senior Lenders and the Second Secured Creditors and as senior security agent (the "Senior Security Agent") for itself, the Senior Lenders, the Second Secured Creditors, the holders of the 2015 Notes and any other permitted senior secured notes issued from time to time, the trustee under the 2016 Notes Indenture (the "2016 Notes Trustee"), the trustee under the 2015 Notes Indenture (the "2015 Notes Trustee") and BP International Limited (the "BP Collateral Agent").

The trustee with respect to the notes (the "Trustee"), on behalf of itself and the holders of the notes, will accede to the Intercreditor Deed. By accepting a note, holders of notes are deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Deed.

The Intercreditor Deed sets out, by way of agreement between the parties to it, among other things, provisions relating to:

- the relative ranking of certain liabilities of the Obligors;
- the relative ranking of certain security granted by the Obligors and the Parent;
- when payments can be made in respect of certain liabilities of the Obligors and the Parent;
- when enforcement action can be taken in respect of those liabilities;
- the terms pursuant to which certain of those liabilities will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees may be released to permit an enforcement sale.

The following description is a summary of certain provisions contained in the Intercreditor Deed. It does not restate the Intercreditor Deed in its entirety and we urge you to read that document because it, and not the discussion that follows, will regulate and govern certain of the rights of the holders of the notes and the Trustee.

### ***Ranking and Priority***

The Intercreditor Deed provides that, subject to the provisions in respect of permitted payments (summarized below), the liabilities of the Obligors in respect of the Senior Facilities Agreement, the 2016 Notes, the 2015 Notes, the notes and certain other liabilities rank, in summary, in the following order and are postponed and subordinated to any prior ranking liabilities of the Obligors as follows:

- first, each of the following, *pari passu* among themselves: (i) the liabilities of the Obligors under the Senior Facilities Agreement (including certain hedging agreements entered into in connection therewith) other than any liabilities of the Obligors owed to the Second Secured Creditors in such capacity (the “Second Secured Liabilities”), the liabilities of the issuer of the 2015 Notes and the guarantors under the 2015 Notes Indenture and the liabilities of the Issuer and the Guarantors under the Indenture and the notes (together, the “Senior Liabilities”), (ii) fees, costs and expenses of, and amounts incurred by or payable to, the 2016 Notes Trustee (the “High Yield Note Trustee Amounts”), (iii) fees, costs and expenses incurred by the Senior Facility Agent or any agents appointed to act as security agent and security trustee on behalf of more than one class of holders of the 2016 Notes (“Agency Amounts”), and (iv) fees, costs and expenses of, and amounts incurred by or payable to, the Trustee and the 2015 Notes Trustee (the “Senior Secured Note Trustee Amounts”);
- second, the Second Secured Liabilities;
- third, the liabilities of the Obligors in relation to the 2016 Notes (other than in respect of High Yield Note Trustee Amounts) and the liabilities owed by IHL to the Parent under the loan of the proceeds of the 2016 Notes (the “High Yield Proceeds Funding Loan”) (together, the “Subordinated High Yield Liabilities”);
- fourth, (i) the liabilities of the Obligors to the Subordinated Creditors (other than in respect of the High Yield Proceeds Funding Loan), (ii) any liabilities owed by IHL or the Parent to any Subordinated Creditor under certain investor documents, (iii) any other money or liabilities due, owing or payable by any Obligor to the Parent or any parent holding company of the Parent which has acceded to the Intercreditor Deed (other than in respect of the High Yield Proceeds Funding Loan) (the liabilities referred to in paragraphs (i) to (iii) being, together, the “Subordinated Liabilities”), and (iv) any liabilities of the Obligors to the Intra-Group Creditors in such capacity (other than liabilities under the Proceeds Loan and the 2015 Funding Loan) (the “Intra-Group Liabilities”).

The Intercreditor Deed does not purport to rank any of the Subordinated Liabilities or Intra-Group Liabilities as between themselves. The Intercreditor Deed also provides that, subject to the provisions in respect of permitted payments, the Subordinated Liabilities are postponed and subordinated until the Senior Liabilities, liabilities of the Obligors and the Parent to the holders of the 2016 Notes and 2016 Notes Trustee (the “High Yield Liabilities”) and the Second Secured Liabilities have been discharged in full.

The parties to the Intercreditor Deed agree in the Intercreditor Deed that the liens and other security provided by the Parent and the Obligors (including the Issuer) rank in the following order:

- first, the security provided in respect of the Senior Liabilities other than any security granted in respect of the BP Receivables (as defined in the Intercreditor Deed);
- second, any security provided separately in respect of the Second Secured Liabilities; and
- third, the security provided in respect of the 2016 Notes Indenture and the 2016 Notes.

Under the Intercreditor Deed, all proceeds from enforcement of security to which the Intercreditor Deed applies are required to be applied in accordance with the terms of the Intercreditor Deed, summarized below under “— Application of Proceeds.” Certain security granted by members of the Group (being, for the purposes of the Intercreditor Deed, Lux I and its subsidiaries), for example certain liens granted by the Obligors, such as BP’s first-priority lien over the BP Receivables, are not governed by the Intercreditor Deed.

### ***Permitted Payments***

The Intercreditor Deed permits, *inter alia*, payments to be made by the Obligors and the Parent to the Senior Lenders under the Senior Facilities Agreement (subject to certain restrictions in relation to hedging liabilities), the holders of the 2015 Notes and the 2015 Trustee, and the holders of the notes and the Trustee and does not in any way limit or restrict any payment due to be made by any Obligor to BP plc or any of its subsidiaries under or in connection with certain agreements between the Obligors and BP plc and certain of its subsidiaries or otherwise in the ordinary course of business. The Intercreditor Deed also permits payments to be made without further consents being obtained:

- by the Obligors in respect of the Second Secured Liabilities (x) to the extent that the payment is (i) a payment of scheduled interest (or default interest), (ii) a payment under any tax gross-up, tax indemnity, illegality or increased costs provision, currency indemnity or indemnity in respect of costs and expenses contained in the Senior Facilities Agreement, or (iii) any consent fee payment customary for the amendment

of any agreement with respect to the Second Secured Liabilities, in each case so long as such payment is then due and not prohibited by any payment blockage described below, and (y) for so long as such payment is not prohibited by any payment blockage described below, any Obligor may on or after the original maturity date of the Second Secured Liabilities (or at any other time pursuant to certain clauses of the Senior Facilities Agreement relating to voluntary prepayments, asset disposals and debt issuances) pay the principal amount due or any other amount payable by it with respect to the Second Secured Liabilities or redeem, acquire or defease the Second Secured Liabilities;

- by the Obligors to the 2016 Notes Trustee or holders of the 2016 Notes pursuant to the guarantees to the extent that the payment is (i) a payment of scheduled interest (or default interest), (ii) a payment under any tax gross-up, tax indemnity or increased costs provisions, provided such provisions are in customary form, or (iii) a consent fee payment customary for the amendment of the 2016 Notes Indenture and certain other documents entered into in connection with the 2016 Notes Indenture, in each case so long as such payment is then due and not prohibited by any payment blockage as described below (except that payments in respect of High Yield Note Trustee Amounts may always be made);
- by IHL to the Parent in respect of cash interest on the High Yield Proceeds Funding Loan to enable the Parent to make a payment of scheduled interest and default interest in respect of the 2016 Notes, which payment must fall due within five (5) days of the date of payment of the corresponding interest by IHL to the Parent, and certain other payments by IHL to the Parent in respect of sums due under the 2016 Notes and related documents permitted by the Intercreditor Deed, so long as any such payment is not prohibited by any payment blockage as described below (except that payments in respect of High Yield Note Trustee Amounts may always be made); and
- by the Obligors in respect of Intra-Group Liabilities if (i) at the time of the payment no Enforcement Action has occurred and is continuing in respect of the Senior Liabilities or any Second Secured Liabilities, (ii) prior to the date on which all Senior Liabilities have been unconditionally discharged in full (the “Senior Discharge Date”), the consent of the “Instructing Group” (as defined in the Intercreditor Deed) to the relevant payment is obtained or (iii) on or after the Senior Discharge Date but prior to the date on which all Second Secured Liabilities have been unconditionally discharged in full (the “Second Secured Discharge Date”), the consent of the Senior Facility Agent is obtained.

No payments may be made by the Obligors or the Parent in respect of the Subordinated Liabilities unless the consent of (prior to the later of the Senior Discharge Date and the Second Secured Discharge Date) Majority Senior Lenders (as defined in the Intercreditor Deed) (broadly, Lenders with aggregate commitments of more than  $66\frac{2}{3}\%$  of total commitments under the Senior Facilities Agreement), (where the relevant action is prohibited under the 2015 Notes Indenture) the 2015 Notes Trustee and (where the relevant action is prohibited under the Indenture) the Trustee is obtained, except that such consent is not required in respect of any such payments which are not prohibited by the Senior Facilities Agreement, the notes, the 2015 Notes and the 2016 Notes or related documents.

As defined in the Intercreditor Deed, the term “Instructing Group” means: (a) on or prior to the date falling 30 days after the date on which the Senior Lenders Proportion (as defined in the Intercreditor Deed) falls below 30%, the senior creditors under the Intercreditor Deed whose senior credit participations at the relevant time aggregate more than  $66\frac{2}{3}\%$  of the total senior credit participations at the relevant time (excluding from the calculation thereof the Senior Secured Note Creditors (as defined in the Intercreditor Deed)); and (b) thereafter, the senior creditors under the Intercreditor Deed whose senior credit participations at the relevant time constitute the simple majority in aggregate principal amount of the total senior credit participations at the relevant time.

### ***Payment Blockage***

If any Obligor fails to pay on the due date or within any applicable grace period any amount payable under the Senior Facilities Agreement, the 2015 Notes Indenture or the 2015 Notes, the Indenture or the notes (other than an amount not constituting principal, interest or fees not in excess of €1,000,000), the Obligors may not make payments in respect of the Second Secured Liabilities while that failure is continuing. Permitted payments in respect of the Second Secured Liabilities may be resumed when such payment default is cured or waived.

Prior to the Senior Discharge Date, if there is any other default that occurs and is continuing under the Senior Facilities Agreement, the 2015 Notes Indenture or the 2015 Notes, the Indenture or the notes that permits the holders or lenders of such indebtedness to accelerate its maturity, the Senior Facility Agent (on the instructions of the Majority Priority Senior Lenders (as defined in the Intercreditor Deed)), the 2015 Notes Trustee or the Trustee (as applicable) may issue a payment blockage notice (a “Second Secured Stop Notice”) to the Second Secured Creditors and notify IHL. From the date of the issue of such notice, the Obligors may not make payments in respect of the Second Secured Liabilities for a period of 179 days (the “Second Secured Stop Period”), subject to certain exceptions described below.



Prior to the Senior Discharge Date, from the date of issue of a Second Secured Stop Notice for the duration of the Second Secured Stop Period, no payments may be made that would otherwise be permitted by the Intercreditor Deed in respect of the Second Secured Liabilities unless:

- the event in respect of which the Second Secured Stop Notice was issued has been cured or waived in writing or has ceased to exist;
- the Majority Priority Senior Lenders, (if at the time of cancellation, a default is continuing under the 2015 Notes) the 2015 Notes Trustee and (if at the time of cancellation, a default is continuing under the notes) the Trustee instruct the Senior Facility Agent to cancel the Second Secured Stop Notice or consent to such payment; or
- if applicable, any Second Secured Standstill Period (as defined below) in effect at the time the Second Secured Stop Notice was issued has expired and the relevant event of default to which the Second Secured Standstill Period relates has not been cured or waived.

No Second Secured Stop Notice may be served by the Senior Facility Agent, the 2015 Notes Trustee or the Trustee in reliance on a particular payment blockage event more than 75 days after the Senior Facility Agent, the 2015 Notes Trustee or the Trustee (as applicable) receives notice in writing specifying the occurrence constituting that payment blockage event. Not more than one Second Secured Stop Notice may be served with respect to the same event or set of circumstances. No Second Secured Stop Notice in relation to a payment blockage event may be served unless (i) 365 days have elapsed since the delivery of any previous Second Secured Stop Notice in relation to a payment blockage event and (ii) all scheduled payments of interest on the Second Secured Liabilities that have become due as a result of any previous Second Secured Stop Notice have been paid in full in cash.

Any failure to make a payment due in respect of the Second Secured Liabilities as a result of the issue of a Second Secured Stop Notice will not prevent the occurrence of an event of default under the Senior Facilities Agreement as a consequence of such non-payment or the commencement of an Enforcement Action (defined below) otherwise permitted by the Intercreditor Deed.

If any Obligor fails to pay on the due date or within any applicable grace period any amount payable under the Senior Facilities Agreement, the 2015 Notes Indenture or the 2015 Notes, the Indenture or the notes (other than an amount not constituting principal, interest or fees not in excess of €1,000,000 (or its equivalent in any other currency)), the Obligors may not make payments (except if such payment is in the form of Permitted High Yield Note Junior Securities (as defined in the Intercreditor Deed) or comprises High Yield Note Trustee Amounts) in respect of the guarantees of the 2016 Notes or the High Yield Proceeds Funding Loan while that failure is continuing. Such payments in respect of the 2016 Notes may be resumed to the extent permitted under the Intercreditor Deed when such payment default is cured or waived.

Prior to the later of the Senior Discharge Date and the Second Secured Discharge Date, if there is any other default that occurs and is continuing under the Senior Facilities Agreement, the 2015 Notes Indenture or the 2015 Notes, the Indenture or the notes that permits the holders or lenders of such indebtedness to accelerate its maturity, the Senior Facility Agent (on the instructions of the Majority Senior Lenders), the 2015 Notes Trustee or the Trustee (as applicable) may issue a payment blockage notice (a “Stop Notice”) to the 2016 Notes Trustee and notify IHL and the Parent. From the date of the issue of such notice, the Obligors may not make any payments (except if such payment comprises High Yield Note Trustee Amounts) in respect of the guarantees of the 2016 Notes or in respect of the High Yield Proceeds Funding Loan for a period of 179 days (the “High Yield Stop Period”), subject to certain exceptions described below.

Prior to the later of the Senior Discharge Date and the Second Secured Discharge Date, from the date of issue of a Stop Notice for the duration of the High Yield Stop Period, blocked payments may not be made unless:

- the event in respect of which the Stop Notice was issued has been cured or waived in writing or has ceased to exist;
- the Majority Senior Lenders, (if at the time of cancellation, a default is continuing under the 2015 Notes) the 2015 Notes Trustee and (if at the time of cancellation, a default is continuing under the notes) the Trustee instruct the Senior Facility Agent to cancel the Stop Notice or consent to such payment;
- the Senior Liabilities have been repaid in full and all the commitments of the Senior Creditors (as defined in the Intercreditor Deed) cancelled and the Second Secured Liabilities have been repaid in full; or

- if applicable, any High Yield Standstill Period (as defined below) in effect at the time the payment Stop Notice was issued has expired and the relevant event of default to which the High Yield Standstill Period relates has not been cured or waived.

No Stop Notice may be served by the Senior Facility Agent, the 2015 Notes Trustee or the Trustee (as applicable) in reliance on a particular payment blockage event more than 75 days after the Senior Facility Agent, the 2015 Notes Trustee under or the Trustee receives notice in writing specifying the occurrence constituting that payment blockage event. Not more than one Stop Notice may be served by the Senior Facility Agent, the 2015 Notes Trustee or the Trustee (as applicable) with respect to the same event or set of circumstances. No Stop Notice in relation to a payment blockage event may be served unless (i) 365 days have elapsed since the delivery of any previous Stop Notice in relation to a payment blockage event, and (ii) all scheduled payments of interest on the 2016 Notes that have become due as a result of any previous Stop Notice have been paid in full in cash.

Any failure to make a payment due under the 2016 Notes Indenture or the guarantees of the 2016 Notes as a result of the foregoing will not prevent the occurrence of an event of default under the 2016 Notes as a consequence of such non-payment or the commencement of an Enforcement Action otherwise permitted by the Intercreditor Deed.

### ***Entitlement to Enforce***

The Intercreditor Deed provides that the Senior Security Agent will (subject to certain exceptions) enforce the senior security only at the direction of the Instructing Group. Subject to certain exceptions in relation to the Second Secured Security (as defined in the Intercreditor Deed), prior to the Senior Discharge Date, the Second Secured Creditors may only take Enforcement Action with respect to the Second Secured Liabilities if:

- the prior written consent of the Instructing Group is obtained;
- the Senior Creditors have taken Enforcement Action against an Obligor in which case the Second Secured Creditors may take the same Enforcement Action but may not take any other Enforcement Action until the Senior Discharge Date shall have occurred except after expiry of a Second Secured Standstill Period;
- the Second Secured Creditors have become entitled to do so as a result of the expiry of any Second Secured Standstill Period unless on the expiry of the Second Secured Standstill Period the relevant default to which the Second Secured Standstill Period relates has been waived or cured; or
- certain insolvency events have occurred and are continuing, provided that any such insolvency event is not the result of actions of a Second Secured Creditors prohibited under the Intercreditor Deed and provided Enforcement Action may only be taken against the entity in respect of which the insolvency event has occurred.

Prior to the Senior Discharge Date and the Second Secured Discharge Date, the holders of the 2016 Notes and the 2016 Notes Trustee and the Parent (in its capacity as lender under the High Yield Proceeds Funding Loan) (together, the “High Yield Creditors”) may only take Enforcement Action with respect to the guarantees and security granted in respect of the 2016 Notes or the High Yield Proceeds Funding Loan if:

- the prior written consent of (prior to the Senior Discharge Date) the Instructing Group and (prior to the Second Secured Discharge Date) the Majority Second Secured Creditors (as defined in the Intercreditor Deed) is obtained;
- the Senior Creditors and/or the Second Secured Creditors have taken Enforcement Action against an Obligor in which case the High Yield Creditors may take Enforcement Action against the same Obligor but may not take any other Enforcement Action until the Senior Discharge Date and any Second Secured Discharge Date shall have occurred except after expiry of a High Yield Standstill Period;
- the High Yield Creditors, as applicable, have become entitled to do so as a result of the expiry of any High Yield Standstill Period unless on the expiry of the High Yield Standstill Period the relevant default to which the High Yield Standstill Period relates has been waived or cured; or
- if certain insolvency events have occurred and are continuing, provided that any such insolvency event is not the result of actions of a High Yield Creditors prohibited under the Intercreditor Deed and provided Enforcement Action may only be taken against the entity in respect of which the insolvency event has occurred.

A “Second Secured Standstill Period” is defined in the Intercreditor Deed to mean a period of 90 days after written notice has been given by the Majority Term D lenders under the Senior Facilities Agreement to the Senior Facility Agent, the 2015 Notes Trustee and the Trustee that an event of default has occurred as a result of any failure to pay any amount of the Second Secured Liabilities when due and payable and is continuing, and specifying that a Second Secured Standstill Period is to commence.

A “High Yield Standstill Period” is defined in the Intercreditor Deed to mean a period of 179 days after written notice has been given by the 2016 Notes Trustee to the Senior Facility Agent, the 2015 Notes Trustee and the Trustee that an event of default under the 2016 Notes has occurred and is continuing, and specifying that a High Yield Standstill Period is to commence.

An “Enforcement Action” is defined in the Intercreditor Deed to mean:

- (a) the acceleration of any liabilities or any declaration that any liabilities are prematurely due and payable or the making of demand for payment of any liabilities after such liabilities have been made payable on demand;
- (b) the designation by a hedge counterparty of an early termination date under any hedging agreement or the making of a demand by a hedge counterparty for payment of all or any amount which would become payable in connection with the occurrence of an early termination date;
- (c) the making of any demand against any Obligor in relation to any guarantee in respect of any liabilities which are due and payable but unpaid or exercising any right to require the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability);
- (d) the enforcement of any Security Document (as defined in the Intercreditor Deed) or any other security interest granted by any Obligor or the Parent (including taking any action to crystallize any floating charge forming part of any Security Document);
- (e) the exercise of any right of set-off against any Obligor in respect of any liabilities due and payable but unpaid (excluding, for the avoidance of doubt, any netting under the hedging agreements);
- (f) the suing for, commencing or joining of any legal or arbitration proceedings against any Obligor to recover any liabilities; or
- (g) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) which could reasonably be expected to lead to an insolvency event in relation to any Obligor,

*provided* that the following shall not constitute Enforcement Action:

- (i) the taking of any action falling within paragraph (f) above necessary to preserve the validity and existence of claims, including the registration of such claims before any court or governmental authority;
- (ii) to the extent entitled by law, the taking of any actions against any creditor (or any agent, trustee or receiver acting on behalf of such creditor) to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security documentation;
- (iii) bringing legal proceedings against any person in connection with any securities violation or common law fraud or to restrain any actual or putative breach of any agreement evidencing the terms of the Senior Liabilities and the Second Secured Liabilities (collectively, the “Senior Finance Documents”), the guarantees of the 2016 Notes, the High Yield Proceeds Funding Loan, the Subordinated Liabilities, the Intra-Group Liabilities and certain other agreements or for specific performance with no claim for damages; or
- (iv) demand being made for payment of any of the liabilities as a result of it being unlawful for any Senior Creditor, Second Secured Creditor, the trustee under the 2016 Notes Indenture or any holder of the 2016 Notes to perform any obligation under the Senior Finance Documents or the 2016 Notes Indenture, respectively,

unless in the case of any of the actions listed above in paragraphs (i)-(iv) above, such action will result in an insolvency event.

The Intercreditor Deed also contains enforcement provisions in relation to hedge counterparties, Intra-Group Liabilities and Subordinated Liabilities.

### ***Subordination***

Upon the occurrence of an insolvency event in relation to an Obligor, claims against that Obligor:

- in respect of any Second Secured Liabilities will be subordinate in right of payment to the claims against that Obligor in respect of Senior Liabilities;
- in respect of the guarantees of the 2016 Notes or the High Yield Proceeds Funding Loan (other than High Yield Note Trustee Amounts) will be subordinate in right of payment to the claims against that Obligor in respect of Senior Liabilities and Second Secured Liabilities; and
- in respect of Intra-Group Liabilities and Subordinated Liabilities will be subordinate in right of payment to the claims against that Obligor in respect of Senior Liabilities, Second Secured Liabilities and liabilities with respect to the guarantees of the 2016 Notes and the High Yield Proceeds Funding Loan (other than High Yield Note Trustee Amounts).

Upon the occurrence of an insolvency event in relation to the Parent, claims against the Parent in respect of the Subordinated Liabilities will be subordinated in right of payment to the claims against the Parent in respect of Senior Liabilities, Second Secured Liabilities and High Yield Liabilities.

### ***Turnover***

Except to the extent prohibited by law and subject to certain exceptions, if at any time on or before the Senior Discharge Date and the Second Secured Discharge Date, the 2016 Notes Trustee, any holder of the 2016 Notes or the Parent (in its capacity as lender under the High Yield Proceeds Funding Loan):

- receives or recovers any payment or distribution of, or on account of or in relation to, any liability owed by IHL or the other Obligors in respect of the High Yield Proceeds Funding Loan or the guarantees of the 2016 Notes (other than High Yield Note Trustee Amounts) which is not a permitted payment under the Intercreditor Deed;
- receives or recovers any amount by way of set-off in respect of any liability owed by IHL or the other Obligors in respect of the High Yield Proceeds Funding Loan or the guarantees of the 2016 Notes (other than High Yield Note Trustee Amounts) which does not give effect to a permitted payment under the Intercreditor Deed;
- receives or recovers proceeds pursuant to any Enforcement Action in respect of any liability owed by IHL or the other Obligors in respect of the High Yield Proceeds Funding Loan or the guarantees of the 2016 Notes (other than High Yield Note Trustee Amounts) except in accordance with the Intercreditor Deed or receives or recovers proceeds pursuant to any Enforcement Action in respect of the collateral for the 2016 Notes;
- receives any payment or distribution of any kind whatsoever in relation to the purchase or acquisition of any liabilities owed to the holders of the 2016 Notes and the 2016 Notes Trustee by any member of the Group;
- receives any distribution in cash or in kind in respect of any liability owed by IHL or the other Obligors in respect of the High Yield Proceeds Funding Loan or the guarantees of the 2016 Notes (other than High Yield Note Trustee Amounts) which is made as a result of the occurrence of an insolvency event of any Obligor; or
- receives or recovers any payment or distribution of any liabilities owed to the holders of the 2016 Notes and the 2016 Notes Trustee as a result of the Parent receiving or recovering an amount in contravention of the Intercreditor Deed,

the 2016 Notes Trustee, that holder of the 2016 Notes or the Parent, as the case may be, will notify the Senior Security Agent and hold that amount in a separate account on trust for (prior to the later of the Senior Discharge Date and the Second Secured Discharge Date) the Senior Security Agent and promptly pay that amount to the Senior Security Agent (after deducting from the amount received or recovered the costs and expenses (if any) actually incurred by it in recovering such amount) to be held in trust by such person for application in accordance with the order of priority under the Intercreditor Deed as described below in “Application of Proceeds”. The foregoing provision does not, however, apply to any amounts received or recovered by the 2016 Notes Trustee that have been distributed by it to the holders of the 2016 Notes if at the time it distributed such payment it had no actual knowledge that such payment was so prohibited.

The Intercreditor Deed also contains a turnover provision in relation to the Second Secured Liabilities, Intra-Group Liabilities and Subordinated Liabilities as well as certain amounts received by the Obligors generally.

### ***Application of Proceeds***

Subject to rights of creditors mandatorily preferred by law applying to companies generally, amounts received by the Senior Security Agent or trustee or representative under the 2016 Notes Indenture representing the proceeds of enforcement of any security or recoveries under any guarantee contained in the Senior Finance Documents, the 2016 Notes and related documents, the High Yield Proceeds Funding Loan, any agreement evidencing the Subordinated Liabilities or the Intra-Group Liabilities and all amounts paid pursuant to the Intercreditor Deed (but excluding in each case all recoveries under any BP Credit Document (as defined in the Intercreditor Deed)) will be applied in the following order of priority:

- in discharging any sums owing to the Senior Security Agent or any additional agent appointed by the Senior Security Agent, any High Yield Note Trustee Amounts, any Agency Amounts, and any Senior Secured Note Trustee Amounts, on a *pari passu* basis;
- in payment of all costs and expenses incurred by or on behalf of the Senior Creditors in connection with the enforcement of their security;
- in payment to the Senior Facility Agent (for itself and the Senior Lenders) to discharge the liabilities in respect of the Senior Facilities Agreement (other than the Second Secured Liabilities), to hedging counterparties to discharge the liabilities owed to them, to the Trustee for application towards the discharge of the liabilities under the Indenture, the notes and related documents, and to the 2015 Notes Trustee for application towards the discharge of the liabilities under the 2015 Notes Indenture, the 2015 Notes and related documents, on a *pro rata* basis;
- in payment to the Senior Facility Agent for application towards the discharge of the Second Secured Liabilities, on a *pro rata* basis;
- in payment to the 2016 Notes Trustee for application towards the discharge of the liabilities in respect of the 2016 Notes Indenture and the 2016 Notes, on a *pro rata* basis;
- if none of the Obligors is under any further actual or contingent liability under any Senior Finance Document or under the 2016 Notes Indenture and related documents, in payment to any person to whom the Senior Security Agent or the trustee or representative under the 2016 Notes Indenture is obliged to pay in priority to any Obligor; and
- the balance, if any, in payment to the relevant Obligor.

### ***Release of the Guarantees and the Security***

The Intercreditor Deed provides that, subject to certain provisions in relation to BP Receivables (as defined in the Intercreditor Deed) and any consents required from the Majority Priority Senior Lenders, the 2015 Notes Trustee and the Trustee in certain circumstances being obtained, the Senior Security Agent is authorized to (i) release any security created by the security documents over the relevant asset, and (ii) (if the relevant asset comprises all of the shares in the capital of a member of the Group or Tenderco) to release that member of the INEOS Group or Tenderco (as applicable) and any of its direct or indirect subsidiaries from all past, present and future liabilities (both actual and contingent) and/or its obligations in its capacity as a guarantor, issuer or borrower of the whole or any part of its liabilities in respect of the Senior Facilities Agreement, the 2015 Notes, the 2016 Notes and certain other liabilities and to release any security granted by Tenderco, that member of the Group or any of its direct or indirect subsidiaries over any asset under any security document if:

- in connection with any permitted Enforcement Action, the Senior Security Agent or any receiver or administrator sells or otherwise disposes of (or proposes to sell or otherwise dispose of) any asset under any security document; or
- following a default under the Senior Facilities Agreement, the 2015 Notes Indenture or the Indenture, a member of the Group or Tenderco sells or otherwise disposes of (or proposes to sell or otherwise dispose of) any asset at the request or direction of the Senior Security Agent.

Notwithstanding the preceding paragraph, in the case of any release of the guarantees or security for the Second Secured Liabilities or the 2016 Notes, the Second Secured Creditors and the High Yield Creditors will only be obliged to release and authorize the release set out above in respect of any Obligor or other person which has granted security or provided a guarantee to the Second Secured Creditors or the High Yield Creditors:

- in the case of the Second Secured Liabilities and any security in respect thereof, if the Majority Second Secured Creditors (as defined in the Intercreditor Deed) have approved the release; or
- in the case of guarantees and security for the 2016 Notes and the 2016 Notes Indenture, if the trustee or other representative under the 2016 Notes Indenture confirms to the Senior Security Agent that the holders of the 2016 Notes which it represents have approved the release; or
- if the shares or assets of an Obligor (or the shares of any direct or indirect holding company of such Obligor) are sold or otherwise disposed of pursuant to Enforcement Action taken by the Senior Security Agent (or any receiver or administrator) or at the request or direction of the Senior Security Agent, and the sale or disposal is completed in accordance with applicable law and for a consideration all or substantially all of which is in the form of cash or certain cash equivalents and:
  - (1) in the case of a sale or disposal of shares of an Obligor (or the shares of any direct or indirect holding company of such Obligor) (but only to the extent that any guarantees and security for the 2016 Notes and the 2016 Notes Indenture are to be released), concurrently with the completion of such sale or disposal, the indebtedness of the relevant members of the Group or Tenderco being disposed of to (x) the Senior Creditors, (y) the Second Secured Creditors and (z) the lenders of all Subordinated Debt (as defined in the Intercreditor Deed) and Public Debt (as defined in the 2016 Notes Indenture) that is *Pari Passu* Debt (as defined in the Intercreditor Deed) are discharged or released (and not assumed by the relevant purchaser or any affiliate thereof); *provided, however*, that performance bonds and similar instruments will not be required to be so discharged or released; and
  - (2) if applicable, in the case of a sale or disposal of assets other than shares in an Obligor as provided above, concurrently with the completion of such sale or disposal the prior ranking security in favor of the Senior Creditors over such assets is released,

and, in the case of paragraphs (1) and (2) above, either (x) the sale or disposal is made pursuant to a Public Auction (as defined below) or (y) an internationally recognized investment bank or an internationally recognized accounting firm selected by the Senior Security Agent has delivered in respect of the sale or disposal an opinion to (in the case of a sale by or at the request of the Senior Security Agent (or any receiver or administrator)) the trustee or representative under the 2016 Notes Indenture that the amount received in connection with such sale is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement; *provided* that the liability of such investment bank or accounting firm in giving such opinion may be limited to the amount of its fees in respect of such engagement.

A “Public Auction” is defined in the Intercreditor Deed to mean an auction in which more than one bidder participates or is invited to participate conducted with the advice of an internationally recognized investment bank and in which if the sale is undertaken by or at the request of the Senior Security Agent (or any receiver or administrator), pursuant to an enforcement requested by (a) the Instructing Group, then the Second Secured Creditors and the High Yield Creditors will have a right to participate in such auction and (b) the Second Secured Creditors, then the High Yield Creditors will have a right to participate in such auction.

The Intercreditor Deed also provides that, subject to any consents required from the Majority High Yield Creditors being obtained, the Senior Security Agent is authorized to release any security created by the security documents over (i) any assets disposed of in a manner permitted pursuant to the terms of the Senior Facilities Agreement, the 2015 Notes Indenture and the Indenture; or (ii) any receivables disposed of pursuant to the securitization program in a manner permitted pursuant to the terms of the Senior Facilities Agreement, the 2015 Notes Indenture and the Indenture,

with effect from whichever is the earlier of (1) the date such receivable is disposed of or (2) the date such receivable is offered for disposal or, if not in existence when offered for disposal, the date it subsequently comes into existence.

### ***Option to Purchase Debt under the Senior Facilities Agreement and Indenture***

If the Senior Creditors under the Senior Facilities Agreement or the 2015 Notes Indenture or the Indenture have taken any Enforcement Action, the 2016 Notes Trustee may, at the direction of the requisite percentage of the holders of the 2016 Notes under the 2016 Notes Indenture, within 60 days after commencement of that Enforcement Action, on giving not less than 14 days' written notice to the Senior Facility Agent, the 2015 Notes Trustee and the Trustee, and subject to satisfying certain conditions, purchase all but not part of the debt under the Senior Facilities Agreement, the 2015 Notes Indenture and the Indenture (i) in the case of the Senior Facilities Agreement, at a price equal to the principal amount of such debt and accrued and unpaid interest and fees and expenses and an amount representing the termination amount then payable in respect of the senior hedging debt, and (ii) in the case of the 2015 Notes and the notes, at a price equal to the principal amount of such debt and accrued and unpaid interest, any prepayment fees and other fees and expenses. Upon such purchase, the purchasers will assume the rights and obligations of the lenders under the Senior Facilities Agreement, including hedging arrangements, and the rights and obligations of the holders of the 2015 Notes and the notes.

### ***Amendment***

The terms of the Intercreditor Deed may only be amended or waived with the written agreement of each of the Senior Facility Agent, the Trustee, the 2016 Notes Trustee, the 2015 Notes Trustee and IHL unless (i) any amendments are made to cure defects, resolve ambiguities or reflect changes of a minor, technical or administrative nature, which may be made by the Senior Security Agent and IHL, (ii) any amendments are made to meet the requirements of any person proposing to act as a senior secured note trustee or high yield note trustee which are customary for persons acting in such capacity, which amendments may be made by the Senior Security Agent and IHL, (iii) any amendments which only affect the rights and obligations of one party or class of parties and are not adverse to the rights of the other parties or class of parties, which may be made by only IHL and the party or class of parties affected thereby, or (iv) any amendments are made to give effect to the appointment of a facility agent in respect of the Second Secured Creditors in accordance with the terms of the Senior Facilities Agreement, which amendments may be made by the Senior Facility Agent, the Senior Security Agent and IHL. Subject to (i) and (ii) in the previous sentence, no amendment or waiver of the Intercreditor Deed may impose new or additional obligations on any party to the Intercreditor Deed or affect the rights or obligations of the Senior Facility Agent, the Trustee, the 2015 Notes Trustee, the Senior Security Agent or the trustee or representative under the 2016 Notes Indenture, in each case without their prior written consent. Notwithstanding the foregoing, no amendment or waiver of the Intercreditor Deed which would adversely affect any rights or obligations expressed to be rights or obligations of, or concerning any provision which is expressly for the benefit of, the BP Collateral Agent or the BP Creditors can be made without the prior written consent of the BP Creditors. In addition, no amendment or waiver which would result in IHL no longer being in compliance with the Credit Support Deed (as defined in the Intercreditor Deed) may be made without the prior written consent of the BP Creditors.

The Senior Security Agent may amend the terms of, waive any of the requirements of, or grant consents under, any of the Senior Security Documents (as defined in the Intercreditor Deed) acting on the instructions of the Senior Facility Agent and (where such consent is required under the 2015 Notes Indenture, the Indenture or related documents) of the 2015 Notes Trustee or the Trustee. Any such amendment, waiver or consent will be deemed to be an amendment, waiver or consent of any equivalent Security Document (as defined in the Intercreditor Deed) granted in favor of the 2016 Notes Trustee and the holders of the 2016 Notes but only to the same extent and to no greater extent than the amendment, waiver or consent in relation to the relevant Senior Security Document. Any such amendment, waiver or consent will also be binding on the hedge counterparties. No such amendment, waiver or consent will (without prejudice to any other provision of the Intercreditor Deed) release any security granted to the Second Secured Creditors or the 2016 Notes Trustee or holders of the 2016 Notes except as permitted under the Second Secured Documents or the 2016 Notes Indenture and the 2016 Notes.

Notwithstanding the above, the 2016 Notes Trustee, the 2015 Notes Trustee, the Trustee, the Senior Facility Agent and the Senior Security Agent are authorized to enter into such agreement or agreements with, among others, the Obligor and the Parent, whether by way of supplement, amendment or restatement of the Intercreditor Deed or by a separate deed, as may be necessary to give effect to the provisions under the Intercreditor Deed relating to a permitted refinancing of the Senior Liabilities, the Second Secured Liabilities or the liabilities in respect of the 2016 Notes.

Unless expressly stated otherwise in the Intercreditor Deed, the provisions of the Intercreditor Deed override anything in any of the finance documents entered into in connection with the Offering, including the Indenture, to the contrary.

The Intercreditor Deed is governed by English law.

## DESCRIPTION OF THE NOTES

The \$1,000,000,000 aggregate principal amount of 8<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2019 (the “**Dollar Fixed Rate Notes**”) and the €500,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019 (the “**Euro Floating Rate Notes**”) were issued under an indenture (the “**Indenture**”) dated as of February 10, 2012 (such date, the “**Issue Date**”), among, *inter alios*, INEOS Finance plc, as issuer (the “**Issuer**”), the guarantors party thereto (the “**Guarantors**”), The Bank of New York Mellon, as trustee (in such capacity, the “**Trustee**”) and Barclays Bank PLC, as security trustee (in such capacity, the “**Security Trustee**”). Unless the context otherwise requires, in this “Description of the Notes,” references to the “**Notes**” include the Dollar Fixed Rate Notes and the Euro Floating Rate Notes and any Additional Notes that are issued under the Indenture, and references to Additional Dollar Fixed Rate Notes and Additional Euro Floating Rate Notes shall be to Additional Notes that are Dollar Fixed Rate Notes or Euro Floating Rate Notes, respectively. A copy of the form of the Indenture will be made available to prospective purchasers of the Notes upon request to the Issuer or, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange’s Euro MTF Market, upon request to the paying agent in Luxembourg.

The following is a description of the material provisions of the Indenture, the Notes, and the Notes Proceeds Loans Agreement and refers to the Security Documents and the Intercreditor Deed. It does not restate these agreements in their entirety. Where reference is made to particular provisions of those agreements, such provisions are qualified in their entirety by reference to all of the provisions of such agreements.

The Indenture, the Notes and the Guarantees are subject to the terms of the Intercreditor Deed and any additional intercreditor agreements entered into in the future. The terms of the Intercreditor Deed are important to understanding the terms and ranking of the Notes and the Guarantees. Please see the section entitled “Description of Other Indebtedness—Intercreditor Deed” for a summary of certain material terms of the Intercreditor Deed.

The registered holder of a Note will be treated as its owner for all purposes. Only registered holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been registered under the U.S. Securities Act and are subject to certain transfer restrictions. The Indenture is not required to be nor will it be qualified under the U.S. Trust Indenture Act.

For definitions of certain capitalized terms used in the following summary, please see “—Certain Definitions.”

### Brief Description of the Notes, the Guarantees and the Security

#### *The Notes*

The Notes:

- are general senior obligations of the Issuer;
- are secured as set forth below under “—Security”;
- rank equally in right of payment with all existing and future obligations of the Issuer that is not expressly subordinated to the Notes, including, without limitation, the Existing Senior Secured Notes and the guarantee of the Senior Secured Credit Facilities;
- are guaranteed on a senior secured basis by the Guarantors;
- rank effectively senior to all existing and future obligations of the Issuer that are unsecured or secured by Liens junior to the Liens securing the Notes to the extent of the value of the Collateral;
- rank senior in right of payment to all existing and future obligations of the Issuer that are expressly subordinated in right of payment to the Notes, including the Issuer’s guarantee of obligations under the Term D Facility and the Existing High Yield Notes; and
- are effectively subordinated in right of payment to all of the liabilities of, including trade payables and letters of credit issued by, the Company’s Subsidiaries that do not guarantee the Notes.

The Issuer is a finance company that has no subsidiaries. The only significant assets of the Issuer are the Notes Proceeds Loans and the Existing Senior Secured Notes Proceeds Loans and, as such, the Issuer is dependent on payments by INEOS Holdings Limited (“**IHL**”) on such proceeds loans in order to service its Indebtedness.



As of September 30, 2011, after giving *pro forma* effect to the issuance of the Notes and the application of the proceeds therefrom as described under “Use of Proceeds,” the Company would have had total consolidated loans and borrowings of €6,830.7 million.

The Notes are effectively subordinated to any existing and future Indebtedness and other obligations of the Issuer that are secured by Liens senior to the Liens securing the Notes or secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness and other obligations, including the BP Creditor Liabilities secured on a first priority basis by the BP Shared Collateral.

Certain Liens securing the Notes created under German and French law were, as a matter of local law, granted as junior ranking Liens in relation to the Liens in respect of the Senior Secured Credit Facilities and the Existing Senior Secured Notes. Nevertheless, the Intercreditor Deed provides that as a contractual matter as among senior secured creditors, the Notes are secured on a *pari passu* basis with the Existing Senior Secured Notes and the Senior Secured Credit Facilities and will be treated as such for purposes of the application of proceeds from the enforcement of such Collateral.

Under the terms of the Intercreditor Deed, the proceeds of any enforcement of the Collateral will be applied, subject to the rights of creditors mandatorily preferred by law applying to companies generally, *pro rata* to repayment of the Senior Secured Credit Facilities, the Existing Senior Secured Notes, the Hedging Obligations that are permitted under the Senior Facilities Agreement (the “**Hedging Liabilities**”) and the Notes. The Intercreditor Deed limits the ability of the Trustee or the holders of the Notes to instruct the Security Trustee to take enforcement action. Please see “—Enforcement of Security,” and “Description of Other Indebtedness—Intercreditor Deed.”

In addition, the Notes are effectively subordinated to all existing and future indebtedness and other liabilities of the Company’s subsidiaries that do not guarantee the Notes.

The Indenture and the Intercreditor Deed permit the Issuer to issue Indebtedness secured by Liens on the Collateral securing the Notes, which Liens may, under certain circumstances, rank ahead of the security interests on the Collateral securing the Notes. Please see “—Certain Covenants—Limitation on Indebtedness” and “—Certain Covenants—Limitation on Liens.”

### ***The Guarantees***

The Notes are guaranteed by the Guarantors. Each Guarantee:

- is joint and several and is the general senior obligation of the applicable Guarantor;
- is secured as set forth below under “—Security;”
- ranks equally in right of payment with all existing and future obligations of the applicable Guarantor that are not expressly subordinated in right of payment to such Guarantee, including with respect to the Guarantee of the Notes by each Guarantor, Indebtedness under the Senior Secured Credit Facilities and the Existing Senior Secured Notes, and with respect to the Guarantee of the Notes by the Parent, the Existing High Yield Notes;
- ranks effectively senior to all existing and future obligations of such Guarantor that are unsecured or secured by Liens junior to the Liens securing the Guarantees to the extent of the value of the Collateral; and
- ranks senior in right of payment to all existing and future obligations of the applicable Guarantor that are expressly subordinated in right of payment to such Guarantee, including with respect to the Guarantee of the Notes by the Company and the Subsidiary Guarantors, the Existing High Yield Notes and the Term D Facility.

The Guarantees are effectively subordinated to any existing and future Indebtedness and other obligations of such Guarantor that are secured by Liens senior to the Liens securing such Guarantee or secured by property and assets that do not secure such Guarantee, to the extent of the value of the property and assets securing such Indebtedness and other obligations, including the BP Creditor Liabilities secured on a first priority basis by the BP Shared Collateral. In the event of a bankruptcy or insolvency, each such secured lenders of each Guarantor will have a prior secured claim to any collateral of such Guarantor securing the debt owed to them.

Not all of the Company’s Restricted Subsidiaries will guarantee the Notes. However, each of the Company’s Subsidiaries that currently guarantees the Existing Senior Secured Notes and the Senior Secured Credit Facilities also

guarantee the Notes. On the Issue Date, the Notes were jointly and severally guaranteed on a senior secured basis by the Initial Stage Guarantors. The Initial Stage Guarantors together represent 75.8% of the Parent's *pro forma* consolidated EBITDA for the twelve months ended September 30, 2011, after giving *pro forma* effect to the disposal on July 1, 2011 by Subsidiaries of the Company of the Refining/Entrepreneurial Business and the Infrastructure Entity, as more fully described under the "The Refining Divestiture" (the "**Refining Divestiture**"), and the offering of the Notes, and hold 71.9% of the Parent's consolidated total assets as of September 30, 2011.

On March 1, 2012, the Second Stage Guarantors became Guarantors by executing and delivering to the Trustee a supplemental indenture substantially in the form attached as an exhibit to the Indenture. The Guarantors (upon the Second Stage Guarantors becoming Guarantors under the Indenture) represent 94.8% of the Parent's *pro forma* consolidated EBITDA for the twelve months ended September 30, 2011 after giving *pro forma* effect to the Refining Divestiture and the offering of the Notes and hold 89.2% of the Parent's consolidated total assets as of September 30, 2011.

The obligations of the Guarantors under their Guarantees are limited as necessary to recognize certain limitations imposed due to local law and defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. Please see "Description of the Collateral and the Guarantees," "Risk Factors—Risks Relating to the Notes and Our Capital Structure—Insolvency laws—Relevant insolvency laws in England and other jurisdictions may provide you with less protection than U.S. bankruptcy law," "Risk Factors—Risks Relating to the Notes and Our Capital Structure—Guarantees and collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability" and "Risk Factors—Enforcement of French share pledges—Under the security interests governed by French law, you may be required to pay a "*soulte*" in the event you decide to enforce the pledges of the shares by judicial or contractual foreclosure of the Collateral consisting of shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie rather than by a sale of such Collateral in a public auction."

The obligations of any Guarantor under its Guarantee will be automatically and unconditionally released and discharged in certain circumstances. See "—Release of the Guarantees."

#### ***Release of the Guarantees***

A Guarantor's Guarantee will be automatically and unconditionally released:

- (a) with respect to a Subsidiary Guarantor, in connection with any sale or other disposition (including any transfer to a Permitted Joint Venture) of all or substantially all of the assets of such Subsidiary Guarantor (including by way of merger or consolidation) (including, for the avoidance of doubt, after giving effect to any substantially concurrent sales or other dispositions to the Parent, the Company, a Guarantor or a Restricted Subsidiary) to a Person that is not (either before or after giving effect to such transaction) the Parent, the Company, a Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Assets";
- (b) with respect to a Subsidiary Guarantor, in connection with any other sale or other disposition (including any transfer to a Permitted Joint Venture) of all or substantially all of the Capital Stock (or the shares of any holding company of such Subsidiary Guarantor (other than the Company or the Parent)) of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent, the Company, a Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Assets";
- (c) with respect to a Subsidiary Guarantor, if the Company designates such Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- (d) with respect to a Subsidiary Guarantor, upon covenant defeasance as provided below under the caption "—Defeasance or Covenant Defeasance of Indenture";
- (e) upon legal defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Defeasance or Covenant Defeasance of Indenture" and "—Satisfaction and Discharge";

- (f) so long as no Event of Default has occurred and is continuing and such Subsidiary Guarantor is unconditionally released and discharged from its liability with respect to Indebtedness in connection with which such guarantee was executed pursuant to the covenant described under the caption “—Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries”;
- (g) as described under “—Consolidation, Merger, Sale of Assets” and “—Modifications and Amendments”;
- (h) with respect to a Subsidiary Guarantor that is an Immaterial Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Subsidiary Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Secured Credit Facilities and Existing Senior Secured Notes and (ii) does not guarantee any other Credit Facilities or Public Debt; and
- (i) with respect to the Guarantees granted by INEOS Polymers Sarralbe SAS and INEOS Chemicals Lavéra SAS, upon the release of the guarantees by such Restricted Subsidiaries of the Existing Senior Secured Notes, the SFA Loans and the Existing High Yield Notes; *provided* that at the time of such release (A) no other Indebtedness of the Company or any other Restricted Subsidiary has been secured or guaranteed by such Restricted Subsidiary, as the case may be, or (B) the holders of all such other Indebtedness which is secured or guaranteed by such Restricted Subsidiary also release their security interest in or guarantee by such Restricted Subsidiary.

In addition, the Intercreditor Deed provides for the release of certain Guarantees upon an enforcement sale specified in the Intercreditor Deed. See “Description of Other Indebtedness—Intercreditor Deed.” The Indenture provides that any release of a Guarantee may be evidenced, at the Issuer’s option, by the delivery by the Issuer to the Trustee of an Officer’s Certificate of the Issuer, and the Trustee may acknowledge and confirm receipt of such Officer’s Certificate.

### **Security**

The obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees are secured by, subject to Permitted Collateral Liens, first-ranking Liens over the Collateral (other than the BP Shared Collateral which secure, subject to Permitted Collateral Liens, the Notes and the Guarantees on a second priority basis) as described in “Description of the Collateral and the Guarantees.”

Certain Liens securing the Notes created under German and French law were, as a matter of local law, granted as junior ranking Liens in relation to the Liens in respect of the Senior Secured Credit Facilities and the Existing Senior Secured Notes. Nevertheless, the Intercreditor Deed provides that as a contractual matter as among senior secured creditors, the Notes are secured on a *pari passu* basis with the Existing Senior Secured Notes and the Senior Secured Credit Facilities and will be treated as such for purposes of the application of proceeds from the enforcement of such Collateral.

The Collateral also secures the obligations under the Senior Secured Credit Facilities, the Existing Senior Secured Notes and the Hedging Liabilities on a *pari passu* basis and secures the obligations under the Term D Facility on a junior priority basis. The Liens on the Collateral securing the Senior Secured Credit Facilities, the Existing Senior Secured Notes, the Hedging Liabilities and the Term D Facility are already in place and will continue to remain in place. The Collateral is granted pursuant to the Security Documents and the Intercreditor Deed to the Security Trustee on behalf of the holders of the secured obligations that are secured by the Collateral, including the Notes. For a description of the Collateral and the Security Documents, see “Description of the Collateral and the Guarantees.” For a discussion of the ranking of the Collateral and the application of the proceeds thereof, see “Description of Other Indebtedness—Intercreditor Deed.”

The requirements for the granting of Liens under the Indenture, arising at any time on or after the Issue Date, will generally be subject to certain security principles described under “—Security Principles.” In addition, the Liens on the Collateral are subject to certain limitations and are at all times in all cases subject to the requirements of applicable law. Please see “Risk Factors—Risks Relating to the Notes and Our Capital Structure—Insolvency laws—Relevant insolvency laws in England and other jurisdictions may provide you with less protection than U.S. bankruptcy law,” “Risk Factors—Risks Relating to the Notes and Our Capital Structure—Guarantees and collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability” and “Risk Factors—Enforcement of French share pledges—Under the security interests governed by French law, you may be required to pay a “*soult*” in the event you decide to enforce the pledges of the shares by judicial or contractual foreclosure of the

Collateral consisting of shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie rather than by a sale of such Collateral in a public auction.”

Liens on certain of the Collateral described under “Description of the Collateral and the Guarantees—Summary of the Collateral and the Guarantees for the Notes” were granted to secure the Obligations under the Indenture, the Notes and the Guarantees on the Issue Date (such Collateral, the “**Initial Stage Collateral**”) and, to the extent not granted on the Issue Date, the Issuer and the Guarantors granted the other Collateral described under “Description of the Collateral and the Guarantees—Summary of the Collateral and the Guarantees for the Notes” (such other Collateral, the “**Second Stage Collateral**”) on March 1, 2012.

The Indenture provides that each of the Parent, the Company, the Issuer and the Subsidiary Guarantors shall take all necessary actions, and shall cause its respective Subsidiaries to take all necessary actions, so that the Second Stage Collateral shall be granted no later than the date that is 30 days after the Issue Date. The Second Stage Collateral was granted on March 1, 2012.

Each of the Parent, the Company, the Issuer and the Subsidiary Guarantors shall take such necessary actions and shall cause its respective Restricted Subsidiaries to take such necessary actions so that Liens over the Collateral in respect of the Notes are granted to the Security Trustee on behalf of, and for the benefit of, the holders of the Notes pursuant to the Security Documents as contemplated by the Indenture.

The Parent, the Company, the Issuer and each Subsidiary Guarantor shall, and shall procure that each of its respective Subsidiaries shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Trustee may reasonably require (i) for registering any Security Document relating to the Collateral in any required register and for perfecting or protecting the security intended to be afforded by such Security Document relating to the Collateral and (ii) if such Security Document has become enforceable in accordance with the terms of the Indenture, the relevant Security Document and the Intercreditor Deed, for facilitating the realization of all or any part of the assets which are subject to such Security Document and for facilitating the exercise of all powers, authorities and discretions vested in the Security Trustee or in any receiver of all or any part of the Collateral. The Parent, the Company, the Issuer and each Subsidiary Guarantor shall, and shall procure that each of its respective Subsidiaries shall, execute such transfers, conveyances, assignments and releases of that property whether to the Security Trustee or to its nominees and give such notices, orders and directions which the Security Trustee may reasonably request.

### ***Security Principles***

The Indenture provides that certain requirements for the granting of Liens are generally subject to the following security principles, which provide that no Lien is required to be created or perfected, as applicable, by any person if such Lien could reasonably be expected to give rise to or result in:

- (1) personal liability for the officers, directors or shareholders of such Person;
- (2) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company or its Restricted Subsidiary or such other Person; or

- (3) any significant cost, expense, liability or obligation (including with respect of any taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (2) above undertaken in connection with, such Lien, which cannot be avoided through measures reasonably available to the Company or its Restricted Subsidiaries or such other Person; *provided* that this clause (3) will not apply in respect of Liens to secure assets that also secure the Senior Facilities Agreement or in the case of Liens required to be created under covenant set forth under the heading “—Certain Covenants—Limitation on Liens”.

Each Lien will also be limited as necessary to recognize certain defenses generally available to grantors of Liens (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

### **Security Documents**

The Notes and the Guarantees are secured by, subject to Permitted Collateral Liens, first-ranking Liens over the Collateral (other than the BP Shared Collateral which secures the Notes and the Guarantees on a second priority basis). Certain of the Liens on the Initial Stage Collateral will be perfected after the Issue Date and certain of the Liens on the Second Stage Collateral will be perfected after March 1, 2012, in each case, in accordance with applicable law. The Collateral was granted pursuant to the Security Documents to the Security Trustee on behalf of the holders of the Notes that are secured by the Collateral.

Certain Liens securing the Notes created under German and French law were, as a matter of local law, granted as junior ranking Liens in relation to the Liens in respect of the Senior Secured Credit Facilities and the Existing Senior Secured Notes. Nevertheless, the Intercreditor Deed provides that as a contractual matter as among senior secured creditors, the Notes are secured on a *pari passu* basis with the Existing Senior Secured Notes and the Senior Secured Credit Facilities and will be treated as such for purposes of the application of proceeds from the enforcement of such Collateral.

In certain jurisdictions, due to the laws and other jurisprudence governing the creation and perfection of security interests in such jurisdictions, the Indenture and/or the Intercreditor Deed provides for the creation of “parallel debt” obligations in favor of the Security Trustee, and the security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Notes). The parallel debt construct has not been tested under law in certain of these jurisdictions. Please see “Risk Factors—Risks Relating to the Notes and Our Capital Structure—Decisions regarding Collateral—Holders of the notes will not control certain decisions regarding the Collateral.”

Subject to certain conditions, including compliance with the covenants described under “—Certain Covenants—Impairment of Security Interest” and “—Certain Covenants—Limitation on Liens,” the Issuer and the Guarantors are permitted to grant Liens on the Collateral in connection with certain future incurrences of Indebtedness, including any Additional Notes permitted under the Indenture, on terms consistent with the relative priority of such Indebtedness. In addition, the Indenture and the Intercreditor Deed also will permit the Company and its Restricted Subsidiaries to issue Indebtedness secured by liens on the Collateral, which liens may, under certain circumstances, rank ahead of the security interests on the Collateral. Please see “—Certain Covenants—Limitation on Liens” and “Certain Covenants—Impairment of Security Interest.”

Each holder of Notes, by accepting a Note, shall be deemed (i) to have authorized (a) the Trustee and the Security Trustee to enter into the Intercreditor Deed and (b) the Security Trustee to enter into the Security Documents, and (ii) in each case to have agreed to be bound thereby. Each holder of Notes, by accepting a Note, appoints the Security Trustee as its agent under the Security Documents and authorized it to act as such.

The Indenture provides that, subject to the terms thereof and of the Security Documents (including the terms described under “—Enforcement of Security” and “—Release of Security”), the Notes and the Indenture, as applicable, will be secured by the security interests in the Collateral until all obligations under the Notes and the Indenture have been discharged.

In the event that the Issuer, the Parent, the Company or any of its Subsidiaries enters into insolvency, bankruptcy or similar proceedings, the security interests created under the Security Documents could be subject to potential challenges. If any challenge to the validity of the security interests is successful, the holders of the Notes may not be able to recover any amounts under the Security Documents. Please see “Risk Factors—Risks Relating to the Notes and Our Capital Structure—Insolvency laws—Relevant insolvency laws in England and other jurisdictions may provide you with less protection than U.S. bankruptcy law,” “Risk Factors—Risks Relating to the Notes and Our Capital Structure—Guarantees and collateral limitations—The guarantees and pledges of Collateral will be subject to certain

limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability” and “Risk Factors—Enforcement of French share pledges—Under the security interests governed by French law, you may be required to pay a “*soulte*” in the event you decide to enforce the pledges of the shares by judicial or contractual foreclosure of the Collateral consisting of shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie rather than by a sale of such Collateral in a public auction.”

### ***Enforcement of Security***

The Security Documents generally will only become enforceable after the Security Trustee gives notice of an intention to enforce following the occurrence of an event of default under the Senior Facilities Agreement or the Existing Senior Secured Indenture, an Event of Default under the Indenture or an event of default (or similar event, however described) under other Senior Secured Indebtedness which is subject to the Intercreditor Deed. The Security Trustee will only be permitted to enforce the Security Documents in accordance with instructions permitted to be given under the Intercreditor Deed.

The Intercreditor Deed restricts the ability of the Trustee or the holders of the Notes to instruct the Security Trustee to take enforcement action, and the Security Trustee will act only at the direction of creditors with respect to the then outstanding Senior Secured Indebtedness, other than holders of the Notes, the Existing Senior Secured Notes, any additional notes issued under the Existing Senior Secured Notes Indenture and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed in the future, until the aggregate amount of committed or funded Senior Secured Indebtedness, other than debt under the Notes, the Existing Senior Secured Notes, any additional notes issued under the Existing Senior Secured Notes Indenture and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed in the future, is less than 30% of the aggregate principal amount of all committed or funded Senior Secured Indebtedness (including the Notes, the Existing Senior Secured Notes, any additional notes issued under the Existing Senior Secured Notes Indenture and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed). At any time after 30 days have elapsed since the aggregate amount of committed and funded Senior Secured Indebtedness (other than debt under the Notes, the Existing Senior Secured Notes, any additional notes issued under the Existing Senior Secured Notes Indenture and any other senior secured notes that are permitted to be issued under and that the trustees in respect thereof accede to the Intercreditor Deed) is less than 30% of the aggregate principal amount of all committed and funded Senior Secured Indebtedness, creditors holding a simple majority in aggregate principal amount of committed or funded debt under the Senior Secured Credit Facilities, the Notes, the Existing Senior Secured Notes, any additional notes issued under the Existing Senior Secured Notes Indenture and any other Senior Secured Indebtedness incurred in the future will be able to instruct the Security Trustee to enforce the security. For a description of security enforcement and other intercreditor provisions, please see “Description of Other Indebtedness—Intercreditor Deed.”

### ***Priority***

The relative priority among (a) the lenders under the Senior Secured Credit Facilities, (b) the trustee under and the holders of the Existing Senior Secured Notes, (c) the Hedge Counterparties to the extent that they are owed Hedging Liabilities, (d) the BP Creditors (in respect of the BP Shared Collateral) and (e) the Trustee and the holders of the Notes with respect to the Liens on the Collateral that are created by the Security Documents and secure obligations under the Notes or the Guarantees and the Indenture, will be established by the terms of the Intercreditor Deed and the Security Documents, which will provide that the obligations under the Senior Secured Credit Facilities, the Existing Senior Secured Notes, the Hedging Liabilities and the Notes are secured equally and ratably by, subject to Permitted Collateral Liens, a first priority interest in the Collateral (other than the BP Shared Collateral) and, subject to Permitted Collateral Liens, a second priority interest in the BP Shared Collateral. The lenders under the Term D Facility have, subject to Permitted Collateral Liens, a second priority interest in the Collateral (other than the BP Shared Collateral) and, subject to Permitted Collateral Liens, a third priority interest in the BP Shared Collateral.

Certain Liens securing the Notes created under German and French law were, as a matter of local law, granted as junior ranking Liens in relation to the Liens in respect of the Senior Secured Credit Facilities and the Existing Senior Secured Notes. Nevertheless, the Intercreditor Deed provides that as a contractual matter as among senior secured creditors, the Notes are secured on a *pari passu* basis with the Existing Senior Secured Notes and the Senior Secured Credit Facilities and will be treated as such for purposes of the application of proceeds from the enforcement of such Collateral.

The BP Creditor Liabilities are secured by a first priority interest in the BP Shared Collateral. The holders of Existing High Yield Notes have, subject to Permitted Collateral Liens, a third priority interest in the Existing High Yield Notes Shared Collateral.

## ***Release of Security***

The Liens on the Collateral will be automatically and unconditionally released without any action by the Trustee, the Security Trustee or the holders of the Notes:

- (a) in connection with any sale or other disposition of the property or assets to a Person that is not the Parent, the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under “—Certain Covenants—Limitation on Sale of Assets” or is otherwise permitted in accordance with the Indenture;
- (b) if such Collateral is an asset of a Guarantor (other than the Parent) or any of its Subsidiaries, in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not the Company or a Restricted Subsidiary that does not violate the requirements of the covenant set forth under “—Certain Covenants—Limitation on Sale of Assets;”
- (c) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the Security Documents or the Intercreditor Deed or any additional intercreditor agreement (which release shall be of the Liens on the property and assets, and Capital Stock, of such Guarantor);
- (d) if the Company designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture (which release shall be of the Liens on the property and assets, and Capital Stock, of such Subsidiary);
- (e) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—Defeasance or Covenant Defeasance of Indenture” and “—Satisfaction and Discharge;”
- (f) as described under “—Modifications and Amendments;”
- (g) in connection with an enforcement sale pursuant to or other sales contemplated and permitted by the Intercreditor Deed;
- (h) with respect to Liens on any Proceeds Loans, upon the payment in full or other discharge of the applicable Proceeds Loans;
- (i) to release and/or re-take any Lien on any Collateral to the extent otherwise permitted by the terms of the Indenture, the Security Documents or the Intercreditor Deed or any additional intercreditor agreement, including in connection with the Refinancing or the Senior Secured Notes and SFA Transfer; or
- (j) in the case of any Liens on the Collateral created under Security Documents in effect on the Issue Date or that are required to be created within 30 days following the Issue Date that are governed by French law and granted by INEOS Polymers Sarralbe SAS and INEOS Chemicals Lavéra SAS, simultaneously with the release of the Liens on such Collateral securing the Existing Senior Secured Notes and the SFA Loans to the extent such release would not violate the first paragraph of the covenant contained under the caption “—Certain Covenants—Limitation on Liens”.

Notwithstanding the above, the Issuer and each Guarantor that granted a Lien under a Security Document, may, without any release or consent by the Security Trustee or the Trustee, take any action in the ordinary course in respect of the Collateral not prohibited under the Security Documents, the Intercreditor Deed and this Indenture including, without limitation, selling, transferring or otherwise disposing of assets in the ordinary course of business. See “Risk Factors—Risks Relating to the Notes and Our Capital Structure—There are circumstances other than repayment or discharge of the notes under which the Collateral securing the notes and the guarantees and the Proceeds Loans will be released automatically and under which the guarantees will be released automatically, without your consent or the consent of the Trustee.”

The Indenture provides that any release of a Lien on Collateral may be evidenced, at the Issuer’s option, by the delivery by the Issuer to the Security Trustee and the Trustee of an Officer’s Certificate of the Issuer, and that the Trustee and the Security Trustee may acknowledge and confirm receipt of such Officer’s Certificate.

## **Other**

Subject to the terms of the Security Documents, and subject to certain exceptions required to ensure the security interests under the Security Documents are perfected, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral, to collect, invest and dispose of any income therefrom and to vote in relation to the pledged shares. The Issuer and the Guarantors may, among other things, without any release or consent by the Trustee or the Security Trustee, conduct ordinary course activities with respect to the Collateral, including, without limitation but subject to the covenant contained under the caption “—Certain Covenants—Asset Sales”, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property and assets subject to Liens under the Security Documents which has become worn out, defective or obsolete or no longer used or useful in the business, and (ii) selling, transferring or otherwise disposing of assets in the ordinary course of business.

No appraisal of any of the Collateral has been prepared by or on behalf of the Issuer, the Parent or the Company in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after sharing with other creditors entitled to share in such proceeds would be sufficient to satisfy the obligations owed to the holders of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral will be able to be sold in a short period of time, if at all. In addition, the Intercreditor Deed places limitations on the ability of the Security Trustee to cause the sale of the Collateral, by reference to the interests of certain creditors, including lenders under the Senior Facilities Agreement, the holders of the Notes, the holders of the Existing Senior Secured Notes and the holders of the Existing High Yield Notes. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation.

The Indenture provides that each holder, by accepting a Note, shall be deemed to have authorized the execution and delivery of, and to have agreed to and accepted the terms and conditions of, the Security Documents and the Intercreditor Deed.

### **The Notes Proceeds Loans**

Upon the issuance of the Notes, the Issuer, as lender, and IHL, as borrower, entered into proceeds loans under a proceeds loan agreement (the “**Notes Proceeds Loans Agreement**”) pursuant to which the Issuer loaned to IHL the proceeds from the issuance of the Notes.

The Notes Proceeds Loans are denominated in dollars and euro in aggregate principal amounts equal to the aggregate principal amounts of the Dollar Fixed Rate Notes and the Euro Floating Rate Notes, respectively. The Notes Proceeds Loans bear interest at a rate at least equal to the interest rates of the Dollar Fixed Rate Notes and the Euro Floating Rate Notes, as applicable. Interest on the Notes Proceeds Loans relating to the Dollar Fixed Rate Notes will be payable semi-annually in arrears on or prior to each February 15 and August 15, commencing on or prior to August 15, 2012, whereas interest on the Notes Proceeds Loans relating to the Euro Floating Rate Notes will be payable quarterly in arrears on or prior to each February 15, May 15, August 15 and November 15, commencing on or prior to May 15, 2012.

The Notes Proceeds Loans Agreement provides that IHL will pay the Issuer interest and principal due and payable on the Notes and any Additional Amounts due thereunder. All amounts payable under the Notes Proceeds Loans will be payable to such account or accounts with such Person or Persons as the Issuer may designate. The maturity date of the Notes Proceeds Loans will be the same as the maturity date of the Notes. The obligations of IHL in respect of the Notes Proceeds Loans rank senior to the obligations of IHL in respect of its guarantee of the Existing High Yield Notes, in accordance with the Intercreditor Deed, and *pari passu* with the obligations of IHL in respect of the Senior Facilities Agreement and in respect of its guarantee of the Existing Senior Secured Notes. Except as otherwise required by law, all payments under the Notes Proceeds Loans Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that IHL is required to make any such deduction or withholding, it shall gross-up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Notes Proceeds Loans provide that IHL will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes.

The Notes Proceeds Loans were assigned by way of security to the Security Trustee for the benefit of holders of the Notes, the Existing Senior Secured Notes and the creditors under the Senior Secured Credit Facilities as described in “Description of the Collateral and the Guarantees.”



## Principal, Maturity and Interest

The Dollar Fixed Rate Notes were issued in the aggregate principal amount of \$1,000 million and will mature, at par, on February 15, 2019, unless redeemed prior thereto as described herein. The Euro Floating Rate Notes were issued in the aggregate principal amount of €500 million and will mature, at par, on February 15, 2019, unless redeemed prior thereto as described herein. The Indenture allows additional Notes to be issued from time to time (the “**Additional Notes**”), subject to certain limitations described under “—Certain Covenants—Limitation on Indebtedness.” The word “Additional” (e.g., “Additional Dollar Fixed Rate Notes” or “Additional Euro Floating Rate Notes”), when used in reference to any series of Dollar Fixed Rate Notes or Euro Floating Rate Notes, shall mean Additional Notes of such series. The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes of the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture. Each of the Dollar Fixed Rate Notes and Euro Floating Rate Notes will constitute a separate series of Notes, but shall be treated as a single class for all purposes under the Indenture, including in respect of any amendment, waiver or other modification of the Indenture or any other action by the holders of the Notes hereunder, except as otherwise provided in the Indenture.

Each Dollar Fixed Rate Note will bear interest at  $8\frac{3}{8}\%$  from and including February 10, 2012, or from and including the most recent interest payment date to which interest has been paid, payable semi-annually in arrears on February 15 and August 15 in each year, commencing on August 15, 2012. The Issuer will make each interest payment to the holders of record of the Dollar Fixed Rate Notes on the immediately preceding February 1 and August 1. Interest on the Dollar Fixed Rate Notes will accrue from the date of original issuance or, if interest has already been paid, from the interest payment date it was most recently paid. Interest on the Dollar Fixed Rate Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on overdue principal and, to the extent permitted by law, on overdue installments of interest will accrue at the rate of interest borne by the Dollar Fixed Rate Notes.

Each Euro Floating Rate Note will bear interest at a rate per annum, reset quarterly, equal to the sum of (a) the greater of (i) three-month EURIBOR and (ii) 1.25% per annum plus (b) 6.0%, as determined by the calculation agent (the “**Calculation Agent**”), which shall initially be The Bank of New York Mellon, acting through its London Branch. Interest on the Euro Floating Rate Notes will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 in each year, commencing on May 15, 2012. The Issuer will make each interest payment to the holders of record of the Euro Floating Rate Notes on the immediately preceding February 1, May 1, August 1 and November 1. Interest on the Euro Floating Rate Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest on the Euro Floating Rate Notes shall be computed on the basis of a 360-day year and the actual number of days elapsed. Interest on overdue principal and, to the extent permitted by law, on overdue installments of interest will accrue at the rate of interest borne by the Euro Floating Rate Notes.

“**Determination Date**”, with respect to any Interest Period, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

“**EURIBOR**”, with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euros for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Telerate Page 248 as of 11:00 a.m., Brussels time, on the Determination Date. If Telerate Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the euro-zone inter-bank market, as selected by the Calculation Agent, to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the euro-zone interbank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank’s rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euros to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

“**euro-zone**” means the region comprised of member states of the European Union that at the relevant time have adopted the euro.

“**Interest Period**” means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period will commence on and include the Issue Date and end on and include May 15, 2012.

**“Representative Amount”** means the greater of (a) €1,000,000 and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

**“TARGET Settlement Day”** means any day on which the Trans-European Automated Real-Time Gross settlement Express Transfer (TARGET) system is open.

**“Telerate Page 248”** means the display page so designated on Bridge’s Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

The Calculation Agent, as soon as practicable after 11:00 am (Brussels time) on each Determination Date, shall calculate the aggregate amount of interest payable on the Euro Floating Rate Notes for the following Interest Period. The amount of interest for each day that the Euro Floating Rate Notes are outstanding (the **“Daily Interest Amount”**) will be calculated by dividing the interest rate in effect for such day by 360 and multiplying the result by the principal amount of the Euro Floating Rate Notes. The amount of interest to be paid on the Euro Floating Rate Notes for each Interest Period will be calculated by adding the Daily Interest Amounts for each day in the Interest Period.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g. 4.876545% being rounded to 4.87655% (or .0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards).

The interest rate on the Euro Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

The Calculation Agent will, upon the request of the holder of any Euro Floating Rate Note, provide the interest rate then in effect with respect to the Euro Floating Rate Notes.

The rights of holders of beneficial interests in the Euro Floating Rate Notes to receive the payments of interest on the Euro Floating Rate Notes are subject to applicable procedures of the book-entry depositary and Euroclear, Clearstream and DTC, as applicable.

Principal of, premium, if any, any Additional Amounts (as defined below) and interest on the Notes will be payable, and the Notes will be exchangeable and transferable, at the office or agency of the Issuer in London maintained for such purposes (which initially will be the corporate trust office of the Trustee) and, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange’s Euro MTF Market, at the offices of the paying agent in Luxembourg. Principal, interest and premium, if any, on the global notes (as described below) will be payable at the specified office or agency of one or more paying agents; *provided* that all such payments with respect to Notes represented by one or more global notes registered in the name of or held by a nominee of Euroclear, Clearstream and/or DTC, as applicable, will be made by wire transfer of immediately available funds to the account specified by the holder or holders thereof.

The Dollar Fixed Rate Notes will initially be represented by one or more global notes and will be issued in fully registered form without coupons attached and in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The Euro Floating Rate Notes will initially be represented by one or more global notes and will be issued in fully registered form without coupons attached and in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The global notes will be deposited with a common depositary for Euroclear and Clearstream, or its nominee, or with a custodian for DTC, as applicable. Ownership of interests in the global notes, referred to as “book-entry interests,” will be limited to Persons that have accounts with Euroclear, Clearstream or DTC, as applicable, or Persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear, Clearstream or DTC, as applicable, and their participants. Please see “Book-Entry, Delivery and Form.”

Settlement for the Notes will be made in same day funds. All payments of principal, any Additional Amounts and interest will be made by the Issuer in same day funds.

When issued, the Notes were a new issue of securities with no established trading market. No assurance can be given as to the liquidity of the trading market for the Notes. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange’s Euro MTF Market.

## Optional Redemption

### *Dollar Fixed Rate Notes*

The Dollar Fixed Rate Notes are subject to redemption at any time prior to February 15, 2015 at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium and accrued and unpaid interest and Additional Amounts (if any) to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Dollar Fixed Rate Notes are subject to redemption at any time on or after February 15, 2015, at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' prior notice at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning February 15 of the year indicated below:

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

together with any Additional Amounts and accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

In addition, at any time on or prior to February 15, 2015, the Issuer or any Parent Holdco, at its option, may use the net cash proceeds of one or more Public Equity Offerings to redeem Dollar Fixed Rate Notes and Additional Dollar Fixed Rate Notes in an amount up to an aggregate of 35% of the sum of the initial aggregate principal amount of the Dollar Fixed Rate Notes originally issued under the Indenture and the initial aggregate principal amounts of any Additional Dollar Fixed Rate Notes issued under the Indenture after the Issue Date at a redemption price equal to 108.375% of the aggregate principal amount of the Dollar Fixed Rate Notes, in each case plus any Additional Amounts and accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date); *provided* that Dollar Fixed Rate Notes and Additional Dollar Fixed Rate Notes in an amount equal to at least 65% of the sum of the initial aggregate principal amount of Dollar Fixed Rate Notes originally issued under the Indenture and the initial aggregate principal amount of any Additional Dollar Fixed Rate Notes issued under the Indenture after the Issue Date remains outstanding immediately after the occurrence of such redemption. In order to effect the foregoing redemption, the Issuer must mail a notice of redemption no later than 60 days after the closing of the related sale and must consummate such redemption within 90 days of the closing of the sale.

### *Euro Floating Rate Notes*

The Euro Floating Rate Notes are subject to redemption at any time prior to February 15, 2015 at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium and accrued and unpaid interest and Additional Amounts (if any) to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Euro Floating Rate Notes are subject to redemption at any time on or after February 15, 2015 at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' prior notice at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning February 15 of the year indicated below:

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

together with any Additional Amounts and accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

### ***Selection and Notice of Optional Redemption***

If less than all of the Notes are to be redeemed at any time, the Trustee shall select the Notes for redemption on a *pro rata* basis or by lot (or, in the case of Notes issued in global form as discussed under “Book-Entry, Delivery and Form,” based on a method that most nearly approximates a *pro rata* or by lot selection as the Trustee deems fair and appropriate) unless otherwise required by applicable law or applicable stock exchange or depositary requirements. The Trustee shall not be liable for any selection made by it under this paragraph.

No Dollar Fixed Rate Notes shall be redeemed in part if the resulting Dollar Fixed Rate Note would have a minimum denomination that is less than \$200,000. No Euro Floating Rate Notes shall be redeemed in part if the resulting Euro Floating Rate Note would have a minimum denomination that is less than €100,000. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture, in each case in accordance with the provisions of the Indenture.

A notice of redemption shall state: the redemption date and record date; the redemption price and the amount of accrued and unpaid interest, if any, and Additional Amounts, if any, to be paid; the paragraph of the Dollar Fixed Rate Notes or Euro Floating Rate Notes pursuant to which such Notes are being redeemed; the name and address of the paying agent; that Dollar Fixed Rate Notes or Euro Floating Rate Notes called for redemption must be surrendered to the paying agent to collect the redemption price, plus accrued and unpaid interest, if any, and Additional Amounts, if any, that unless the Issuer defaults in making the redemption payment, interest, if any, and Additional Amounts, if any, on Dollar Fixed Rate Notes or Euro Floating Rate Notes called for redemption shall cease to accrue on and after the redemption date; if any Dollar Fixed Rate Note or Euro Floating Rate Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed, and that the only remaining right of the holders of such Dollar Fixed Rate Notes or Euro Floating Rate Notes is to receive payment of the redemption price upon surrender to the paying agent of such Notes; that, if less than all the Dollar Fixed Rate Notes or Euro Floating Rate Notes are to be redeemed, the identification of the particular Notes and the principal amount (or portion thereof) of such Dollar Fixed Rate Notes or Euro Floating Rate Notes to be redeemed and the aggregate principal amount of Dollar Fixed Rate Notes or Euro Floating Rate Notes to be outstanding after such partial redemption; whether the redemption is conditioned on any events and, if so, a detailed explanation of such conditions; and that no representation is made as to the correctness or accuracy of the CUSIP, ISIN or Common Code numbers, if any, listed in such notice or printed on the Dollar Fixed Rate Notes or Euro Floating Rate Notes is made. Subject to the satisfaction of any conditions precedent set forth in a notice of redemption, Dollar Fixed Rate Notes or Euro Floating Rate Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Dollar Fixed Rate Notes or Euro Floating Rate Notes or portions of them called for redemption.

So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange’s Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will inform the Luxembourg Stock Exchange of any such redemption and will publish a notice regarding such redemption in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange’s official website, [www.bourse.lu](http://www.bourse.lu).

### **Redemption upon Changes in Withholding Taxes**

If, as a result of:

- (a) any amendment to, or change in, the laws (or regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined below under “—Payment of Additional Amounts”); or
- (b) any change in the official application or the official interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) (each of the foregoing in clauses (a) and (b), a “**Change in Tax Law**”),

the Issuer, any Guarantor or Surviving Entity (as defined below under “—Consolidation, Merger, Sale of Assets”) would be obligated to pay, on the next date for any payment, Additional Amounts, as described below under “—Certain Covenants—Payment of Additional Amounts,” which the Issuer, such Guarantor or such Surviving Entity cannot avoid by the use of reasonable measures available to it (including, without limitation, making payment through a paying agent located in another jurisdiction), then the Issuer or the Surviving Entity, as the case may be, may redeem, at their option, all, but not less than all, of the Notes at any time on or after the Issue Date and following such amendment or change, upon not less than 30 nor more than 60 days’ notice, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In the case of the United Kingdom or any other jurisdiction that is a Relevant Taxing Jurisdiction on the Issue Date, the applicable Change in Tax Law must become effective on or

after the date of this offering memorandum. In the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction after the Issue Date, the applicable Change in Tax Law must become effective after the date that such jurisdiction becomes a Relevant Taxing Jurisdiction.

Prior to the giving of any notice of redemption described in this paragraph, the Issuer or the Surviving Entity, as the case may be, will deliver to the Trustee:

- (i) an Officer's Certificate of the Issuer, or the Surviving Entity, as the case may be, stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer, such Guarantor or such Surviving Entity taking reasonable measures available to it; and
- (ii) a written opinion of independent legal counsel of recognized standing addressed to the Issuer or the Surviving Entity, as the case may be, to the effect that the Issuer, such Guarantor or such Surviving Entity has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law described above.

The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions to a redemption upon a Change in Tax Law, including any changes in withholding taxes, in which event it will be conclusive and binding on the holders of the Notes.

Notwithstanding the foregoing, no such notice will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or the relevant Surviving Entity or Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

#### **Payment of Additional Amounts**

All payments by or on behalf of the Issuer, any Guarantor or any Surviving Entity under or with respect to the Notes, or any Guarantor with respect to any Guarantee, will be made free and clear of, and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, "**Taxes**") imposed or levied by or on behalf of any jurisdiction in which the Issuer, any Guarantor or, if applicable, any Surviving Entity, is incorporated, organized or otherwise resident for tax purposes or from or through which any payment is made on the Notes or by any taxing authority therein or political subdivision thereof (each, as applicable, a "**Relevant Taxing Jurisdiction**"), unless required by law or by the official interpretation or administration of law. If any amount for, or on account of, Taxes of a Relevant Taxing Jurisdiction is required to be withheld or deducted from any payment made under or with respect to the Notes or any Guarantee, the Issuer, such Guarantor or such Surviving Entity, as the case may be, will pay such additional amounts ("**Additional Amounts**") as may be necessary to ensure that the net amount received by each holder of the Notes after such withholding or deduction will be not less than the amount the holder would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer, any Guarantor nor any Surviving Entity will, however, be required to pay Additional Amounts to a holder or a beneficial owner of Notes in respect of or on account of:

- (a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction, including, without limitation, the holder or beneficial owner being, or having been, a citizen, national, or resident, being, or having been, engaged in a trade or business, being, or having been, physically present in or having or having had a permanent establishment in a Relevant Taxing Jurisdiction (but not including, in each case, any connection arising from the mere receipt or holding of Notes or the receipt of payments thereunder or under a Guarantee or the exercise or enforcement of rights under any Notes or the Indenture or a Guarantee);
- (b) any Taxes that are imposed or levied by reason of the failure of the holder or beneficial owner of Notes, following the written request of the Issuer, any Guarantor or any Surviving Entity (as the case may be) made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request and in accordance with the notice procedures set forth in the Indenture, to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

- (c) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;
- (d) any Tax that is payable otherwise than by withholding or deduction from payments made under or with respect to the Notes;
- (e) any Tax that is imposed or levied by reason of the presentation (where presentation is required in order to receive payment) of such Notes for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the beneficial owner or holder thereof would have been entitled to Additional Amounts had the Notes been presented for payment on any date during such 30 day period;
- (f) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (g) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed or levied on a payment pursuant to the Law of June 21st, 2005 which has transposed the provisions of the European Council Directive 2003/48/EC into the Luxembourg legislation;
- (h) any Tax that is imposed or levied on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the Notes to another paying agent in a Member State of the European Union; or
- (i) any combination of items (a) through (h) above.

Additional Amounts will not be paid with respect to the Notes to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of the payment under or with respect to the Notes, to the extent that payment would be required by the laws of a Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the holder of the Notes.

The Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer, any Guarantor or a Surviving Entity will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer, the relevant Guarantor or the relevant Surviving Entity (as the case may be) will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders on the payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary. The Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will promptly publish a notice in accordance with the notice provisions set forth in the Indenture stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

Upon written request, the Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will furnish to the Trustee or to a holder of the Notes copies of tax receipts evidencing the payment of any Taxes by the Issuer, such Guarantor or such Surviving Entity in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Issuer, such Guarantor or such Surviving Entity. If, notwithstanding the efforts of the Issuer, such Guarantor or such Surviving Entity to obtain such receipts, the same are not obtainable, the Issuer, such Guarantor or such Surviving Entity will provide the Trustee or such holder with other evidence reasonably satisfactory to the Trustee or the holder.

In addition, the Issuer, any Guarantor and any Surviving Entity, as the case may be, will pay any present or future stamp, issue, registration, court, documentation, excise or property taxes or other similar taxes, charges and duties, including interest and penalties with respect thereto, imposed by or in any Relevant Taxing Jurisdiction in respect of the

execution, issue, enforcement or delivery of the Notes or any other document or instrument referred to thereunder (other than on or in connection with (i) a transfer of the Notes other than the initial resale by the Initial Purchasers or (ii) the issue of replacement Notes or certificated Notes pursuant to the Indenture).

Whenever the Indenture, the Notes or this “Description of the Notes” refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note or with respect to any Guarantee, such reference includes the payment of Additional Amounts, if applicable.

### **Currency Indemnity**

The dollar is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under the Dollar Fixed Rate Notes and any Guarantee of the Dollar Fixed Rate Notes. Any amount received or recovered in currency other than dollars in respect of the Dollar Fixed Rate Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Parent, the Issuer, any Subsidiary of the Parent or otherwise) by the Trustee or holder in respect of any sum expressed to be due to it from the Issuer or any Guarantor of the Dollar Fixed Rate Notes shall constitute a discharge of the Issuer or any Guarantor of the Dollar Fixed Rate Notes only to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any Dollar Fixed Rate Note, the Issuer and each Guarantor of the Dollar Fixed Rate Notes, jointly and severally, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this indemnity, it will be sufficient for the holder to certify (indicating the sources of information used) that it would have suffered a loss had the actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been possible, on the first date on which it would have been possible).

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under the Euro Floating Rate Notes and any Guarantee of the Euro Floating Rate Notes. Any amount received or recovered in currency other than euro in respect of the Euro Floating Rate Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Parent, the Issuer, any Subsidiary of the Parent or otherwise) by the Trustee or holder in respect of any sum expressed to be due to it from the Issuer or any Guarantor of the Euro Floating Rate Notes shall constitute a discharge of the Issuer or any Guarantor of the Euro Floating Rate Notes only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Euro Floating Rate Note, the Issuer and each Guarantor of the Euro Floating Rate Notes, jointly and severally, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this indemnity, it will be sufficient for the holder to certify (indicating the sources of information used) that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been possible, on the first date on which it would have been possible).

Each of the above indemnities will, to the extent permitted by law:

- constitute a separate and independent obligation from the other obligations of the Issuer and any Guarantor;
- give rise to a separate and independent cause of action;
- apply irrespective of any waiver granted by any holder; and
- continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

### **Sinking Fund**

The Notes will not be entitled to the benefit of any sinking fund.

### **Open Market Purchases**

The Parent, the Company and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

## Purchase of Notes upon a Change of Control

If a Change of Control shall occur at any time, then each holder of Notes shall have the right to require that the Issuer purchase such holder's Notes in whole or in part (equal to €100,000 or \$200,000, as the case may be, or an integral multiple of €1,000 or \$1,000, as the case may be, in excess thereof), at a purchase price (the "**Change of Control Purchase Price**") in cash in an amount equal to 101% of the principal amount of such Notes, plus any Additional Amounts and accrued and unpaid interest, if any, to, but not including, the date of purchase (the "**Change of Control Purchase Date**") (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date), pursuant to the offer described below (the "**Change of Control Offer**") and in accordance with the other procedures set forth in the Indenture; *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this heading "—Purchase of Notes upon a Change of Control" in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "—Optional Redemption." No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below €100,000, in the case of Euro Floating Rate Notes, or \$200,000, in the case of Dollar Fixed Rate Notes.

Within 30 days of any Change of Control, the Issuer shall notify the Trustee in writing thereof and give written notice of such Change of Control to each holder of Notes by first class mail, postage prepaid, at the address appearing in the security register, stating, among other things:

- that a Change of Control has occurred and the date of such event;
- the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);
- the purchase price and the purchase date which shall be fixed by the Issuer on a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the U.S. Exchange Act;
- that any Note not tendered will continue to accrue interest and unless the Issuer defaults in payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and
- any other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency) and, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, in Luxembourg (which is expected to be the Luxemburger Wort) or on the Luxembourg Stock Exchange's official website, [www.bourse.lu](http://www.bourse.lu), the notice described above.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would constitute a mandatory prepayment event and/or an event of default under the Senior Facilities Agreement. In addition, certain events that may constitute a change of control under the Senior Facilities Agreement may not constitute a Change of Control under the Indenture. The future Indebtedness of the Issuer, the Parent and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer and the Company. Finally, the ability of the Issuer to pay cash to the holders of the Notes upon a repurchase may be limited by its and the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a holder's right to require the Issuer to repurchase such holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer, the Parent or its Subsidiaries in a transaction that would constitute a Change of Control.



The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The relevant paying agents will promptly mail to each holder of Notes properly tendered the Change of Control Purchase Price for such Notes and the Trustee will, in respect of the global notes, make such notations thereon as are necessary to reflect the Notes (or interest therein) purchased in such Change of Control Offer and, in respect of certificated notes, cause to be authenticated and mailed to each holder a new note or notes equal in principal amount to any unpurchased portion of Notes surrendered, if any; *provided* that each such new note will be in a principal amount of €100,000 or \$200,000, as applicable, or an integral multiple of €1,000 or \$1,000, as applicable, in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on, or as soon as practicable after, the Change of Control Purchase Date.

The definition of “Change of Control” includes a disposition of “all or substantially all” of the assets of the Company. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Company. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer must make an offer to repurchase the Notes as described above.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the U.S. Exchange Act, and any other applicable securities laws or regulations (including those of the United States and the United Kingdom) in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), the Issuer will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

#### **Certain Covenants**

The Indenture contains, among others, the following covenants:

##### ***Limitation on Indebtedness***

- (a) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, create, issue, incur, assume, guarantee or otherwise in any manner become directly or indirectly liable for the payment of or otherwise incur, contingently or otherwise (collectively, “**incur**”), any Indebtedness (including any Acquired Indebtedness); *provided, however*, that if, on the date of such incurrence and after giving effect thereto on a *pro forma* basis (including giving *pro forma* effect to the use of the proceeds thereof, including, in the case of any Escrow Indebtedness, upon the release of such Indebtedness from escrow) no Default or Event of Default has occurred or is continuing, the Company and the Restricted Subsidiaries may incur Indebtedness if the Parent’s Consolidated Fixed Charge Coverage Ratio for the most recent four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Indebtedness taken as one period is at least equal to or greater than 2.00 to 1.00.
- (b) Notwithstanding the foregoing, the Company and, to the extent specifically set forth below, the Restricted Subsidiaries may incur each and all of the following in each case only if, on the date of such incurrence and after giving effect thereto on a *pro forma* basis (including giving *pro forma* effect to the use of the proceeds thereof, including, in the case of any Escrow Indebtedness, upon the release of such Indebtedness from escrow), no Default or Event of Default has occurred or is continuing (collectively, the “**Permitted Indebtedness**”):
  - (1) Indebtedness of the Company and its Restricted Subsidiaries under Credit Facilities in an amount not in excess of €3.0 billion *less* any permanent repayments of such Indebtedness with the proceeds of Asset Sales made in accordance with the provisions of “—Limitation on Sale of Assets;”
  - (2) Indebtedness of the Company and its Restricted Subsidiaries under the Term D Facility;

- (3) Indebtedness of the Issuer pursuant to the Notes (other than Additional Notes) and Indebtedness of the Guarantors pursuant to the Guarantees of the Notes (other than Additional Notes);
- (4) Indebtedness of the Company, the Issuer and the Guarantors pursuant to the Existing Senior Secured Notes;
- (5) Indebtedness of the Company, the Issuer and the Guarantors pursuant to guarantees of the Existing High Yield Notes;
- (6) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Issue Date after giving *pro forma* effect to the use of the proceeds of the offering of the Notes and not otherwise referred to in this definition of “Permitted Indebtedness;”
- (7) Indebtedness of the Issuer owing to the Company or a Restricted Subsidiary (other than the Issuer); *provided* that any Indebtedness of the Issuer owing to a Restricted Subsidiary that is not a Guarantor is unsecured and is subordinated in right of payment to the payment and performance of the Issuer’s obligations under the Notes; *provided, however*, that any disposition or transfer of any such Indebtedness to a Person (other than a disposition or transfer to the Company or a Restricted Subsidiary) shall be deemed to be an incurrence of such Indebtedness by the Issuer or other obligor not permitted by this clause (7);
- (8) Indebtedness of the Company or a Restricted Subsidiary (other than the Issuer) owing to the Company or a Restricted Subsidiary; *provided* that any Indebtedness of a Guarantor owing to a Restricted Subsidiary that is not a Guarantor or the Issuer is unsecured and subordinated in right of payment to the payment and performance of the Guarantor’s obligations under the Guarantee; *provided, however*, that any disposition or transfer of any such Indebtedness to a Person (other than a disposition or transfer to the Company or a Restricted Subsidiary) shall be deemed to be an incurrence of such Indebtedness by the obligor not permitted by this clause (8);
- (9) guarantees by any Restricted Subsidiary of Indebtedness of the Company or any other Restricted Subsidiary made in accordance with the provisions of “—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries” and guarantees of Additional Notes by the Guarantors; *provided* that the Indebtedness represented by the Additional Notes is incurred in accordance with the Indenture and provided that if the Indebtedness being guaranteed is subordinated in right of payment to any Guarantee, then such guarantee will be subordinated to the Notes or the Guarantee, as applicable, substantially to the same extent as the relevant Indebtedness guaranteed;
- (10) guarantees by the Company or any Restricted Subsidiary of Indebtedness made in accordance with the Indenture so long as the incurrence of such Indebtedness by the Company or such Restricted Subsidiary is otherwise permitted by the Indenture; *provided* that if the Indebtedness being guaranteed is subordinated in right of payment to any Guarantee, then such guarantee will be subordinated to the Notes or the Guarantee, as applicable, substantially to the same extent as the relevant Indebtedness guaranteed;
- (11) obligations of the Company or any Restricted Subsidiaries:
  - (A) pursuant to Interest Rate Agreements,
  - (B) under any Currency Hedging Agreements relating to (i) Indebtedness of the Company or any Restricted Subsidiary and/or (ii) obligations to purchase or sell assets or properties, or
  - (C) under any Commodity Price Protection Agreements,

in each case, entered into for bona fide business purposes in the ordinary course of business (including any commodity trading or commodity risk management business) and not for speculative purposes, as determined in good faith by the Board of Directors or senior management of the Company (or, in the case of Hedging Obligations of IHL or any of its Restricted Subsidiaries, IHL or the Company);

- (12) Indebtedness of the Company or any Restricted Subsidiary incurred after the Issue Date represented by Capital Lease Obligations or Purchase Money Obligations or other Indebtedness incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets, in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of construction or improvement of property used in the business of the Company and its Restricted Subsidiaries in an aggregate principal amount pursuant to this clause (12) not to exceed €200.0 million outstanding at any time; *provided* that the principal amount of any Indebtedness permitted under this clause (12) did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;
- (13) Indebtedness of the Company or any Restricted Subsidiary represented by Permitted Refinancing Indebtedness with respect to Indebtedness that was permitted to be incurred under paragraph (a) of this covenant or clauses (2), (3), (4), (5), (6), (13) or (18) of this paragraph (b);
- (14) Indebtedness of the Company and its Restricted Subsidiaries in respect of (A) letters of credit issued in the ordinary course of business of such Person with respect to trade payables relating to purchase of materials by such Person, (B) other letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (C) any customary cash management, cash pooling or netting or setting off arrangements; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;
- (15) Indebtedness of the Company and its Restricted Subsidiaries owed to their employees in connection with loan stock issued under employee stock purchase plans so long as the aggregate principal amount of all such Indebtedness shall not exceed €10.0 million outstanding at any one time in the aggregate;
- (16) Indebtedness of the Company and its Restricted Subsidiaries in connection with any Permitted Receivables Financing;
- (17) Indebtedness represented by guarantees of any Management Advances;
- (18) Acquired Indebtedness; *provided, however*, with respect to this clause (18), that at the time of the acquisition or other transaction pursuant to which such Acquired Indebtedness was deemed to be incurred (A) the Company would have been able to incur €1.00 of additional Indebtedness pursuant to paragraph (a) of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (18) or (b) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction;
- (19) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than guarantees of Indebtedness incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);
- (20) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business;

*provided, however*, that such Indebtedness is extinguished within five Business Days of incurrence;

- (21) Indebtedness of the Company and its Restricted Subsidiaries in respect of Permitted Joint Ventures to the extent permitted under the definition thereof;
  - (22) any guarantee given by the Company and its Restricted Subsidiaries under and in accordance with the Credit Support Documents or Clause 3.2(c) of the Intercreditor Deed or similar provisions of any additional intercreditor agreement;
  - (23) Indebtedness of the Company and its Restricted Subsidiaries under the Proceeds Loans Documents; and
  - (24) Indebtedness of the Company and its Restricted Subsidiaries in addition to that described in clauses (1) through (23) above, and any renewals, extensions, substitutions, refinancings or replacements of such Indebtedness, so long as the aggregate principal amount of all such Indebtedness shall not exceed €350.0 million outstanding at any one time in the aggregate.
- (c) For purposes of determining compliance with this “—Limitation on Indebtedness” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (24) above, or is entitled to be incurred pursuant to paragraph (a) of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence and, except with respect to the Senior Secured Credit Facilities outstanding on the Issue Date after giving *pro forma* effect to the use of the proceeds from the issuance and sale of the Notes under clause (b)(1) of this covenant, reclassify such item of Indebtedness, in each case at any time and in any manner that complies with this covenant. Notwithstanding the foregoing, Indebtedness under the Senior Secured Credit Facilities outstanding on the Issue Date after giving *pro forma* effect to the use of the proceeds from the issuance and sale of the Notes shall be deemed to have been incurred pursuant to clause (b)(1) of this covenant.
- (d) For purposes of determining any particular amount of Indebtedness under this “—Limitation on Indebtedness” covenant and compliance with this “—Limitation on Indebtedness” covenant, (i) guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of any such particular amount will not be included and (ii) in the case of any new Indebtedness of the Company and its Restricted Subsidiaries the net proceeds of which are to be applied to prepay, repay, redeem or repurchase existing Indebtedness of the Company and its Restricted Subsidiaries, the determination of any such particular amount and such compliance will be made on a *pro forma* basis giving effect to the application of the proceeds of such new Indebtedness as if such application occurred on the date of incurrence thereof.
- (e) For purposes of determining compliance with this “—Limitation on Indebtedness” covenant and, in the case of clause (iii) below, only for purposes of calculating the Parent’s Consolidated Fixed Charge Coverage Ratio and Consolidated Senior Secured Leverage Ratio, (i) the principal amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in conformity with IFRS; (ii) the accrual of interest, the accrual of dividends, the accretion of accreted value and the payment of interest in the form of additional shares of Preferred Stock will not be deemed to be an incurrence of Indebtedness for purposes of this “—Limitation on Indebtedness” covenant; and (iii) any Escrow Indebtedness incurred under the Indenture shall be deemed to be incurred on the date of the original issuance thereof (and, for the avoidance of doubt, not on the date of the release of such Indebtedness from escrow or the date on which the obligor in respect of such Indebtedness becomes a Restricted Subsidiary or transfers its assets to, or merges or consolidates with, the Company or any Restricted Subsidiary); *provided* that, for the avoidance of doubt, any Escrow Indebtedness that is redeemed pursuant to a special mandatory redemption or the proceeds of which are not released to the Company or any Restricted Subsidiary for any other reason shall not be deemed to have been incurred by the Company or any Restricted Subsidiary on the date of original issuance thereof.
- (f) For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness where Indebtedness is denominated in a different currency, the amount of such Indebtedness will be the Euro Equivalent determined on the date of such determination; *provided, however*, that if any such Indebtedness that is denominated in a different currency is subject to a Currency Hedging Agreement (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account

the effect of such agreement. The principal amount of any Permitted Refinancing Indebtedness incurred pursuant to clause (13) above, if incurred in the same currency as the Indebtedness being refinanced, will be the Euro Equivalent of the Indebtedness refinanced, determined on the date such Indebtedness being refinanced was initially incurred. The principal amount of any Permitted Refinancing Indebtedness incurred pursuant to clause (13) above, if incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing. Notwithstanding any other provision of this “—Limitation on Indebtedness” covenant, the maximum amount that the Company or a Restricted Subsidiary may incur pursuant to this “—Limitation on Indebtedness” covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies.

- (g) For the purposes of determining compliance with this covenant, Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness and the Company, in its sole discretion, shall classify such Indebtedness at the time of incurrence.

### ***Limitation on Restricted Payments***

- (a) The Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly take any of the following activities (each of which, other than any such action that is a Permitted Payment (as defined below) is a “**Restricted Payment**” and which are collectively known as “**Restricted Payments**”):
  - (1) declare or pay any dividend on, or make any distribution on, the Company’s Capital Stock to any Person (other than dividends or distributions payable solely in shares of its Qualified Capital Stock or in options, warrants or other rights to acquire shares of such Qualified Capital Stock) or make any payment of cash interest in respect of Subordinated Shareholder Funding;
  - (2) purchase, redeem, defease or otherwise acquire or retire for value, directly or indirectly, (A) the Company’s Capital Stock or any Capital Stock of any Affiliate of the Company (other than a Restricted Subsidiary) held by Persons other than the Company or a Restricted Subsidiary, (B) options, warrants or other rights to acquire such Capital Stock or (C) any Subordinated Shareholder Funding held by any Person;
  - (3) make any principal payment on, or repurchase, redeem, defease, retire or otherwise acquire for value, prior to any scheduled principal payment, sinking fund payment or maturity, any Subordinated Indebtedness (other than the purchase, repurchase, redemption, defeasance or other acquisition or retirement of (A) Subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (B) any Indebtedness incurred pursuant to clauses (7) or (8) of paragraph (b) of the covenant described under “—Limitation on Indebtedness”) or any Subordinated Shareholder Funding;
  - (4) declare or pay any dividend or distribution on any Capital Stock of any Restricted Subsidiary to any Person (other than (A) to the Company or any of its Wholly Owned Restricted Subsidiaries, (B) dividends or distributions made by a Restricted Subsidiary on a *pro rata* basis to all stockholders of such Restricted Subsidiary or (C) dividends or distributions payable solely in its Qualified Capital Stock or in options, warrants or other rights to acquire shares of such Qualified Capital Stock or in Subordinated Shareholder Funding); or
  - (5) make any Investment in any Person (other than any Permitted Investments).

If any Restricted Payment described above is not made in cash, the amount of any such Restricted Payment will be the Fair Market Value of the assets proposed to be transferred.

- (b) Notwithstanding the foregoing limitations, the Company or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

- (1) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence of such Restricted Payment;
- (2) the Company could incur at least €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions described under “—Limitation on Indebtedness;” and
- (3) the aggregate amount of all Restricted Payments declared or made after the Issue Date (except as set forth below in clause (d) of this covenant) does not exceed the sum of:
  - (A) 50% of the aggregate Consolidated Net Income (Loss) of the Parent accrued on a cumulative basis during the period beginning on the Issue Date and ending on the last day of the Parent’s last fiscal quarter ending prior to the date of the Restricted Payment (or, if such aggregate cumulative Consolidated Net Income (Loss) shall be a loss, minus 100% of such loss);
  - (B) the aggregate Net Cash Proceeds received after the Issue Date by the Company either (x) as capital contributions to the Company in respect of Qualified Capital Stock of the Company or (y) from the issuance or sale (other than to any of its Subsidiaries) of Qualified Capital Stock of the Company or any options, warrants or rights to purchase such Qualified Capital Stock of the Company or from any Subordinated Shareholder Funding (except, in each case, to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock, Subordinated Indebtedness or Subordinated Shareholder Funding as set forth in clause (2) or (3) of paragraph (c) below) (and excluding the Net Cash Proceeds from the issuance of Capital Stock or Subordinated Shareholder Funding financed, directly or indirectly, using funds borrowed from, or the borrowing of which is guaranteed by, the Company or any Subsidiary of the Company until and to the extent such borrowing is repaid in cash);
  - (C) the aggregate Net Cash Proceeds received after the Issue Date by the Company (other than from any of its Subsidiaries) upon the exercise of any options, warrants or rights to purchase Qualified Capital Stock of the Company (and excluding the Net Cash Proceeds from the exercise of any options, warrants or rights to purchase Qualified Capital Stock financed, directly or indirectly, using funds borrowed from, or the borrowing of which is guaranteed by, the Company or any Subsidiary of the Company until and to the extent such borrowing is repaid);
  - (D) the aggregate Net Cash Proceeds received after the Issue Date by the Company from the conversion or exchange, if any, of debt securities or Redeemable Capital Stock of the Company or its Restricted Subsidiaries into or for Qualified Capital Stock of the Company plus, to the extent such debt securities or Redeemable Capital Stock were issued after the Issue Date, the aggregate Net Cash Proceeds from their original issuance (in the case of Redeemable Capital Stock only to the extent such Redeemable Capital Stock was originally sold for cash or Temporary Cash Investments) (and excluding the Net Cash Proceeds from the conversion or exchange of debt securities or Redeemable Capital Stock financed, directly or indirectly, using funds borrowed from, or the borrowing of which is guaranteed by, the Company or any Subsidiary of the Company until and to the extent such borrowing is repaid);
  - (E) the amount equal to the sum of:
    - (i) 100% of the aggregate Net Cash Proceeds received by the Company or a Restricted Subsidiary upon the sale of an Investment that had been a Restricted Payment or from repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payment or return of capital) by such Person to the Company or any Restricted Subsidiary;
    - (ii) upon the full and unconditional release of a guarantee that had been a Restricted Payment that was an Investment made by the Company or a Restricted Subsidiary to any Person (other than the Company or a Restricted Subsidiary), to the extent not included in clause (i) above, an amount equal to the amount of such guarantee;

- (iii) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in the case of any Unrestricted Subsidiary, the Fair Market Value of the Company's or the relevant Restricted Subsidiary's interest in such Unrestricted Subsidiary;
- (iv) 100% of the Net Cash Proceeds received by the Company or a Restricted Subsidiary from a sale or disposition of Capital Stock of an Unrestricted Subsidiary (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any of its Subsidiaries for the benefit of its employees); and
- (v) any dividend or distribution made by an Unrestricted Subsidiary to the Company or a Restricted Subsidiary,

*provided, however*, that no amount will be included under this clause (E) to the extent it is already included in Consolidated Net Income (Loss); and

- (F) an amount equal to the amount available as of the Issue Date for making Restricted Payments pursuant to clause (b)(iii) of Section 4.05 (i.e., the restricted payments build-up basket) of the Existing Senior Secured Indenture.

- (c) Notwithstanding the foregoing, and in the case of clauses (2) through (7) and (12) below, so long as no Default or Event of Default is continuing or would arise therefrom, the foregoing provisions shall not prohibit the following actions (each of clauses (1) through (12) being referred to as a **"Permitted Payment"**):

- (1) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of paragraph (a) of this covenant and such payment shall have been deemed to have been paid on such date of declaration;
- (2) any Restricted Payment included in clauses (2) and (5) of the definition thereof made by exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip) or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary of the Company and excluding the Net Cash Proceeds from the issuance of any Capital Stock or of Subordinated Shareholder Funding financed, directly or indirectly, using funds borrowed from, or the borrowing of which is guaranteed by, the Company or any Restricted Subsidiary until and to the extent such borrowing is repaid in cash) of other shares of Qualified Capital Stock, a capital contribution of cash to the Company, or Subordinated Shareholder Funding; *provided* that the Net Cash Proceeds from the issuance of such shares of Qualified Capital Stock, of Subordinated Shareholder Funding or from such capital contribution (to the extent the Net Cash Proceeds are used to make any Investment or are used to repurchase, redeem, acquire or retire for value (A) such Capital Stock, (B) options, warrants or other rights to acquire such Capital Stock or (C) Subordinated Shareholder Funding) are excluded from clause (3)(B) of paragraph (b) of this covenant;
- (3) the repurchase, redemption, defeasance, retirement or acquisition for value or payment of principal of any Subordinated Indebtedness in exchange for, or in an amount not in excess of the Net Cash Proceeds of a substantially concurrent issuance and sale for cash (other than to any Subsidiary of the Company) of any Qualified Capital Stock or Subordinated Shareholder Funding of, or a capital contribution to, the Company; *provided* that the Net Cash Proceeds from the issuance of such shares of Qualified Capital Stock or Subordinated Shareholder Funding (to the extent the Net Cash Proceeds are used to repurchase, redeem, defease, retire or acquire such Subordinated Indebtedness) are excluded from clause (3)(B) of paragraph (b) of this covenant;
- (4) the repurchase, redemption, defeasance, retirement, refinancing, acquisition for value or payment of principal of (A) the Term D Facility through the issuance or incurrence of Indebtedness of the Company or any Restricted Subsidiary permitted to be issued or incurred under the Indenture or (B) any other Subordinated Indebtedness (other than Redeemable Capital Stock and Subordinated Shareholder Funding) through the substantially concurrent issuance of new Indebtedness of the Company or any Restricted Subsidiary that is permitted

by paragraph (a) of the covenant under the caption “—Limitation on Indebtedness” or qualifies as Permitted Refinancing Indebtedness;

- (5) the repurchase, redemption, defeasance, retirement, refinancing or other acquisition of Subordinated Indebtedness (other than Subordinated Shareholder Funding) of the Company or any Restricted Subsidiary (other than Subordinated Indebtedness held by Affiliates of the Company) upon a Change of Control or Asset Sale to the extent required by the agreement governing such Subordinated Indebtedness, but only (x) if the Issuer shall have complied with the covenant described under the caption “—Purchase of Notes Upon a Change of Control” or “—Limitation on Sale of Assets,” as the case may be, and the Issuer repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Subordinated Indebtedness and (y) in the case of an Asset Sale, to the extent of the Excess Proceeds offered to holders of the Notes pursuant to the offer made pursuant to the Asset Sale;
  - (6) to the extent constituting Restricted Payments, the Specified Affiliate Payments;
  - (7) the declaration or payment of dividends or distributions by the Company, or the making of any loan or advance by the Company to any Parent Holdco, to pay dividends or distributions in respect of Qualified Capital Stock of the Company or a Parent Holdco issued in a Public Equity Offering of such Qualified Capital Stock; *provided* that the aggregate amount of all such dividends under this clause shall not exceed in any fiscal year 6% of the Net Cash Proceeds received by the Company from such Public Equity Offering; *provided* that at the time of such payment, loan or advance, the Consolidated Fixed Charge Coverage Ratio of the Parent shall be equal to or greater than 2.75 to 1.00;
  - (8) payments by the Company, or loans, advances, dividends or distributions to any Parent Holdco to make payments, to holders of Capital Stock of the Company or any Parent Holdco in lieu of the issuance of fractional shares of such Capital Stock, not to exceed €10.0 million in the aggregate;
  - (9) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
  - (10) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation or any other fees and payments in connection with a Permitted Receivables Financing;
  - (11) dividends and other distributions of (A) any and all equity, debt and other interests held by the Company and the Restricted Subsidiaries in INEOS Silicas and INEOS Bio as of the Issue Date and (B) any dividends, payments or other distributions equal to amounts received as dividends, payments and other distributions or proceeds of any sale or other disposition in respect of such interests since the Issue Date; and
  - (12) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (12) does not exceed €50.0 million.
- (d) In determining the amount of Restricted Payments made after the Issue Date, cash amounts expended pursuant to clauses (2), (3), (4), (6) (to the extent described in clauses (b) through (g) of the definition of Specified Affiliate Payments), (10), (11) and (12) of the immediately preceding paragraph shall be excluded from such calculation. The amount of any non-cash Restricted Payment shall be deemed to be equal to the Fair Market Value thereof at the date of the making of such Restricted Payment.

#### ***Limitation on Transactions with Affiliates***

- (a) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of the Company (other than a Restricted Subsidiary) unless such transaction or series of related transactions is entered into in good faith and in writing and:



- (1) such transaction or series of related transactions is on terms that are no less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could reasonably be expected to be obtained in a comparable transaction in arm's length dealings with an unrelated third party;
- (2) with respect to any transaction or series of related transactions involving aggregate value in excess of €25.0 million, the Company delivers to the Trustee either (x) a resolution of the Board of Directors of the Company (or, in the case of a transaction or series of related transactions to be entered into by IHL or any of its Restricted Subsidiaries, a resolution of the Board of Directors of IHL) set forth in an Officer's Certificate certifying that such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the Board of Directors of the Company or IHL, as applicable, or in the event there is only one Disinterested Director, by such Disinterested Director, or (y) the Company delivers to the Trustee a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert with experience, appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is fair from a financial point of view taking into account all relevant circumstances; *provided* that the liability of such investment bank or accounting firm in giving such opinion may be limited to the amount of its fees in respect of such engagement; and
- (3) with respect to any transaction or series of related transactions involving aggregate value in excess of €50.0 million, the Company delivers to the Trustee (x) a resolution of the Board of Directors of the Company (or, in the case of a transaction or series of related transactions to be entered into by IHL or any of its Restricted Subsidiaries, a resolution of the Board of Directors of IHL) set forth in an Officer's Certificate certifying that such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the Board of Directors of the Company or IHL, as applicable, or in the event there is only one Disinterested Director, by such Disinterested Director and (y) the Company delivers to the Trustee a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate; *provided* that, for the avoidance of doubt, the liability of such investment bank or accounting firm in giving such opinion may be limited to the amount of its fees in respect of such engagement.

- (b) The restrictions in paragraph (a) shall not apply to:
- (1) any employment agreement, collective bargaining agreement, consultant agreement, employee benefit arrangements with any employee, consultant, officer or director of the Company or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;
  - (2) payment of compensation to employees, consultants, officers or directors in the ordinary course of business;
  - (3) maintenance in the ordinary course of business (and payments required thereby) of benefit programs, or arrangements for employees, consultants, officers or directors, including vacation plans, health and life insurance plans, deferred compensation plans, severance plans, employees', consultants', directors' and officers' indemnification agreements and retirement or savings plans and similar plans so long as the Board of Directors of the Company (or, in the case of any such programs, arrangements, plans or agreements of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Company) approved the terms thereof and deemed the services thereto fair, or thereafter to be performed for such compensation or payments (including fees and expenses) to be fair, consideration therefor;
  - (4) Management Advances;
  - (5) transactions between or among the Company and its Restricted Subsidiaries or among Restricted Subsidiaries;
  - (6) any Restricted Payment or Permitted Investment; *provided* that in the case of clause (p) of the definition of Permitted Investments, such transaction must be fair to the Company and its Restricted Subsidiaries in the reasonable determination of the Board of Directors of the Company or the senior management of the Company, or otherwise comply with paragraph (a)(1) above;
  - (7) any Permitted Payment;
  - (8) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or a joint venture or similar Person that would otherwise be subject to this covenant solely because the Company or a Restricted Subsidiary owns any of the Capital Stock of or otherwise controls such Affiliate, joint venture or similar Person;
  - (9) any payments or other transactions pursuant to Tax Sharing Agreements between the Company and any other Person or a Restricted Subsidiary and any other Person with which the Company or a Restricted Subsidiary files a consolidated tax return or with which the Company or a Restricted Subsidiary is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided, however*, that any such tax sharing or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Company and its Restricted Subsidiaries on a stand alone basis;
  - (10) the Senior Facilities Agreement, the Existing Senior Secured Indenture, the Existing High Yield Indenture, any collateral for (including the Existing High Yield Notes Shared Collateral) or guarantee by the Company or any Restricted Subsidiaries of any of the foregoing or Permitted Refinancing Indebtedness in respect thereof, the Intercreditor Deed (and any additional intercreditor agreement), the Security Documents, the Senior Proceeds Loans Documents, the Existing High Yield Notes Proceeds Loans Agreement as in effect on the Issue Date, the Senior Proceeds Loans, the Existing High Yield Notes Proceeds Loans as in effect on the Issue Date, any collateral for or guarantee of any Senior Proceeds Loans, any release of any Proceeds Loans or any release of any guarantee or collateral with respect thereto and any similar agreement or action relating to any similar proceeds loans;
  - (11) (a) issuances or sales of Qualified Capital Stock of the Company or options, warrants or other rights to acquire such Qualified Capital Stock or issuances of Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated

Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding is in compliance with the other provisions of the Indenture and the Intercreditor Deed or any additional intercreditor agreement, as applicable;

- (12) any transaction effected in connection with a Permitted Receivables Financing;
- (13) Specified Affiliate Payments; and
- (14) to the extent that a Refining/Entrepreneurial Entity or the Infrastructure Entity may be deemed to be an Affiliate of the Company, the provision of administrative or infrastructure goods or services, asset sharing, or any other transaction in the ordinary course of business between the Company or a Restricted Subsidiary and such Refining/Entrepreneurial Entity or the Infrastructure Entity, as the case may be, *provided* that in each such case such transactions, when taken together with all other transactions between the Company and Restricted Subsidiaries, on the one hand, and either the Refining/Entrepreneurial Entities or the Infrastructure Entity, on the other hand, are in all material respects on terms substantially consistent with those that would have been obtained in comparable transactions at such time on an arm's length basis from a Person who is not an Affiliate, as determined by the Company in good faith (it being understood that where such transactions are entered into pursuant to a master agreement or similar arrangement, such arm's length determination may be made with respect to such agreement or arrangement, which will cover all transactions entered into pursuant thereto).

#### ***Limitation on Liens***

The Company will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, affirm or suffer to exist any Lien (the "**Initial Lien**") of any kind securing any Indebtedness upon any property or assets of the Company or any Restricted Subsidiary, including any Capital Stock or intercompany notes or other Indebtedness of any Restricted Subsidiary, owned on the Issue Date or acquired thereafter, or any income, profits or proceeds therefrom, or assign or convey any right to receive any income or profits therefrom, except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Guarantees are directly secured equally and ratably or on a prior basis with the Indebtedness secured by such Initial Lien (and if such Indebtedness so secured is subordinated in right of payment to either the Notes or a Guarantee, on a senior priority basis), and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any Lien created for the benefit of the holders of the Notes pursuant to clause (a)(2) of the preceding paragraph of this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien, (b) upon the sale or other disposition of the assets subject to such Initial Lien (or the sale or other disposition of the Person that owns such assets) in compliance with the terms of the Indenture, (c) with respect to any Guarantor the assets or the Capital Stock of which are encumbered by such Lien, upon the release of the Guarantee of such Guarantor in accordance with the terms of the Indenture, (iv) upon the designation of a Restricted Subsidiary whose property or assets secure such Initial Lien as an Unrestricted Subsidiary in accordance with the terms of the Indenture, (v) upon the effectiveness of any defeasance or satisfaction and discharge of the Notes as specified in the Indenture, (vi) in the case of any Lien on any Proceeds Loan, upon the payment in full or other discharge of such Proceeds Loan or (vii) as otherwise provided under "—Security—Release of Security".

#### ***Limitation on Sale of Assets***

- (a) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:
  - (1) at least 75% of the consideration from such Asset Sale or series of Asset Sales is received (A) in cash or Temporary Cash Investments or (B) in the form of the assumption by the purchaser of the liabilities of the Company or any of its Restricted Subsidiaries (other than the liabilities (or the guarantees thereof) that are by their terms subordinated to the Notes) as a result of which the Company and its Restricted Subsidiaries are no longer obligated with respect to such liabilities; and
  - (2) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the shares or assets subject to such Asset Sale.

- (b) If all or a portion of the Net Cash Proceeds of any Asset Sale is not required to be applied to repurchase or repay permanently any Indebtedness under the Senior Secured Credit Facilities (or any Permitted Refinancing Indebtedness in respect thereof) then outstanding as required by the terms thereof, or the Company or any Restricted Subsidiary determines not to apply such Net Cash Proceeds to the permanent prepayment of such Indebtedness under the Senior Secured Credit Facilities (or any Permitted Refinancing Indebtedness in respect thereof) or other Indebtedness of any Restricted Subsidiary (other than Pari Passu Indebtedness or Subordinated Indebtedness), or if no such Indebtedness is then outstanding, then the Company or a Restricted Subsidiary may within 365 days of the Asset Sale invest, or commit to invest (*provided* that it actually invests within the later of 365 days of the Asset Sale and 180 days of the commitment), the Net Cash Proceeds in properties and other assets (including Capital Stock of a business) that (as determined by the Board of Directors of the Company (or, in the case of an Asset Sale in respect of assets of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Company)) replace the properties and assets that were the subject of the Asset Sale or in properties and assets that will be used in or are related to the businesses of the Company or its Restricted Subsidiaries existing on the Issue Date. The amount of Net Cash Proceeds not used or invested within 365 days of the Asset Sale or invested within the later of 365 days of the Asset Sale and 180 days of a commitment to invest as set forth in this paragraph constitutes “Excess Proceeds.” Pending the final application of the Net Cash Proceeds, the Company or any Restricted Subsidiary may temporarily reduce Indebtedness or otherwise invest such Net Cash Proceeds in Temporary Cash Investments.
- (c) When the aggregate amount of Excess Proceeds exceeds €50.0 million, the Issuer (or the Company or another Restricted Subsidiary on the Issuer’s behalf) will apply the Excess Proceeds to the repayment of Indebtedness under the Notes and any other Pari Passu Indebtedness (which shall be deemed to include any Permitted Receivables Financing) outstanding with similar provisions requiring the Company or a Restricted Subsidiary to make an offer to purchase such Indebtedness with the proceeds from any Asset Sale as follows:
- (1) the Company or a Restricted Subsidiary will make an offer to purchase (an “**Offer**”) from all holders of the Notes in accordance with the procedures set forth in the Indenture in the maximum principal amount (expressed as a multiple of €1,000 in the case of Euro Floating Rate Notes and \$1,000 in the case of Dollar Fixed Rate Notes) of Notes that may be purchased out of an amount (the “**Note Amount**”) equal to the product of such Excess Proceeds multiplied by a fraction, the numerator of which is the outstanding principal amount of the Notes, and the denominator of which is the sum of the outstanding principal amount of the Notes and such Pari Passu Indebtedness (subject to proration in the event such amount is less than the aggregate Offered Price (as defined herein) of all Notes tendered);
  - (2) to the extent required by such Pari Passu Indebtedness to permanently reduce the principal amount of such Pari Passu Indebtedness, the Company or a Restricted Subsidiary, as the case may be, will make an offer to purchase or otherwise repurchase or redeem Pari Passu Indebtedness (a “**Pari Passu Offer**”) in an amount (the “**Pari Passu Debt Amount**”) equal to the excess of the Excess Proceeds over the Note Amount; *provided* that in no event will the Company or a Restricted Subsidiary be required to make a Pari Passu Offer in a Pari Passu Debt Amount exceeding the principal amount of such Pari Passu Indebtedness plus the amount of any premium required to be paid to repurchase such Pari Passu Indebtedness; and
  - (3) the offer price for the Notes will be payable in cash in an amount equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date (the “**Offer Date**”) such Offer is consummated (the “**Offered Price**”), in accordance with the procedures set forth in the Indenture. To the extent that the aggregate Offered Price of the Notes tendered pursuant to the Offer is less than the Note Amount relating thereto or the aggregate amount of Pari Passu Indebtedness that is purchased in a Pari Passu Offer is less than the Pari Passu Debt Amount, the Company or any Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes and Pari Passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a *pro rata* basis, unless otherwise required by applicable law or applicable stock exchange or depository requirements. Upon the completion of the purchase of all the Notes tendered pursuant to an Offer and the completion of a Pari Passu Offer, the amount of Excess Proceeds, if any, shall be reset at zero.
- (d) If the Company or a Restricted Subsidiary becomes obligated to make an Offer pursuant to clause (c) above, the Notes and the Pari Passu Indebtedness shall be purchased by the Company or a Restricted

Subsidiary, at the option of the holders thereof, in whole or in part (in a principal amount of €100,000, in the case of Euro Floating Rate Notes, or \$200,000, in the case of Dollar Fixed Rate Notes, or an integral multiple of €1,000 or \$1,000, as applicable, in excess thereof, such that no Euro Floating Rate Note of less than €100,000 or Dollar Fixed Rate Note of less than \$200,000 remains outstanding thereafter) on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Offer is given to holders, or such later date as may be necessary for the Company or a Restricted Subsidiary to comply with the requirements under the U.S. Exchange Act or other applicable laws or regulations (including, without limitation, those of any securities exchange on which the Notes are listed).

- (e) If the Company or a Restricted Subsidiary is required to make an Offer, the Company and such Restricted Subsidiary will comply with the applicable tender offer rules, including Rule 14e-1 under the U.S. Exchange Act, and any other applicable securities laws or regulations (including those of the United States and the United Kingdom) in connection with an Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an Offer pursuant to this covenant), the Company and such Restricted Subsidiary, as the case may be, will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.
- (f) If the Offer Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders of the Notes who tender Notes pursuant to the Offer.
- (g) Compliance with this covenant shall be determined as of the date of consummation of the applicable Asset Sale, without giving effect to any post-closing purchase price adjustments not then determined, and for purposes thereof the following will be deemed to be cash:
  - (1) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Temporary Cash Investments within 90 days following the closing of such Asset Sale;
  - (2) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, *provided* that the Company and each other Restricted Subsidiary are released from any guarantee of payment of such Indebtedness in connection with such Asset Sale;
  - (3) consideration consisting of Indebtedness of the Company or any Restricted Subsidiary (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary;
  - (4) any properties and assets (including Capital Stock of a business) of the kind referred to in clause (b) above; and
  - (5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed 5% of Total Assets.

***Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries***

- (a) The Company will not cause or permit any Restricted Subsidiary (which is not a Guarantor or the Issuer), directly or indirectly, to guarantee, assume or in any other manner become liable with respect to (i) any Indebtedness of the Company or any Restricted Subsidiary under any Credit Facilities or (ii) any Public Debt (including, for the avoidance of doubt, any guarantee of Public Debt) of the Issuer or any Guarantor, unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of the Notes on the same terms as the other Guarantees of the Notes by the Guarantors, except that:

- (1) no Guarantee shall be required as a result of any guarantee of Indebtedness that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;
  - (2) no Guarantee shall be required as a result of any guarantee in connection with a Permitted Receivables Financing;
  - (3) such Guarantee need not be secured unless required pursuant to the “—Limitation on Liens” covenant;
  - (4) if such Indebtedness is by its terms expressly subordinated to the Notes or any Guarantee, any such assumption, guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary’s Guarantee of the Notes at least to the same extent as such Indebtedness is subordinated to the Notes or any other Guarantee;
  - (5) no Guarantee shall be required as a result of any guarantee given to a bank or trust company incorporated in any member state of the European Union as of the Issue Date or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc. or any successor to its rating agency business (“S&P”) and at least A2 or the equivalent thereof by Moody’s Investors Service, Inc. or any successor to its rating agency business (“Moody’s”), in connection with the operation of cash management programs established for the Company’s benefit or that of any Restricted Subsidiary;
  - (6) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Company or the Restricted Subsidiary; and
  - (7) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.
- (b) Notwithstanding the foregoing, any Guarantee by a Restricted Subsidiary of the Notes created pursuant to the provisions in paragraph (a) above will be deemed to provide by its terms that it shall be automatically and unconditionally released and discharged upon:
- (1) any sale, exchange or transfer, directly or indirectly, to any Person that is not the Parent or any of its Restricted Subsidiaries, of all of the Capital Stock held by the Company and other Restricted Subsidiaries in, or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the Indenture) and such Restricted Subsidiary is released from all guarantees, if any, by it of other Indebtedness of the Company or any Restricted Subsidiaries;
  - (2) with respect to any Guarantees created after the Issue Date, the release by the holders of the Indebtedness of the Company or Restricted Subsidiary described in clause (a) above of their security interest or their guarantee by such Restricted Subsidiary at such time as (A) no other Indebtedness of the Company or any other Restricted Subsidiary has been secured or guaranteed by such Restricted Subsidiary, as the case may be, or (B) the holders of all such other Indebtedness which is secured or guaranteed by such Restricted Subsidiary also release their security interest in or guarantee by such Restricted Subsidiary;

- (3) any defeasance or discharge of the Notes as provided in “—Defeasance or Covenant Defeasance of Indenture” or “—Satisfaction and Discharge;” or
- (4) the satisfaction of the requirements of any of the other provisions described under “—The Guarantees—Release of the Guarantees.”

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (a) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distribution on its Capital Stock or any other interest or participation in, or measured by, its profits to the Company or any Restricted Subsidiary;
- (2) pay any Indebtedness owed to the Company or any other Restricted Subsidiary;
- (3) make any loans or advances to the Company or any other Restricted Subsidiary; or
- (4) transfer any of its properties or assets to the Company or any other Restricted Subsidiary;

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

- (b) The provisions of clauses (1) through (4) of paragraph (a) above will not prohibit:

- (1) any encumbrance or restriction pursuant to (A) the Senior Facilities Agreement, the Existing Senior Secured Indenture, the Existing High Yield Indenture, the Intercreditor Deed, the Proceeds Loans Documents in effect on the Issue Date and the Security Documents, (B) any other agreement in effect on the Issue Date and (C) any indenture for any Public Debt of the Company or any Restricted Subsidiary;
- (2) any encumbrance or restriction with respect to a Restricted Subsidiary that is not a Restricted Subsidiary of the Company on the Issue Date in existence at the time such Person becomes a Restricted Subsidiary of the Company and not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; *provided* that such encumbrances and restrictions are not applicable to the Company or any Restricted Subsidiary or the properties or assets of the Company or any Restricted Subsidiary other than such Subsidiary which is becoming a Restricted Subsidiary;
- (3) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person which is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which the Company or any Restricted Subsidiary entered into such transaction) and outstanding on such date, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or property or assets or capital stock of the Person, so acquired;
- (4) any encumbrance or restriction under the Indenture and the Notes (including Additional Notes);
- (5) any encumbrance or restriction under Purchase Money Obligations and Capital Lease Obligations in the ordinary course of business that imposes restrictions with respect only to the property the subject thereof of the nature described in clause (6) of this paragraph (b) on the property so acquired or any restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

- (6) with respect to clause (4) of paragraph (a) above only, any encumbrance or restriction (A) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, (B) by virtue of any transfer of, agreement to transfer, option or right with respect to or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, (C) contained in security agreements or mortgages securing Indebtedness to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages or (D) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;
- (7) contracts for the sale of assets, including any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;
- (8) restrictions on cash or other deposits or net worth imposed by leases or other agreements entered into in the ordinary course of business;
- (9) any customary encumbrances or restrictions created under any agreement (A) with respect to Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under the caption “—Limitation on Indebtedness” if (i) the encumbrances and restrictions are not materially less favorable to the holders of the Notes than those contained in the Senior Facilities Agreement on the Issue Date or (ii) the encumbrances and restrictions are materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Company) and the Company determines at the time of the incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Notes or the ability of IHL to make principal or interest payments on the Notes Proceeds Loans or (B) constituting an additional intercreditor agreement entered into in compliance with the covenant described under “—Intercreditor Deed; Additional Intercreditor Agreements”;
- (10) any encumbrances or restrictions required by any governmental, local or regulatory authority having jurisdiction over the Company or any of its Restricted Subsidiaries or any of their businesses;
- (11) customary provisions in joint venture agreements; *provided, however*, that any such encumbrance or restriction is applicable only to such Restricted Subsidiary and *provided further* that the Company determines that any such encumbrance or restriction will not materially affect the ability of the Issuer and IHL to make any anticipated principal or interest payments on the Notes and the Notes Proceeds Loans, as applicable;
- (12) with respect to clauses (1) and (4) of paragraph (a) above only, encumbrances or restrictions existing by reason of any Lien permitted under “—Limitation on Liens;”
- (13) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (14) any encumbrance or restriction pursuant to Hedging Obligations;
- (15) any encumbrance or restriction effected in connection with a Permitted Receivables Financing that, in the good faith determination of the Board of Directors of the Company (or, in the case of any Permitted Receivables Financing in respect of the accounts receivable of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Company), is necessary or advisable to effect such Permitted Receivables Financing;
- (16) contracts entered into in the ordinary course of business, not relating to Indebtedness, and that do not, individually or in the aggregate, (a) detract from the value of property or assets of the Company or any Restricted Subsidiary of the Company in any manner material to the Company or such Restricted Subsidiary or (b) materially interfere with the Issuer’s ability to make payments of principal or interest in respect of the Notes; or



- (17) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (16) or in this clause (17); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement evidencing the Indebtedness so extended, renewed, refinanced or replaced.

#### ***Limitation on Layered Debt***

The Company and the Issuer will not, and the Company will not permit any other Guarantor to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise in any manner become directly or indirectly liable for or with respect to or otherwise permit to exist any Indebtedness (including Permitted Indebtedness) that is subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the Guarantor's Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral, by virtue of being secured on a first or junior priority basis or by virtue of not being guaranteed. In addition, junior liens, second liens and other contractual arrangements that provide for priorities among holders of the same or different issues of Indebtedness with respect to any collateral or the proceeds of collateral or tranching of debt under Credit Facilities shall not constitute subordination in right of payment.

#### ***Limitation on Unrestricted Subsidiaries***

The Company may designate after the Issue Date (a "**Designation**") any Subsidiary of the Company (other than the Issuer) as an "**Unrestricted Subsidiary**" under the Indenture only if:

- (a) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation or would occur as a consequence of such Designation;
- (b) either (i) the Subsidiary to be so designated has total assets of €1,000 or less or (ii) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation) pursuant to the covenant described under "—Limitation on Restricted Payments" in an amount (the "**Designation Amount**") equal to the greater of (1) the net book value of the Company's interest in such Subsidiary calculated in accordance with IFRS or (2) the Fair Market Value of the Company's interest in such Subsidiary;

- (c) such Unrestricted Subsidiary does not own directly or indirectly any Capital Stock of the Company or any Restricted Subsidiary of the Company which is not simultaneously being designated an Unrestricted Subsidiary; and
- (d) such Unrestricted Subsidiary is not a party to any agreement, contract, arrangement or understanding at such time with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company or any Restricted Subsidiary or would be permitted to the extent described under “—Limitation on Transactions with Affiliates” or, to the extent such condition is not satisfied, the value of such agreement, contract, arrangement or understanding to such Unrestricted Subsidiary shall be deemed a Restricted Payment.

In the event of any such Designation, the Company will be deemed to have made an Investment constituting a Restricted Payment pursuant to the covenant “—Limitation on Restricted Payments” for all purposes of the Indenture in the Designation Amount.

The Indenture also provides that the Company will not and will not cause or permit any Restricted Subsidiary to at any time (a) provide a guarantee of, or similar credit support for, or subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or (b) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary, except to the extent permitted under the covenants “—Limitation on Indebtedness” and “Limitation on Restricted Payments.” For purposes of the foregoing, the Designation of a Subsidiary of the Company as an Unrestricted Subsidiary shall be deemed to be the Designation of all of the Subsidiaries of such Subsidiary as Unrestricted Subsidiaries.

The Company may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a “**Redesignation**”) if:

- (a) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Redesignation or would occur as a consequence of such Redesignation;
- (b) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred at such time, have been permitted to be incurred for all purposes of the Indenture; and
- (c) unless such redesignated Subsidiary shall not have any Indebtedness outstanding (other than Indebtedness that would be Permitted Indebtedness), immediately after giving effect to such proposed Redesignation, and after giving *pro forma* effect to the incurrence of any such Indebtedness of such redesignated Subsidiary as if such Indebtedness was incurred on the date of the Redesignation, the Company could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the covenant described under “—Limitation on Indebtedness.”

All Designations and Redesignations made in accordance with this covenant shall be evidenced by a resolution of the Board of Directors of the Company delivered to the Trustee certifying compliance with the foregoing provisions.

As of the date of this offering memorandum the Company has not designated any Subsidiary as an Unrestricted Subsidiary.

### ***Impairment of Security Interest***

Subject to the second paragraph of this covenant, the Parent and the Company will not, and the Company will not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the security interests with respect to the Collateral for the benefit of the Trustee and the holders of the Notes, and the Parent and the Company shall not, and the Company shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Trustee or Trustee, for the benefit of the Trustee and the holders of the Notes (other than Additional Notes) and the other beneficiaries described in the Security Documents, any Lien whatsoever on any of the Collateral, except as permitted in the Security Documents, but the Parent, the Company and its Restricted Subsidiaries may (i) incur Permitted Collateral Liens, (ii) implement any transaction that is subject to the covenants described under the caption “—Consolidation, Merger, Sale of Assets” and is completed in compliance therewith, (iii) implement any transaction in connection with the Senior Secured Notes and SFA Transfer (*provided* that the Synthetic Security Requirement is satisfied reasonably promptly following the completion of the Senior Secured Notes and SFA Transfer), and (iv) implement any transaction in connection with the Refinancing.

At the direction of the Company and without the consent of the holders of the Notes, the Trustee and the Security Trustee may from time to time enter into one or more amendments to the Security Documents to:

- (i) cure any ambiguity, omission, defect or inconsistency therein or reflect changes of a minor, technical or administrative nature;
- (ii) provide for Permitted Collateral Liens;
- (iii) add to the Collateral;
- (iv) make any change necessary or desirable, in the good faith determination of the Board of Directors of the Company (or, in the case of a transaction in respect of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Company) in order to implement any transaction that is subject to and is completed in compliance with the covenants described under the caption “—Consolidation, Merger, Sale of Assets”;
- (v) implement any transaction in connection with the Senior Secured Notes and SFA Transfer (*provided* that the Synthetic Security Requirement is satisfied reasonably promptly following the completion of the Senior Secured Notes and SFA Transfer) (including any such change to any Security Document to provide for upstream security and/or guarantees or security and/or guarantees over or in favor of proceeds loans);
- (vi) implement any transaction in connection with the Refinancing (including any such change to any Security Document to provide for upstream security and/or guarantees or security and/or guarantees over or in favor of proceeds loans);
- (vii) provide for the release of any security interest on any properties and assets constituting Collateral from the Lien of the Security Documents; *provided* that such release is followed by the substantially concurrent re-taking (irrespective of the Security Principles) of a Lien of at least equivalent priority over the same properties and assets, securing the Notes or any Guarantee; *provided* further that, in the case of this clause (vii), the Company will deliver to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an accounting, appraisal or investment banking of national standing confirming the solvency of the Company and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions relating to such release and/or re-taking, (2) a certificate substantially in the form of an exhibit attached to the Indenture from the chief financial officer or the Board of Directors of the relevant Person (acting in good faith) which confirms the solvency of the person granting security interest after giving effect to any transactions relating to such release and/or re-taking or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any such transactions, the Lien or Liens securing the Notes and the Guarantees created under the Security Documents are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such release and/or re-taking;
- (viii) (A) provide for the release of the Liens on any proceeds loans (including the Proceeds Loans) upon the payment in full or other discharge of such proceeds loans (and the release of the Liens on any amounts so repaid or discharged) or (B) with respect to any repayment, defeasance, satisfaction, cancellation or other discharge of all or any portion of the underlying Indebtedness giving rise to any proceeds loans, provide for the repayments, defeasance, satisfaction, cancellation or other discharge of such proceeds loans, *provided* that any amount remaining under such proceeds loan after such repayments, defeasance, satisfaction, cancellation or discharge remains subject to a valid Lien;
- (ix) make any other change to the Security Documents to provide for additional Indebtedness (which may be *Pari Passu* Indebtedness or Subordinated Indebtedness) or other obligations that are permitted by the terms of the Indenture to be secured by a Lien on the Collateral on a senior, *pari passu* or junior basis with the Liens securing the Notes or the Guarantees, including, without limitation, changes to the definition of the term “Indebtedness” (or any other term, however described, relating to the obligations of the Company, the Guarantors and the Restricted Subsidiaries that are subject to the security interest created therein); *provided* that, in the case of this clause (ix), the Company shall deliver to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an accounting, appraisal or investment banking of national standing confirming the solvency of the Company and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions relating to such change, (2) a certificate substantially in the form of an exhibit attached to the Indenture

from the chief financial officer or the Board of Directors of the relevant Person (acting in good faith) which confirms the solvency of the Company and its Restricted Subsidiaries, taken as a whole, after giving effect to the transactions relating to such change or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to the transactions relating to such change, the Lien or Liens securing the Notes and the Guarantees created under the Security Documents are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such transactions;

- (x) amend or otherwise modify any Security Document to the extent necessary to conform any restriction or limitation contained therein to any analogous restriction or limitation contained in the Indenture or to eliminate any restriction or limitation therein that is not contained in the Indenture except to the extent such restriction or limitation is necessary to create, preserve or enforce the security interest in the Collateral purported to be created by such Security Document; or
- (xi) make any other change thereto that does not adversely affect the holders of the Notes in any material respect.

Notwithstanding the foregoing, no Security Document may be amended and no waiver of any of the requirements of, or granting of any consent under, any Security Document may be made unless any such amendment, waiver or consent applies equally to the holders of all security granted under the Security Document. In the event of any action under this covenant, the consent of the Holders, the Trustee or the Security Trustee will not be required, but each of the Trustee and the Security Trustee will be entitled to receive, if requested, indemnity and/or security satisfactory to it in connection with such action.

#### ***Intercreditor Deed; Additional Intercreditor Agreements***

The Trustee and the Security Trustee became parties to the Intercreditor Deed by executing an amendment deed thereto on the Issue Date, and each holder of a Note, by accepting such Note, will be deemed to have (i) authorized each of the Trustee and the Security Trustee to enter into the Intercreditor Deed, (ii) agreed to be bound by all the terms and provisions of the Intercreditor Deed applicable to such holder and (iii) irrevocably appointed each of the Trustee and the Security Trustee to act on its behalf and to perform the duties and exercise the rights, powers and discretions that are specifically given to them under Intercreditor Deed.

At the request of the Company, at the time of, or prior to, the incurrence of any Indebtedness that is permitted to share the Collateral pursuant to the definition of Permitted Collateral Liens, the Issuer, each Guarantor, any other Restricted Subsidiary and the Trustee and the Security Trustee are authorized (without any further consent of the holders of the Notes) to enter into an additional intercreditor agreement on terms substantially the same as the Intercreditor Deed (or terms more favorable to holders of the Notes) or an accession and/or amendment to the Intercreditor Deed to permit such Indebtedness to be subject to (and benefit from) substantially the same terms with respect to the release of the Collateral and Guarantees, enforcement of security interests, turnover, limitations on enforcement and other rights and limitations of the creditors of Senior Secured Indebtedness as contained in the Intercreditor Deed in effect as of the Issue Date (or, in the case of any such terms, terms more favorable to the holders of the Notes).

At the direction of the Company and without the consent of the holders of the Notes, the Trustee and the Security Trustee will upon direction of the Company from time to time enter into one or more amendments to the Intercreditor Deed or any additional intercreditor agreement or deed to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) increase the amount of Indebtedness or the types covered thereby that may be incurred by the Company, a Restricted Subsidiary or the Parent that is subject thereto and to provide for Permitted Liens; (iii) add Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iv) further secure the Notes (including Additional Notes); (v) make provision for equal and ratable grants of Liens on the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens; (vi) make any other change to the Intercreditor Deed or such additional intercreditor agreement to provide for additional Indebtedness (which may be *Pari Passu* Indebtedness or Subordinated Indebtedness) or other obligations that are permitted by the terms of the Indenture to be secured by a Lien on the Collateral on a senior, *pari passu* or junior basis with the Liens securing the Notes or the Guarantees, (vii) provide for the release of the Liens on any Proceeds Loans upon the payment in full or other discharge of such Proceeds Loans (and the release of the Liens on any amounts so repaid or discharged) or the repayment, defeasance, satisfaction, cancellation or other discharge of the Notes, the SFA Loans, the Existing Senior Secured Notes or the Existing High Yield Notes, as applicable, (viii) provide for (A) the cancellation and discharge of all or a portion of the principal amount of any High Yield Proceeds Loans (as defined in the Intercreditor Deed) in excess of the aggregate principal amount of the corresponding High Yield Notes (as defined in the Intercreditor Deed) then outstanding, (B) the cancellation and discharge of a corresponding amount of the principal amount of any High Yield Proceeds Loans (as defined in the Intercreditor Deed) upon the repayment, defeasance, satisfaction, cancellation or other discharge of the corresponding

High Yield Notes (as defined in the Intercreditor Deed) and (C) the cancellation and discharge of any Guarantor from its obligations and liabilities in respect of any High Yield Proceeds Loans (as defined in the Intercreditor Deed) upon the repayment, defeasance, satisfaction, cancellation or other discharge of all of the corresponding High Yield Notes (as defined in the Intercreditor Deed) then outstanding; (ix) make any change necessary or desirable, in the good faith determination of the Board of Directors of the Company (or in the case of a transaction in respect of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Company), in order to implement any transaction that is subject to the covenants described under the caption “—Consolidation, Merger, Sale of Assets”; (x) implement any transaction in connection with the Senior Secured Notes and SFA Transfer (and the satisfaction of the Synthetic Security Requirement); (xi) implement any transaction in connection with the renewal, extension, refinancing, replacement or increase of the Senior Facilities Agreement; (xii) make any other change thereto that does not adversely affect the rights of the holders of the Notes in any material respect; or (xiii) reflect appropriately therein any changes made to the definitions in any Senior Facilities Agreement that are referred to or included in the Intercreditor Deed or any additional intercreditor agreement other than, unless otherwise permitted under the Indenture or the Intercreditor Deed, changes to the definitions of “Acquisition Documents”, “BP Credit Documents”, “BP Group”, “BP Receivables”, “BP Security Assignments”, “Credit Support Deed”, “Master Reorganization Agreement”, “Investor Debt”, “Management Agreement”, “Majority Second Secured Creditors”, “Subsidiary”, “Intermediate Holdco”, “Intermediate Holdco 2”, “Parent Holdco” or “UK Holdco”; *provided* that no such changes shall be permitted to the extent they affect the ranking of any Note or Guarantee in a manner than would adversely affect the rights of the holders of the Notes in any material respect except as otherwise permitted by the Indenture or the Intercreditor Deed. The Company will not otherwise direct the Trustee or the Security Trustee to enter into any amendment to the Intercreditor Deed or, if applicable, any additional intercreditor agreement or deed, without the consent of the holders of a majority in principal amount of the outstanding Notes.

Each holder of a Note, by accepting such Note, will be deemed to have:

- (a) appointed and authorized the Trustee and the Security Trustee from time to time to give effect to such provisions;
- (b) authorized each of the Trustee and the Security Trustee from time to time to become a party to any additional intercreditor arrangements described above;
- (c) agreed to be bound by such provisions and the provisions of any additional intercreditor arrangements described above; and
- (d) irrevocably appointed the Trustee and the Security Trustee to act on its behalf from time to time to enter into and comply with such provisions and the provisions of any additional intercreditor arrangements described above,

in each case, without the need for the consent of the holders.

### ***Provision of Financial Statements***

For so long as any Notes are outstanding, the Parent will provide to the Trustee the following reports:

- (1) within 120 days after the end of the Parent’s fiscal year beginning with the fiscal year ending December 31, 2011, annual reports containing, to the extent applicable, a level of detail that is comparable in all material respect to this offering memorandum (with appropriate revisions, as reasonably determined by the Parent, to reflect changes in segment reporting) and the following information: (a) audited consolidated balance sheets of the Parent as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Parent for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Parent (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act, “**Regulation S-X**”), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause 2(b) or 2(c) below; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Parent, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Parent, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; (e) a description of material risk factors and material recent developments; (f) earnings before interest, taxes, depreciation and amortization;

(g) capital expenditures; and (h) depreciation and amortization; *provided* that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 20-F under the U.S. Exchange Act with respect to such item will be deemed to satisfy the Parent's obligations under this clause (1) with respect to such item;

- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Parent beginning with the quarter ending March 31, 2012, all quarterly financial statements of the Parent containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Parent (which need not comply with Article 11 of Regulation S-X), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause 2(a) or 2(c); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Parent, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; *provided* that that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 10-Q under the U.S. Exchange Act with respect to such item will be deemed to satisfy the Parent's obligations under this clause (2) with respect to such item; and
- (3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Parent and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Parent or the Issuer or change in auditors of the Parent or the Issuer or any other material event that the Parent or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statements and *pro forma* financial information will be prepared in accordance with IFRS on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods, subject to the provisions of the Indenture. Except as provided for above, no report need include separate financial statements for Subsidiaries of the Parent or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum. To the extent comparable prior year financial information of the Parent does not exist, the comparable prior year financial information of the relevant predecessor or successor entity (which for the financial information prior to July 1, 2011 will be INEOS Group Holdings plc (now known as INEOS Group Holdings Limited)) may be provided in lieu thereof.

Contemporaneously with the furnishing of each such report discussed above, the Parent will also (a) file a press release with the appropriate internationally recognized wire services (including, without limitation, through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency) in connection with such report and (b) post such report on the Parent's website. In the event that the Parent becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, the Parent will, for so long as it continues to file the reports required by Section 13(a) or 15(d) with the Commission, make available to the Trustee the annual reports, information, documents and other reports that the Parent is required to file with the Commission pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Parent will be deemed to have complied with the provisions contained in the preceding three paragraphs.

The Indenture also provides that, so long as any of the Notes remain outstanding, the Parent will make available to any prospective purchaser of Notes or beneficial owner of Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the U.S. Securities Act. The Parent and the Issuer will also make any of the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of the stock exchange so require.

### ***Listing***

The Indenture provides as follows: Each of the Company and the Issuer will use its commercially reasonable efforts to obtain the listing of the Notes as promptly as practicable and to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange's Euro MTF Market; *provided, however*, that if the Issuer is unable to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange's Euro MTF Market, or if maintenance of such listing becomes unduly onerous, it will, prior to the delisting of the Notes from the Official List of the Luxembourg Stock Exchange for trading on the

Luxembourg Stock Exchange's Euro MTF Market, use all commercially reasonable efforts to list and maintain a listing of such Notes on another "recognised stock exchange" as defined in section 1005 of the United Kingdom Income Tax Act 2007.

As of the date of this offering memorandum, the Issuer has already made an application to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange's Euro MTF Market.

### ***Limitation on Issuer Activities***

Notwithstanding anything contained in the Indenture:

- (1) the Issuer will not engage in any business activity, except any such activity (i) reasonably relating to the offering, sale, issuance, incurrence and servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Notes or other Indebtedness permitted by the terms of the Indenture and distributing, lending or otherwise advancing funds to the Company or any of its Restricted Subsidiaries; (ii) undertaken with the purpose of fulfilling any other obligations under the Notes, the Indenture, the Senior Facilities Agreement, the Existing Senior Secured Indenture, the Existing High Yield Indenture, any Proceeds Loans Documents, the Hedging Obligations, other Indebtedness or any other obligations permitted by the terms of the Indenture, any Security Document to which it is a party or the Intercreditor Deed (or any additional intercreditor agreement entered into pursuant to the terms of the Intercreditor Deed or the Indenture); (iii) directly related or reasonably incidental to the establishment and/or maintenance of the Issuer's corporate existence, the acquisition, holding or disposition of assets permitted to be held by it under the Indenture or reasonably related to its function as a financing entity; or (iv) other activities not specifically enumerated above that are immaterial in nature;
- (2) the Issuer will not (i) incur any Indebtedness other than the Notes, Additional Notes, the Existing Senior Secured Notes (and additional such notes), other Public Debt, Indebtedness under the Senior Facilities Agreement, Credit Facilities, Hedging Obligations and guarantees of any Indebtedness, in each case, permitted by the covenant described under "—Limitation on Indebtedness" and the guarantee of the Existing High Yield Notes (and additional such notes), *provided* that if the Indebtedness being guaranteed is subordinated in right of payment to the relevant Guarantee of the Notes then such guarantee will be subordinated to the Notes substantially to the same extent as the relevant Indebtedness guaranteed or (ii) issue any Capital Stock (except for directors' qualifying shares and other nominal amounts of Capital Stock that are required to be held by other Persons under applicable law) other than to IHL (or, following the Senior Secured Notes and SFA Transfer, an Upstream Subsidiary), the Issuer or any Subsidiary Guarantor; and
- (3) except in accordance with "Consolidation, Merger, Sale of Assets", the Issuer (a) will not merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation); (b) will not sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to any Person or group of Persons; and (c) will remain a direct Wholly Owned Restricted Subsidiary of IHL (or, following the Senior Secured Notes and SFA Transfer, an Upstream Subsidiary).

### ***Limitation on Parent Activities***

Notwithstanding anything contained in the Indenture:

- (1) the Parent will not engage in any business activity, except any such activity (i) reasonably relating to the offering, sale, issuance, incurrence and servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Notes or other Indebtedness permitted by the terms of the Indenture; (ii) undertaken with the purpose of fulfilling any other obligations under the Existing Senior Secured Notes, the Existing High Yield Notes, the Proceeds Loans, any additional notes in respect of the foregoing, the Indenture, the Notes, the Guarantees, the Senior Facilities Agreement, Hedging Obligations, other Indebtedness or any other obligations permitted by the terms of the Indenture, any Security Document to which it is a party or the Intercreditor Deed (or any additional intercreditor agreement entered into pursuant to the terms of the Intercreditor Deed or the Indenture); (iii) involving the provision of administrative services (excluding treasury services) to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the receipt of any amounts related thereto to the extent permitted under the Intercreditor Deed; (iv) directly related or reasonably incidental to the establishment and/or maintenance of the Parent's corporate existence, the acquisition, holding or disposition of assets permitted to be held by it under the Indenture or reasonably related to

its function as an intermediate holding company; or (v) other activities not specifically enumerated above that are immaterial in nature;

- (2) the Parent will not own any assets or property other than the Capital Stock of the Company, intercompany Indebtedness and other assets and properties that are immaterial in nature; *provided* that the Parent may from time to time receive in a transaction otherwise permitted under the Indenture and the Security Documents properties and assets (including cash, Cash Equivalents, Temporary Cash Investments, shares of Capital Stock of another Person and/or Indebtedness and other obligations) for the purpose of transferring such properties and assets to any Parent Holdco, any Subsidiary or any other Person, so long as in any case such further transfer is made promptly by the Parent and, after giving effect thereto, the Parent is again in compliance with this clause; and
- (3) except in accordance with “—Consolidation, Merger, Sale of Assets,” the Parent will not (i) merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Parent is the surviving corporation) or (ii) sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to any Person or group of Persons.

### ***Limitations on Use of Proceeds***

The net proceeds from each issue of Notes will be applied by the Issuer outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

### ***Limitations on Amendments to Notes Proceeds Loans***

For so long as any Notes are outstanding, the Issuer will not, except as expressly permitted by the Indenture, (i) change the Stated Maturity of the principal of, or any installment of interest on any Notes Proceeds Loans; (ii) reduce the rate of interest on any Notes Proceeds Loans; (iii) change the currency for payment of any amount under any Notes Proceeds Loans; (iv) prepay or otherwise reduce or permit the prepayment or reduction of any Notes Proceeds Loans (save to facilitate a corresponding payment of principal on the Notes); (v) assign or novate any Notes Proceeds Loans or any rights or obligations under the Notes Proceeds Loans Agreement (other than to secure the Notes and the Guarantees or to grant any Permitted Collateral Lien or in connection with a transaction that is subject to the covenants described under the caption “—Consolidation, Merger, Sale of Assets” and is completed in compliance therewith); (vi) amend, modify or alter any Notes Proceeds Loans or the Notes Proceeds Loans Agreement in any manner adverse to the rights of the holders of the Notes in any material respect; or (vii) amend the following provisions relating to subordination, payment blockage and release of the Intercreditor Deed in any manner that would be adverse to the holders of the Notes in any material respect: Clauses 13.1 and 17.1 and Clause 11. Notwithstanding the foregoing, the Notes Proceeds Loans may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of outstanding Notes and may be released and discharged as provided in the last paragraph of the covenant described under “—Consolidation, Merger, Sale of Assets—The Issuer.”

### ***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status, the provisions of the Indenture summarized under the following captions will not apply to the Notes: “—Limitation on Indebtedness,” “—Limitation on Restricted Payments,” “—Limitation on Transactions with Affiliates,” “—Limitation on Sale of Assets,” “—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries,” the provisions of clause (c) of the covenant described under “—Consolidation, Merger, Sale of Assets—Issuer” and clause (c) of the covenant described under “—Consolidation, Merger, Sale of Assets—Company and the Parent” and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. The provisions referred to in this covenant and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the “—Limitation on Restricted Payments” covenant will be interpreted as if it had been in effect since the Issue Date except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.



### ***Additional Covenants***

The Indenture also contains covenants with respect to the following matters: (a) payment of principal, premium, any Additional Amounts and interest; (b) maintenance of an office or agency in London and (c) arrangements regarding the handling of money held in trust.

### **Consolidation, Merger, Sale of Assets**

#### ***The Company and the Parent***

Neither the Company nor the Parent will, in a single transaction or through a series of related transactions, consolidate with or merge with or into any other Person (whether or not the Company or the Parent is the surviving corporation) or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons, or permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions, if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries or the Parent and its Restricted Subsidiaries, as the case may be, on a Consolidated basis to any other Person or group of Persons, unless at the time of the transaction and after giving effect thereto:

- (a) either:
  - (1) the Company or the Parent, as the case may be, will be the continuing corporation; or
  - (2) the Person (if other than the Parent or the Company, as the case may be) formed by such consolidation or into which the Parent or the Company is merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries or of the Parent and its Restricted Subsidiaries, as the case may be, on a Consolidated basis (the “**Surviving Entity**”) will be a corporation duly organized and validly existing under the laws of any EU state which is a member of the EU on the Issue Date, Switzerland, the United States of America, any state thereof or the District of Columbia or the Island of Jersey and such Person expressly assumes all the obligations of the Company or the Parent, as the case may be, under the Notes, the Indenture, the Intercreditor Deed, the Proceeds Loans Documents and the Security Documents to which the Parent or the Company, as the case may be, is a party pursuant to agreements reasonably satisfactory to the Trustee (and the Guarantees will be confirmed as applying to such Surviving Entity’s obligations);
- (b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness not previously an obligation of the Company or any of its Restricted Subsidiaries which becomes the obligation of the Company or any of its Restricted Subsidiaries as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing;
- (c) immediately after giving effect to such transaction on a *pro forma* basis (on the assumption that the transaction occurred on the first day of the four-quarter period for which financial statements are available ending immediately prior to the consummation of such transaction with the appropriate adjustments with respect to the transaction, including treating any obligation incurred by the Company or any Restricted Subsidiary in connection with or as a result of such transaction or series of transactions as having been incurred by the Company or such Restricted Subsidiary at the time of such transaction, being included in such *pro forma* calculation), the Company (or the Surviving Entity if the Company is not the continuing obligor under the Indenture) could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions of “—Certain Covenants—Limitation on Indebtedness;”
- (d) at the time of the transaction, the Issuer and each Guarantor, if any, unless it is the other party to the transactions described above, will have by supplemental indenture confirmed the Notes or that its Guarantee will apply to such Person’s obligations under the Indenture and the Notes; and
- (e) at the time of the transaction, the Company or the Surviving Entity will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer’s Certificate and an opinion of independent legal counsel, each to the effect that such consolidation, merger, transfer, sale, assignment, conveyance, lease or other transaction and the supplemental

indenture in respect thereof comply with the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Company or the Parent, as the case may be, is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made will succeed to, and be substituted for, and may exercise every right and power of the Company or the Parent, as the case may be, and the Company or the Parent, as applicable, will be discharged from all obligations and covenants under the Indenture, the Notes, the Guarantees, the Proceeds Loans Documents and the Security Documents to which the Company or the Parent, as applicable, is a party.

### ***The Issuer***

The Issuer will not, in a single transaction or through a series of related transactions, consolidate with or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Issuer to any other Person or group of Persons, unless at the time of the transaction and after giving effect thereto:

- (a) either:
  - (1) the Issuer or the Company will be the continuing corporation; or
  - (2) the Person (if other than the Issuer or the Company) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all of the properties and assets of the Issuer (for the purposes of this covenant, or as otherwise applicable, the “**Surviving Entity**”) will be a corporation duly organized and validly existing under the laws of any EU state which is a member of the EU on the Issue Date, Switzerland, the United States of America, any state thereof or the District of Columbia or the Island of Jersey and such Person expressly assumes all the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Deed, the Proceeds Loans Documents and the Security Documents to which the Issuer is a party pursuant to agreements reasonably satisfactory to the Trustee (and the Guarantees will be confirmed as applying to such Surviving Entity's obligations);
- (b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness not previously an obligation of the Company or any of its Restricted Subsidiaries which becomes the obligation of the Company or any of its Restricted Subsidiaries as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing;
- (c) immediately after giving effect to such transaction on a *pro forma* basis (on the assumption that the transaction occurred on the first day of the four-quarter period for which financial statements are available ending immediately prior to the consummation of such transaction with the appropriate adjustments with respect to the transaction, including treating any obligation incurred by the Company or any Restricted Subsidiary in connection with or as a result of such transaction or series of transactions as having been incurred by the Company or such Restricted Subsidiary at the time of such transaction, being included in such *pro forma* calculation), the Company could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions of “—Certain Covenants—Limitation on Indebtedness;”
- (d) at the time of the transaction, the Issuer (or the Surviving Entity) and each Guarantor, if any, unless it is the other party to the transactions described above, will have by supplemental indenture confirmed the Notes or that its Guarantee will apply to such Person's obligations under the Indenture and the Notes; and
- (e) at the time of the transaction, the Issuer, the Company or the Surviving Entity will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger, transfer, sale, assignment, conveyance, lease or other transaction and the supplemental indenture in respect thereof comply with the Indenture and that all conditions precedent therein provided for

relating to such transaction have been complied with; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Issuer is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made will succeed to, and be substituted for, and may exercise every right and power of the Issuer and the Issuer will be discharged from all obligations and covenants under the Indenture, the Notes, the Proceeds Loans Documents and the Security Documents to which the Issuer is a party.

Notwithstanding clauses (a) and (c) of the first paragraph of this covenant, the Issuer is permitted to consolidate with or merge with or into the IHL, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to the IHL. Upon the completion of such transaction, the Notes Proceeds Loans and any guarantees and security with respect thereto will be released and discharged, the Notes will be the obligations of the IHL, and the provisions of the Indenture summarized under the caption "—Certain Covenants—Limitation on Issuer Activities" and any related default provisions will cease to be effective and will not be applicable to the Parent, the Company or any Restricted Subsidiaries.

Promptly following the completion of the Senior Secured Notes and SFA Transfer, the Company and the Issuer shall cause the Synthetic Security Requirement to be satisfied.

***Guarantors other than the Company and the Parent***

A Guarantor (other than the Company or the Parent or a Guarantor whose Guarantee is to be released in accordance with the terms of the Guarantee and the Indenture as described under "—Certain Covenants—Release of Guarantees") will not, in a single transaction or through a series of related transactions, consolidate with or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons, or permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions, if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Guarantor and its Restricted Subsidiaries on a Consolidated basis to any other Person or group of Persons, unless at the time of the transaction and after giving effect thereto:

- (a) either:
  - (1) such Guarantor will be the continuing corporation; or
  - (2) the Person (if other than the Guarantor) formed by such consolidation or into which the Guarantor is merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all of the properties and assets of the Guarantor (for the purposes of this covenant, or as otherwise applicable, the "**Surviving Entity**") will be a corporation duly organized and validly existing under the laws of any EU state which is a member of the EU on the Issue Date, Switzerland, the United States of America, any state thereof or the District of Columbia or the Island of Jersey and such Person expressly assumes all the obligations of the Guarantor under its Guarantee, the Indenture, the Intercreditor Deed, the Proceeds Loans Documents and the Security Documents to which such Guarantor is a party pursuant to agreements reasonably satisfactory to the Trustee (and the Guarantees will be confirmed as applying to such Surviving Entity's obligations);
- (b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness not previously an obligation of the Guarantor or any of its Restricted Subsidiaries which becomes the obligation of the Guarantor or any of its Restricted Subsidiaries as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing;
- (c) at the time of the transaction, the Guarantor, unless it is the other party to the transactions described above, will have confirmed by supplemental indenture or otherwise that its Guarantee shall apply to such Person's obligations under its Guarantee and the Indenture; and
- (d) at the time of the transaction, the Guarantor or the Surviving Entity will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and an opinion of independent counsel, each to the effect that such consolidation, merger, transfer, sale, assignment, conveyance, lease or other transaction and the supplemental indenture in

respect thereof comply with the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Guarantor is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made will succeed to, and be substituted for, and may exercise every right and power of the Guarantor and the Guarantor will be discharged from all obligations and covenants under the Indenture, its Guarantee, the Notes, the Proceeds Loans Documents and the Security Documents to which such Guarantor is a party.

### ***General***

Notwithstanding clauses (b) and (c) under “—The Company and the Parent”, clauses (b) and (c) under “—The Issuer” and clause (b) under “—Guarantors other than the Company and the Parent” above (which do not apply to transactions referred to in this sentence and subject to the covenant under “—Certain Covenants—Limitation on Issuer Activities”), (i) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer, the Company or any other Subsidiary Guarantor, (ii) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (iii) the Parent, the Company or the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Parent, the Company or the Issuer, reincorporating the Parent, the Company or the Issuer in another jurisdiction, or changing the legal form of the Parent, the Company or the Issuer.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

### **Events of Default**

An Event of Default will occur under the Indenture if:

- (a) there shall be a default in the payment of any interest or Additional Amounts on any Note when it becomes due and payable, and such default shall continue for a period of 30 days;
- (b) there shall be a default in the payment when due (at maturity, upon redemption or otherwise) of the principal of (or premium, if any, on) any Note;

- (c)
  - (1) there shall be a default in the performance, or breach, of any covenant or agreement of the Issuer or any Guarantor under the Indenture or any Guarantee (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with in clause (a), (b) or in clause (2), (3) or (4) of this clause (c)) and such default or breach shall continue for a period of 60 days after written notice has been given, by certified mail, (x) to the Issuer by the Trustee or (y) to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Notes voting as a single class,
  - (2) there shall be a default in the performance or breach of the provisions described in “Consolidation, Merger, Sale of Assets,”
  - (3) the Issuer or the Company shall have failed to make or consummate an Offer in accordance with the provisions of “—Certain Covenants—Limitation on Sale of Assets,” or
  - (4) the Issuer or the Company shall have failed to make or consummate a Change of Control Offer in accordance with the provisions of “—Certain Covenants—Purchase of Notes Upon a Change of Control;”
- (d) any default in the payment of the principal, premium, if any, or interest on any Indebtedness shall have occurred under any of the agreements, indentures or instruments under which the Issuer, any Guarantor or any Significant Restricted Subsidiary then has outstanding Indebtedness in excess of €50.0 million when the same shall become due and payable in full and such default shall have continued after any applicable grace period and shall not have been cured or waived and, if not already matured at its final maturity in accordance with its terms, the holder of such Indebtedness shall have accelerated such Indebtedness;
- (e) any Guarantee by the Parent, the Company, the Issuer or a Significant Restricted Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be, or shall for any reason be asserted in writing by any Guarantor or the Issuer not to be, in full force and effect and enforceable in accordance with its terms, except to the extent contemplated by the Indenture and any such Guarantee;
- (f)
  - (i) one or more of the Security Documents shall, at any time, cease to be in full force and effect, or a Security Document shall be declared invalid or unenforceable by a court of competent jurisdiction, other than, in each case, pursuant to limitations on enforceability, validity or effectiveness imposed by applicable law or the terms of such Security Document or except in accordance with the terms of such Security Document, the Intercreditor Deed, any additional intercreditor agreement or the Indenture, including the release provisions thereof and such failure to be in full force and effect shall have continued uncured for a period of 15 days after the Issuer becomes aware of such failure or
  - (ii) repudiation or disaffirmation by the Issuer or any Guarantor of any of their respective obligations under the Security Documents;
- (g) one or more judgments, orders or decrees of any court or regulatory or administrative agency for the payment of money in excess of €50.0 million, either individually or in the aggregate, shall be rendered against the Issuer or any Significant Restricted Subsidiary or any of their respective properties and shall not be discharged and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal or otherwise, shall not be in effect;
- (h) except in accordance with the Indenture, the Notes Proceeds Loans Agreement ceases to be in full force and effect or is declared fully or partially void in a judicial proceeding or the IHL asserts that any Notes Proceeds Loan is fully or partially invalid; or
- (i) certain events of bankruptcy or insolvency described in the Indenture with respect to the Parent, the Company, the Issuer or any Significant Restricted Subsidiary shall have occurred.

If an Event of Default (other than as specified in clause (i) of the prior paragraph) shall occur and be continuing with respect to the Indenture, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding may, and the Trustee, at the request of such holders, shall declare all unpaid principal of, premium, if any, any Additional Amounts and accrued interest on all Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by the holders of the Notes) and upon any such declaration, such principal, premium, if any, any Additional Amounts and interest shall become due and payable immediately.

If an Event of Default specified in clause (i) of the prior paragraph occurs and is continuing, then all the Notes shall *ipso facto* become and be due and payable immediately in an amount equal to the principal amount of the Notes, together with any Additional Amounts and accrued and unpaid interest, if any, to the date the Notes become due and payable, without any declaration or other act on the part of the Trustee or any holder. Thereupon, the Trustee may, at its discretion, proceed to protect and enforce the rights of the holders of the Notes by appropriate judicial proceedings. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (d) of the prior paragraph has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (d) shall be remedied or cured, or waived by the holders of the Indebtedness that gave rise to such Event of Default, or such Indebtedness shall be discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

After a declaration of acceleration, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of Notes outstanding by written notice to the Issuer and the Trustee may rescind an acceleration and annul such declaration and its consequences under the Indenture if:

- (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:
  - (1) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel,
  - (2) all overdue interest and Additional Amounts on all Notes then outstanding,
  - (3) the principal of and premium, if any, on any Notes then outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes, and
  - (4) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Notes;
- (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and
- (c) all Events of Default, other than the non-payment of principal of, premium, if any, and any Additional Amounts and interest on the Notes, which have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture. No such rescission shall affect any subsequent default or impair any right consequent thereon.

The holders of not less than a majority in aggregate principal amount of all outstanding Notes may, by written notice to the Trustee, on behalf of the holders of all outstanding Notes, waive any past default under the Indenture and its consequences, except a default:

- (a) in the payment of the principal of, premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of each holder of Notes affected); or
- (b) in respect of a covenant or provision hereof which under the Indenture cannot be modified or amended without the consent of the holders of not less than 90% of the then outstanding amount of one or more series of Notes, in which case the consent of the holders of at least 90% of the then outstanding Notes of such series shall be required.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust of power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

No holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made written request, and offered satisfactory indemnity and/or security, to the Trustee to institute such proceeding as the Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt

of such notice and the Trustee, during such 60-day period, has not received directions inconsistent with such written request from the holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and any Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

The Company will promptly notify the Trustee of the occurrence of any Default that has not otherwise been cured within 15 Business Days following the occurrence of such Default. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the Trustee may withhold the notice to the holders of such Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders of the Notes. If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will mail to each holder of the Notes notice of the Default or Event of Default within five Business Days after being notified of its occurrence. The Issuer will deliver to the Trustee, on or before a date not more than 120 days after the end of each fiscal year, a written statement as to compliance with the Indenture, including whether or not any Default has occurred. The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the Notes unless such holders offer to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred thereby.

### **Defeasance or Covenant Defeasance of Indenture**

The Issuer may, at its option and at any time, elect to have all of its obligations terminated with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to the Guarantees (“**Legal Defeasance**”) and cure all then existing Events of Default, except for, among other things, certain obligations, including those relating to the defeasance trust, obligations to transfer or exchange Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a paying agent, and obligations with respect to the rights, powers, trusts, duties and immunities of the Trustee.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to certain covenants that are described in the Indenture and the Guarantees (“**Covenant Defeasance**”) and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, and, solely with respect to the Issuer, bankruptcy and insolvency events) described under “—Events of Default” will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (a) the Issuer must irrevocably deposit in trust with the Trustee, for the benefit of the holders of the Notes, cash in euros, European government obligations, or a combination thereof (in the case of the Euro Floating Rate Notes) or in dollars or U.S. government obligations, or a combination thereof (in the case of the Dollar Fixed Rate Notes), in such aggregate amounts as will be sufficient to pay the principal of, interest and premium, if any, on the Dollar Fixed Rate Notes and the Euro Floating Rate Notes to maturity;
- (b) in the case of Legal Defeasance, the Issuer must deliver to the Trustee:
  - (1) an opinion of United States counsel reasonably acceptable to the Trustee confirming that (A) the Issuer has received from, or there has been published by, the US Internal Revenue Service a ruling or (B) since the Issue Date, there has been a change in the applicable US federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for US federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and
  - (2) an opinion of counsel in the jurisdiction of incorporation of the Issuer and reasonably acceptable to the Trustee to the effect that the holders of the Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred; and
- (c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee:

- (1) an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for US federal income tax purposes as a result of such Covenant Defeasance and will be subject to US federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and
- (2) an opinion of counsel in the jurisdiction of incorporation of the Issuer and reasonably acceptable to the Trustee to the effect that the holders of the Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect (except as to transfer or exchange of the Notes as expressly provided for in the Indenture) as to all the outstanding Notes issued under the Indenture when:

- (a) either:
  - (1) all such Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid or Notes whose payment has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or
  - (2) all Notes not theretofore delivered to the Trustee for cancellation (A) have become due and payable, (B) will become due and payable at their Stated Maturity within one year, or (C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust an amount in euro or European government obligations or a combination thereof (in the case of the Euro Floating Rate Notes) or in dollars or U.S. government obligations, or a combination thereof (in the case of the Dollar Fixed Rate Notes) sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, including the principal of, premium, if any, any Additional Amounts and accrued interest on, such Notes at such Maturity, Stated Maturity or redemption date;
- (b) the Issuer or any Guarantor has paid or caused to be paid all other sums payable under the Indenture by the Issuer and any Guarantor; and
- (c) the Issuer has delivered to the Trustee an Officer's Certificate and an opinion of independent counsel, each stating that:
  - (1) all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; and
  - (2) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument to which the Issuer, any Guarantor or any Subsidiary is a party or by which the Issuer, any Guarantor or any Subsidiary is bound,

*provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

### **Modifications and Amendments**

Without limiting the Issuer's and the Guarantors' ability to effect modifications or amendments that are expressly permitted under "—Certain Covenants—Impairment of Security Interest" or "—Certain Covenants—Intercreditor Deed; Additional Intercreditor Agreements" or are otherwise permitted under this caption "—Modifications and Amendments", modifications and amendments of the Indenture, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement and/or the Security Documents may be made by the Issuer, the Guarantors, the Trustee



and the Security Trustee, in each case, to the extent a party thereto, with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding; *provided, however*, that no such modification or amendment may, without the consent of the holders of not less than 90% of the then outstanding aggregate principal amount of the Notes:

- (a) change the Stated Maturity of the principal of, or any installment of any Additional Amounts or interest on, or change to an earlier date the time at which any Note may be redeemed, or waive a default in the payment of the principal of, premium, if any, any Additional Amounts or interest on, any such Note or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which the principal of any such Note or any premium or any Additional Amounts or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);
- (b) reduce the percentage in principal amount of such outstanding Notes, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver of or compliance with provisions of the Indenture;
- (c) modify any of the provisions relating to any supplemental indentures requiring the consent of holders or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of such outstanding Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each such Note affected thereby;
- (d) except as otherwise permitted under “—Consolidation, Merger, Sale of Assets,” consent to the assignment or transfer by the Issuer or any Guarantor of any of its rights and obligations under the Indenture;
- (e) release all or substantially all of the Collateral from the Liens created in favor of the Trustee or the Security Trustee pursuant to the Security Documents or all or substantially all of the Guarantors from the Guarantees created pursuant to the Indenture or any supplemental indenture thereto except as otherwise permitted by the terms of the Indenture, the Security Documents or the Intercreditor Deed or any additional intercreditor agreement;
- (f) except as permitted by the Indenture or the Intercreditor Deed (or any additional intercreditor agreement), make any change to any provision of the Indenture or the Intercreditor Deed affecting the ranking or priority of any Note or Guarantee that would adversely affect the rights of the holders of the Notes in any material respect;
- (g) make any change in the provisions of the Indenture described under “—Payment of Additional Amounts” that adversely affects the holder’s entitlement to (x) any exemption, in whole or in part, from withholding Taxes or (y) Additional Amounts, in each case as described thereunder, unless the Issuer agrees to pay Additional Amounts (if any) in respect thereof; or
- (h) except as permitted by the Indenture or the Intercreditor Deed (or any additional intercreditor agreement), release the Guarantee of the Parent or the Company.

Notwithstanding the foregoing, if any amendment, waiver or other modification affects only the rights of the Dollar Fixed Rate Notes or the Euro Floating Rate Notes, as applicable, the holders of the other series of Notes shall not be required to consent thereto (and in such case, the consent of a majority or 90%, as the case may be, in aggregate principal amount of the affected series of Notes shall be required to consent thereto). For the avoidance of doubt, it is understood and agreed that any matter described in clause (a) or (b) above that by its terms applies only to the Dollar Fixed Rate Notes or the Euro Floating Rate Notes shall not be deemed to affect the rights of, or require the consent of, the holders of the other series of Notes and shall require only the consent of 90% of the holders of the Dollar Fixed Rate Notes or the Euro Floating Rate Notes, as the case may be.

Notwithstanding the preceding two paragraphs, the Indenture provides that certain Guarantees or Liens on the Collateral may be released in connection with sales or other dispositions of property or assets (including Capital Stock) that do not violate the requirements of the covenants described under the caption “—Certain Covenants—Restricted Payments” or “—Certain Covenants—Limitation on Sale of Assets”, as each such covenant may be amended from time to time with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding and in such case the consent of at least a majority in aggregate principal amount of the Notes then outstanding will suffice for such release.

For the avoidance of doubt, it shall not be necessary for the consent of the holders under the Indenture to approve the particular form of any proposed amendment, waiver or other modification but it shall be sufficient if such consent approves the substance thereof.

In addition to any modifications and amendments that are permitted under, or governed by, the covenants set forth under the captions “—Certain Covenants—Impairment of Security Interest,” “—Certain Covenants—Intercreditor Deed; Additional Intercreditor Agreements” or the other provisions of this caption “—Modifications and Amendments” and not in limitation thereof, without the consent of any holders of the Notes, the Issuer, the Trustee and the Security Trustee, in each case to the extent a party thereto (without the need for any consent of or authorization or execution by any other party to the Indenture) may modify or amend the Indenture, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement, any Security Document or the Notes Proceeds Loan:

- (a) to evidence the succession of another Person to the Issuer or any Guarantor or any other obligor under the Notes and the assumption by any such successor of the covenants of the Issuer or such Guarantor in the Indenture, in the Notes and in any Guarantee, as applicable, in accordance with “—Consolidation, Merger, Sale of Assets;”
- (b) to add to the covenants of the Issuer, any Guarantor or any other obligor upon the Notes for the benefit of the holders of the Notes or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor upon the Notes, as applicable, in the Indenture, in the Notes or in any Guarantee;
- (c) to cure any ambiguity, or to correct or supplement any provision in the Indenture or in any supplemental indenture, the Notes, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement or any Security Document which may be defective or inconsistent with any other provision in the Indenture or in any supplemental indenture, the Notes, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement or any Security Document or to make any other provisions with respect to matters or questions arising under the Indenture, the Notes, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement or any Security Document that shall not adversely affect the rights of the holders of the Notes in any material respect or that shall improve or increase the rights of the holders of the Notes;
- (d) to add a Guarantor under the Indenture and to provide for or confirm the existence of any limitations in any Guarantee authorized under the Indenture;
- (e) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;
- (f) to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Trustee for the benefit of the holders of the Notes as additional security for the payment and performance of the Issuer’s or any Guarantor’s obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to the Indenture or otherwise (any such additional security shall be deemed to be Collateral for all purposes under the Indenture);
- (g) to provide for the issuance of Additional Notes in accordance with the Indenture;
- (h) to conform the text of the Indenture or the Notes to any passage in this “Description of the Notes” to the extent that such passage was intended to be a verbatim recitation of a provision of the Indenture or the Notes;
- (i) to make, complete or confirm any grant of Collateral permitted or required by the Indenture;
- (j) to evidence or provide for the release of any Guarantee or any Lien on any Collateral that is otherwise permitted by the terms of the Indenture, the Security Documents or the Intercreditor Deed or any additional intercreditor agreement; or
- (k) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code).

In connection with its execution of any amendment pursuant to the preceding paragraph, the Trustee shall be entitled to request and rely on such evidence as to whether such amendment is authorized by such paragraph as the Trustee may request, which may include an Officer's Certificate and/or an Opinion of Counsel.

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by clause (d) above to add a Guarantor under the Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

The holders of a majority in aggregate principal amount of the Notes outstanding may waive compliance with certain restrictive covenants and provisions of the Indenture.

### **Governing Law**

The Indenture, the Notes and the Guarantees are governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Deed is governed by English law.

### **Consent to Jurisdiction and Service**

The Indenture provides that the Issuer and each Guarantor will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees and for actions brought under U.S. federal or New York state securities laws brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

### **Enforceability of Judgments**

Since many of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator, member or shareholder of the Issuer, any Guarantor, any of their respective parent companies or any of their respective Subsidiaries or Affiliates as such, shall have any liability for any obligations of the Issuer under the Indenture (including the Guarantees), the Notes or the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the Commission that such a waiver is against public policy.

### **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

### **Concerning the Trustee**

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuer or any Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs (which has not been cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes unless such holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

The Indenture contains customary conditions under which the Trustee may be replaced. The Indenture provides that the Trustee may resign at any time, may be removed by the Holders of a majority in outstanding principal amount of the then outstanding Notes (by notifying the Trustee and the Issuer in writing) or may be removed by the Issuer in the event that (i) the Trustee fails to comply with the Indenture; (ii) the Trustee is adjudged bankrupt or insolvent; (iii) a receiver or other public officer takes charge of the Trustee or its property; or (iv) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the holders of a majority in principal amount of the outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer. If the successor Trustee does not deliver its written acceptance required by the Indenture within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of a majority in principal amount of the outstanding Notes may, at the expense of the Issuer, petition any court of competent jurisdiction for the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders in accordance with the Indenture. If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, (i) the retiring Trustee, the Issuer or the Holders of at least 25% in outstanding principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee at the expense of the Issuer or (ii) the Trustee may appoint a successor Trustee that is reasonably satisfactory to the Issuer. If a successor Trustee fails to comply with the requirements set forth in the Indenture, any Holder may petition any court of competent jurisdiction for the removal of such successor Trustee and the appointment of a successor Trustee.

#### **Certain Definitions**

**“Acquired Indebtedness”** means Indebtedness of a Person:

- (a) existing at the time such Person becomes a Restricted Subsidiary;
- (b) assumed in connection with the acquisition of assets from such Person; or
- (c) at the time it merges or consolidates with the Company or any Restricted Subsidiary,

in each case, other than Indebtedness incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Indebtedness shall be deemed to be incurred on the date of the related acquisition of assets from any Person, the date the acquired Person becomes a Restricted Subsidiary or at the time of such merger or consolidation, as the case may be.

**“Affiliate”** means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person.

For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

**“Applicable Redemption Premium”** means, with respect to any Note on any redemption date, the greater of (a) one percent of the principal amount of the Note and (b) with respect to any Dollar Fixed Rate Note, the excess of:

- (i) the present value at such redemption date of the redemption price of such Dollar Fixed Rate Note at February 15, 2015, plus all required interest payments that would otherwise be due to be paid on such Dollar Fixed Rate Note during the period between the redemption date and February 15, 2015, excluding accrued but unpaid interest, computed using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points, over

- (ii) the principal amount of such Dollar Fixed Rate Note,

and, with respect to any Euro Floating Rate Note, the excess of:

- (i) the present value at such redemption date of the redemption price of such Euro Floating Rate Note at February 15, 2015 plus all required interest payments that would otherwise be due to be paid on such Euro Floating Rate Note during the period between the redemption date and February 15, 2015 excluding accrued but unpaid interest, computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points and assuming that the rate of interest on the Euro Floating Rate Notes for the period from the redemption date through February 15, 2015 will equal the rate of interest on the Euro Floating Rate Notes in effect on the date on which the applicable notice of redemption is given, over
- (ii) the principal amount of such Euro Floating Rate Note.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee, the Payment Agents or the Calculation Agent.

“**Asset Sale**” means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a “**transfer**”), directly or indirectly, in one or a series of related transactions, of:

- (a) any Capital Stock of any Restricted Subsidiary (other than directors’ qualifying shares and other nominal amounts of Capital Stock that are required to be held by other Persons under applicable law);
- (b) all or substantially all of the properties and assets of any division or line of business of the Company or any Restricted Subsidiary; or
- (c) any other properties or assets of the Company or any Restricted Subsidiary other than in the ordinary course of business.

For the purposes of this definition, the term “**Asset Sale**” shall not include any transfer of properties and assets:

- (i) that is governed by the provisions described under “—Consolidation, Merger, Sale of Assets;”
- (ii) that is by the Company to any Restricted Subsidiary, or by any Restricted Subsidiary to the Company or any other Restricted Subsidiary, in accordance with the terms of the Indenture;
- (iii) that is a disposition of cash, Cash Equivalents or Temporary Cash Investments;
- (iv) that is a disposition of inventory, trading stock or other assets in the ordinary course of business, including for the avoidance of doubt, in connection with performing any obligations under an Underlying Agreement (as defined in the Credit Support Deed);
- (v) that is a disposition of obsolete equipment or other assets that are no longer useful in the conduct of the business of the Company or any Restricted Subsidiary;
- (vi) the Fair Market Value of which in the aggregate does not exceed €25 million in any transaction or series of related transactions;
- (vii) that is a Restricted Payment permitted by the covenant under the caption “—Certain Covenants—Limitation on Restricted Payments” or a Permitted Payment or Permitted Investment;
- (viii) that is a disposition in connection with any Permitted Liens;
- (ix) that is a disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (x) that is a foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

- (xi) that is a sale or disposition of receivables (or related assets) in connection with any Permitted Receivables Financing or in the ordinary course of business or the conversion or exchange of accounts receivable for notes receivable;
- (xii) that is by the Company or a Restricted Subsidiary by way of lease or license in respect of land to a trading counterparty to whom the Company or such Restricted Subsidiary, as applicable, provides services on that land in the ordinary course of its trading; or
- (xiii) that is a sale or disposition of (A) any and all equity, debt and other interests held by the Company and the Restricted Subsidiaries in INEOS Silicas and INEOS Bio as of the Issue Date or (B) any dividends, payments or other distributions equal to amounts received as dividends, payments and other distributions or proceeds of any sale or other disposition in respect of such interests since the Issue Date.

**“Attributable Debt”** means, with respect to any sale and leaseback transaction at the time of determination, the present value (discounted at the interest rate implicit in the lease determined in accordance with IFRS, or, if not known, at the Issuer’s incremental borrowing rate) of the total obligations of the lessee of the property subject to such lease for rental payments during the remaining term of the lease included in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, or until the earliest date on which the lessee may terminate such lease without penalty or upon payment of penalty (in which case the rental payments shall include such penalty), after excluding from such rental payments all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges.

**“Average Life”** means, as of the date of determination with respect to any Indebtedness, the quotient obtained by dividing

- (a) the sum of the products of
  - (x) the number of years from the date of determination to the date or dates of each successive scheduled principal payment of such Indebtedness multiplied by
  - (y) the amount of each such principal payment by
- (b) the sum of all such principal payments.

**“Bankruptcy Law”** means (a) Title 11, United States Bankruptcy Code of 1978, as amended, (b) the U.K. Insolvency Act 1986, as amended (“U.K. Insolvency Act 1986”), (c) when it relates to a Luxembourg entity, bankruptcy (*faillite*) proceedings within the meaning of Articles 437 ff. of the Luxembourg Commercial Code, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*) within the meaning of the law of 14 April 1886 on arrangements to prevent insolvency, as amended, reprieve from payment (*sursis de paiement*) within the meaning of Articles 593 ff. of the Luxembourg Commercial Code, controlled management (*gestion contrôlée*) within the meaning of the grand ducal regulation of 24 May 1935 on controlled management or (d) any other law of the United States, the United Kingdom (or, in each case, any political subdivision thereof) or the laws of any other jurisdiction or any political subdivision thereof relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

**“Board of Directors”** means:

- (a) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (b) with respect to a partnership, the board of directors (or analogous governing body) of the general partner of the partnership;
- (c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (d) with respect to any other Person, the board or committee of such Person serving a similar function.

**“Bottom Swiss Subsidiary”** means the Subsidiary of the Company organized under the laws of Switzerland that is a direct or indirect parent company of IHL and that is, as among the holding companies organized in Switzerland, most removed in the chain of holding companies from the Company.

**“BP Creditor Liabilities”** has the meaning set forth in the Intercreditor Deed.

**“BP Creditors”** has the meaning set forth in the Intercreditor Deed.

**“BP Shared Collateral”** means the “BP Shared Collateral” as defined in the Intercreditor Deed.

**“Bund Rate”** means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the redemption date to February 15, 2015; *provided, however*, that if the period from the redemption date to February 15, 2015 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to February 15, 2015 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

**“Business Day”** means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, London, United Kingdom, or New York, United States or any other place of payment under the Indenture are authorized or required by law to close; *provided, however*, that for any payments to be made in euro under the Indenture, such day shall also be day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (“**TARGET**”) payment system is open for the settlement of payments.

**“Calculation Agent”** means a financial institution appointed by the Issuer to calculate the interest rate payable on the Euro Floating Rate Notes in respect of each interest period, which shall initially be The Bank of New York Mellon, acting through its London Branch.

**“Capital Lease Obligation”** of any Person means any obligation of such Person and its Restricted Subsidiaries on a Consolidated basis under any capital lease of (or other agreement conveying the right to use) real or personal property which, in accordance with IFRS, is required to be recorded as a capitalized lease obligation.

**“Capital Stock”** of any Person means any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person’s capital stock, other equity interests whether now outstanding or issued after the Issue Date, partnership interests (whether general or limited), any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person and any rights (other than debt securities convertible into Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock.

**“Cash Equivalents”** means marketable debt securities with a maturity of three months or less and with a short term debt rating of at least A1+ granted by S&P or P1 granted by Moody’s to which the Company or a Restricted Subsidiary is beneficially entitled, and which can be promptly realized by the Company or such Restricted Subsidiary without condition.

**“Cash Management Arrangements”** means any customary cash management, cash pooling or netting or setting off arrangements or arrangements for the honoring of checks, drafts or similar instruments.

**“Change of Control”** means the occurrence of any of the following events:

- (a) prior to the consummation of an initial Public Equity Offering, any event the result of which is that the Permitted Holders are or become the “beneficial owners” (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of less than 50% (or, with respect to James A. Ratcliffe and the Specified Investors, less than 35%) of the total outstanding Voting Stock of the Company;

- (b) on and after the consummation of an initial Public Equity Offering, any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act), other than the Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total outstanding Voting Stock of the Company and Permitted Holders do not beneficially own a larger percentage of such Voting Stock than such Person (and James A. Ratcliffe and the Specified Investors are not the “beneficial owners” of 25% or more of the total outstanding Voting Stock of the Company);
- (c) the Company consolidates with or merges with or into any Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, or any Person consolidates with or merges into or with the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities or other property, other than any such transaction where (1) the outstanding Voting Stock of the Company is changed into or exchanged for Voting Stock of the surviving corporation which is not Redeemable Capital Stock and (2) immediately after such transaction, no “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act), other than Permitted Holders, is the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act, except that a person shall be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total outstanding Voting Stock of the surviving corporation; or
- (d) the Issuer, the Parent or the Company is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under “— Consolidation, Merger, Sale of Assets”.

For purposes of this definition, any transfer of Capital Stock of an entity that was formed for the purpose of acquiring Voting Stock of the Company will be deemed to be a transfer of such portion of such Voting Stock as corresponds to the portion of the Capital Stock of such entity that has been so transferred.

“**Clearstream**” means Clearstream Banking, société anonyme.

“**Code**” means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, including the regulations proposed or promulgated thereunder.

“**Collateral**” means the Initial Stage Collateral, the Second Stage Collateral and all other rights, property and assets in which a security interest is purported to be granted pursuant to any Security Document to secure the Notes or any Guarantee.

“**Commission**” means the U.S. Securities and Exchange Commission, as from time to time constituted, created under the U.S. Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the U.S. Securities Act, U.S. Exchange Act and U.S. Trust Indenture Act, as amended, then the body performing such duties at such time.

“**Commodity Price Protection Agreement**” means any forward contract, commodity swap, commodity option or other similar financial agreement or arrangement relating to, or the value of which is dependent upon, fluctuations in commodity prices.



“**Company**” means INEOS Luxembourg I S.A. and any successor pursuant to the covenant described under the caption “—Consolidation, Merger, Sale of Assets.”

“**Consolidated Fixed Charge Coverage Ratio**” of any Person means, for any period, the ratio of (a) the sum of Consolidated Net Income (Loss), plus, in each case to the extent deducted in computing Consolidated Net Income (Loss) for such period, Consolidated Interest Expense, Consolidated Income Tax Expense and Consolidated Non-Cash Charges for such period, of such Person and its Restricted Subsidiaries on a Consolidated basis, all determined in accordance with IFRS, less all non-cash items increasing Consolidated Net Income (Loss) for such period and less all cash payments during such period relating to non-cash charges that were added back to Consolidated Net Income (Loss) in determining the Consolidated Fixed Charge Coverage Ratio in any prior period to (b) the sum of Consolidated Interest Expense for such period plus cash and noncash dividends due (whether or not declared) on any Preferred Stock of such Person or its Restricted Subsidiaries during such period, in each case after giving *pro forma* effect to:

- (1) the incurrence of the Indebtedness giving rise to the need to make such calculation and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, on the first day of such period;
- (2) the incurrence, repayment or retirement of any other Indebtedness by such Person and its Restricted Subsidiaries since the first day of such period as if such Indebtedness was incurred, repaid or retired at the beginning of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period); *provided, however*, that the *pro forma* calculation of Consolidated Interest Expense shall not give effect to (A) any Indebtedness incurred on the date of determination pursuant to paragraph (b) of the covenant set forth in “—Certain Covenants—Limitation on Indebtedness” and (B) any discharge on the date of determination of any Indebtedness to the extent such discharge results from the proceeds of Indebtedness incurred pursuant to paragraph (b) of the covenant set forth in “—Certain Covenants—Limitation on Indebtedness;”
- (3) in the case of Acquired Indebtedness or any acquisition occurring at the time of the incurrence of such Indebtedness, the related acquisition, assuming such acquisition had been consummated on the first day of such period; and
- (4) any acquisition or disposition by such Person and its Restricted Subsidiaries of any company or any business or any assets out of the ordinary course of business, whether by merger, stock purchase or sale or asset purchase or sale, or any related repayment of Indebtedness, in each case since the first day of such period, assuming such acquisition or disposition had been consummated on the first day of such period; *provided that*:
  - (A) whenever *pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense attributable to any Indebtedness incurred in connection therewith, the *pro forma* calculations shall be determined in good faith;
  - (B) in making such computation, the Consolidated Interest Expense attributable to interest on any Indebtedness computed on a *pro forma* basis and (x) bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period and (y) which was not outstanding during the period for which the computation is being made but which bears, at the option of such Person, a fixed or floating rate of interest, shall be computed by applying at the option of such Person either the fixed or floating rate (in the case of (x) and (y) taking into account any Interest Rate Agreement applicable to such Indebtedness for a period equal to the remaining term of such Interest Rate Agreement); and
  - (C) in making such computation, the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

For purposes of this definition, whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Parent (including in respect of anticipated expense and cost reduction synergies).

**“Consolidated Income Tax Expense”** of any Person means, for any period, the provision for federal, national, state and local income taxes of the United States, United Kingdom or any other jurisdiction of such Person and its consolidated Restricted Subsidiaries for such period as determined in accordance with IFRS.

**“Consolidated Interest Expense”** of any Person means, without duplication, for any period, the sum of:

- (a) the interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, on a Consolidated basis in accordance with IFRS (excluding any amortization of debt issuance costs, currency translation differences, and in each case any amortization thereof, and any amortization of discount in relation to pension liabilities) including, without limitation:
  - (1) amortization of debt discount;
  - (2) the net costs associated with Interest Rate Agreements, Currency Hedging Agreements and Commodity Price Protection Agreements;
  - (3) the interest portion of any deferred payment obligation;
  - (4) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers acceptance financing; and
  - (5) accrued interest; plus
- (b)
  - (1) the interest component of the Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period; and
  - (2) all capitalized interest of such Person and its Restricted Subsidiaries, in each case determined on a Consolidated basis in accordance with IFRS; plus
- (c) the interest expense under any Guaranteed Debt of such Person and any Restricted Subsidiary to the extent not included under clause (a)(4) above, to the extent paid by such Person or its Restricted Subsidiaries determined on a Consolidated basis in accordance with IFRS (excluding any amortization of debt issuance costs); *provided* that such payments have been made in compliance with the covenant described in “—Certain Covenants—Limitation on Restricted Payments.”

**“Consolidated Net Income (Loss)”** of any Person means, for any period, the Consolidated net income (or loss) of such Person and its Restricted Subsidiaries for such period on a Consolidated basis as determined in accordance with IFRS, adjusted, to the extent included in calculating such net income (or loss), by excluding, without duplication:

- (a) all extraordinary or exceptional gains or losses net of taxes (less all fees and expenses relating thereto);
- (b) the portion of net income (or loss) of such Person and its Restricted Subsidiaries on a Consolidated basis allocable to interests in unconsolidated Persons or Unrestricted Subsidiaries to the extent that cash dividends or distributions have not actually been received by such Person or one of its consolidated Restricted Subsidiaries (except to the extent any loss has been funded with cash from the Company or a Restricted Subsidiary);
- (c) net income (or loss) of any Person combined with such Person or any of its Restricted Subsidiaries on a “pooling of interests” basis attributable to any period prior to the date of combination;
- (d) any gain or loss, net of taxes, realized upon the termination of any employee pension benefit plan;
- (e) gains or losses, net of taxes (less all fees and expenses relating thereto), in respect of dispositions of assets other than in the ordinary course of business;
- (f) the net income of any Restricted Subsidiary to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders other than by encumbrances which are permitted under the covenant “—Certain

Covenants—Limitation on Dividend and other Payment Restrictions Affecting Restricted Subsidiaries;”

- (g) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the Issue Date;
- (h) any net gain arising from the acquisition of any securities or extinguishment, under IFRS, of any Indebtedness of such Person;
- (i) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards;
- (j) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness;
- (k) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Parent or any Restricted Subsidiary owing to the Parent or any Restricted Subsidiary;
- (l) the impact of capitalized or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;
- (m) to the extent included, any losses arising on the sale or a writedown of fixed assets or deducting any profit from a sale or revaluation of a fixed asset; and
- (n) the cumulative effect of a change in accounting principles.

“**Consolidated Non-Cash Charges**” of any Person means, for any period, the aggregate depreciation, amortization and other non-cash charges of such Person and its Restricted Subsidiaries on a Consolidated basis for such period, as determined in accordance with IFRS (excluding any non-cash charge which requires an accrual or reserve for cash charges for any future period).

“**Consolidated Senior Secured Leverage Ratio**” of any Person means, as at any date of determination, the ratio of (a) the outstanding Senior Secured Indebtedness of such Person and its Restricted Subsidiaries as of such date to (b) the sum of Consolidated Net Income (Loss) for the four most recent full fiscal quarters ending immediately prior to such date for which financial statements are available, plus, in each case to the extent deducted in computing Consolidated Net Income (Loss) for such period, Consolidated Interest Expense, Consolidated Income Tax Expense and Consolidated Non-Cash Charges for such period, of such Person and its Restricted Subsidiaries on a Consolidated basis, all determined in accordance with IFRS, less all non-cash items increasing Consolidated Net Income (Loss) for such period and less all cash payments during such period relating to non-cash charges that were added back to Consolidated Net Income (Loss) in determining the Consolidated Fixed Charge Coverage Ratio in any prior period of such Person, in each case after giving *pro forma* effect to:

- (1) the incurrence of the Indebtedness giving rise to the need to make such calculation and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, on the first day of such period;
- (2) the incurrence, repayment or retirement of any other Indebtedness by such Person and its Restricted Subsidiaries since the first day of such period as if such Indebtedness was incurred, repaid or retired at the beginning of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period), *provided, however*, that the *pro forma* calculation of Consolidated Senior Secured Leverage Ratio shall not give effect to (A) any Indebtedness incurred on the date of determination pursuant to paragraph (b) of the covenant set forth in “—Certain Covenants—Limitation on Indebtedness” and (B) any discharge on the date of determination of any Indebtedness to the extent such discharge results from the proceeds of Indebtedness incurred pursuant to paragraph (b) of the covenant set forth in “—Certain Covenants—Limitation on Indebtedness”;
- (3) in the case of Acquired Indebtedness or any acquisition occurring at the time of the incurrence of such Indebtedness, the related acquisition, assuming such acquisition had been consummated on the first day of such period; and

- (4) any acquisition or disposition by such Person and its Restricted Subsidiaries of any company or any business or any assets out of the ordinary course of business, whether by merger, stock purchase or sale or asset purchase or sale, or any related repayment of Indebtedness, in each case since the first day of such period, assuming such acquisition or disposition had been consummated on the first day of such period; *provided that*:
- (A) whenever *pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense attributable to any Indebtedness incurred in connection therewith, the *pro forma* calculations shall be determined in good faith;
  - (B) in making such computation, the Consolidated Interest Expense attributable to interest on any Indebtedness computed on a *pro forma* basis and (x) bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period and (y) which was not outstanding during the period for which the computation is being made but which bears, at the option of such Person, a fixed or floating rate of interest, shall be computed by applying at the option of such Person either the fixed or floating rate (in the case of (x) and (y) taking into account any Interest Rate Agreement applicable to such Indebtedness for a period equal to the remaining term of such Interest Rate Agreement); and
  - (C) in making such computation, the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

For purposes of this definition, whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Parent (including in respect of anticipated expense and cost reduction synergies).

**“Consolidation”** means, with respect to any Person, the consolidation of the accounts of such Person and each of its Subsidiaries if and to the extent the accounts of such Person and each of its Subsidiaries would normally be consolidated with those of such Person, all in accordance with IFRS. The term **“Consolidated”** shall have a similar meaning.

**“Credit Facilities”** means one or more debt facilities (including, without limitation, debt facilities made available under, or in accordance with, the Senior Facilities Agreement) or commercial paper facilities, agreements, credit facility documentation, notes, bonds, debentures, indentures, trust deeds, fiscal agency agreements, note purchase agreements, debt instruments or arrangements with banks, insurance companies or other institutional lenders or investors providing for revolving credit loans, term loans, receivables financing (including through the sale or factoring of receivables to such lenders or investors or to special purpose entities formed to borrow from or issue securities to such lenders against such receivables), letters of credit or other forms of guarantees and assurances, notes, bonds, debentures, indentures, trust deeds, fiscal agency agreements, note purchase agreements, debt instruments or other indebtedness, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced, refinanced, increased or extended in whole or in part from time to time, and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustee or trustees or fiscal agents or agents or other banks or other institutional lenders or investors and whether provided under the original Senior Facilities Agreement or one or more other credit agreements or financing agreements or indentures or trust deeds or fiscal agency agreements or note purchase agreements or other debt instruments and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes, bonds, debentures and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (a) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (c) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

**“Credit Support Deed”** has the meaning set forth in the Intercreditor Deed.

**“Currency Hedging Agreements”** means one or more of the following agreements: foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against the fluctuations in currency values.

**“Custodian”** means any receiver, trustee, assignee, liquidator, custodian, administrator or similar official under any Bankruptcy Law.

**“Default”** means any event which is, or after notice or passage of time or both would be, an Event of Default.

**“Designated Non-Cash Consideration”** means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—Certain Covenants—Limitation on Sale of Assets.”

**“Disinterested Director”** means, with respect to any transaction or series of related transactions, a member of the Board of Directors of the Company or IHL, as the context requires, who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. A member of the Board of Directors of the Company or IHL, as the case may be, shall not be deemed to have such a financial interest by reason of such member’s holding Capital Stock of the Company, IHL or any Parent Holdco or any options, warrants or other rights in respect of such Capital Stock.

**“DTC”** means The Depository Trust Company.

**“Escrow Indebtedness”** means Indebtedness that is initially incurred by a Person that is not the Company or a Restricted Subsidiary and the proceeds of which are initially funded and held in escrow pending such Person becoming a Restricted Subsidiary or transferring its assets to, or merging or consolidating with, the Company or a Restricted Subsidiary.

**“Euro Equivalent”** means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by translating such other currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable other currency as published in The Financial Times (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, a comparable source as may be selected in good faith by the Company) on the date two Business Days prior to such determination.

**“Existing High Yield Indenture”** means the Indenture dated as of February 7, 2006, among the Parent, the guarantors named therein, The Bank of New York Mellon, as trustee, and the other parties thereto, as it may from time to time be supplemented or amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

**“Existing High Yield Notes”** means the 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2016 and the 8<sup>1</sup>/<sub>2</sub>% Senior Notes due 2016 issued on February 7, 2006, in respect of which the Parent is the issuer.

**“Existing High Yield Notes Proceeds Loans”** means, collectively, (a) the loan of the gross proceeds of the Existing High Yield Notes pursuant to the Existing High Yield Notes Proceeds Loans Agreement and (b) any other loan from the issuer in respect of the Existing High Yield Notes to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the incurrence of Indebtedness (to the extent such Indebtedness has been guaranteed by the Company or any of its Restricted Subsidiaries in compliance with “—Certain Covenants—Limitation on Indebtedness”) in respect of additional Existing High Yield Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“Existing High Yield Notes Proceeds Loans Agreement”** means that certain loan agreement made on February 7, 2006 by and among IHL, as borrower, and the issuer in respect of the Existing High Yield Notes, as lender.

**“Existing High Yield Notes Shared Collateral”** means (a) that certain security assignment over the Existing High Yield Notes Proceeds Loans dated on or about the Issue Date and (b) that certain pledge over the shares of IHL, dated on or about the Issue Date, in each case, as amended, supplemented or restated from time to time.

**“Existing Senior Secured Indenture”** means the Indenture dated as of May 12, 2010, among INEOS Finance plc, the guarantors named therein, The Bank of New York Mellon, as trustee, and the other parties thereto, as it may from time to time be supplemented or amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

**“Existing Senior Secured Notes”** means the 9<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2015 and the 9% Senior Secured Notes due 2015 issued by INEOS Finance plc on May 12, 2010.

**“Existing Senior Secured Notes Proceeds Loans”** means, collectively, (a) the loan of the gross proceeds of the Existing Senior Secured Notes pursuant to the Existing Senior Secured Notes Proceeds Loans Agreement and (b) any other loan from the issuer in respect of the Existing Senior Secured Notes to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the issuance of additional Existing Senior Secured Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“Existing Senior Secured Notes Proceeds Loans Agreement”** means that certain loan agreement made on May 12, 2010 by and among IHL, as borrower, and the issuer in respect of the Existing Senior Secured Notes, as lender.

**“Fair Market Value”** means, with respect to any asset or property, the sale value that could reasonably be expected to be obtained in an arm’s length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. Fair Market Value shall be determined by the Company acting in good faith.

**“Guarantee”** means the guarantee by any Guarantor of the Obligations.

**“Guaranteed Debt”** of any Person means, without duplication, all Indebtedness of any other Person (the **“debtor”**) guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement:

- (a) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness;
- (b) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss;
- (c) to supply funds to, or in any other manner invest in, the debtor (including any agreement to pay for property or services without requiring that such property be received or such services be rendered);
- (d) to maintain working capital or equity capital of the debtor, or otherwise to maintain the net worth, solvency or other financial condition of the debtor or to cause such debtor to achieve certain levels of financial performance; or
- (e) otherwise to assure a creditor against loss; *provided* that the term “guarantee” shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

**“Guarantor”** means each of:

- (a) the Initial Stage Guarantors;
- (b) the Second Stage Guarantors; and
- (c) any other Person that is required after the Issue Date to execute a Guarantee of the Notes pursuant to “—Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries” and any other Person that executes a Guarantee of the Notes after the Issue Date, in each case until (i) the Guarantee of such Person has been released in accordance with the provisions of the Indenture or (ii) a successor replaces such Person pursuant to the applicable provisions of the Indenture and, thereafter, shall mean such successor.

**“Hedge Counterparties”** has the meaning set forth in the Intercreditor Deed.

**“Hedging Obligations”** means, with respect to any Person, the obligations of such Person under Interest Rate Agreements, Currency Hedging Agreements or Commodity Price Protection Agreements.

**“IFRS”** means the accounting standards issued by the International Accounting Standards Board and its predecessors, as adopted by the European Union, as in effect from time to time.

“**IHL**” means INEOS Holdings Limited and any successor pursuant to the covenant described under the caption “—Consolidation, Merger, Sale of Assets”.

“**Immaterial Subsidiary**” means a Subsidiary which has not traded or has ceased trading and which does not own assets or have liabilities in either case with an aggregate value greater than €200,000 (or its equivalent); *provided* that any asset or liability shall be ignored which consists solely of a claim by a Subsidiary upon another Subsidiary where but for that asset or liability, both Subsidiaries would be Immaterial Subsidiaries under this definition.

“**Indebtedness**” means, with respect to any Person, without duplication:

- (a) all indebtedness, obligations and liabilities of such Person for borrowed money or for the principal component of all obligations of such Person to pay the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities arising in the ordinary course of business and guarantees thereof, but including, without limitation, all obligations, contingent or otherwise, of such Person in connection with any letters of credit issued under letter of credit facilities, acceptance facilities or other similar facilities (including reimbursement obligations with respect thereto except to the extent such reimbursement obligations relate to a trade payable and such obligation is satisfied within 30 days of incurrence);
- (b) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;
- (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;
- (d) all obligations under Interest Rate Agreements, Currency Hedging Agreements or Commodity Price Protection Agreements of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);
- (e) all Capital Lease Obligations of such Person;
- (f) all Indebtedness referred to in clauses (a) through (e) above of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness (*provided, however*, that the amount of such Indebtedness will be the lesser of (1) the Fair Market Value of such asset at the date of determination and (2) the amount of such Indebtedness of such other Person);
- (g) all Guaranteed Debt of such Person;
- (h) all Attributable Debt of such Person;
- (i) all Redeemable Capital Stock issued by such Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends;
- (j) Preferred Stock of the Company or any Restricted Subsidiary; and
- (k) any amendment, supplement, modification, deferral, renewal, extension, refunding or refinancing of any liability of the types referred to in clauses (a) through (j) above.

The term “**Indebtedness**” shall not include:

- (i) Subordinated Shareholder Funding;
- (ii) any lease of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date;
- (iii) contingent obligations incurred in the ordinary course of business;

- (iv) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter; or
- (v) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement obligations, pension fund obligations or contributions or social security or wage Taxes.

For purposes hereof, the “**maximum fixed repurchase price**” of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value is to be determined as set forth herein.

“**INEOS Bio**” means INEOS Bio Holdings Limited and its Subsidiaries, if any.

“**INEOS Capital**” means the Permitted Holders and any entity controlled by any of them that controls the Parent.

“**INEOS Silicas**” means INEOS Investments LLP and its Subsidiaries, if any.

“**Infrastructure Entity**” means a joint venture between a Refining/Entrepreneurial Entity and an Affiliate of the Company for, among other things, the provision of power, terminal access and other infrastructure goods and services to the Refining/Entrepreneurial Entities, the Company or the Restricted Subsidiaries, and the Subsidiaries of any such joint venture.

“**Initial Purchasers**” means Barclays Bank PLC, J.P. Morgan Securities Ltd., J.P. Morgan Securities LLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Deutsche Bank Securities Inc., Goldman Sachs International, HSBC Bank plc, HSBC Securities (USA) Inc., Lloyds Securities Inc., Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. International plc and UBS Limited.

“**Initial Stage Guarantors**” means INEOS Americas LLC, INEOS Chemicals Grangemouth Limited, INEOS Chemicals Lavéra SAS, INEOS Commercial Services UK Limited, INEOS Delaware II LLC, INEOS Delaware LLC, INEOS Europe AG, INEOS Fluor Americas LLC, INEOS Group AG, INEOS Group Holdings Limited, INEOS Group Holdings S.A, INEOS Group Limited, INEOS Holding Company LLC, INEOS Holdings (Investments) Limited, INEOS Holdings Limited, INEOS Intermediate Investment Company, INEOS Investments International Limited, INEOS Limited, INEOS Luxembourg I S.A, INEOS Luxembourg II S.A, INEOS Manufacturing Belgium NV, INEOS Manufacturing Deutschland GmbH, INEOS Partners, INEOS Phenol Belgium NV, INEOS Phenol GmbH, INEOS Polymers Sarrelage SAS, INEOS Tenderco Limited, INEOS UK Holdings 1, INEOS UK Holdings 2, INEOS US Finance LLC, INEOS US Holding Company II LLC, INEOS US Intermediate Holding Company LLC, INEOS USA LLC and INEOS NV.

“**Intercreditor Deed**” means the intercreditor deed dated May 12, 2010, as amended and restated on December 23, 2010 and February 18, 2011 and as amended on or about the Issue Date among, amongst others, the Parent, the guarantors acceded thereto, the Trustee, the facility agent under the Senior Facilities Agreement and the Security Trustee, and as further amended, restated, waived or consented to from time to time and, to the extent applicable, any new intercreditor agreement entered into that is permitted under “Certain Covenants—Intercreditor Deed; Additional Intercreditor Agreements.”

“**Interest Rate Agreements**” means one or more of the following agreements: interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) and/or other types of interest rate hedging agreements from time to time.

“**Intra-Group Liabilities**” has the meaning set forth in the Intercreditor Deed.

“**Investment**” means, with respect to any Person, directly or indirectly, any advance (other than advances to customers in the ordinary course of business), loan (including guarantees), or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities issued or owned by any other Person; *provided that*:



- (a) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture; and
- (b) endorsements of negotiable instruments and documents in the ordinary course of business;

shall in each case not be deemed to be an Investment.

For purposes of “—Certain Covenants—Limitation on Restricted Payments”:

- (a) “Investment” will include the portion (proportionate to the Company’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a Redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (1) the Company’s “Investment” in such Subsidiary at the time of such Redesignation less (2) the portion (proportionate to the Company’s equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so Redesignated a Restricted Subsidiary; and
- (b) any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment plus the cost of all additional Investments therein by the Company or any of its Restricted Subsidiaries, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment, reduced (at the Company’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“**Investment Grade Status**” shall occur when the Notes receive both of the following:

- (a) a rating of “BBB-” or higher from S&P; and
- (b) a rating of “Baa3” or higher from Moody’s;

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other “nationally recognized statistical ratings organization” (within the meaning of Rule 436 under the U.S. Securities Act).

“**Issue Date**” means February 10, 2012, the original issue date of the Notes under the Indenture.

“**Lien**” means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, assignment, easement, hypothecation, claim, preference, priority or other encumbrance upon or with respect to any property of any kind (including any conditional sale, capital lease or other title retention agreement, real or personal, movable or immovable, now owned or hereafter acquired). A Person will be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease Obligation or other title retention agreement.

“**Management Advances**” means loans or advances made to, or guarantees with respect to loans or advances made to, directors (other than directors of INEOS AG), officers or employees of any Parent Holdco, the Company or any Restricted Subsidiary:

- (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;
- (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or
- (3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €20 million in the aggregate outstanding at any time.

“**Maturity**” means, when used with respect to the Notes, the date on which the principal of the Notes becomes due and payable as therein provided or as provided in the Indenture, whether at Stated Maturity, the Offer Date or the

redemption date and whether by declaration of acceleration, offer in respect of Excess Proceeds, Change of Control Offer in respect of a Change of Control, call for redemption or otherwise.

**“Net Cash Proceeds”** means:

- (a) with respect to any Asset Sale by any Person, the proceeds thereof (without duplication in respect of all Asset Sales) in the form of cash, Cash Equivalents or Temporary Cash Investments including payments in respect of deferred payment obligations or purchase price adjustments when received in the form of, or stock or other assets or any Designated Non-Cash Consideration when disposed of for, cash or Temporary Cash Investments, but only as and when received and excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Sale (except to the extent that such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary) net of:
  - (1) brokerage commissions and other reasonable fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
  - (2) provisions for all taxes payable as a result of such Asset Sale;
  - (3) payments made to retire Indebtedness where payment of such Indebtedness is secured by the assets or properties the subject of such Asset Sale and payments made in respect of purchase price adjustments, including in respect of working capital items;
  - (4) amounts required to be paid to any Person (other than the Company or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and
  - (5) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer’s Certificate delivered to the Trustee; and
- (b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under “—Certain Covenants—Limitation on Restricted Payments,” the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Temporary Cash Investments (except to the extent that such obligations are financed or sold with recourse to the Company or any Restricted Subsidiary), net of attorney’s fees, accountant’s fees and brokerage, consultation, underwriting and other fees (including placement agents’ fees, listing fees, or other discounts and commissions) and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

**“Notes Proceeds Loans”** means, collectively, (a) the loan of the gross proceeds of the Notes pursuant to the Notes Proceeds Loans Agreement and (b) any other loan from the Issuer to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the issuance of Additional Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“Notes Proceeds Loans Agreement”** means that certain loan agreement made as of the Issue Date by and among IHL, as borrower, and the Issuer, as lender.

**“Officer’s Certificate”** means a certificate signed by an officer of the Company, the Issuer, IHL or another Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

**“Parent”** means INEOS Group Holdings S.A. and any successor pursuant to the covenant described under the caption “—Consolidation, Merger, Sale of Assets.”

**“Parent Holdco”** means any Person (other than a natural person) of which the Company is or becomes after the Issue Date a direct or indirect Subsidiary; *provided* that the primary purpose of such Person is to serve as a direct or

indirect holding company of the Company. Unless the context otherwise requires, the term “Parent Holdco” shall include the Parent.

“**Pari Passu Indebtedness**” means (a) any Indebtedness of the Issuer that is *pari passu* in right of payment to the Notes and (b) with respect to any Guarantee, Indebtedness which ranks *pari passu* in right of payment to such Guarantee.

“**Permitted Collateral Liens**” means:

- (a) Liens on the Collateral to secure the Notes (and the Guarantees) issued on the Issue Date;
- (b) Liens on the Collateral to secure Senior Indebtedness that is permitted to be incurred clause (1) of the definition of “Permitted Indebtedness”; *provided* that, subject to the Security Principles, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Guarantees on (x) a senior or *pari passu* basis or (y) with respect to certain Liens securing the Senior Secured Credit Facilities and the Existing Senior Secured Notes or guarantees in respect thereof created under certain Security Documents governed by German or French law in effect on the Issue Date, a junior basis (*provided* that such Liens shall be subject to the ranking, waterfall and loss sharing provisions in the Intercreditor Deed); *provided further* that each of the parties thereto will have entered into the Intercreditor Deed as “Senior Creditors” (or the corresponding term in any additional intercreditor agreement);
- (c) Liens on the Collateral to secure Indebtedness that is permitted to be incurred under clause (2) of the definition of “Permitted Indebtedness”; *provided* that, subject to the Security Principles, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Guarantees on a senior priority basis pursuant to the Intercreditor Deed; *provided further* that each of the parties thereto will have entered into the Intercreditor Deed as “Second Secured Creditors” (or the corresponding term in any additional intercreditor agreement);
- (d) Liens on the BP Shared Collateral to secure the BP Creditor Liabilities; *provided* that such Liens may be first priority and, subject to the Security Principles, the BP Shared Collateral also secures the Notes or the Guarantees on a second priority basis as set forth in the Intercreditor Deed; *provided further* that each of the relevant BP Creditors that are parties thereto will have entered into the Intercreditor Deed as “BP Creditors” (or the corresponding term in any additional intercreditor agreement);

- (e) Liens on the Collateral to secure any Indebtedness that is permitted to be incurred under clause (24) of the definition of “Permitted Indebtedness”; *provided* that, subject to the Security Principles, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Guarantees, if such Indebtedness is *Pari Passu* Indebtedness, on a senior or *pari passu* basis or, if such Indebtedness is Subordinated Indebtedness, on a senior basis; *provided further* that each of the parties thereto will have entered into the Intercreditor Deed as “Senior Creditors” or “Second Secured Creditors” (or other category of creditors with substantially identical rights and obligations as the “Second Secured Creditors”) as applicable (or the corresponding terms in any additional intercreditor agreement);
- (f) Liens on the Collateral to secure any Indebtedness that is permitted to be incurred under paragraph (a) of “—Certain Covenants—Limitation on Indebtedness”; *provided* that on the date of the incurrence of such Indebtedness and after giving *pro forma* effect thereto (including after giving *pro forma* effect to the use of the proceeds thereof, including, in the case of any Escrow Indebtedness, upon the release of such Indebtedness from escrow), the Parent’s Consolidated Senior Secured Leverage Ratio for the four most recent full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Indebtedness taken as one period is not greater than 2.75 to 1.0; *provided further* that, subject to the Security Principles, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Guarantees, if such Indebtedness is *Pari Passu* Indebtedness, on a senior or *pari passu* basis or, if such Indebtedness is Subordinated Indebtedness, on a senior basis; *provided further* that each of the parties thereto will have entered into the Intercreditor Deed as “Senior Creditors” or “Second Secured Creditors” (or other category of creditors with substantially identical rights and obligations as the “Second Secured Creditors”) as applicable (or the corresponding terms in any additional intercreditor agreement);
- (g) any Lien on the Collateral to secure Indebtedness under the Existing Senior Secured Notes and guarantees in respect thereof; *provided* that, subject to the Security Principles, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Guarantees on (x) a senior or *pari passu* basis or (y), with respect to certain Liens securing the Senior Secured Credit Facilities and the Existing Senior Secured Notes or guarantees in respect thereof created under certain Security Documents governed by German or French law in effect on the Issue Date, a junior basis (*provided* that such Liens shall be subject to the ranking, waterfall and loss sharing provisions in the Intercreditor Deed); *provided further* that each of the parties thereto will have entered into the Intercreditor Deed as “Senior Creditors” (or the corresponding terms in any additional intercreditor agreement);
- (h) any Lien on the Existing High Yield Notes Shared Collateral to secure Indebtedness under the Existing High Yield Notes and guarantees in respect thereof; *provided* that, subject to the Security Principles, such Lien also secures the Notes or the Guarantees on a senior basis; *provided further* that each of the parties thereto will have acceded in the applicable capacity to the Intercreditor Deed (or any additional intercreditor agreement);
- (i) Liens on the Collateral to secure Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness which is secured by a Lien on the Collateral pursuant to clauses (a), (c), (f), (g), (h) or this clause (i); *provided* that, subject to the Security Principles, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Guarantees with priority with respect to the Permitted Refinancing Indebtedness substantially similar to that of the Indebtedness which is being exchanged, renewed, refunded, refinanced, replaced or discharged; *provided further* that each of the parties thereto will have entered into the Intercreditor Deed (or any additional intercreditor agreement);
- (j) Liens on the Collateral securing obligations under Interest Rate Agreements, Currency Hedging Agreements and Commodity Price Protection Agreements entered into in accordance with clause (11) of the definition of “Permitted Indebtedness” or obligations in respect of Cash Management Arrangements entered into in the ordinary course of business; *provided* that, subject to the Security Principles, all property and assets (including, without limitation, the Collateral) securing such obligations also secures the Notes or the Guarantees on a senior or *pari passu* basis; *provided further* that each of the parties thereto will have entered into the Intercreditor Deed (or any additional intercreditor agreement) in the applicable capacity;

- (k) Liens on the Collateral that are described in one or more of clauses (b), (e), (i), (j), (k), (l), (n), (o), (p), (q), (r), (s) and (v) of the definition of “Permitted Liens” and that, in each case, would not materially interfere with the ability of the Security Trustee to enforce the security interest in the Collateral; and
- (l) Liens securing the obligations of the Company or any Restricted Subsidiary, as a primary obligor or as a guarantor, in respect of proceeds loans between the Company or any Restricted Subsidiary, as borrower, and the Company or any other Restricted Subsidiary, as lender, of the proceeds received from the issuance, incurrence or offering of any Indebtedness under Credit Facilities and other Indebtedness outstanding pursuant to “—Certain Covenants—Limitations on Indebtedness” (including, for the avoidance of doubt, any Senior Proceeds Loans) to the extent such proceeds loans constitute Collateral; *provided* that such Indebtedness is or could be, at the time of creation of such Liens, secured by Permitted Collateral Liens under any of clauses (a) through (g) or clause (i) of the definition of such term (other than, in the case of such clause (i), Permitted Collateral Liens securing Permitted Refinancing Indebtedness in respect of Indebtedness secured by a Permitted Collateral Lien under clause (h) of the definition of such term).

“**Permitted Holders**” means James A. Ratcliffe, Andrew Currie, John Reece, and any Affiliate thereof and the Specified Investors.

“**Permitted Investment**” means:

- (a) Investments in (1) the form of loans or advances to the Issuer or the Company, (2) any Restricted Subsidiary (including the purchase of Capital Stock of any Restricted Subsidiary from a Person other than an Affiliate of the Issuer) or (3) any Person which, as a result of such Investment, (A) becomes a Restricted Subsidiary or (B) is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or any Restricted Subsidiary;
- (b) Indebtedness of the Company or a Restricted Subsidiary described under clauses (7), (8), (9) and (10) of the definition of “Permitted Indebtedness;”
- (c) Investments in any of the Notes and Investments pursuant to the Proceeds Loans and guarantees in respect of the Senior Proceeds Loans;
- (d) cash, Cash Equivalents and Temporary Cash Investments;
- (e) Investments acquired by the Company or any Restricted Subsidiary in connection with an Asset Sale permitted under “—Certain Covenants—Limitation on Sale of Assets” to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;
- (f) Investments in existence on the Issue Date;
- (g) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;
- (h) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (i) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or any Restricted Subsidiary not to exceed €5.0 million in the aggregate at any one time outstanding;
- (j) stock, obligations or securities received in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;
- (k) Hedging Obligations incurred in compliance with “—Certain Covenants—Limitation on Indebtedness;”
- (l) any Restricted Payment required by any agreement in respect of any Person designated as a Permitted Joint Venture;

- (m) [Reserved];
- (n) loans or other Investments required to be entered into in connection with a Permitted Receivables Financing;
- (o) guarantees not prohibited by the covenant described under “—Certain Covenants—Limitations on Indebtedness” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (p) Investments by the Company or any Restricted Subsidiary, together with all other Investments under this clause (p), in an aggregate amount at the time of such Investment not to exceed the greater of (i) €60 million and (ii) 2.50% of Total Assets outstanding at any one time;
- (q) Investments received in connection with the sale or licensing of technology which, together with all other Investments under this clause (q), do not exceed €50 million outstanding at any one time; and
- (r) Investments in joint ventures formed primarily for the purpose of conducting business operations in China in an aggregate amount at the time of each such Investment, together with all other Investments under this clause (r), not to exceed €150 million outstanding at any one time.

In connection with any assets or property contributed or transferred to any Person as an Investment, such property and assets shall be equal to the Fair Market Value at the time of Investment.

**“Permitted Joint Venture”** means:

- (a) each of the joint ventures of INEOS Jersey Limited, INEOS LLC, INEOS Solutions N.V., INEOS Belgium Holdco NV, INEOS Singapore Pte. Ltd and INEOS Korea Limited existing on Issue Date;
- (b) (i) a joint venture pursuant to which or a Person with respect to which the liability of the Parent, the Company and the Restricted Subsidiaries is limited in amount; or (ii) a joint venture or other entity in which the Parent, the Company or a Restricted Subsidiary participates through special purpose companies with limited liability and no other business or assets, and, in the case of sub-clause (i) and (ii), in which the interest of a Guarantor or a directly or indirectly wholly-owned Restricted Subsidiary of a Guarantor is more than 20%;
- (c) GEOSSEL Manosque SNC, in which the interest of a Guarantor or a directly or indirectly wholly-owned Restricted Subsidiary of a Guarantor is more than 20%;
- (d) each of Seminole Pipeline Company and Geosud SAS, in which the interest of a Guarantor or a directly or indirectly wholly-owned Restricted Subsidiary of a Guarantor is more than or equal to 10%;
- (e) Aethylen Rohrleitungs GmbH & Co.KG, in which the interest of a Guarantor or a directly or indirectly wholly-owned Restricted Subsidiary of a Guarantor is more than 16%;
- (f) Societe Civile Immobiliere Khariessa, in which the interest of a Guarantor or a directly or indirectly wholly-owned Restricted Subsidiary of a Guarantor is more than 9%;
- (g) (i) a joint venture pursuant to which the liability of the Parent, the Company and the Restricted Subsidiaries is limited in amount; or (ii) a joint venture in which the Parent, the Company or a Restricted Subsidiary participates through special purpose companies with limited liability and no other assets, and, in the case of sub-clauses (i) and (ii), in which the interest of a Guarantor or a directly or indirectly wholly-owned Restricted Subsidiary of a Guarantor is less than 20% in connection with the payment of license fees; and
- (h) any Unrestricted Subsidiary,

and, in each case under (a) to (h) above, on condition that:

- (i) each such Permitted Joint Venture is in a business relating to the business of the Parent, the Company and the Restricted Subsidiaries;
- (ii) the aggregate (without double counting) of:

- (A) any amount advanced, lent, contributed or subscribed for, or otherwise invested in, such Permitted Joint Venture by the Parent, the Company and the Restricted Subsidiaries;
- (B) the market value of any asset transferred or contributed to such Permitted Joint Venture by the Parent, the Company or any Restricted Subsidiary;
- (C) any liability incurred (whether by way of guarantee or otherwise) in relation to such Permitted Joint Venture by the Parent, the Company or any Restricted Subsidiary; and
- (D) any obligation of the Parent, the Company or any Restricted Subsidiary directly or indirectly pursuant to any agreement or arrangement to lend to or guarantee or transfer assets to or otherwise fund or incur any liability in relation to such Permitted Joint Venture or acquire any shares or other interest therein or assets thereof,

shall not exceed the greater of (i) €250 million (or its equivalent) and (ii) 2.50% of Total Assets in the aggregate outstanding at any time after the Issue Date.

**“Permitted Lien”** means:

- (a) any Lien existing as of the Issue Date;
- (b) any Lien arising by reason of:
  - (1) any judgment, decree or order of any court and any Liens that are required to protect or enforce any rights in any administrative, arbitration or other court proceedings in the ordinary course of business;
  - (2) taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith;
  - (3) security for payment of workers’ compensation or other insurance (including general liability exposure of the Company and its Restricted Subsidiaries);
  - (4) good faith deposits in connection with tenders, bids, leases and contracts (other than contracts for the payment of money);
  - (5) zoning restrictions, building codes, land use laws, easements, licenses, reservations, title defects, conditions revealed by an accurate survey or a physical inspection of real property, rights of others for rights of way, utilities, sewers, electric lines, telephone or telegraph lines, and other similar purposes, provisions, covenants, conditions, waivers, restrictions on the use of real property or minor irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens, easements and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee), none of which materially impairs the use of any parcel of real property material to the operation of the business of the Company or any Restricted Subsidiary or the value of such property for the purpose of such business;
  - (6) deposits to secure public or statutory obligations, or in lieu of surety or appeal bonds; or
  - (7) operation of law in favor of mechanics, carriers, warehousemen, landlords, materialmen, laborers, employees or suppliers, incurred in the ordinary course of business for sums which are not yet overdue for a period of more than 60 days or are being contested in good faith by negotiations or by appropriate proceedings which suspend the collection thereof;
- (c) any Lien securing Hedging Obligations (other than Hedging Obligations that are secured by Permitted Collateral Liens on the Collateral);
- (d) any Lien securing Acquired Indebtedness created prior to (and not created in connection with, or in contemplation of) the incurrence of such Indebtedness by the Company or any Restricted Subsidiary; *provided* that such Lien does not extend to any property or assets of the Company or any Restricted Subsidiary other than the assets acquired in connection with the incurrence of such Acquired Indebtedness;

- (e) any Lien to secure the performance of bids, trade contracts, leases (including, without limitation, statutory and common law landlord's liens), statutory obligations, surety and appeal bonds, letters of credit and other obligations of a like nature and incurred in the ordinary course of business of the Company or any Restricted Subsidiary;
- (f) any Lien securing Capital Lease Obligations or Purchase Money Obligations incurred in accordance with the Indenture (including clause (12) of the definition of "Permitted Indebtedness") and which are incurred or assumed solely in connection with the acquisition, development or construction of real or personal, moveable or immovable property within 180 days of such incurrence or assumption; *provided* that such Liens only extend to such acquired, developed or constructed property, such Liens secure Indebtedness in an amount not in excess of the original purchase price or the original cost of any such assets or repair, addition or improvement thereto, and the incurrence of such Indebtedness is permitted by the "—Certain Covenants—Limitation on Indebtedness covenant";
- (g) Liens on assets of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;
- (h) Liens in favor of the Company or any Restricted Subsidiary;
- (i) Liens arising solely by virtue of any statutory or common law provisions relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; *provided* that such deposit account is not intended by the Company or any Restricted Subsidiary to provide collateral to the depository institution;
- (j) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;
- (k) (1) mortgages, liens, security interests, restrictions, easements, encumbrances or any other matters that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary and subordination or similar agreements relating thereto and (2) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;
- (l) any provision for the retention of title to any asset by the vendor or transferor of such asset which asset is acquired by the Company or any Restricted Subsidiary in a transaction entered into in the ordinary course of business of the Company or such Restricted Subsidiary and for which kind of transaction it is normal market practice for such retention of title provision to be included;
- (m) Liens provided the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (m) does not exceed €350.0 million;
- (n) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (o) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (p) Liens on Receivables Assets created or incurred in connection with a Permitted Receivables Financing;
- (q) Liens on assets of a Receivables Subsidiary to secure Indebtedness or other obligations incurred in connection with one or more Permitted Receivables Financings;
- (r) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (s) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (t) any limited recourse Lien to secure Indebtedness incurred in connection with any project financing; *provided* that the assets or revenues which are subject to that Lien are:
  - (1) assets which are the subject of the applicable project; or



- (2) claims, revenues or proceeds which arise from the use or operation, failure to meet specifications, failure to complete, expropriation, sale, or loss of or damage to, those assets;
- (u) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Company's or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which that pledge exists;
- (v) Liens created on any asset acquired by the Company or a Restricted Subsidiary or developed by the Company or a Restricted Subsidiary after the Issue Date for the sole purpose of financing or refinancing that acquisition or development and securing not more than 100% of the cost of acquisition or development; *provided* such Lien is released within 6 months of such acquisition;
- (w) Liens (other than floating charges) constituting finance leases over the assets leased pursuant to such permitted finance leases;
- (x) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Company or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal;
- (y) limited recourse Liens in respect of the ownership interest or assets owned by joint ventures securing obligations of joint ventures; *provided* that the liability secured by such Lien constitutes Permitted Indebtedness;
- (z) Liens in favor of BP plc and its Subsidiaries created pursuant to, and in accordance with, and as expressly contemplated by, the Credit Support Documents;
- (aa) Permitted Collateral Liens;
- (bb) Liens on any proceeds loans made by the Company or any Restricted Subsidiary in connection with any future incurrence of Indebtedness (other than any Indebtedness of the type referred to in the proviso to clause (l) of the definition of Permitted Collateral Liens secured by Permitted Collateral Liens) permitted under the Indenture and securing that Indebtedness (without any requirement to secure the Notes with a Lien on such proceeds loans);
- (cc) Liens incurred to secure cash management services or to implement cash pooling arrangements or to cash collateralize letters of credit or similar instruments in the ordinary course of business; and
- (dd) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (cc); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder.

**“Permitted Receivables Financing”** means any financing pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in an aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Company or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be customary for such transactions and shall be on market terms (as determined in good faith by the Company's Board of Directors) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Company's Board of Directors) at the time such financing is entered into and (c) such financing shall be non-recourse to the Company or any of its Restricted Subsidiaries except to a limited extent customary for such transactions. Determinations to be made by the Company's Board of Directors under this definition may be made by IHL's Board of Directors in the case of any Permitted Receivables Financing in respect of the accounts receivable of IHL or any of its Restricted Subsidiaries.

**“Permitted Refinancing Indebtedness”** means any Indebtedness that renews, extends, repays, substitutes, refinances or replaces (collectively, **“refinances,” “refinanced”** and **“refinancing”** shall have correlative meanings) any Indebtedness, including any successive refinancings, so long as:

- (a) such Indebtedness is in an aggregate principal or commitment amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (1) the aggregate principal or commitment amount (or, if incurred with original issue discount, the aggregate accreted value) then outstanding or in effect, respectively, of the Indebtedness being refinanced and (2) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing; and
- (b) (1) the Average Life of such Indebtedness is equal to or greater than the Average Life of the Indebtedness being refinanced, (2) the Stated Maturity of such Indebtedness is no earlier than the Stated Maturity of the Indebtedness being refinanced, and (3) in the case of a refinancing of Subordinated Indebtedness, such Indebtedness is subordinated to, and subject to any other intercreditor provisions applicable to, the Notes and the Guarantees on substantially the same terms as provided in the Intercreditor Deed;

*provided that* Permitted Refinancing Indebtedness shall not include (i) Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a non-Guarantor Subsidiary that refinances Indebtedness of the Issuer or a Guarantor.

**“Person”** means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**“Preferred Stock”** means, with respect to any Person, any Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class in such Person.

**“Proceeds Loans”** means the Senior Proceeds Loans and the Existing High Yield Proceeds Loans.

**“Proceeds Loans Documents”** means the Senior Proceeds Loans Documents and the Existing High Yield Proceeds Loans Agreement.

**“Public Debt”** means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering registered under the U.S. Securities Act or (b) a private placement to institutional investors whether or not it is underwritten for resale in accordance with Rule 144A or Regulation S, and whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission.

**“Public Equity Offering”** means an underwritten public offering of ordinary shares (other than Redeemable Capital Stock) of the Company or a direct or indirect parent company of the Company (which shall include an offering pursuant to Rule 144A and/or Regulation S under the U.S. Securities Act to professional market investors or similar Persons) and, with respect to offerings by a Parent Holdco, pursuant to which the net cash proceeds are contributed to the Company in the form of a subscription for, or a capital contribution in respect of, Qualified Capital Stock or as Subordinated Shareholder Funding.

**“Purchase Money Obligation”** means any Indebtedness secured by a Lien on assets related to the business of the Company and its Restricted Subsidiaries and any additions and accessions thereto, which are purchased by the Company or any Restricted Subsidiary at any time after the Notes are issued; *provided that*

- (a) the security agreement or conditional sales or other title retention contract pursuant to which the Lien on such assets is created (collectively a **“Purchase Money Security Agreement”**) shall be entered into within 180 days after the purchase or substantial completion of the construction of such assets and shall at all times be confined solely to the assets so purchased or acquired, any additions and accessions thereto and any proceeds therefrom;
- (b) at no time shall the aggregate principal amount of the outstanding Indebtedness secured thereby be increased, except in connection with the purchase of additions and accessions thereto and except in respect of fees and other obligations in respect of such Indebtedness; and
- (c) (1) the aggregate outstanding principal amount of Indebtedness secured thereby (determined on a per asset basis in the case of any additions and accessions) shall not at the time such Purchase Money Security Agreement is entered into exceed 100% of the purchase price to the Company or any Restricted Subsidiary of the assets subject thereto or (2) the Indebtedness secured thereby shall be with

recourse solely to the assets so purchased or acquired, any additions and accessions thereto and any proceeds therefrom.

**“Qualified Capital Stock”** of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

**“Receivables Assets”** means any assets that are or will be the subject of a Permitted Receivables Financing.

**“Receivables Fees”** means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Company or a Restricted Subsidiary in connection with, any Permitted Receivables Financing.

**“Receivables Repurchase Obligation”** means any obligation of a seller of receivables in a Permitted Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

**“Receivables Subsidiary”** means a Subsidiary of the Company that engages in no activities other than in connection with a Permitted Receivables Financing and that is designated by the Company’s Board of Directors (or, in the case of a Receivables Subsidiary that is a Subsidiary of IHL, by the Board of Directors of IHL or the Company) as a Receivables Subsidiary:

- (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:
  - (1) is guaranteed by the Company or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to representations, warranties, covenants, and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing);
  - (2) is recourse to or obligates the Company or any Restricted Subsidiary in any way other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing; or
  - (3) subjects any property or asset of the Company or any Restricted Subsidiary (other than accounts receivable and related assets as provided in the definition of Permitted Receivables Financing), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing;
- (b) with which neither the Company nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing accounts receivable; and
- (c) with which neither the Company nor any Restricted Subsidiary has any obligation to maintain or preserve such Subsidiary’s financial condition or cause such Subsidiary to achieve certain level of operating results.

Any such designation by the Board of Directors of the Company or IHL, as applicable, will be evidenced to the Trustee by filing with the Trustee a board resolution giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the preceding conditions; *provided* that INEOS US Intermediate Finance LLC shall be deemed to have been designated as a Receivables Subsidiary as of the Issue Date in accordance herewith without the need for the delivery of such Officer’s Certificate.

**“Redeemable Capital Stock”** means any Capital Stock that, either by its terms or by the terms of any security into which it is convertible or exchangeable or otherwise, is or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the principal of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Company in circumstances where the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity at the option of the holder thereof.

**“Refinancing”** means the renewal, extension, refinancing or replacement of the credit facilities (including, for the avoidance of doubt, the Term D Facility and the revolving credit facilities) available under the Senior Facilities Agreement on the Issue Date, as such credit facilities may be increased by an aggregate principal or stated amount of up to €200 million, which renewal, extension, refinancing or replacement may be implemented in whole in a single transaction or over time in a series of transactions.

**“Refineries”** means the refineries located at Grangemouth, Scotland and Lavéra, France.

**“Refining/Entrepreneurial Business”** means the crude oil refining/entrepreneurial business and related entrepreneurial activities conducted from time to time by or in connection with the Refineries and any other refineries owned by the Company and the Restricted Subsidiaries.

**“Refining/Entrepreneurial Entity”** means any Person that conducts the Refining/Entrepreneurial Business or owns, directly or indirectly, any of the Refineries or any Capital Stock in any other Person that conducts the Refining/Entrepreneurial Business or owns, directly or indirectly, any of the Refineries, and the Subsidiaries of any such Person (other than, in each case, PetroChina International (London) Company Limited).

**“Rental Payments”** means rental payments made by the Company and the Restricted Subsidiaries under leases and sub-leases on reasonable commercial terms (as determined in good faith by the Company) in respect of the headquarters or other offices or facilities used by the Company and/or the Restricted Subsidiaries.

**“Restricted Subsidiary”** means any Subsidiary of the Company (or such other Person as such context may require) other than an Unrestricted Subsidiary.

**“RPI”** means the index entitled “General Index of Retail Prices” prepared by the Office for National Statistics from time to time (or, if that index ceases to be so prepared, such other comparable index as is generally accepted).

**“Second Stage Guarantors”** means INEOS (Malta) Company, INEOS Belgium Holdco NV, INEOS Belgium NV, INEOS Canada Company, INEOS Canada Investment Company, INEOS Canada Partnership, INEOS Canada Preferred Holdings Limited, INEOS Deutschland Holding GmbH, INEOS Deutschland GmbH, INEOS European Holdings Limited, INEOS Feluy SPRL, INEOS Financing (Malta) Limited, INEOS Fluor Holdings Limited, INEOS Fluor Limited, INEOS Holdings (Malta) Limited, INEOS Holdings International Limited, INEOS Holdings Norge AS, INEOS Investment Holdings (Germany) Limited, INEOS Jersey Limited, INEOS Köln Beteiligungs GmbH & Co. KG, INEOS Köln Verwaltungs GmbH, INEOS Köln GmbH, INEOS Manufacturing (Hull) Limited, INEOS Nitriles (UK) Limited, INEOS Overseas Company I Limited, INEOS Overseas Company II Limited, INEOS Oxide Limited, INEOS Phenol Verwaltungsgesellschaft mbH, INEOS Polypropylene LLC, INEOS Silicas Holdings Limited, INEOS Silicas Limited, INEOS Singapore Pte. Ltd and INEOS LLC.

**“Security Documents”** means the documents identified as such in schedules to the Indenture and any other document that provides for a Lien over any Collateral for the benefit of the holders of the Notes, in each case, as amended, supplemented, restated or substituted from time to time.

**“Security Principles”** means the Security Principles set forth in the Indenture (or a schedule thereto), as applied reasonably and in good faith by the Company and the Issuer. For the avoidance of doubt, any requirement for the granting of a Lien under the Indenture (except as provided in “—Certain Covenants—Impairment of Security Interest”) shall be subject to the Security Principles.

**“Senior Facilities Agreement”** means that certain facility agreement entered on May 12, 2010 by, among others, IHL, as principal obligor, the Parent and certain of the Company’s subsidiaries, as borrowers and/or guarantors, and Barclays Bank PLC, as facility agent and security agent, and all documentation relating thereto, including notes, collateral documents, letters of credit, if any, and guarantees, in each case, as amended, renewed, extended, substituted, refinanced, restructured, replaced, supplemented or otherwise modified from time to time under one or more Credit Facilities (including, without limitation, any successive renewals, extensions, substitutions, refinancings, restructurings, replacements, supplementations or other modifications of the foregoing).

**“Senior Indebtedness”** means any Indebtedness of the Company or any of its Restricted Subsidiaries that is not Subordinated Indebtedness.

**“Senior Management”** means James A. Ratcliffe, John Reece or Andrew Currie and each member of the Board of Directors of INEOS AG or the Company from time to time.

**“Senior Proceeds Loans”** means the Notes Proceeds Loans, the Existing Senior Secured Notes Proceeds Loans and/or the SFA Proceeds Loans.

**“Senior Proceeds Loans Agreements”** means the Notes Proceeds Loans Agreement, the Existing Senior Secured Notes Proceeds Loans Agreement and/or the SFA Proceeds Loans Agreement, in each case, as amended, supplemented, restated or substituted from time to time.

**“Senior Proceeds Loans Documents”** means the Senior Proceeds Loans Agreements and any documents that provide a guarantee by any Guarantor of, or create a Lien over any Collateral of any Guarantor as security for, any Senior Proceeds Loan, in each case, as amended, supplemented, restated or substituted from time to time.

**“Senior Secured Credit Facilities”** means the Credit Facilities made available pursuant to the Senior Facilities Agreement other than the Term D Facility.

**“Senior Secured Indebtedness”** means any Senior Indebtedness that is secured by a Lien on the Collateral as permitted by the Indenture, excluding the Existing High Yield Notes to the extent secured on a junior priority basis by a Lien on the Capital Stock of IHL and the Existing High Yield Notes Proceeds Loan.

**“Senior Secured Notes and SFA Transfer”** means the transfer by the Issuer and the issuer in respect of the Existing Senior Secured Notes (to the extent different from the Issuer) of all or substantially all of their respective assets to an Upstream Subsidiary in accordance with the covenant set forth under the caption “—Consolidation, Merger, Sale of Assets” (to the extent applicable to such transfer), which shall be preceded by or implemented substantially concurrently with the renewal, refinancing or replacement of all Indebtedness of the borrowers under the Senior Facilities Agreement with Indebtedness incurred by one or more Upstream Subsidiaries or the assumption of all Indebtedness by the borrowers under the Senior Facilities Agreement by one or more Upstream Subsidiaries.

**“Service Contracts”** means the service contracts of each member of Senior Management.

**“SFA Loans”** means the loans and other advances made from time to time under the Senior Facilities Agreement to the borrowers thereunder.

**“SFA Proceeds Loans”** means, collectively, (a) the unsecured loan notes issued pursuant to the SFA Proceeds Loans Agreement and (b) any other loan from any borrower under the Senior Facilities Agreement to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the borrowing of additional SFA Loans permitted by the Indenture and, in each case, all loans or bonds directly or indirectly replacing or refinancing such loan or any portion thereof.

**“SFA Proceeds Loans Agreement”** means that certain Deed Constituting Floating Rate Unsecured Loan Notes 2026 made on November 27, 2006 by IHL.

**“Significant Restricted Subsidiary”** means, at the date of determination, any Restricted Subsidiary that together with its Restricted Subsidiaries (a) for the most recent fiscal year, accounted for more than 5% of the Consolidated revenues of the Parent or (b) as of the end of the most recent fiscal quarter, was the owner of more than 5% of the Consolidated assets of the Parent.

**“Specified Affiliate Payments”** means:

- (a) the repurchase of any (1) Capital Stock of the Company, any Restricted Subsidiary or any Parent Holdco or (2) employee loan stock of the Company, any Restricted Subsidiary or any Parent Holdco for a repurchase price not greater than the original purchase price paid for such loan stock, in each case held by any future, present or former employee, director or officer of the Company or any of its Restricted Subsidiaries (or their estates or beneficiaries under their estates) pursuant to any management equity subscription agreement, stock option agreement, put agreement, consulting agreement, stockholder agreement or similar agreement or employee loan stock scheme that may be in effect from time to time (or dividends from the Company to the Parent to effect the same in respect of Capital Stock and employee loan stock of the Parent held pursuant to any such agreement or scheme by any future, present or former employee, director or officer of the Company or any of its Restricted Subsidiaries (or their estates or beneficiaries under their estates)); *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock and employee loan stock shall not exceed €5.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum amount of repurchases, redemptions or other acquisitions pursuant to this clause (a) of €10.0 million in any calendar year);

- (b) transactions with customers, clients, suppliers, and distributors and other purchases or sales of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which when taken together are fair to the Company and its Restricted Subsidiaries in the reasonable determination of the Board of Directors of the Company or the senior management of the Company, or are on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (c) dividends, bonus, distributions or other amounts paid to a direct or indirect parent of the Company in amounts equal to amounts required for such Person to pay (i) audit fees and expenses, (ii) directors' fees, remuneration and expenses (including customary indemnification obligations and director and officer insurance premia), (iii) corporate overhead and salary or other compensation to employees allocable to the Company and the Restricted Subsidiaries (including payments made pursuant to the Service Contracts), (iv) other normal course expenses required to maintain its corporate existence, (v) amounts required in relation to public reporting and registration and on-going administration of any securities and (vi) payments of fees under management agreements to INEOS Capital pursuant to agreements in effect on the Issue Date and any amendment or modifications thereof; *provided* that any amendments or modifications to the terms thereof are not more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Issue Date;
- (d) the payment of dividends or distributions, or loans, by the Company to a direct or indirect parent in amounts equal to amounts required by the parent to pay income or corporation taxes or VAT, but only to the extent such income or corporation taxes or VAT are attributable to the business of the Parent or its Restricted Subsidiaries;
- (e) the payment of any other amounts; *provided* that the total aggregate amount of Specified Affiliate Payments made under this clause (e) does not exceed €25.0 million in any fiscal year;
- (f) the payment of an annual management fee to any direct or indirect Parent Holdco; *provided* that the total amount of Specified Affiliate Payments made under this clause (f) does not exceed €73.5 million (adjusted in accordance with the RPI) in any fiscal year; and
- (g) Rental Payments.

**"Specified Investor"** means

- (a) any Person that is directly or indirectly solely owned by James A. Ratcliffe;
- (b) any Person having a relationship with James A. Ratcliffe by blood, marriage or adoption not more remote than first cousin;
- (c) any trust held solely for the benefit of James A. Ratcliffe or any Person mentioned in clause (b) above or (d) below; *provided* that James A. Ratcliffe or any such Person retains sole control over the voting rights of the Capital Stock held by such trust; or
- (d) the heirs of James A. Ratcliffe or beneficiaries of his estate or any trust or similar arrangement established in respect of his estate.

**"Stated Maturity"** means, when used with respect to any Indebtedness or any installment of interest thereon, the dates specified in such Indebtedness as the fixed date on which the principal of such Indebtedness or such installment of interest, as the case may be, is due and payable.

**"Subordinated Indebtedness"** means Indebtedness of the Company or any of its Restricted Subsidiaries that is subordinated in right of payment to the Notes or a Guarantee, including, without limitation, the Term D Facility and the guarantees of the Existing High Yield Notes and the Existing High Yield Notes Proceeds Loans.

**"Subordinated Shareholder Funding"** means Subordinated Indebtedness of the Company issued to any Parent Holdco or any Affiliate thereof (other than any Restricted Subsidiary):

- (a) which, by its terms or pursuant to the terms of any subordination agreement to which it is subject:
  - (i) does not (including upon the happening of any event) mature or require any amortization and is not (including upon the happening of any event) mandatorily redeemable, pursuant to a

sinking fund obligation or otherwise, or redeemable at the option of the holder, in whole or in part, and does not include any provision requiring repurchase by the Company or any Restricted Subsidiary (including upon the happening of any event) prior to the first anniversary of the Stated Maturity of the Notes;

- (ii) does not (including upon the happening of any event) require or provide for the payment, in cash or otherwise, of interest, cash withholding amounts or other cash gross-ups or any other amounts prior to its final Stated Maturity (*provided* that interest may accrete while such Subordinated Indebtedness is outstanding and accreted interest may become due upon acceleration of maturity as permitted by clause (b)(ii) below and any interest may be satisfied at any time by the issue to the holders thereof of additional Subordinated Shareholder Funding);
  - (iii) contains no change of control or similar provisions, has no right to declare a default or event of default, does not provide (including upon the happening of any event) for the acceleration of its maturity, the ability to take any enforcement action or the exercise of remedies prior to the date on which the Notes mature and are repaid;
  - (iv) does not require or provide for, and is not secured by, a Lien on any assets of the Company or any Restricted Subsidiary and is not guaranteed by any Subsidiary;
  - (v) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Indenture;
  - (vi) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Indebtedness;
  - (vii) does not (including upon the happening of an event) constitute Voting Stock; and
  - (viii) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Redeemable Capital Stock) of the Company; and
- (b) is contractually subordinated (by its terms in favor of, or pursuant to an agreement with, the Trustee) and junior in right of payment to the prior payment in full in cash of all obligations (including principal, interest, premium (if any) and Additional Amounts (if any)) of the Company under the relevant Guarantee of the Notes and the Indenture such that:
- (i) the Company shall not make any payment in respect of such Subordinated Indebtedness (whether in cash, securities or otherwise, except as permitted by clause (a)(ii) above) and may not acquire such Subordinated Indebtedness except as permitted by the Indenture until the prior payment in full in cash of all obligations in respect of the relevant Guarantee of the Notes and the Indenture;
  - (ii) upon any total or partial liquidation, dissolution or winding up of the Issuer or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, the holders of the Notes will be entitled to receive payment in full in cash of the obligations under the Notes and the Indenture, including Additional Amounts, if any, before the holders of such Subordinated Indebtedness will be entitled to receive any payment in respect of such Subordinated Indebtedness;
  - (iii) such Subordinated Indebtedness may not be amended such that it would cease to qualify as Subordinated Shareholder Funding until a date that is after the prior payment in full in cash of all obligations in respect of the Notes and the Indenture;
  - (iv) the holders of such Subordinated Indebtedness shall assign any rights to vote, including by way of proxy, in a bankruptcy, insolvency or similar proceeding to the Trustee to the extent necessary to give effect to the priority and subordination provisions described in this definition; and

- (v) the holders of such Subordinated Indebtedness shall agree that, in the event any payment on such Subordinated Indebtedness is received by such holder in contravention of the terms of the Indenture and any applicable subordination agreement, then such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee, on behalf of the holders of the Notes;

*provided* that any event or circumstance that results in such Subordinated Indebtedness ceasing to qualify as Subordinated Shareholder Funding shall (x) constitute an incurrence of such Indebtedness by the Company and (y) reduce the sum described in clause (b)(3)(B) of “—Certain Covenants—Limitation on Restricted Payments,” by an amount equal to the principal amount of such Indebtedness, and any and all Restricted Payments made since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that must satisfy the covenant described under “—Certain Covenants—Limitation on Restricted Payments” at a time on or after the date of the original issuance of such Subordinated Shareholder Funding after giving effect to the reduction referred to above in clause (y) of this sentence.

“**Subsidiary**” of a Person means (a) any corporation more than 50% of the outstanding voting power of the Voting Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof, (b) any limited partnership of which such Person or any Subsidiary of such Person is a general partner, or (c) any other Person in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries, directly or indirectly, has more than 50% of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof.

“**Subsidiary Guarantor**” means each Restricted Subsidiary of the Company that is a Guarantor of the Notes.

“**Synthetic Security Requirement**” means, with respect to the Senior Secured Notes and SFA Transfer, the requirement that, following the completion of such transfer, each of INEOS Luxembourg II S.A., INEOS Group AG and INEOS Europe AG (or any of their successors) shall provide (a) guarantees of the Notes Proceeds Loans, the Existing Senior Secured Notes Proceeds Loans and the SFA Proceeds Loans and (b) Liens on the Collateral owned by it to secure such guarantees of such proceeds loans.

“**Swiss Anticipatory Tax**” means the tax imposed based on the Swiss Federal Act on withholding tax of 13 October 1965, as amended from time to time.

“**Tax Sharing Agreement**” means any tax sharing agreement with customary terms entered into with any Parent Holdco, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

“**Temporary Cash Investments**” means

- (a) any evidence of Indebtedness, maturing not more than one year after the date of acquisition, issued by the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 or an instrumentality or agency thereof, and guaranteed fully as to principal, premium, if any, and interest by any of the foregoing;
- (b) any certificate of deposit, maturing not more than one year after the date of acquisition, issued by, or time deposit of, a commercial banking institution that is a member of the U.S. Federal Reserve System or a bank or trust company organized in the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 and that has combined capital and surplus and undivided profits of not less than \$500.0 million, whose debt has a rating, at the time as of which any investment therein is made, of “P-1” (or higher) according to Moody’s or any successor rating agency or “A-1” (or higher) according to S&P or any successor rating agency;
- (c) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate or Subsidiary of the Company) organized and existing under the laws of the United States of America, any state thereof or the District of Columbia, Switzerland or any state that was a member state of the European Union on December 31, 2003 with a rating, at the time as of which any investment therein is made, of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (d) any money market deposit accounts issued or offered by a commercial bank organized in the United States of America, Switzerland or any state that was a member state of the European Union on



December 31, 2003 having capital and surplus in excess of \$500.0 million; *provided* that the short term debt of such commercial bank has a rating, at the time of Investment, of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;

- (e) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (a) and (b) entered into with any bank meeting the qualifications specified in clause (b) above;
- (f) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (a) through (e) above; and
- (g) other short-term investments utilized by Restricted Subsidiaries in accordance with normal investment practices for cash management not exceeding €2.0 million (or an equivalent amount in other currencies) in aggregate principal amount outstanding at any time.

**“Term D Facility”** means the second lien secured term loan D credit facility made available under the Senior Facilities Agreement, for the avoidance of doubt, as amended or extended from time to time, *provided* that, after giving effect to any such amendment or extension, the Term D Facility shall continue to qualify as Subordinated Indebtedness under the Indenture.

**“Top Swiss Subsidiary”** means the Subsidiary of the Company organized under the laws of Switzerland that is a direct or indirect parent company of IHL and is, as among the holding companies organized in Switzerland, closest in the chain of holding companies to the Company.

**“Total Assets”** means the total consolidated assets of the Parent and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Parent.

**“Treasury Rate”** means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the redemption date to February 15, 2015; *provided, however*, that if the period from the redemption date to February 15, 2015, is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to February 15, 2015, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

**“Unrestricted Subsidiary”** means any Subsidiary of the Company (other than the Issuer) designated as such pursuant to and in compliance with the covenant described under “—Certain Covenants—Limitation on Unrestricted Subsidiaries,” in each case unless and until such Subsidiary is redesignated as a Restricted Subsidiary pursuant to a Redesignation as provided in paragraph (d) of such covenant.

**“Upstream Subsidiary”** means the Company or any Wholly Owned Restricted Subsidiary of the Company other than (a) the immediate parent company of the Top Swiss Subsidiary or (b) any Subsidiary of such immediate parent company of the Top Swiss Subsidiary.

**“U.S. Exchange Act”** means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

**“U.S. Securities Act”** means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

**“U.S. Trust Indenture Act”** means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute.

**“Voting Stock”** of a Person means Capital Stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors of such Person, managers or trustees of such Person (irrespective of whether or not at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

**“wholly owned”**, when used in reference to a Subsidiary of any Person, means that all the Capital Stock of such subsidiary (other than directors’ qualifying shares and other nominal amounts of Capital Stock that are required to be held by other Persons under applicable law) are owned by such Person, another wholly owned Subsidiary of such Person or any combination thereof.

**“Wholly Owned Restricted Subsidiary”** means a Restricted Subsidiary all the Capital Stock of which (other than directors’ qualifying shares and other nominal amounts of Capital Stock that are required to be held by other Persons under applicable law) is owned by the Company or another Wholly Owned Restricted Subsidiary.

## DESCRIPTION OF THE COLLATERAL AND THE GUARANTEES

The notes and the guarantees are secured by security interests in the assets described below (the “Collateral”). The security interests in the Collateral are first-ranking security interests (subject to Permitted Collateral Liens), other than for the security interests in the BP Receivables, in respect of which BP has a first-ranking security interest. Certain security interests under German and French law were, as a matter of local law, granted as junior ranking security interests in relation to the security granted in respect of the Senior Secured Credit Facilities and the 2015 Notes. Nevertheless, the Intercreditor Deed provides that as a contractual matter as among senior secured creditors, the notes are secured on a *pari passu* basis with the 2015 Notes and the Senior Secured Credit Facilities and will be treated as such for purposes of the application of proceeds from the enforcement of such Collateral. See the specific local law security interests described below under “—Summary of the Collateral and the Guarantees for the Notes” and “Risk Factors—Prior ranking security interests—The BP Creditors and any other creditors with prior ranking liens will have prior access to proceeds of certain Collateral and your rights to enforce your security over the Collateral are limited,” “Limitations on Validity and Enforceability of Guarantees and the Security Interests” and Description of other Indebtedness—Intercreditor Deed.” The notes and the guarantees are, subject to the terms and conditions of the Indenture and to the extent possible, secured by security interests in all of the assets and property that secure the obligations under the Senior Facilities Agreement, and the 2015 Notes. The notes are guaranteed by all of those entities that have guaranteed the obligations under the Senior Facilities Agreement and the 2015 Notes.

The following is a country-by-country summary description of the Collateral that secures the notes as of the date of this offering memorandum. This summary is not complete and does not describe any of the limitations of, existing encumbrances on, and defects in respect of the Collateral, or any of the specific assets, properties and rights that were excluded from the Collateral. The granting of the guarantees and the security interests in the Collateral was subject to compliance with the agreed security principles (the “Security Principles”) set forth in an exhibit to the Indenture, which embody the recognition that there may be certain legal and practical difficulties in obtaining guarantees and security interests in every jurisdiction in which Guarantees are incorporated and hold assets.

As described herein, the guarantees and security in respect of the notes were implemented in two stages. Not all of the guarantees and the Collateral that secure the notes was implemented as of the Issue Date.

### Issue Date

On the Issue Date, the following companies (the “Initial Guarantors”) provided guarantees in respect of the notes:

- INEOS Chemicals Grangemouth Limited;
- INEOS Commercial Services UK Limited;
- INEOS Group Limited;
- INEOS Holdings (Investments) Limited;
- INEOS Limited;
- INEOS Holdings Limited;
- INEOS Group Holdings Limited (formerly INEOS Group Holdings plc);
- INEOS Investments International Limited
- INEOS Tenderco Limited;
- INEOS Manufacturing Belgium NV;
- INEOS NV;
- INEOS Phenol Belgium NV;
- INEOS Manufacturing Deutschland GmbH;
- INEOS Phenol GmbH;

- INEOS UK Holdings 1;
- INEOS UK Holdings 2;
- INEOS Americas LLC;
- INEOS U.S. Finance LLC;
- INEOS USA LLC;
- INEOS Group Holdings S.A.;
- INEOS Luxembourg I S.A.;
- INEOS Luxembourg II S.A.;
- INEOS Polymers Sarralbe SAS;
- INEOS Chemicals Lavéra SAS;
- INEOS Europe AG;
- INEOS Group AG;
- INEOS Delaware LLC;
- INEOS Delaware II LLC;
- INEOS Holding Company LLC;
- INEOS Intermediate Investment Company;
- INEOS Partners;
- INEOS US Holding Company II LLC;
- INEOS US Intermediate Holding Company LLC; and
- INEOS Fluor Americas LLC.

On the Issue Date, the notes were guaranteed by the Initial Guarantors, which represent 75.8% of the Parent's pro forma consolidated EBITDA for the twelve months ended September 30, 2011, after giving pro forma effect to the Refining Divestiture and the Offering, and to hold 71.9% of the Parent's consolidated total assets as of September 30, 2011. All of the Initial Guarantors provided guarantees in respect of the notes on the Issue Date. INEOS Finance plc is the issuer of the notes and provided security in respect of the notes. The guarantees and the security are subject to various limitations. See "Limitations on Validity and Enforcement of the Guarantees and the Security Interests" and "Risk Factors—Guarantees and collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability."

#### **Post-Closing Date**

On March 1, 2012, the following companies (referred to herein as the "Additional Guarantors") provided guarantees in respect of the notes:

- INEOS European Holdings Limited;
- INEOS Fluor Holdings Limited;
- INEOS Fluor Limited;
- INEOS Holdings International Limited (formerly INEOS Investment Holdings (Fluor & Silicas) Limited);

- INEOS Overseas Company I Limited;
- INEOS Overseas Company II Limited;
- INEOS Oxide Limited;
- INEOS Investment Holdings (Germany) Limited (formerly INEOS Phenol Limited);
- INEOS Silicas Holdings Limited;
- INEOS Silicas Limited;
- INEOS (Malta) Company;
- INEOS Manufacturing (Hull) Limited;
- INEOS Nitriles (UK) Limited;
- INEOS Belgium Holdco NV;
- INEOS Belgium NV;
- INEOS Feluy SPRL;
- INEOS Canada Company;
- INEOS Canada Investment Company;
- INEOS Canada Partnership;
- INEOS Canada Preferred Holdings Limited;
- INEOS Deutschland GmbH;
- INEOS Köln Beteiligungs GmbH & Co. KG;
- INEOS Köln GmbH;
- INEOS Köln Verwaltungs GmbH;
- INEOS Phenol Verwaltungsgesellschaft mbH;
- INEOS Deutschland Holding GmbH;
- INEOS Jersey Limited;
- INEOS Financing (Malta) Limited;
- INEOS Holdings (Malta) Limited;
- INEOS Holdings Norge AS;
- INEOS Singapore Pte. Ltd.;
- INEOS LLC; and
- INEOS Polypropylene LLC.

The Guarantors represent 94.8% of the Parent's pro forma consolidated EBITDA for the twelve months ended September 30, 2011, after giving pro forma effect to the Refining Divestiture and the Offering, and hold 89.2% of the Parent's consolidated total assets as of September 30, 2011. The guarantees and the security are subject to various limitations. See "Limitations on Validity and Enforcement of the Guarantees and the Security Interests" and "Risk

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

### **Summary of the Collateral and the Guarantees for the Notes**

The following is a country-by-country summary of the Collateral and the guarantees in respect of the notes that is in place following the completion of the grants of the guarantees and the Collateral.

#### ***Belgium***

The notes are guaranteed by the following Belgian companies: INEOS Manufacturing Belgium NV, INEOS NV, INEOS Phenol Belgium NV, INEOS Belgium Holdco NV, INEOS Belgium NV and INEOS Feluy SPRL.

The notes are secured by the following security interests, each governed by Belgian law:

- pledges over shares in INEOS Belgium Holdco NV, INEOS Sales Belgium NV, INEOS Belgium NV, INEOS NV, INEOS Services Belgium NV, INEOS Manufacturing Belgium NV, INEOS Feluy SPRL, INEOS Phenol Belgium NV and INEOS C2T NV;
- mortgages over various properties of INEOS Feluy SPRL for the amount of €10,500,000.00, INEOS NV for the amount of €11,750,000.00, INEOS Phenol Belgium NV for the amount of €10,500,000.00 and INEOS Manufacturing Belgium NV for the amount of €10,500,000.00;
- mortgage mandates over various properties of INEOS Feluy SPRL for the amount of €342,600,000.00, INEOS NV for the amount of €600,150,000.00, INEOS Phenol Belgium NV for the amount of €256,500,000.00 and INEOS Manufacturing Belgium NV for the amount of €336,100,000.00;
- pledges over various receivables of INEOS Belgium NV, INEOS Belgium Holdco NV, INEOS NV, INEOS Feluy SPRL, INEOS Manufacturing Belgium NV and INEOS Phenol Belgium NV;
- pledges over various bank accounts of INEOS Belgium NV, INEOS NV, INEOS Feluy SPRL, INEOS Manufacturing Belgium NV, INEOS Belgium Holdco NV, INEOS Phenol Belgium NV, INEOS Phenol GmbH, INEOS Oxide Limited and INEOS Europe AG;
- pledges over the business assets of INEOS Belgium NV for the amount of €2,000,000.00, INEOS NV for the amount of €11,000,000.00, INEOS Feluy SPRL for the amount of €1,000,000.00, INEOS Manufacturing Belgium NV for the amount of €1,000,000.00 and INEOS Phenol Belgium NV for the amount of €1,000,000.00;
- mandates to establish pledges over the business assets of INEOS Belgium NV for the amount of €6,640,000.00, INEOS NV for the amount of €1,200,000.00, INEOS Feluy SPRL for the amount of €89,000,000.00, INEOS Manufacturing Belgium NV for the amount of €194,000,000.00, INEOS Phenol Belgium NV for the amount of €89,000,000.00 and INEOS Belgium Holdco NV for the amount of €300,000,000.00 and INEOS Europe AG for the amount of €5,000,000; and
- pledges over trademarks and patents of INEOS Manufacturing Belgium NV.

#### ***Canada***

The notes are guaranteed by INEOS Canada Company, INEOS Canada Investment Company, INEOS Canada Partnership and INEOS Canada Preferred Holdings Limited.

The notes are secured by security interests over (i) the shares of INEOS Canada Investment Company, INEOS Canada Company, INEOS Canada Holdings Company and INEOS Canada Preferred Holdings Limited, (ii) the partnership interests of INEOS Canada Partnership and (iii) the leasehold interest held by INEOS Canada Company on behalf of INEOS Canada Partnership in real property near Joffre, Alberta.

The notes are also secured pursuant to the following Security Documents:

- amended and restated general security agreement governed by Alberta law granted by each of INEOS Canada Company, INEOS Canada Investment Company and INEOS Canada Partnership in respect of all present and future after-acquired personal and real property (subject to certain exceptions);
- amended and restated general security agreement granted by INEOS Canada Preferred Holdings Limited and governed by Nova Scotia law in respect of all present and after-acquired personal and real property (subject to certain exceptions); and
- amended and restated security agreement (over its Citibank Canada bank accounts) granted by INEOS European Holdings Limited and governed by Ontario law.

### ***England and Wales***

The notes are guaranteed by the following companies incorporated in England and Wales: INEOS Holdings Limited, INEOS European Holdings Limited, INEOS Fluor Holdings Limited, INEOS Fluor Limited, INEOS Group Holdings Limited (formerly INEOS Group Holdings plc), INEOS Investments International Limited, INEOS Holdings International Limited (formerly INEOS Investment Holdings (Fluor & Silicas) Limited), INEOS Overseas Company I Limited, INEOS Overseas Company II Limited, INEOS Oxide Limited, INEOS Investment Holdings (Germany) Limited (formerly INEOS Phenol Limited), INEOS (Malta) Company, INEOS Manufacturing (Hull) Limited, INEOS Nitriles (UK) Limited, INEOS Silicas Holdings Limited, INEOS Silicas Limited, INEOS Tenderco Limited, INEOS Group Limited, INEOS Chemicals Grangemouth Limited, INEOS Commercial Services UK Limited, INEOS Finance plc, INEOS Limited and INEOS Holdings (Investments) Limited.

Each of the above companies is a party to an English law debenture creating a legal mortgage in respect of all real property of which it is a registered proprietor and fixed (or floating) charges over substantially all its other assets (including shares in any subsidiary, intellectual property rights, monies credited to certain bank accounts, plant, equipment and other personal property).

The notes are also secured by certain additional English law security interests as follows:

- share charges granted by INEOS Jersey Limited (in respect of its shares in INEOS European Holdings Limited), INEOS U.S. Finance LLC (in respect of its shares in INEOS Finance Company), INEOS Financing (Malta) Limited (in respect of its shares in INEOS (Malta) Company) and INEOS Europe AG (in respect of all present and future shares in INEOS Europe AG subsidiaries);
- an assignment by the Parent of all its rights in respect of the High Yield Proceeds Loan (as that term is defined in the Senior Facilities Agreement) and any other intercompany loan;
- charges over intellectual property rights by INEOS USA LLC, INEOS Americas LLC, INEOS Manufacturing Belgium NV and INEOS Phenol GmbH;
- a second ranking charge and security assignment by each of INEOS Polypropylene LLC, INEOS USA LLC and INEOS Commercial Services UK Limited relating to contractual arrangements between these entities and BP;
- a first ranking security assignment over the Credit Support Deed, the Master Bilateral Netting Deed (as those terms are defined in the Senior Facilities Agreement) and any guarantee entered into in favor of INEOS Europe AG by a member of the BP Group and a first fixed charge in respect of any Underlying Agreement (as defined in the Credit Support Deed) to which it is a party to be granted by INEOS Europe AG;
- an assignment by each of INEOS Luxembourg I S.A., INEOS Luxembourg II S.A., INEOS Group AG and INEOS Europe AG of all their rights in respect of any intercompany loans, insurance policies and hedging arrangements;
- an account charge by INEOS US Finance LLC in respect of monies credited to certain bank accounts; and
- a floating charge by INEOS Europe AG over all its inventory, inventory monetary claims and all inventory related rights.

## ***France***

The notes are guaranteed by the French guarantors INEOS Polymers Sarralbes SAS and INEOS Chemicals Lavéra SAS and the English guarantor INEOS Investments International Limited.

The notes are secured by the following French law security interests:

- a second ranking financial securities account pledge granted by INEOS Investments International Limited over the shares in Naphtachimie SA, Oxochimie SA and INEOS France SAS;
- a second ranking financial securities account pledge granted by INEOS Investments International Limited over the shares in INEOS Polymers Sarralbe SAS and INEOS Chemicals Lavéra SAS;
- a second ranking share pledge granted by INEOS Investments International Limited over the shares in Appryl SNC;
- a second ranking pledge granted by INEOS Polymers Sarralbe SAS over certain bank accounts of INEOS Polymers Sarralbe SAS;
- a second ranking pledge granted by INEOS Polymers Sarralbe SAS over the business as a going concern of INEOS Polymers Sarralbe SAS;
- a second ranking pledge granted by INEOS Chemical Lavéra SAS over the business as a going concern of INEOS Chemicals Lavéra SAS; and
- a second ranking pledge granted by INEOS Chemical Lavéra SAS over certain bank accounts of INEOS Chemicals Lavéra SAS.

The above mentioned second ranking security interests also guarantee the 2015 Notes and the Senior Facilities Agreement on a first ranking basis.

## ***Germany***

The notes are guaranteed by the following German companies: INEOS Deutschland GmbH, INEOS Phenol Verwaltungsgesellschaft mbH, INEOS Phenol GmbH, INEOS Köln GmbH, INEOS Manufacturing Deutschland GmbH, INEOS Köln Verwaltungs GmbH, INEOS Deutschland Holding GmbH and INEOS Köln Beteiligungs GmbH & Co. KG.

The notes are secured by the following German law security interests:

- junior ranking pledges over shares in INEOS Deutschland GmbH, INEOS Phenol Verwaltungsgesellschaft mbH, INEOS Phenol GmbH, INEOS Köln GmbH, INEOS Manufacturing Deutschland GmbH, INEOS Köln Verwaltungs GmbH and INEOS Deutschland Holding GmbH;
- junior ranking pledges over limited partnership interests in INEOS Köln Beteiligungs GmbH & Co. KG;
- land charges on real estate owned by INEOS Phenol GmbH and INEOS Manufacturing Deutschland GmbH, and security purpose agreements with respect to such land charges;
- security transfers in respect of movable assets of INEOS Phenol GmbH, INEOS Köln GmbH and INEOS Manufacturing Deutschland GmbH;
- junior ranking account pledges over certain bank accounts of INEOS Phenol Verwaltungsgesellschaft mbH, INEOS Phenol GmbH, INEOS Köln GmbH, INEOS Manufacturing Deutschland GmbH, INEOS Köln Verwaltungs GmbH, INEOS Deutschland GmbH, INEOS Köln Beteiligungs GmbH & Co. KG, INEOS Deutschland Holding GmbH and INEOS Oxide Limited; and
- global assignment agreement in respect of receivables of INEOS Phenol Verwaltungsgesellschaft mbH, INEOS Phenol GmbH, INEOS Köln GmbH, INEOS Manufacturing Deutschland GmbH, INEOS Deutschland GmbH, INEOS Köln Beteiligungs GmbH & Co. KG, INEOS Köln Verwaltungs GmbH and INEOS Deutschland Holding GmbH.



## ***Ireland***

INEOS UK Holdings 1 and INEOS UK Holdings 2 guarantee the notes and are a party to an Irish law debenture (modeled closely on the form of the English law debenture) to secure the notes. No security was provided over the shares in the Irish guarantors on the basis that they are unlimited liability companies.

## ***Jersey***

The notes are guaranteed by INEOS Jersey Limited. The notes are secured by a Jersey law security interest over all of the shares of INEOS Jersey Limited held by INEOS Holdings Limited and a Jersey law security interest over all of the shares of INEOS Investments (Jersey) Limited held by INEOS European Holdings Limited.

## ***Luxembourg***

The notes are guaranteed by INEOS Group Holdings S.A., INEOS Luxembourg I S.A. and INEOS Luxembourg II S.A. The notes are secured by the following Luxembourg law security interests:

- pledge over shares of INEOS Luxembourg I S.A., granted by INEOS Group Holdings S.A.; and
- pledge over shares of INEOS Luxembourg II S.A., granted by INEOS Luxembourg I S.A.

## ***Malta***

The notes are guaranteed by INEOS Financing (Malta) Limited and INEOS Holdings (Malta) Limited. The notes are secured by a Maltese law security interest over:

- all of the shares of (x) INEOS Holdings (Malta) Limited, granted by INEOS Holdings Limited and INEOS Investment Holdings (Germany) Limited and (y) INEOS Financing (Malta) Limited, granted by INEOS Holdings (Malta) Limited and INEOS Investment Holdings (Germany) Limited; and
- certain receivables of (x) INEOS Holdings (Malta) Limited, including trade receivables and monies deposited or to be deposited in an account held with a bank licensed by the Malta Financial Services Authority in terms of Directive 2000/12 EC to pursue and take up the business of a credit institution and (y) INEOS Financing (Malta) Limited, including intercompany receivables, trade receivables and monies deposited or to be deposited in an account held with a bank licensed by the Malta Financial Services authority in terms of Directive 2000/12 EC to pursue and take up the business of a credit institution. In the case of the pledge over trade receivables and monies deposited in the above described bank account granted by each of INEOS Holdings (Malta) Limited and INEOS Financing (Malta) Limited, the said receivables have not, as at the date hereof, come into existence. Accordingly, the existence and validity of the pledge granted thereon is dependent upon their coming into existence.

## ***Norway***

The notes are guaranteed by INEOS Holdings Norge AS. The notes are secured by Norwegian law security interests over:

- shares of INEOS Holdings Norge AS, granted by INEOS Holdings Limited;
- shares of INEOS Bamble AS and INEOS Sales Norge AS, granted by INEOS Holdings Norge AS;
- trade receivables, bank accounts held in Norway, claims under intercompany loans and claims under certain acquisition documents for INEOS Bamble AS (formerly Borealis AS) granted by INEOS Holdings Norge AS; and
- bank accounts of INEOS Holdings (Malta) Limited and INEOS Financing (Malta) Limited held in Norway.

## ***Scotland***

The notes, which are guaranteed by INEOS Chemicals Grangemouth Limited, incorporated in England and Wales, and INEOS Europe AG, incorporated in Switzerland, are also secured by the following Scots Law security interests:

- a standard security by INEOS Chemicals Grangemouth Limited and land and buildings at Grangemouth; and
- a Floating Charge by INEOS Europe AG over the entire assets of the company.

### ***Singapore***

The notes are guaranteed by INEOS Singapore Pte. Ltd.

The notes are secured by a security interest over the shares of INEOS Singapore Pte. Ltd., held by INEOS Holdings Limited. The notes are also secured by a security interest over substantially all of the assets of INEOS Singapore Pte. Ltd. pursuant to a Singapore law debenture.

### ***Switzerland***

The notes are guaranteed by INEOS Europe AG and INEOS Group AG. The notes are secured by the following Swiss law security interests:

- security assignment in respect of bank account claims granted by INEOS Europe AG;
- assignment agreement of receivables and trade receivables granted by INEOS Europe AG;
- share pledge in respect of shares in INEOS Europe AG granted by INEOS Group AG;
- security assignment in respect of bank account claims granted by INEOS Group AG;
- assignment agreement of receivables and trade receivables granted by INEOS Group AG;
- share pledge in respect of the shares in INEOS Group AG granted by INEOS Luxembourg II S.A.; and
- security assignment agreement in respect of bank account claims granted by INEOS Holdings Limited.

### ***United States of America***

The notes are guaranteed by the following companies organized under the laws of states of the United States of America: INEOS U.S. Finance LLC, INEOS U.S. Intermediate Holding Company LLC, INEOS Americas LLC, INEOS Fluor Americas LLC, INEOS Partners, INEOS U.S. Holding Company II LLC, INEOS Delaware LLC, INEOS Delaware II LLC, INEOS LLC, INEOS Holding Company LLC, INEOS Polypropylene LLC, INEOS USA LLC and INEOS Intermediate Investment Company.

The notes are secured by (i) a security interest in substantially all of the tangible and intangible personal property of the aforementioned companies, (ii) pledges of shares of certain subsidiaries of the aforementioned companies and (iii) mortgages on certain owned real property, including a mortgage granted by INEOS Americas LLC on real property located at Theodore, Alabama and mortgages granted by INEOS USA LLC on real property located at Lima, Ohio, Alvin (Chocolate Bayou), Texas, La Porte, Texas and Port Lavaca (Green Lake), Texas.

Various companies incorporated outside the United States also granted a security interest in respect of certain assets they hold in the United States, including INEOS Overseas Company I Limited and INEOS Overseas Company II Limited (each in respect of their partnership interest in INEOS Partners), INEOS European Holdings Limited (in respect of bank accounts), INEOS UK Holdings 2 (in respect of its holding in INEOS Delaware LLC), INEOS Oxide Limited, INEOS Commercial Services UK Limited (in respect of intellectual property rights), INEOS Holdings Limited, INEOS Phenol GmbH, INEOS Manufacturing Belgium N.V. and INEOS Europe Limited. These companies also granted a security interest in certain other present or future acquired classes of U.S. assets.

### **Limitations on Guarantees and Collateral**

The indenture for the notes, the Senior Facilities Agreement and certain of the security documents in respect of the Senior Facilities Agreement and the notes contain customary language as to limitations on the amount, validity and enforceability of the guarantees and the Collateral. For a description of certain of these limitations, see “Description of the Notes” and “Limitations on Validity and Enforceability of the Guarantees and the Security Interests.”

## **Future Guarantees and Security**

The Indenture includes provisions that generally require that INEOS Group companies that guarantee or grant security in respect of the Senior Facilities Agreement and certain other indebtedness simultaneously guarantee the notes and grant security in respect of the notes. However, these provisions are subject to a variety of exceptions and limitations. See “Description of the Notes.”

## **LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS**

Set out below is a summary of certain limitations on the enforceability of the guarantees and the security interests in each of the jurisdictions in which guarantees or Collateral are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply, and could adversely affect your ability to enforce your rights and to collect payment in full under the notes, the guarantees and the security interests on the Collateral.

Also set out below is a brief description of certain aspects of insolvency law in Belgium, Canada, England and Wales, France, Germany, Ireland, Jersey, Luxembourg, Malta, Norway, Scotland, Singapore, Switzerland and the United States. In the event that any one or more of the Issuer, the Guarantors or any other of IGH or IHL's subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

### **European Union**

The Issuer and several of the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term "centre of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "centre of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "centre of main interests." The point at which a company's "centre of main interests" is determined is at the time that the relevant insolvency proceedings are opened.

If the centre of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction, and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "centre of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" (in the meaning of the EU Insolvency Regulation) in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

### **Belgium**

#### ***Insolvency***

A number of the Guarantors are incorporated under the laws of Belgium (the "Belgian Guarantors"). Consequently, in the event of an insolvency of any of the Belgian Guarantors, insolvency proceedings may be initiated in Belgium. Such proceedings would then be governed by Belgian law. Under certain circumstances, Belgian law also allows bankruptcy proceedings to be opened in Belgium over the assets of companies that are not established under Belgian law.

The following is a brief description of certain aspects of Belgian insolvency law.

Belgian insolvency laws provide for two insolvency procedures: a judicial restructuring procedure (*gerechtelijke reorganisatie/réorganisation judiciaire*) and a bankruptcy procedure (*faillissement/faillite*).

### **Judicial Restructuring**

A debtor may file a petition for judicial restructuring if the continuity of the enterprise is at risk, whether immediately or in the future. If the net assets of the debtor have fallen below 50% of the debtor's registered capital, the continuity of the enterprise is always presumed to be at risk.

As long as the court overseeing a judicial restructuring has not issued a ruling on the restructuring petition, the debtor cannot be declared bankrupt or wound up by court order. In addition, during the period between the filing of the petition and the court's decision, none of the debtor's assets may be disposed of by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

Within a period of 10 days as from the filing of the petition and subject to the satisfaction of the filing conditions, the court will declare the judicial restructuring procedure open, allowing a temporary moratorium for a maximum period of six months. At the request of the debtor and pursuant to the report issued by the delegated judge, the moratorium period can be extended by six months. In exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment), and in the interest of the creditors, the court may order an additional extension of the moratorium period for six months.

The granting of the moratorium operates as a stay. No enforcement measures with respect to pre-existing claims in the moratorium can be continued or initiated against any of the debtor's assets from the time that the moratorium is granted until the end of the period. During the duration of the moratorium, no attachments can be made with regard to pre-existing claims.

Conservatory attachments that existed prior to the opening of the judicial restructuring retain their conservatory character, but the court may order their release, provided that such release does not have a material adverse effect on the situation of the creditor concerned.

Receivables pledged by the debtor in favor of a creditor prior to the opening of the judicial restructuring procedure are not covered by the moratorium, and the holder of such pledged receivables is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (*e.g.*, the debtor's customers) during the moratorium. A pledge on financial instruments or cash held on accounts in the meaning of the Financial Collateral Law of 15 December 2004 can be enforced notwithstanding the enforcement prohibition imposed by the moratorium (for the pledge on cash held on accounts, provided that the debtor is in default). Personal guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium.

During the judicial restructuring procedure, the board of directors and management of the debtor continue to exercise their management functions. However, upon request of the debtor or any other interested party and to the extent it is deemed useful for reaching the aims of the restructuring, the court may appoint, in its decision to open the judicial restructuring procedure or at any other point in time during the course of the procedure, a judicial administrator (*gerechtsmandataris/mandataire de justice*) to assist the debtor during the restructuring.

The restructuring procedure aims to preserve the continuity of a company as a going concern. Consequently, the initiation of the procedure does not terminate any contracts, and contractual provisions which provide for the early termination or acceleration of the contract upon the initiation or approval of a restructuring procedure, and certain contractual terms such as default interest, may not be enforceable during such a procedure. The Belgian law on judicial restructuring provides that a creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the restructuring procedure if the debtor remedies such default within a 15-day period following the notification of such default.

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the restructuring procedure, provided that the debtor notifies the creditor, and the decision is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the company or its assets.

### ***Judicial Restructuring by Amicable Settlement by Collective Agreement, or by Court-ordered Transfer of Enterprise***

A judicial restructuring procedure may result in an amicable settlement between the debtor and two or more of its creditors, or a collective agreement.

In the case of a judicial restructuring by collective agreement, the creditors agree to a restructuring plan during the restructuring procedure. The plan must be filed with the Clerk's Office of the Commercial Court at least 14 days in advance of the date on which the creditors will vote on the approval of the restructuring plan. The court needs to ratify the restructuring plan prior to its taking effect.

Within a period of 14 days following the ruling declaring the judicial restructuring procedure open, the debtor must inform each of its creditors individually of the amount of its claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the restructuring procedure, or definitively, on the condition that it has jurisdiction in that respect, but that the decision relating to the dispute cannot be taken in a sufficiently short time frame.

The debtor must use the moratorium period to complete and finalize a restructuring plan, with the assistance of the court-appointed administrator, as the case may be.

The court-ordered transfer of all or part of the debtor's enterprise can be requested by the debtor in his petition or at a later stage in the procedure. It can be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court can order such transfer in specific circumstances.

### ***Bankruptcy***

A bankruptcy procedure may be initiated by the debtor, by unpaid creditors or upon the initiative of the Public Prosecutor's office, or the provisional administrator of the merchant's assets or the liquidator of "main insolvency proceedings" opened in another EU member state (except Denmark) according to the EU Insolvency Regulation.

Conditions for a bankruptcy order (*déclaration de faillite/aangifte van faillissement*) are that the debtor must be in a situation of cessation of payments (*cessation de paiements/staking van betaling*) and be unable to obtain further credit (*ébranlement de crédit/wiens krediet geschokt is*). Cessation of payments is generally accepted to mean that the debtor is not able to pay its debts as they fall due. Such situation must be persistent and not merely temporary. In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy receiver (*curateur/curator*) becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver. Creditors may oppose the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

The receiver must decide whether or not to continue performance under ongoing contracts (*i.e.*, contracts existing before the bankruptcy order). The receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- (a) the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an automatic early termination or acceleration event; and
- (b) *intuitu personae* contracts (*i.e.*, contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment, since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy if such decision is necessary for the management and liquidation of the bankrupt estate. The counterparty to that agreement may make a claim for damages in the bankruptcy (and such claim will rank *pari passu* with claims of all other unsecured creditors) and/or seek a court order to have the relevant contract dissolved. The counterparty may not seek injunctive relief or require specific performance of the contract.

The enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy trustee may proceed against the debtor and liquidate its assets. However, such suspension does not apply to a pledge of financial instruments or cash held on account.

For creditors with claims secured by movable assets, such suspension would normally be limited to the period required for the first report of verification of the claims. At the request of the bankruptcy receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court, which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors but without prejudicing the secured creditors, and provided that those secured creditors have been given the opportunity to be heard by the court.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy receiver is necessary to pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the first report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee, provided that the mortgagee has been given the opportunity to be heard by the court. However, a pledge on financial instruments or cash held on accounts can be enforced during the suspension period.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, like tax administration or social security.

The debts of the bankrupt estate generally will be ranked as to priority on the basis of complex rules. The following is a general overview of such rules:

- (a) Estate debt: Costs and indebtedness incurred by the receiver during the bankruptcy proceedings, the so-called “estate debts”, have a senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors;
- (b) Security interests: Creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization);
- (c) Privileges: Creditors may have a particular privilege on certain or all assets (*e.g.*, tax claims, claims for social security premiums, etc.). Privileges on specific assets rank before privileges on all assets of the debtor; and
- (d) *Pari passu*: Once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the receiver among the unsecured creditors who rank *pari passu* (unless a creditor agreed to be subordinated).

### ***Limitation on Enforcement***

The grant of a guarantee or collateral by a Belgian company for the obligations of another group company must be for the corporate benefit of the granting company.

The question of corporate benefit is determined on a case-by-case basis and consideration has to be given to any direct and/or indirect benefit that the company would derive from the transaction. Two principles apply to such evaluation: (i) the risk taken by the company in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction and (ii) the financial support granted by the company should not exceed its financial capabilities.

If the corporate benefit requirement is not met, the directors of the company may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee or collateral could be declared null and void and, under certain circumstances, the creditor that benefits from the guarantee or collateral could be held liable for up to the amount of the guarantee. Alternatively, the guarantee or collateral could be reduced to an amount corresponding to the corporate benefit, or the creditor may be held liable for any guarantee amount in excess of such amount. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee and collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called “limitation language” in relation to subsidiaries incorporated or established in Belgium. Accordingly, the Purchase Agreement, the Indenture and the security documents contain such limitation language and the security and the guarantees of the Belgian Guarantors will be so limited.

The Indenture expressly provides, substantially to the effect that, the obligations of each Belgian Guarantor under the guarantee clause of the Indenture:

- (a) shall not include any liability which would constitute unlawful financial assistance (as determined in article 329/430/629 of the Belgian Company Code); and
- (b) shall be limited to a maximum aggregate amount equal to the greater of (a) 90% of such Belgian Guarantor’s net assets (as defined in article 320/429/617 of the Belgian Company Code) as shown in its most recent audited annual financial statements as approved at its meeting of shareholders, and (b) the aggregate of the amounts, either directly or through one or more other companies of the INEOS Group, made available to such Belgian Guarantor and its subsidiaries (if any) using all or part of the proceeds of the notes (increased by all interests, commissions, costs, fees, expenses and other sums accruing or payable in connection with such amount).

### ***Mandates and third party rights***

Due to the registration and other fees payable in connection with the grant of Belgian law mortgages in respect of real property and pledges over business assets, the amounts secured under these security documents will be capped. Additional amounts will be secured by way of a mortgage mandate or business pledge mandate (as applicable). Pursuant to such mandates, the respective Belgian Guarantors will grant a power of attorney for the purposes of creating one or more mortgages or pledges over the relevant property or business assets on behalf of the Security Trustee.

The creation of mortgages and business pledges pursuant to these mandates will not have any retroactive effect, *i.e.*, the security interest will be created as of the date of conversion of the mortgage mandate into a mortgage and the date of conversion of the business pledge mandate into a business pledge and will take rank at that date. In addition, if a mortgage mandate or a business pledge mandate is converted into a mortgage or a business pledge during the “hardening period” (*verdachte periode/période suspecte*) as security interest for a pre-existing debt, such security interest will not be enforceable against the bankrupt estate (*niet tegenwerpelijk aan de boedel/ inopposable à la masse*).

In addition, various rights may have been granted or may exist in favor of third parties on some parcels of immovable goods on which mortgages will be granted. These rights could either limit the rights of the Security Trustee under the mortgage or impose an obligation that the prior consent of the relevant third party is obtained before the mortgage is granted.

### ***Trust***

As there is no established concept of “trust” or “trustee” under the present Belgian legal system, the precise nature, effect and enforceability of the duties, rights and powers of a security agent as agent or trustee for noteholders in respect of security interests such as pledges are debated under Belgian law.

### ***Hardening Periods and Fraudulent Transfer***

In the event that bankruptcy proceedings are governed by Belgian law, certain business transactions may be declared ineffective against third parties if concluded or performed during a so-called “hardening period.”

In principle, the cessation of payments (which constitutes a condition for filing for bankruptcy) is deemed to have occurred as of the date of the bankruptcy order. The court issuing the bankruptcy order may determine, based on serious and objective indications, that the cessation of payments occurred on an earlier date. Such earlier date may not be earlier than six months before the date of the bankruptcy order, except in cases where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined as being the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the “hardening period.”



The business transactions entered into during the hardening period which may be declared ineffective against third parties include, among others, (i) transactions entered into on extremely beneficial terms, (ii) payments other than in money for debts due, and (iii) security provided for existing debt.

The Belgian receiver may request the court to declare payments of a Belgian Guarantor during the hardening period for debts due ineffective against third parties, provided that it can be proven that the creditor concerned was aware of the cessation of payment of the company.

Finally, regardless of any declaration by the commercial court of a hardening period, transactions of which it can be demonstrated that they have been entered into with fraudulent prejudice to third creditors may be declared ineffective against third parties.

## **Canada**

INEOS Canada Investment Company, INEOS Canada Company, and INEOS Canada Holdings Company are unlimited companies organized under the laws of the Province of Nova Scotia, Canada, INEOS Canada Preferred Holdings Limited is a limited company organized under the laws of the Province of Nova Scotia, Canada and INEOS Canada Partnership is a general partnership organized under the laws of the Province of Alberta, Canada (collectively, the “Canadian Guarantors” and individually, a “Canadian Guarantor”). Bankruptcy and insolvency matters are within the jurisdiction of the Federal government of Canada, but provincial laws can affect bankruptcy and insolvency proceedings. In the event of the insolvency of any Canadian Guarantor, insolvency proceedings with respect to that Canadian Guarantor may be initiated in Canada. Canadian insolvency laws and applicable provincial legislation would govern those proceedings (subject to laws or protocols that may be applicable to international insolvencies if proceedings also occur in other jurisdictions in respect of those Guarantors). The insolvency laws of Canada and related provincial legislation may restrict, delay or limit certain of your rights and remedies, including in respect of priority of creditors, the ability to obtain post-filing interest and other amounts and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes or to require the performance by the Canadian Guarantors of their obligations, their guarantees or the Security Documents to which they are party.

In Canada, there are two primary Federal statutes that govern insolvency and restructuring proceedings of corporate debtors. The Bankruptcy and Insolvency Act (the “BIA”) contains provisions for the liquidation of insolvent companies (in a manner loosely akin, in substance, to U.S. Chapter 7 proceedings, although there are important distinctions) and for the restructuring of corporations (in a manner loosely akin, in substance, to U.S. Chapter 11 proceedings, although there are important distinctions). Similar to bankruptcy proceedings in the United States, a corporate debtor may be petitioned into bankruptcy (*i.e.*, involuntary proceedings) or file for bankruptcy or reorganization (*i.e.*, voluntary proceedings). In addition to the BIA, Canada also has the Companies’ Creditors Arrangement Act (“CCAA”), which is a restructuring statute that operates, in practice, in a manner loosely akin to U.S. Chapter 11 proceedings (with important distinctions). CCAA proceedings are only available to insolvent debtor companies having debts in excess of CDN\$5 million (or such other amount prescribed by regulation under the CCAA). Insolvency proceedings in Canada, whether under the BIA or the CCAA, are court-supervised.

Upon the bankruptcy of a debtor corporation, whether voluntarily or upon the application of a creditor, the BIA imposes an automatic stay of any action, execution or other proceeding by unsecured creditors in respect of the debtor, unless the creditors first obtain leave of the applicable court. In a liquidation (as opposed to restructuring) context, the stay of proceedings does not generally apply to secured creditors, who are free to exercise their rights of self-help or to otherwise realize on their security outside of the BIA. However, upon the application, the court may, in exceptional cases, stay the rights of a secured creditor for up to six months. Upon becoming bankrupt, whether voluntarily or involuntarily, all of a debtor’s assets (subject to very limited exceptions) vest in the trustee in bankruptcy (subject to the rights of secured creditors with validly perfected security interests), at which point the debtor no longer has any ability to deal with those assets. The trustee typically proceeds to liquidate the assets and distribute the proceeds of the assets in accordance with the provisions of the BIA.

The BIA sets out the priority scheme for the payment of claims against a bankrupt debtor, which priority scheme takes precedence over any operative priority scheme outside of bankruptcy. Subject to certain statutory priority claims enumerated in the BIA (including, without limitation, “super priority” charge under the BIA against a debtor’s current assets for employee wages of up to CDN\$2,000 per employee, expenses up to CDN\$1,000 per employee and certain pension plan contributions) and true trust claims, secured creditors have the right to look first to the assets charged by their validly perfected security for payment. Thereafter, the BIA provides a list of preferred creditors who recover their debts in priority to the general body of unsecured creditors. Preferred claims are paid in full, in order of their ranking, before any payments to lower ranking preferred creditors or general unsecured creditors. All other claims will be considered general unsecured claims and rank *pari passu*. If there is any surplus after payment to the unsecured creditors, the balance will be used to pay interest from the date of the bankruptcy at 5% per annum on all claims proved in the bankruptcy according to their priority. Any remaining amount would then be available for shareholders.

The proceeds resulting from the realization of the estate of an insolvent Canadian Guarantor may not be sufficient to satisfy secured claims or your deficiency claims as unsecured creditors under the guarantees granted by each Canadian Guarantor after the applicable Canadian Guarantor's prior-ranking secured creditors and other claims that rank in priority to claims of holders of notes have been satisfied.

Corporate restructurings in Canada may be implemented under either the BIA or the CCAA, with the latter being more commonly used by larger corporations. In either case, a broad stay of creditors' rights and enforcement proceedings is generally implemented (in the case of the BIA by a statutory stay, and in the case of the CCAA by a court-ordered stay). A CCAA stay generally applies to secured creditors, subject to certain limited exceptions. Under this court-ordered protection, the debtor will typically formulate a restructuring proposal or plan or conduct an orderly wind-down or a sale as a going concern. In the event of a restructuring proposal or plan, a double majority of the creditors (*i.e.*, a simple majority in number having two-thirds in value of the claims in question) present and voting either in person or by proxy at a meeting of creditors for each designated class must approve the proposal or plan, and the proposal or plan must be sanctioned by the court. Secured creditors may be included in such a proposal or plan (in which case they may have a right to vote in a separate class) or may be dealt with outside of the proposal or plan. In the event of a sale, proceeds are generally distributed in accordance with the priority established by statute and the court (which may differ in some respects from those in a bankruptcy under the BIA). The court may also authorize the creation of priority charges ranking ahead of other creditors in both CCAA and BIA restructurings (for example, for DIP financings, directors' and officers' indemnification and administration costs). A sale under CCAA out of the ordinary course requires approval by the court with notice to the secured creditors likely to be affected by the proposed sale. The Court may approve such sales absent a vote by the creditors in certain circumstances.

The manner in which secured and unsecured creditors of the Canadian Guarantors would be treated in a restructuring proposal or plan would generally be proposed by the Canadian Guarantors, subject to (i) the rights of creditors affected by the proposal or plan to vote on such proposal or plan and (ii) approval by the court.

Where a debtor deals with his property in a manner that prejudices its creditors (particularly where such debtor is or becomes thereafter insolvent), such transactions by the debtor may be subject to challenge by creditors and the scrutiny of the court. Under Canadian Federal and provincial law, there are a number of statutory means to challenge or avoid such transactions. Where a transaction subject to review is held to be contrary to Canadian law, the transaction is subject to being impugned and a wide variety of possible remedies may be imposed. Should the Canadian Guarantors become insolvent within applicable time periods, the granting of the guarantees, and the grant of security in connection therewith, could be subject to challenge and the guarantees and security potentially avoided, and any amounts obtained under the guarantee or security in support thereof that is avoided would have to be repaid. Should the holders of the notes be repaid or otherwise recover from the Canadian Guarantors at a time when such Guarantors are insolvent, or if the Canadian Guarantors thereafter become insolvent within applicable time periods, the repayment or recovery may be subject to challenge.

Secured creditors may enforce their security by applying to the court for the appointment of a receiver or a receiver/manager. Where the debtor is insolvent, the conduct of the receivership will be governed by provincial law and the relevant provisions of the BIA and will be under the supervision of the Court.

## **England and Wales**

The Issuer of the notes and a number of the Guarantors are companies incorporated under the laws of England and Wales (the "English Obligors"). Therefore, any main insolvency proceedings in respect of the English Obligors would likely be commenced in England. However, pursuant to the EU Insolvency Regulation, where an English company conducts business in another member state of the European Union, the jurisdiction of the English courts may be limited if the company's "centre of main interests" is found to be in another Member State (please see "European Union"). There are a number of factors that are taken into account to ascertain the centre of main interests. The centre of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The place of the registered office of the company is presumed to be the centre of main interests in the absence of proof to the contrary. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (*i.e.*, non-European) court may have jurisdiction where any English company has the centre of its main interests in such foreign jurisdiction or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

## ***Fixed and Floating Charges***

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business) while in administration in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (e) floating charge security is subject to certain challenges under English insolvency law (please see "—Grant of Floating Charge"); and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees) and to ring-fencing (please see "—Administration and Floating Charges").

Under English law there is a possibility that a court could recharacterize fixed security interests purported to be created by a security document as floating charges and the description given to security interests by the parties is not determinative. Whether security interests labeled as fixed will be upheld as fixed security interests rather than floating security interest will depend, among other things, on whether the chargee has the requisite degree of control over the relevant chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents.

## ***Administration and Floating Charges***

The relevant English insolvency statutes empower English courts to make an administration order in respect of an English company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointor. During the administration, in general no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with leave of the court or the consent of the administrator. Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral agreement" (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. If an English Obligor were to enter administration, it is possible that the security granted by it or the guarantee granted by it may not be enforced while it is in administration. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed must resign if requested to do so by the administrator. Where the company is already in administration no other receiver may be appointed.

In order to empower the Security Trustee to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English Obligor must constitute a "qualifying floating charge" for purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre-dates September 15, 2003, fall within one of the exceptions in the U.K. Insolvency Act 1986 (as amended) to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the U.K. Insolvency Act 1986 (as amended). The Security Trustee will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with the fixed charge security interests, relate to the whole or substantially the whole of the relevant English Obligor's property and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the U.K. Insolvency Act 1986, as amended), which will apply if the issuer of the notes creates a debt of at least £50,000,000 for the relevant company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the U.K. Insolvency Act 1986, as amended, but is generally a rated, listed or traded debt instrument). An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security (after making full provision for preferential creditors and expenses (floating charge realizations)) for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the

whole of the relevant English Obligor's assets at the time that the floating charges are enforced will be a question of fact at that time.

In addition, under English insolvency law any debt payable in a currency other than pounds sterling (such as euro or U.S. dollars in the case of the notes) must be converted into pounds sterling at the "official exchange rate" prevailing at the date when the debtor went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate at the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that an English Obligor goes into liquidation or administration, holders of the notes may be subject to exchange rate risk between the date that such English Obligor went into liquidation or administration and receipt of any amounts to which such holders of the notes may become entitled.

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases this will only arise if the company is placed into administration or liquidation within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, he may challenge the validity of the guarantee or security given by such company.

The following potential grounds for challenge may apply to guarantees and charges:

### ***Transaction at an Undervalue***

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. There will only be a transaction at an undervalue, if at the time of the transaction or as a result of the transaction, the English company was or becomes unable to pay its debts (as defined in the U.K. Insolvency Act 1986, as amended). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the U.K. Insolvency Act 1986, as amended), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

### ***Preference***

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or such guarantee constituted a preference. There will only be a preference if, at the time of the transaction or as a result of the transaction, the English company was or becomes unable to pay its debts (as defined in the U.K. Insolvency Act 1986 (as amended)). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or the guarantee. A transaction will constitute a factual preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the notes and the guarantees (although there is protection for a third party who enters into one of the transactions in good faith and without notice). However, for the court to do so, it must be shown that in deciding to give the factual preference the English company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

### ***Transaction Defrauding Creditors***

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim, which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a “victim” of the transaction and is not therefore limited to liquidators or administrators. There is no time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

### ***Grant of Floating Charge***

Under English insolvency law, if an English Obligor is unable to pay its debts at the time of (or as a result of) granting the floating charge, and the floating charge was granted within the specified period referred to below, then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge. The requirement for the English Obligor to be insolvent at the time of (or as a result of) granting the floating charge does not apply, and the floating charge was granted within the specified period referred to below, where the floating charge is granted to a connected person. If the floating charge is granted to a connected person, and the floating charge was granted within the specified period referred to below, then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge, whether the relevant English Obligor is solvent or insolvent. The granting of the charge can be challenged only if the relevant English Obligor enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English Obligor grants the floating charge. However, if the Floating Charge qualifies as a “security financial collateral agreement” under the Financial Collateral Arrangements (No. 2) Regulations 2003, the floating charge will not be subject to challenge as described in this paragraph.

### **France**

Certain French subsidiaries of INEOS Investments International Limited will be acting as Guarantors and security over shares held by INEOS Investments International Limited in certain of its French subsidiaries (or its joint ventures) shall be pledged under French law. Therefore, an insolvency event as further described below (including any insolvency proceedings resulting therefrom) affecting such French subsidiaries (or joint ventures) may adversely affect the validity and enforceability of the security interests granted over the shares of such French subsidiaries (or joint ventures) and/or significantly reduce the value of such security interests for their beneficiaries. In the event of an insolvency event affecting such French subsidiaries or joint ventures, insolvency proceedings may be initiated in France and would then be governed by French law (subject to the EU Insolvency Regulation (see “Limitations on validity and enforceability of the guarantees and the security interests—European Union”)).

In the case of the joint ventures, it will not be possible to effectively enforce the security over the shares in the joint ventures without the consent of the other joint venture partners. INEOS-related companies incorporated in France may become subject to certain insolvency proceedings governed by French law under circumstances further described below and affecting their liabilities.

In addition, even though INEOS Investments International Limited is incorporated in England and Wales, French courts may have jurisdiction, in accordance with the EU Insolvency Regulation, to open insolvency proceedings if the centre of INEOS Investments International Limited’s main interests is located in France. However, as noted above, in the absence of proof to the contrary, the place of INEOS Investments International Limited’s registered office shall be presumed to be the centre of its main interests.

In addition, an insolvency event as further described below (including any insolvency proceedings resulting therefrom) affecting INEOS Polymers Sarralbe or INEOS Chemicals Lavéra may adversely affect the validity and enforceability of the guarantees and security interests granted by such French subsidiaries and/or significantly reduce the value of such guarantees and security interests for their beneficiaries (it being noted that in any event, as described in “Risk Factors—Guarantees and collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability,” the guarantees and security interests granted by INEOS Polymers Sarralbe and INEOS Chemicals Lavéra will be of no value).

The following is a brief description of certain aspects of insolvency law in France.

French entities may request the opening of pre-insolvency proceedings (such as *mandat ad hoc* and *conciliation*, which are voluntary non judicial amicable settlement of debts proceedings). However, the opening of pre-insolvency proceedings should have no impact on the security granted by INEOS Investments International Limited over the shares of these French entities. Also, in the event where INEOS Investments International Limited's centre of main interests would be situated in France, INEOS Investments International Limited would not be eligible for French pre-insolvency proceedings (mainly *mandat ad hoc* and *conciliation*), but only to voluntary safeguard proceedings (*sauvegarde*), reorganization and liquidation (*redressement* or *liquidation judiciaire*) proceedings.

### ***Grace periods***

Pursuant to Article 1244-1 of the French Civil Code, French courts may, in any civil proceeding involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two years and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate) or that payments made shall first be allocated to repayment of the principal rather than interest. If a court order under Article 1244-1 of the French Civil Code is made, it will automatically suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court.

### ***Ad Hoc Agent (mandat ad hoc)***

A company that is facing any type of difficulties (but which is still able to pay its debts as they fall due out of its available assets) may request to the court the appointment of an ad hoc agent (*mandataire ad hoc*). The ad hoc agent's duties are determined by the court. Such ad hoc agents are usually appointed in order to facilitate the negotiations with creditors but they cannot coerce the creditors to accept any proposal. Creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they usually accept not to.

### ***Conciliation proceedings***

A company may, in its sole discretion, apply for the opening of conciliation proceedings (*procédure de conciliation*) with respect to itself, provided it (i) is able to pay its due debts out of its available assets, or has been unable to pay its due debts out of its available assets for less than 45 days and (ii) experiences legal, economic or financial difficulties. If the competent court decides to grant the petition, it will appoint a conciliator (*conciliateur*) to help the company reach an agreement with its creditors for reducing or rescheduling its indebtedness. This agreement may be either acknowledged (*constaté*) by the president of the court or approved (*homologué*) by the court.

The acknowledgement of the agreement by the president of the court gives the agreement the legal force of a final judgment, which means that it constitutes a judicial title that can be enforced by the parties without further recourse to a judge (*titre exécutoire*) although the conciliation proceedings will remain confidential.

The approval by the court, which is subject to the satisfaction of certain conditions, will make the conciliation proceedings public and will have the following specific consequences:

- creditors who provide new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-proceeding and post-proceeding claims (other than certain post-proceeding employment claims and procedural costs), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* cannot be fixed by the court as of a date earlier than the date of the approval of the agreement by the court (see below the definition of the date of the *cessation des paiements*).

### ***Safeguard proceedings (procédure de sauvegarde)***

The safeguard proceedings allow for the establishment of a restructuring plan negotiated with the creditors under court supervision before the company becomes insolvent. It is available only at the request of a debtor company. The objectives of safeguard proceedings are, in order of priority, to safeguard the debtor's activity and prospects of recovery, to safeguard employment and to pay creditors. The debtor must be solvent (*i.e.*, not unable to pay its due debts out of its available assets) but experiencing difficulties that it cannot overcome. Safeguard proceedings are public and

include an automatic stay of all actions against the debtor for up to six months, renewable for an additional six months with court approval and which can be extended to a maximum of 18 months upon request of the public prosecutor.

During that observation period, which may last up to 18 months, a court appointed administrator (*administrateur judiciaire*) investigates the business of the company and helps the company to elaborate a draft safeguard plan (*projet de plan de sauvegarde*).

During the safeguard proceedings, payments by the debtor of any debts incurred prior to the opening of the proceedings are prohibited, subject to limited exceptions. The bankruptcy judge can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the business or recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). Debts arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the business's ordinary activities or are required by the proceedings must be paid as and when they fall due, and if such is not the case, they will be given priority over debts incurred prior to the commencement of the safeguard proceedings.

One of the main features of the safeguard proceedings consists in the creation of two creditors' committees (mandatory for companies employing more than 150 persons or with a turnover exceeding €20 million, optional below such thresholds), one of banks and financial institutions (or assimilated institutions and entities having granted credit or advances in favor of the debtor) and the other of suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers, and of a general meeting of note holders (comprising all holders of all notes or bonds issued by the company even if they relate to different issues and regardless of the law applicable to each issue), in the event the concerned debtor would have issued bonds or notes, to which the debtor submits proposals to reach agreement on a recovery plan.

The committees must accept or reject proposals for a safeguard plan within a minimum of 15 days of having received such proposals. The plan is approved by each committee, where members of each committee voting in favor of the plan account for at least two-thirds of the outstanding claims of the committee members expressing a vote. In cases where notes or bonds have been issued by the relevant French company, the plan, if approved by the committees, is then submitted to the general meeting of note holders where it is also approved at a majority of two-thirds of the outstanding claims of the note holders expressing a vote.

The committees and the general meeting of note holders, if any, must vote on the plan within six months from the date of the judgment opening the proceedings. The plan submitted to the committees and the note holders, if any, may include not only a rescheduling of debts but also cancellation of debts and debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent). Following approval by the creditors' committees and the general meeting of note holders, if any, and subject to verification by the court that creditors' interests are adequately preserved, the court can approve the plan, in which case the plan will be binding also on dissenting members of the committees and on dissenting note holders (if any), although it will not be binding on creditors who are not members of one of the committees and who are not note holders.

Creditors who are not members of committees and who are not noteholders are consulted on an individual or collective basis. For those individual creditors with whom an agreement has not been reached with respect to the payment of their claim, the court can reschedule repayment of their claims over a maximum period of 10 years, except for debts with maturity dates of more than 10 years, in which case the maturity date may remain the same. The court cannot oblige such creditors to waive any part of their claim. The first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be at least 5% of the total admitted pre-filing liabilities).

The court can also impose a plan if one or both of the committees, or the general meeting of noteholders, does not approve the debtor company's proposed plan, either by failing to vote within the specified six-month period or by rejecting the plan. In such a case, the rules are the same as those applicable to creditors who are not members of the committees and who are not noteholders (creditors are consulted on an individual or collective basis and in particular, the court can only impose a rescheduling of the repayment of the debts over a maximum period of 10 years, except for debts with maturity dates of more than 10 years, in which case the maturity date may remain the same).

### ***Accelerated Financial Safeguard Proceedings***

Introduced by law no. 210-1249 of October 22, 2010 and applicable as from March 1, 2011, accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*) may be opened against a company, at such company's request if (i) while not being *en cessation des paiements* (i.e., being unable to pay its debts as they fall due out of its available assets), it is facing difficulties which it cannot overcome, (ii) its turnover or number of employees are in an amount (currently 150 employees or €20 million of turnover) making it eligible to adoption of a safeguard plan through the creditor committee process, (iii) it is subject to a conciliation proceeding and (iv) the company demonstrates

that it has prepared a safeguard plan ensuring the continued operation of the company as a going concern which has enough support from its credit institution creditors and its bondholders that it is reasonably likely to be adopted within one, or a maximum of two months.

Accelerated financial safeguard proceedings essentially take place like safeguard proceedings described above with the major exception that (i) other creditors (including trade creditors) are not affected by the opening of the proceedings and continue to be paid as if no proceedings had been opened and (ii) if a plan cannot be adopted within a maximum of 2 months, the court ends the accelerated financial safeguard proceedings.

### ***Judicial reorganization (redressement judiciaire)***

A judicial reorganization may be initiated with respect to a company incorporated in France (or a foreign company whose center of main interest is situated in France) if it cannot pay its due debts out of its available assets (it is in *cessation des paiements*) provided that its financial situation is capable of improving.

Such proceedings may be initiated by the company, a creditor, the court or the public prosecutor.

The debtor is required to petition for insolvency proceedings within 45 days of becoming in *cessation des paiements* unless it initiated a conciliation procedure within the same period. If it does not, directors and, as the case may be, de facto managers, are subject to civil liability.

The aims of judicial reorganization proceedings are the same as those of safeguard proceedings. Most of the rules applicable to safeguard proceedings apply to judicial reorganization proceedings. In particular, the opening of judicial reorganization proceedings triggers an automatic stay of proceedings against the debtor for up to a maximum of 18 months (subject to the same limited exceptions).

As with safeguard proceedings, the reorganization plan may be adopted by two creditors' committees (mandatory for companies employing more than 150 persons or with a turnover exceeding €20 million, optional below such thresholds), one consisting of banks and financial institutions and the other of the main trade creditors (creditors whose claim is equal to more than 3% of the company's total debt to its trade creditors), and a general meeting of note holders (comprising the holders of all notes or bonds issued by the company, irrespective of the issues to which they relate).

The reorganization plan can combine all of the following: a debt restructuring, a re-capitalization of the company, a debt-for-equity swap (subject to relevant shareholder approval) and the sale of certain assets or of portions of the business.

If it appears the debtor is not able to ensure the recovery of its business, a total or partial sale of the business can be ordered by the court, at the request of the court-appointed administrator. In this case, the sale is conducted by the court-appointed representative of the creditors in accordance with rules applicable to the liquidation procedure.

### ***Judicial liquidation (liquidation judiciaire)***

Such proceedings may be initiated by the company, a creditor, the court or the public prosecutor. The aim of these proceedings is to liquidate a company by selling its business, as a whole or per branch of activity, or its assets one by one. The activity is ended from the opening of proceedings, except if a sale of all or part of the business is feasible. In such a case, the court authorizes the company to continue its activity during a maximum period of six months to implement such a sale.

The debtor is required to petition for insolvency proceedings within 45 days of becoming in *cessation des paiements*. The bankruptcy judge opens a judicial liquidation rather than a judicial reorganization when it considers that the debtor is unable to continue its business or that there are no serious chances of improving the company's prospects through restructuring. Liquidation proceedings trigger an automatic stay of proceedings against the company. Secured creditors benefiting from a pledge are, however, where the applicable security arrangements so contemplate, entitled to enforce their security interest through a court-monitored allocation process (*attribution judiciaire*) (i.e., request the court to transfer ownership of the pledged asset(s)).

### ***Void and voidable transactions***

Transactions may be challenged by the court-appointed administrator, court agent, liquidator or public prosecutor if they are entered into during the so-called "hardening" period (*période suspecte*) before a judgment opening judicial reorganization or judicial liquidation proceedings. Such period runs from the date on which the company is



deemed to be in *cessation des paiements* and can be backdated by the court up to 18 months before the judgment opening the relevant insolvency proceedings but not before the court order approving a Conciliation agreement (*homologation*).

Transactions that are automatically void if performed during the hardening period include transactions or payments that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the company significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business, security granted for debts previously incurred and provisional measures, unless the writ of attachment or seizure predates the date of *cessation des paiements*.

Voidable transactions include transactions or payments made when due after the date of *cessation des paiements*, if the party dealing with the company knew, or should have known, that it was in a state of *cessation des paiements*. Transactions relating to the transfer of assets for no consideration are also voidable when realized during the six-month period prior to the beginning of the suspect period.

### ***Status of creditors***

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of the proceedings must file a claim with the creditors' representative within two months of the publication of the court order in the *Bulletin Officiel des Annonces Civiles et Commerciales*; this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are barred from receiving distributions made in connection with the proceedings and their unasserted claims are unenforceable against the debtor if the debtor complies with the plan's provisions. Employees are not subject to such limits and are preferential creditors under French law.

From the date of the court order commencing the insolvency proceedings (Safeguard and Accelerated Safeguard proceedings, Judicial Reorganization proceedings or Judicial Liquidation), the company is prohibited from paying debts outstanding prior to that date, subject to specified exceptions, which essentially concern the set-off of inter-related debts and, provided that such payments are authorized by the court, payments made to recover assets required for the continued operation of the business. During this period, creditors may not pursue any legal action against the company with respect to any claim arising prior to the court order commencing the proceedings if the objective of such legal action is:

- (a) to obtain an order for or payment of a sum of money by the company to the creditor (however, the creditor may require that a court fix the amount due); or
- (b) to terminate a contract for non-payment of amounts owed by the company; or to enforce the creditor's rights against any assets of the company.

Contractual provisions that would accelerate the payment of the company's obligations upon the occurrence of (i) the opening of Safeguard, Accelerated Safeguard or Judicial Reorganization proceedings or (ii) a state of *cessation des paiements* are not enforceable under French law. The opening of liquidation proceedings, however, automatically accelerates the maturity of the company's obligations. If, however, the court authorizes the company to continue its activity because a sale of all or part of the business is feasible, the company's obligations which have not yet arrived at maturity shall only mature as at the date of the judgment ordering such sale or upon expiry of the period of continued activity authorized by the court.

The administrator may elect to terminate or continue ongoing contracts (*contrats en cours*) provided that the company fully performs its post-petition contractual obligations.

In the context of Accelerated Financial Safeguard, the above rules would only apply to the creditors which are subject to the Accelerated Financial Safeguard (*i.e.*, credit institutions which are members of the committee of banks and financial institutions described above and note holders) as debts owed to creditors other than banks, financial institutions or note holders should be paid in the ordinary course. In addition, the debtor draws a list of the claims of its creditors having participated in the conciliation proceedings which is certified by its statutory auditors and filed with the commercial court and which is deemed to be a filing of their proof claim by such creditors if they do not file their claim within the general deadlines applicable in other insolvency proceedings referred to above.

French insolvency law assigns priority to the payment of certain preferential creditors, including employees, the bankruptcy court, officials appointed by the insolvency court as required by the insolvency proceedings, post-petition creditors, certain secured creditors and the French treasury.

### ***Trust***

There is no established concept of “trust” or “trustee” under the present French legal system. A concept of “trust” has been recognized for tax purposes by article 792-0 bis of the Code Général des Impôts and the French Supreme Court (*Cour de cassation*) has held, in a decision dated September 2011 rendered in the context of safeguard proceedings opened in France, that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opening in France. However, France has not ratified the 1985 The Hague Convention on the law applicable to trusts and on their recognition, so that the concept of “trust” has not been generally recognized under French law and the precise nature, effect and enforceability of the duties, rights and powers of a security agent as agent or trustee for noteholders in respect of security interests such as pledges are unclear under French law.

### ***Parallel Debt***

Under French law, certain “accessory” security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of the creditors by third parties who do not hold the secured claim, unless they act as trustees (*fiduciaires*) under Article 2011 of the French Civil Code or as security agents (*agent des sûretés*) under Article 2328-1 of the French Civil Code, which is not the case here for the security documents governed by French law. The holders of interests in the notes from time to time will not be parties to the security documents. In order to permit the holders of the notes to benefit indirectly from a secured claim, the Indenture provides for the creation of a “parallel debt” governed by New York law in favor of the security trustee. Pursuant to such parallel debt, the security trustee becomes the holder of a claim equal to each amount payable by a relevant obligor under the Indenture. The pledges governed by French law will directly secure the parallel debt, and will not directly secure the obligations under the notes and the other indebtedness secured by the Collateral.

Although the concept of parallel debt was held to be not incompatible with the French law concept of international public policy in a French Supreme Court (*Cour de cassation*) decision dated September 13, 2011 in the context of safeguard proceedings opened in France, this decision cannot be considered as a general recognition of the enforceability in France of the rights of a security trustee benefiting from a parallel debt obligation and no assurance can be given that such a structure will in all circumstances be upheld by the French courts. There is no certainty that the parallel debt construct will eliminate or mitigate the risk of unenforceability under French law. To the extent that the security interests in the Collateral created under the parallel debt construct are successfully challenged by other parties, holders of the notes will not receive any proceeds from an enforcement of the security interests in the Collateral, which in turn could materially adversely affect the recovery under the Collateral.

### ***Limitations on guarantees provided by Guarantors incorporated in France (a “French Guarantor”) and security interests granted by a French Guarantor may adversely affect the validity and enforceability of the Guarantees and security interests granted in respect of the notes and/or may significantly reduce the value of such Guarantees and security interests for their beneficiaries***

Enforcement of the obligations under the notes against the Issuer and enforcement of the obligations under the Guarantees or the security interests against the Issuer, the French Guarantors will be subject to certain defenses available to the Issuer, the relevant French Guarantor, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit and regulations or defenses affecting the rights of creditors generally, as follows:

- the rules relating to financial assistance pursuant to which a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of the acquisition or the subscription of its own shares: the guarantee may not include any obligation which, if incurred, would constitute the provision of a prohibited financial assistance within the meaning of article L. 225-216 of the

French *Code de Commerce* or an infringement of the provisions of articles L. 241-3, L. 242-6 or L. 244-1 of the French *Code de Commerce*, and

- the rules relating to corporate benefit: the grant of a guarantee by a French company for the obligations of another group company must be for the corporate benefit of the granting company. The question of corporate benefit must be determined on a case-by-case basis and consideration has to be given to any direct and/or indirect (group) benefit that the company would derive from the transaction. Based on current French case law:
  - the company giving the guarantee or security must itself receive an actual benefit or advantage (direct or indirect) from the transaction involving the giving of the guarantee or security taken as a whole which is commensurate with the liability which it takes on under the guarantee or security;
  - the guarantee or security must maintain a balance between the financial commitments of the relevant affiliates;
  - the financial commitment assumed by the guarantor or security provider must not exceed its financial capability; and
  - (as regards group benefit, if applicable) the guarantor or security provider and the person whose obligations are being guaranteed or secured must belong to the same group and have real common economic purposes and policy, and the guarantee or security, and the transaction to which it relates, must be entered into in furtherance of the common economic interest of the group as a whole (not just its shareholders) and the liability under the guarantee or security should be commensurate with such group benefit.

In addition, each of the Guarantees and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed by a particular French Guarantor without rendering its guarantee voidable or otherwise ineffective under applicable law. Accordingly, limitation language will be inserted in the Indenture providing that the obligations and liabilities of any French Guarantor shall:

- (i) not include any obligation which if incurred would constitute financial assistance within the meaning of article L.225-216 of the French *Code de Commerce* in connection with the financing of the direct or indirect acquisition or subscription of the shares of such French Guarantor;
- (ii) not extend to cover any amounts the guaranteeing of which would constitute a misuse of corporate assets (*abus de biens sociaux*) by such French Guarantor as defined in article L.242-6 of the French *Code de Commerce* or any other regulation to the same effect as interpreted from time to time by French courts; and
- (iii) in any event, notwithstanding the joint and several nature of the guarantee, be limited, at any time, to an amount equal to the aggregate of all amounts on-lent to such French Guarantor, and/or its subsidiaries (if any), from the proceeds of the Notes under intercompany loan arrangements (it being specified that the maximum amount for which such French Guarantor may be liable shall be the amount outstanding under such intercompany loan arrangements at the date a payment is demanded from such French Guarantor under the Indenture).

Moreover, any payment due from, or made by, any French Guarantor under the Indenture will reduce pro tanto the outstanding amounts due by such French Guarantor, and/or its direct or indirect subsidiaries (if any), under the intercompany loan arrangements referred to in paragraph (iii) above. As it is anticipated that none of the proceeds from the Offering will be on-lent to the French Guarantors or their subsidiaries, the maximum amount covered by their guarantees would be €nil/\$nil.

The only obligations under the Indenture secured by security interests granted by each French Guarantor are the obligations of such French Guarantor in its capacity as a guarantor, subject to the limitations described above.

***Assumptions as to the enforceability of second ranking financial securities account pledges over the shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie***

Each of the pledges over the shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie, governed by French law, is a pledge over the relevant securities account (*nantissement de compte de titres financiers*) in which the shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France,

Oxochimie and Naphtachimie are respectively registered. In France, no lien searches are available for security interests which are not registered, such as pledges over securities accounts (*nantissements de comptes de titres financiers*). As a result, no assurance can be given on the priority of the pledges over the relevant securities account in which the shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie are respectively registered.

Moreover, a pledge over securities accounts is deemed, under French law, to remove the securities accounts from the possession of the grantor, thereby preventing such grantor from granting a second ranking pledge thereon. The second ranking pledges over the shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie will therefore provide that the possession of the securities accounts is transferred to the custody of an agreed third party as “*tiers convenus*” (*entiercement*), that the first ranking and second ranking secured parties have consented to the creation of second ranking pledges and that the first ranking secured parties have accepted their appointment as *tiers convenus* and hold the pledged securities as custodian for the benefit of both the first ranking and the second ranking secured parties. This structure has not been tested before the French courts and no assurances can be given that such second ranking pledges would be upheld if tested. Therefore, there is a risk that the second ranking pledges over the relevant securities account in which the shares of INEOS Polymers Sarralbe, INEOS Chemicals Lavéra, INEOS France, Oxochimie and Naphtachimie are respectively registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the notes in case of an event of default.

#### ***Assumptions as to the enforceability of second ranking bank accounts pledges over the bank accounts of INEOS Polymers Sarralbe and INEOS Chemicals Lavéra***

The pledges over the bank accounts of INEOS Polymers Sarralbe and INEOS Chemicals Lavéra are governed by French law. In France, no lien searches are available for security interests which are not registered, such as pledges over bank accounts. As a result, no assurance can be given on the priority of the pledges over the relevant bank accounts of INEOS Polymers Sarralbe and INEOS Chemicals Lavéra.

Although French law does not expressly prohibit the grantor of a pledge over a bank account from granting a second ranking pledge over the same bank account, this structure has not been tested before the French courts and no assurances can be given that such second ranking pledges would be upheld if tested.

#### ***Assumptions as to the validity of the Intercreditor Deed***

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Deed, except for article L.626-30-2 of the French *Code de Commerce* which states that, in the context of safeguard proceedings, the safeguard plan which is put to the committees of creditors takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the opening of the safeguard proceedings. As a consequence, except to the extent referred to above (which, as at the date of this offering memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the Intercreditor Deed.

### **Germany**

#### ***Insolvency***

Certain Guarantors of the notes are organized under the laws of Germany (“German Guarantors”). Consequently, in the event of an insolvency of any such Guarantor, insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law. However, pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one member state of the European Union, the jurisdiction of the German courts may be limited if the company’s “centre of main interests” is found to be in a member state other than Germany (please see “European Union”). There are a number of factors that are taken into account to ascertain the “centre of main interests”, which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened.

Under German law, insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) or illiquidity (*Zahlungsunfähigkeit*) of the debtor. The debtor is over-indebted if its liabilities exceed the value of its assets (according to temporary legislation being in force until the end of 2013, the debtor is not considered over-indebted if its continuation as a going concern is highly likely). The debtor is illiquid if it is unable to pay its debts as and when they fall due. In addition, the debtor can file for insolvency proceedings if it is imminently at risk to be unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). The insolvency proceedings are court controlled, and the court opens the insolvency proceedings if certain formal

requirements are met and if there are sufficient assets to cover at least the costs of the proceedings. If insolvency proceedings are opened, the court appoints an insolvency administrator (*Insolvenzverwalter*) who has full power to manage the business and dispose of the debtor's assets, whereas the debtor is no longer entitled to manage the business or dispose of its assets. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseschulden*) will be preferred to any insolvency liabilities created by the debtor (including secured debt).

All creditors, whether secured or unsecured, who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened. Secured creditors are generally not entitled to enforce their security interests outside the insolvency proceedings. However, secured creditors have certain preferential rights. The enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts are distributed among the unsecured creditors. If the German Guarantors grant security over their assets to other creditors than the holders of the notes, such security may result in a preferred treatment of creditors secured by such security. The proceeds resulting from such collateral may not be sufficient to satisfy the holders of the notes under the guarantees granted by the German Guarantors after such secured creditors have been satisfied. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (*i.e.*, there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately.

### ***Limitation on Enforcement***

The Guarantors of the notes that are organized under German law are incorporated or established in the form of a GmbH (Limited Liability Company), or (in the case of one of the Guarantors) as a GmbH & Co. KG, a limited partnership with a GmbH (Limited Liability Company) as its sole general partner. Consequently, the grant of Collateral by these Guarantors is subject to certain provisions of the GmbH-Gesetz (Limited Liability Company Act).

Sections 30 and 31 of the GmbH-Gesetz ("Sections 30 and 31") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e.*, assets minus liabilities and liability reserves) is or would fall below the amount of its stated share capital. Guarantees, share pledges and any other collateral granted by a GmbH in order to guarantee or secure liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries in the legal form of a GmbH or a limited partnership with a GmbH as its sole general partner incorporated or established in Germany. Pursuant to such limitation language, the secured parties agree to enforce the collateral and the beneficiaries of the guarantees agree to enforce the guarantees against the German subsidiary only to the extent that such enforcement does not result in the subsidiary's net assets falling below its stated share capital. Accordingly, the documentation in relation to the guarantees and the security interests, to the extent they concern the German Guarantors, contains such limitation language and such guarantees and security interests are limited in the manner described.

In addition to the limitations resulting from the capital maintenance rules, the guarantees and most of the security interests granted by the German subsidiaries of the Issuer contain additional provisions limiting the enforcement in the event the enforcement would result in an illiquidity of the relevant German subsidiary.

German capital maintenance rules are subject to ongoing court decisions. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of a limited liability company or of a limited partnership, the general partner or general partners of which is or are a limited liability company, which can negatively affect the ability of the Issuer to make payment on the notes, of the subsidiaries to make payments on the guarantees, of the secured parties to enforce the collateral or of the beneficiaries of the guarantees to enforce the guarantees.

Under German law, it is unclear whether all of the security interests in the Collateral give the Security Trustee a right to prevent other creditors of the German Guarantors from foreclosing into and realizing the Collateral. Some courts have held that certain types of security interests only give their holders priority (according to their rank) in the

distribution of any proceeds of such realization. Accordingly, the Security Trustee and the noteholders may not be able to avoid foreclosure by unsecured creditors into the Collateral, even if they consider such foreclosure untimely.

### ***Parallel Debt***

Under German law, certain “accessory” security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee who does not itself hold the secured claim. The holders of interests in the notes from time to time will not be party to the security documents. In order to permit the holders of the notes from time to time to have a secured claim the security documents provide for the creation of a “parallel debt.” Pursuant to the parallel debt, the Security Trustee becomes the holder of a claim equal to each amount payable by an obligor under the notes. The pledges governed by German law will directly secure the parallel debt. The parallel debt procedure has not been tested under German law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by German law.

### ***Ranking of Security Interests***

Under German law, the ranking of several security interests over the same assets is determined, as a matter of law, by the timing of the grant of the several security interests, and security interests granted at an earlier point in time will have a higher rank than security interests granted at a later point in time over the same assets (*Prioritätsgrundsatz*). The German law security interests granted to secure the notes are expressed to cover the same assets as the security interests already granted to secure the obligations under the Senior Facilities Agreement and the 2015 Notes. Whereas the German law “non-accessory” security interests granted to secure the obligations under the notes will be granted by way of amendments to the security purpose under the existing security interests granted originally to secure the obligations under the Senior Facilities Agreement and the 2015 Notes, with the effect that the obligations under the notes will be included in the security purpose and accordingly also be secured, the German law “accessory” security interests to secure the obligations under the notes will have to be granted as junior ranking security interests which as a matter of law will rank below the corresponding accessory security interests granted to secure the obligations under the Senior Facilities Agreement and the 2015 Notes. Although the Intercreditor Deed provides that, as amongst the parties, security interests to secure obligations under the Senior Facilities Agreement and the 2015 Notes and security interests to secure obligations under the notes shall rank *pari passu*, these provisions under the Intercreditor Deed are only of an obligatory nature and cannot enhance the junior rank of the accessory security interests (*i.e.*, the pledges over accounts, shares and partnership interests) granted to secure the obligations under the notes. In the event of insolvency proceedings opened under German law against a security grantor of such junior ranking accessory security interests, the preferential rights of the secured parties under such junior ranking security interests would rank behind the preferential rights of the secured parties under the senior ranking accessory security interests over the same assets, regardless of the provisions of the Intercreditor Deed.

### ***Hardening Periods and Fraudulent Transfer***

In the event that insolvency proceedings with respect to a German Guarantor, which would most likely be based on and governed by the insolvency laws of Germany, the security interests granted as well as the guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

Based on these rules, an insolvency administrator may challenge transactions that are deemed detrimental to insolvency creditors and were effected prior to the commencement of insolvency proceedings. Such transactions can include the payment of any amounts to the holders of the notes as well as granting them any security interest. The administrator’s right to challenge transactions can, depending on the circumstances, extend to transactions during the 10-year period prior to the filing of the petition for commencement of insolvency proceedings. In the event such a transaction is successfully avoided, the holders of the notes would be under an obligation to repay the amounts received or to waive the guarantee or security interest.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which term includes the provision of security or the repayment of debt) may be avoided in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (i) if such act was performed during the last three months prior to the filing of the petition for the commencement of the insolvency proceedings and the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor had knowledge of such illiquidity at such time, or (ii) if such act was performed after the filing of the petition for the commencement of the insolvency proceedings and the creditor had knowledge of the illiquidity of the debtor or the filing of such petition;

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction if (i) such act was performed during the last month prior to the filing of the petition for the commencement of the insolvency proceedings or after such filing, (ii) such act was performed during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (iii) such act was performed during the second or third month prior to the filing of the petition for the commencement of the insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors;
- any transaction by the debtor that is directly detrimental to the insolvency creditors if (i) it was entered into during the three months prior to the filing of the petition of the commencement of the insolvency proceedings, the debtor was illiquid at the time of such transaction and the counterparty to such transaction had knowledge of the illiquidity at such time or (ii) it was entered into after such filing and the counterparty to such transaction had knowledge of either the debtor's illiquidity or such filing at the time of the transaction;
- any act whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*), if it was effected in the four years prior to the filing of a petition for the commencement of insolvency proceedings against the debtor;
- any act performed by the debtor during the 10 years prior to the filing of the petition for the commencement of insolvency proceedings with the intent to prejudice the insolvency creditors and the other party knew of such intention at the time of such act;
- any act that provides security or satisfaction for a shareholder loan made to the debtor or a similar claim if (i) in the case of the provision of security, the act occurred during the 10 years prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act occurred during the last year prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition; and
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a petition for commencement of insolvency proceedings or thereafter and (ii) a shareholder of the debtor had granted security or was liable as a Guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

If any of the guarantees given or any security interest granted by any of the German Guarantors were avoided or held unenforceable for any reason, you would cease to have any claim in respect thereof. Any amounts received from a transaction that has been avoided would have to be repaid to the insolvent estate.

Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order but has failed to obtain satisfaction on its enforceable claims by a levy of execution, under certain circumstances, has the right to avoid certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*).

## **Ireland**

### ***Difference in Insolvency Law***

A number of the Guarantors are incorporated under the laws of Ireland (the "Irish Guarantors"). There is a presumption that, in the absence of proof to the contrary, any insolvency proceedings applicable to any of them will be governed by Irish insolvency laws. Irish insolvency laws differ from the insolvency laws of the United States and may make it more difficult for holders of the notes to recover the amount in respect of the notes or of an Irish Guarantor's guarantee of the notes and/or the Collateral securing the same than they would have recovered in a liquidation or bankruptcy proceeding in the United States.

### ***Priority of Secured Creditors***

Irish insolvency laws generally recognize the priority of secured creditors over unsecured creditors. The lenders under the Senior Facilities Agreement and the holders of the 2015 Notes and the notes have, or will have, security interests on certain of the assets of the Irish Guarantors. The priority attaching to those security interests will be governed from a contractual perspective by the Intercreditor Deed. The notes will be secured by security interests on the Collateral

and will rank on a *pari passu* basis in the manner set out in the Intercreditor Deed. See “Description of Other Indebtedness—Intercreditor Deed.”

### ***Security over Book Debts***

Where security is taken over the book debt of an Irish company to the extent that security purports to be a “fixed charge” over a book debt, the Irish Revenue Commissioners are given super-preferential treatment in relation to monies owed to them in respect of value added tax (VAT) and certain employee/employer related taxes, namely PAYE and PRSI pursuant to section 1001 of the Irish Taxes Consolidation Act 1997 (as amended). In this regard, the holder of a fixed charge over the book debts of an Irish company may be required by notice from the Irish Revenue Commissioners to pay to them sums equivalent to those which the holder receives from the company following such notification.

### ***Attachment of Debts***

Any debt to a party (including any deposit with a financial institution) may be attached by the Irish Revenue Commissioners in order to discharge any liabilities of that party in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. This right of the Revenue Commissioners may override the rights of holders of security (whether fixed or floating) in relation to the debt in question.

### ***Fixed and Floating Charges***

Amounts received in a winding-up or receivership from the realization of assets subject to a floating charge must first be used to pay the holders of any fixed charge over such assets and then certain preferential creditors (explained below) before any distribution is made to the holders of a floating charge.

It is open to a court to find that assignments and charges described as fixed charges constitute floating charges rather than fixed charges, the description given to them as fixed charges not being determinative. One of the key characteristics of a floating charge is the ability of the chargor to carry on dealing with the particular class of assets in question until some further step is taken by or on behalf of the chargee. Where the chargor is free to deal with the assets or the proceeds of such assets that form the subject matter of the charge, the court would be likely to hold that the charge in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge and contractual restrictions on dealing with the assets are specified (but not enforced). In addition, to the extent that any of the assets secured by the Collateral are not specifically identified, an insolvency official may assert that such assets, which are expressed to be subject to a fixed charge, may in fact be subject to a floating charge.

To the extent that the security documents contain automatic crystallization clauses, these have not, to our knowledge, been tested in the Irish courts.

### ***Nature of Floating Charges***

A floating charge or equitable charge is more vulnerable than a fixed charge or legal transfer/assignment including, *inter alia*, to being set aside in a winding-up and to losing its priority to other rights and interests. A floating charge and equitable charge will take effect after a fixed charge subject to, *inter alia*:

- (a) third party interests and rights (including rights of set off);
- (b) any execution or attachment completed before crystallization; and
- (c) any distress, whether levied on or after crystallization.

### ***Preferential Creditors***

Under Section 285 of the Irish Companies Act 1963, as amended (the “1963 Act”), in a winding-up of an Irish company certain preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Preferential debts therefore have priority over debts secured by a floating charge. If the assets of the relevant company available for payment of general creditors are insufficient to pay the preferential debts, they are required to be paid out of the property subject to the floating charge.

Furthermore, in the case of the application of monies arising from the realization of secured assets that are subject to a floating charge, or in a winding-up, the costs of the liquidation and the liquidator’s fees will take priority over the claims of floating chargeholders in respect of relevant assets as will the remuneration, costs and expenses of an examiner (if any) appointed to the Irish company which have been sanctioned by the Irish High Court as reasonable



expenses properly incurred by such examiner in the course of the examinership (which may include borrowings incurred by an examiner during the period of examinership if the examiner seeks to have them sanctioned by the Irish High Court under Section 29 of the Companies (Amendment) Act 1990 as amended by the Companies (Amendment) (No.2) Act 1999 (the “1990 Amendment Act”).

### ***Fraudulent Preference***

Under Irish insolvency law, if an Irish company goes into liquidation, a liquidator may apply to the court to have certain transactions disclaimed if the related contract amounted to a fraudulent preference. Section 286 of the 1963 Act provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against an Irish company, which is unable to pay its debts as they become due in favor of any creditor or any person on trust for any creditor, with a view of giving such creditor (or any guarantor for the debt due to such creditor) a preference over the other creditors within six months (or in the case of a connected person, two years) of the commencement of a winding-up of the Irish company, shall be invalid. Section 286 is only applicable if, at the time of the conveyance, mortgage or other relevant act, the Irish company was unable to pay its debts as they became due.

### ***Floating Charges***

Section 288 of the 1963 Act renders invalid (except to the extent of monies actually advanced or paid or the actual price or value of the goods or services sold or supplied to the Irish company at the time of or subsequently to the creation of, and in consideration for, the charge, together with interest on that amount at the rate of 5% per annum) a floating charge on the undertaking or property of an Irish company created within 12 months before the commencement of its winding-up, unless it is proved that the Irish company immediately after the creation of the charge was solvent. Section 288 also provides that where a floating charge is created in favor of a “connected person”, the period of 12 months is extended to two years.

### ***Improperly Transferred Assets***

Under section 139 of the Companies Act 1990, if it can be shown, on the application of a liquidator, creditor or contributory of an Irish company which is being wound up, to the satisfaction of the High Court that any property of such company was disposed of (which would include by way of conveyance, transfer, mortgage, security, loan or in any way whatsoever) and the effect of such a disposal was to “perpetrate a fraud” on the company, its creditors or members, the High Court may, if it deems it just and equitable, order any person who appears to have “use, control or possession” of such property or the proceeds of the sale or development thereof to deliver it or pay a sum in respect of it to the liquidator on such terms as the High Court sees fit. The ability to use section 139 to challenge the transfer of assets has been extended to receivers and examiners.

### ***Disclaimer of Onerous Contracts***

Section 290 of the 1963 Act confers power on a liquidator, with leave of the court, at any time within 12 months after the commencement of the winding-up or such extended period as may be allowed by the court, to disclaim any property of the Irish company being wound up which consists of, among other things, (i) unprofitable contracts or (ii) any property which is unsaleable or not readily saleable by reason of its binding the possessor to the performance of any onerous act or to the payment of money.

### ***Examinership***

In addition, a court protection procedure, known as examinership, is available under the 1990 Amendment Act to facilitate the survival of an Irish company and the whole or any part of its undertaking through the appointment of an examiner and the formulation by the examiner of proposals for a compromise or scheme of arrangement. Provided an Irish company can demonstrate a reasonable prospect of its survival (and all or part of its undertaking) as a going concern, and can satisfy certain tests, the High Court appoints an independent examiner whose function is to supervise the restructuring process.

If any Irish Guarantor is placed in examinership, you may not be able to enforce your rights under any guarantee of the notes and/or the Collateral and/or the value of the Collateral may be reduced to the market value of the secured assets.

### ***Effect of Appointment of Examiner***

The effect of the appointment of an examiner is to suspend the rights of a secured creditor for the protection period. For as long as a company is under the protection of the High Court, no attachment, sequestration, distress or

execution shall be put into force against the property or effects of the relevant company except with the consent of the examiner. Section 5 of the 1990 Amendment Act provides:

- (a) where any claim against the company is secured by a mortgage, charge, lien or other encumbrance or a pledge of, on or affecting the whole or any part of the property, effects or income of the Irish company, no action may be taken to realize the whole or any part of such security except with the consent of the examiner;
- (b) no receiver over any part of the property or undertaking of the Irish company shall be appointed; and
- (c) no proceedings for the winding-up of the Irish company may be commenced or resolution for winding-up passed in relation to the company in examination and any resolution so passed shall have no effect.

No other proceedings in relation to the Irish company may be commenced except by leave of the court and subject to such terms as it may impose.

In addition, no payment may be made by an Irish company during the period when it is under protection of the court by way of satisfaction or discharge of the whole or any part of a liability incurred by the company before the date of presentation of the petition for the appointment of the examiner, except in certain limited circumstances.

### ***Examiner's Powers in Relation to Security***

The 1990 Amendment Act empowers the High Court to authorize an examiner of a company under court protection:

- (a) in the case of property subject to a floating charge, to exercise his powers in relation to it or to dispose of it as if it were not subject to the security; or
- (b) in the case of property which is subject to a fixed charge (the "fixed security"), to dispose of it as if the property were not subject to that security,

and in each case provided that the High Court is satisfied that such disposal by the examiner or (in the case of property subject to a floating charge) exercise by him of his powers would be likely to facilitate the survival of the whole or any part of the Irish company under court protection as a going concern.

### ***Impact on Floating and Other Charges***

Where property the subject of a security which, as created, was a floating charge is disposed of by the examiner, the holder of the security is to have the same priority in respect of any property directly or indirectly representing the property disposed of as he would have had in respect of the property subject to such security.

In relation to property the subject of a fixed security, the 1990 Amendment Act provides that the net proceeds of the disposal of such property (plus, where those proceeds are less than the net amount which would be realized on a sale of the property in the open market by a willing vendor, the sum required to make up the deficiency) must be applied towards discharging the sums secured by such security.

### ***Liability of Guarantors***

The 1990 Amendment Act provides, *inter alia*, that no proceedings of any sort may be commenced against a guarantor in respect of the debts of the Irish company in examinership.

There are specific rules regarding the enforcement of guarantees in an examinership and there are certain steps which a creditor will have to strictly observe in order to maintain its rights to enforce the obligations of the Irish Guarantors under the guarantees (which will protect the creditor's right to pursue the Irish Guarantor even if the underlying debt is crammed down in the examiner's proposals). In this respect, a notice containing an offer by the Security Trustee to transfer its rights to vote on the examiner's proposals to the Irish Guarantors must be served on the Irish Guarantors within certain prescribed time limits. It is essential to note that there is no flexibility in relation to the prescribed time limits and they must be strictly adhered to. If a creditor does not comply with the notification procedure, it may not enforce, by legal proceedings or otherwise, the obligations of the Irish Guarantors in respect of the liability.

### ***Priority of Examiner Payments***

The 1990 Amendment Act allows for the remuneration, costs and expenses of the examiner to be paid prior to any other claims including secured claims. Section 10 of the 1990 Amendment Act provides that any liabilities incurred by a company in examinership which are certified by the examiner have been incurred in circumstances where, in the opinion of the examiner, the survival of the company under court protection as a going concern during the period would otherwise be seriously prejudiced, shall be treated as expenses properly incurred for the purposes of Section 29 but will rank behind the claims of creditors secured by a mortgage, charge, lien or other encumbrance of a fixed nature or a pledge. Nonetheless, if the court sanctions borrowings by an examiner as part of the expenses of the examiner pursuant to Section 29, such borrowings will rank ahead of the claims of both unsecured and secured creditors of the company under court protection.

### **Jersey**

#### ***Insolvency***

There are two principal regimes for corporate insolvency in Jersey: *désastre* and winding-up. The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (*Désastre*) (Jersey) Law 1990, as amended (the “Jersey Bankruptcy Law”) declaring the property of a debtor to be “*en désastre*” (a “declaration”). On a declaration of *désastre*, title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the “Viscount”). With effect from the date of declaration, a creditor has no other remedy against the property or person of the debtor, and may not commence or continue any legal proceedings to recover the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a “creditors’ winding up” pursuant to Chapter 4 of Part 21 of the Jersey Companies Law the Companies (Jersey) Law 1991, as amended (the “Jersey Companies Law”). On a creditors’ winding up, a liquidator is appointed, usually by the creditors. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (*inter alia*) three quarters in number and value of the creditors acceded to the arrangement.

#### ***Transactions at an undervalue***

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared “*en désastre*”) or liquidator (in the case of a creditors’ winding up), a procedure which is instigated by shareholders not creditors, set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the “other party”) at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of “*désastre*” during which transactions are susceptible to examination pursuant to this rule (the “relevant time”). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

#### ***Preference***

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared “*en désastre*”) or liquidator (in the case of a creditors’ winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the “other party”). There is a 12-month look-back period from the date of commencement of the winding up or declaration of “*désastre*” during which transactions are susceptible to examination pursuant to this rule (the “relevant time”). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

### ***Extortionate Credit Transactions***

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared “en désastre”) or liquidator (in the case of a creditors’ winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of “désastre” during which transactions are susceptible to examination pursuant to this rule (the “relevant time”). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

### ***Disclaimer of Onerous Property***

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of désastre and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors’ winding up, disclaim any onerous property of the company. “Onerous property” is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the “rights, interests and liabilities of the company in or in respect of the property disclaimed” but “does not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person.” A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the désastre or creditors’ winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

### ***Fraudulent Dispositions***

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors’ claims may be set aside.

### ***Floating Charges***

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside the Island of Jersey, but to the extent that any floating charge is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge is not likely to be held valid and enforceable by the Courts of Jersey in respect of Jersey situs assets.

### ***Administrators, Receivers and Statutory and Non-statutory Requests for Assistance***

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If the request comes from a non-prescribed country, then common law and principles of comity will be considered by the Royal Court by virtue of its inherent jurisdiction. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime. If the requesting country adheres to principles of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles to those applied in Jersey, the Royal Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume for European countries that the position will be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of centre of main interests does not apply as a result.

## **Luxembourg**

### ***Insolvency***

Under Luxembourg law, the following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an entity having its center of main interests in Luxembourg or an establishment within the meaning of EU Council Regulation No. 1346/2000 of May 29, 2000 on insolvency proceedings (in relation to secondary proceedings):

- bankruptcy proceedings ("*faillite*"), the opening of which may be requested by the company or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the Issuer: (i) is in a state of cessation of payments ("*cessation des paiements*") and (ii) has lost its commercial creditworthiness ("*ébranlement de crédit*"). If a court finds that these conditions are satisfied, it may also open bankruptcy proceedings, ex officio (absent a request made by the company or a creditor). The main effect of such proceedings is the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets;
- controlled management proceedings ("*gestion contrôlée*"), the opening of which may only be requested by the company and not by its creditors and under which a court may order provisional suspension of payments, including a stay of enforcement of claims by secured creditors; and
- composition proceedings ("*concordat préventif de faillite*"), which may be requested only by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors themselves. The court's decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition, your ability to receive payment on the relevant notes may be affected by a decision of a court to grant a stay on payments ("*sursis de paiement*") or to put the relevant Issuer into judicial liquidation ("*liquidation judiciaire*"). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the laws governing commercial companies. The management of such liquidation proceedings will generally follow the rules of bankruptcy proceedings.

### ***Preferential debts***

Liability of any Issuer or Luxembourg Guarantor in respect of the relevant notes will, in the event of a liquidation of the entity following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

#### ***General limitations on enforcement resulting from insolvency proceedings***

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Luxembourg company's liabilities in order to take effect. Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the relevant Luxembourg company during the period before bankruptcy, the so-called "suspect period" (*période suspecte*) which is a maximum of six months (and 10 days, depending on the transaction in question) preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date; if the bankruptcy judgment was preceded by another insolvency bankruptcy judgment under Luxembourg law, the court may set the maximum up to six months prior to the filing for such controlled management. In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce (*code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the 10 days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments;
- pursuant to article 21 (2) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg Code of Commerce, where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is valid and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and
- in the case of bankruptcy, article 448 of the Luxembourg Code of Commerce and article 1167 of the Civil Code (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations under the notes (as Issuer or Luxembourg Guarantor, as applicable).

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to EU Council Regulation No. 1346/2000 of May 29, 2000 on insolvency proceedings.

### ***Enforceability of financial collateral arrangements***

As a matter of exception, pursuant to article 20 of the Luxembourg law dated August 5, 2005 concerning financial collateral arrangements, Luxembourg law governed collateral arrangements, as well as all enforcement events and valuation and enforcement measures agreed upon by the parties in accordance with this law, remain valid and enforceable against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings.

In accordance with article 24 of the Luxembourg law dated August 5, 2005 concerning financial collateral arrangements, the rules of Luxembourg insolvency proceedings are inapplicable where the collateral provider of financial collateral arrangement or similar security interest governed by a foreign law other than Luxembourg law, is established or resides in Luxembourg.

### ***Limitations on Enforcement of guarantees and collateral***

- ***Enforcement of guarantees***

There is no published Luxembourg case law and only limited Luxembourg legal literature in connection with enforcement of guarantees granted by a Luxembourg guarantor for a company of the group (whether downstream, cross-stream or upstream guarantees).

It is generally admitted that the grant of a guarantee by a Luxembourg company for the obligations of another group company shall be subject to the following conditions: (i) it must be within the corporate purpose of the guarantor as set out in its articles of association; (ii) it shall correspond to a demonstrable and commensurate corporate benefit received by the guarantor company and (iii) the financial obligations assumed by the guarantor must not be disproportionate to the financial capacity of the guarantor.

The question of corporate benefit is determined on a case-by-case basis.

For the purpose of condition (iii) above, it is standard market practice that cross-stream and upstream guarantees granted by Luxembourg guarantors must be limited in their amount (as is the case pursuant to the Indenture), as opposed to downstream guarantees.

According to the limited Luxembourg doctrine on this matter, in the event the above conditions are not met, the directors of the company may be held liable and it is only in exceptional cases in which it is demonstrated that the beneficiary was aware of the *ultra vires* nature of the guarantee or that the guarantee was given with the intent to defraud creditors of the guarantor that a court may void the guarantee itself.

In accordance with the principle *fraus omnia corrumpit*, a first demand guarantee would not be enforceable under Luxembourg law if it is called upon in a manifestly abusive way by the beneficiary of the guarantee.

- ***Enforcement of collateral***

Under the Luxembourg law of August 5, 2005 on financial collateral arrangements, the enforcement of a pledge is permitted in case of an event of default as agreed between the parties, including an event of default which would not be a default of payment when due (*e.g.* breach of covenants or representations and warranties).

Although authorized by law, several Luxembourg scholars consider that enforcing a Luxembourg pledge in the event of an event of default which is not a default of payment might trigger the pledgee's liability to pay damages, to the extent that Luxembourg law if applicable, on the basis of abuse of rights and/or violation of principles of *bona fide* in the performance of the contracts (articles 1134 al.3 and 1135 Civil Code).

## **Malta**

### ***Insolvency***

A number of the Guarantors are incorporated under the laws of Malta (the "Malta Guarantors"). Consequently, in the event of an insolvency of any of the Malta Guarantors, insolvency proceedings may be initiated in Malta. Such

proceedings would then be governed by Maltese law. The following is a brief description of certain aspects of Maltese insolvency law.

In general, once insolvency proceedings are set in motion, a creditor will be precluded from pursuing his claim other than through the winding up process. When insolvency sets in, by law any benefit of time which may have been afforded to the debtor/borrower for the performance of obligations or the repayment of a loan ceases and, thus, the obligations of the debtor accelerate in terms of law.

Under the Companies Act, Cap 386 of the laws of Malta, the causes of dissolution can be divided into three main categories: those situations under which the company is voluntarily dissolved and consequently wound up, those situations where the company *may* be dissolved and wound up by the Court and those situations where the company *shall* be dissolved by the Court.

For a Maltese company to be considered insolvent it must satisfy either of the following tests: (a) if a debt due by the company has remained unsatisfied in whole or in part after twenty-four weeks from the enforcement of an executive title against the company by any of the executive acts in terms of the Code of Organization and Civil Procedure, Cap 12 of the laws of Malta; or (b) if it is proved to the satisfaction of the Court that the company is unable to pay its debts, account being taken also of contingent and prospective liabilities of the company. Obviously, if both tests are satisfied then it should be clearer for the Court that there is an impellent need for winding up. However, it is enough for a Maltese company to satisfy just one of these two tests outlined below in order for it to be considered insolvent.

### ***Compulsory Winding Up***

In Malta, the First Hall Civil Court has jurisdiction to order the winding up of any company that is registered under the Companies Act, Cap 386 of the laws of Malta. An application to the Court to order the winding up of a Maltese company may be presented by the company itself (acting in the General Meeting), the directors, any creditor or creditors, any debenture holder, any one or more of the company's creditors' or contributories, the Official Receiver or the Registrar of Companies. The Court has wide powers on the hearing of a petition. It may dismiss the application or make an order acceding thereto (this is referred to as a "winding up order") and make such other orders including provisional orders and adjourn the hearing conditionally or otherwise as it thinks fit.

The consequences of a winding up order are:

- (1) any disposal of the Maltese company's property, any transfer of shares, and any alteration in the status of members of the company made after the date of its deemed dissolution, is void, unless the Court orders otherwise;
- (2) any act or warrant, whether precautionary or executive, other than a warrant of prohibitory injunction, issued or carried into effect against the Maltese company after the date of its deemed date of dissolution, is void;
- (3) a copy of the winding up order must be forwarded by the Registrar of Courts to the Registrar of Companies for registration;
- (4) judicial actions against the Maltese company are stayed, unless the Court orders otherwise;
- (5) on a winding up order being made, the Official Receiver becomes the liquidator and he continues to act until another person becomes liquidator; and
- (6) on a winding up order being made, the powers of the directors cease and are assumed by the liquidator.

Immediately after a winding up order is made, the Official Receiver is appointed by the Court to act as a liquidator for the Maltese company until the appointment of a liquidator by the creditors. The Official Receiver also acts as liquidator for the Maltese company during any vacancy.

The Official Receiver's primary role at the initial stage of the winding up is to decide whether to summon meetings of the company's creditors and contributories so that they may resolve whether one or more persons shall be appointed as liquidator(s) in place of the Official Receiver; and whether to constitute a liquidation committee to supervise the liquidator's conduct. Secondly, the Official Receiver is obliged to investigate the causes of the company's insolvency or its failure to pay its debts. Furthermore, the Official Receiver shall also investigate the promotion, formation, business dealings, and affairs of the company, and make a report(s) to the Court as he may deem fit.



Once a liquidator is appointed, such liquidator is in fact bound to give to the Official Receiver such information and such access to and facilities for inspecting the accounts, accounting records and documents of the company and, generally, such aid as may be requisite for enabling the Official Receiver to perform his duties under the Companies Act, 1995, Cap 386 of the laws of Malta. Moreover, on certain occasions, the Official Receiver is even empowered to replace the Liquidation Committee by sanctioning the liquidator's acts.

### ***Company Rescue***

The court is empowered to place a company under a company recovery procedure and to appoint a special controller to take over, manage and administer the business of a company for a period to be specified by the court, which period, however, may not exceed 12 months; *provided* that at any time during which the company recovery procedure is in force, the court may, upon good cause being shown, extend the period by such additional period or periods which in aggregate do not exceed a further 12 months.

The court will grant such an order if it is satisfied that the financial and economic situation of the Maltese company can be improved in the interest of its creditors, employees and of the company itself as a viable going concern.

### ***Suspect Periods***

The basic company law rule as set out in Article 303 of the Companies Act, 1995 is that there is a six-month period before the effective date of the dissolution of the company whereby a transaction can be deemed to be a fraudulent preference against its creditors if it constitutes a transaction at an undervalue or if a preference is given.

The law stipulates that:

- (a) a Maltese company enters into a transaction at an undervalue if:
  - (i) the company makes a gift or otherwise enters into a transaction on terms that provide for the company to receive no consideration; or
  - (ii) the company enters into a transaction for a consideration the value of which, in money or money's worth, is significantly less than the value in money or money's worth of the consideration provided by the company;
- (b) a company gives a preference to a person if:
  - (i) that person is one of the company's creditors or a surety or guarantor for any of the company's debts or other liabilities; and
  - (ii) the company does anything or suffers anything to be done which, in either case, has the effect of putting that person into a position which, in the event of the company going into insolvent winding-up, will be better than the position he would have been in had that act or omission not occurred.

There is also another general rule found in the Civil Code, Cap 16 of the Laws of Malta, which may be applicable. This rule, called the *actio pauliana*, basically establishes that any creditor is competent to impeach any act made by the debtor-in-fraud of his claims.

### ***Limitation on Enforcement***

Under Maltese law, a person who guarantees a commercial obligation is, saving any stipulation to the contrary, presumed to be jointly and severally liable with the principal debtor. As a result, the borrower and the guarantors are jointly and severally liable to make payments in terms of the agreements. When debtors are jointly and severally liable they are all bound for the same obligation in such a way that each of them may be compelled to discharge the whole debt, and the payment made by one of them operates so as to release the others as against the creditor. In terms of the Civil Code, this kind of guarantee is regulated by the institute of "suretyship" and a guarantor is known as a surety. A number of provisions relating to suretyship are of direct relevance in this case, including that:

- (i) a suretyship can only exist in respect of a valid obligation;
- (ii) a suretyship which exceeds the debt or is contracted under more onerous conditions shall only be valid to the extent of the principal obligation;

- (iii) a surety who has paid the principal debt succeeds *ipso jure* to all the rights which the creditor had against the debtor;
- (iv) a surety may set up against the creditor all the pleas which appertain to the principal debtor and which are inherent in the debt;
- (v) a surety, even if jointly and severally bound, is released if the subrogation to the rights, hypothecs and privileges of the creditor cannot take place in his favor owing to the creditor's fault; and
- (vi) if the creditor releases one of his sureties without the consent of the other sureties, such release operates also in favor of the other sureties to the extent of the share of the surety so released.

Of the above, the most important provision to keep in mind is that under the laws of Malta, guarantees and pledges are accessory to the principal obligation they secure and, consequently, should the principal obligation being secured be null, the guarantees and pledges would also be null. This rule that a surety cannot be liable for more than the principal debtor is likely to be treated as a rule of public policy by Maltese courts.

## Norway

### *Insolvency*

Norwegian insolvency legislation is regulated by the Norwegian Bankruptcy Act of June 8, 1984 No. 58 (the "Bankruptcy Act"), which sets out the various procedures to be followed both in case of court administered debt negotiations and bankruptcy proceedings, and the Creditors Recovery Act of 8 June 1984 No. 59 (the "Recovery Act") containing provisions on, among other things, the priority of claims.

The key features of the Norwegian bankruptcy proceedings are (i) the seizure and subsequent disposal of debtor's assets, (ii) assessment and ranking of claims, (iii) testing and revocation of transactions (including securing of existing claims) made prior to bankruptcy, (iv) handling of the debtor's contractual relationships and (v) distribution of funds (if any) in accordance with the priority rules. If the business operations of the bankrupt company are continued, they are in practice continued at the risk of, and only to the extent guaranteed by, the creditors.

Bankruptcy proceedings may be opened provided that the debtor is insolvent. Both the debtor and the creditors (holding or pretending to hold a claim) can petition for bankruptcy.

There are two requirements for a debtor to be deemed to be insolvent. The debtor must (i) be unable to service its debt as it becomes due (the "cash flow test"), and (ii) the debtor must be in "deficit" (the company's debts must exceed the sum of its assets and revenues) (the "balance sheet test").

During bankruptcy proceedings the debtor's assets are controlled by the court appointed liquidator (generally a lawyer), on behalf of the bankruptcy estate. The main task of the liquidator is to turn all the debtor's assets into cash in the manner assumed to be most profitable for the estate (the creditors), and then distribute the available cash to the rightful creditors.

All the debtor's assets will in practice be seized by the bankruptcy estate, and the debtor may not dispose of the seized assets in any way while the bankruptcy proceedings are ongoing. The bankruptcy estate may also seize assets held by third parties, if these assets are acquired from the debtor in an unlawful manner, or if the acquisition lacks legal protection, or if the transaction can be reversed according to the Recovery Act. The bankruptcy estate is a separate legal entity, which is authorized to exercise all ownership interests/rights with respect to the seized assets, including but not limited to the realization of assets.

Secured creditors are, in principle, not deemed to be part of the bankruptcy proceedings to the extent the value of the security is sufficient to cover the underlying obligations of the debtor. The secured creditors may, in principle, realize the security and cover their claims, however, keeping in mind that the realization of a number of categories of security the first six months after the opening of a bankruptcy will be subject to the approval of the bankruptcy estate (the same principles apply to official debt negotiations). The bankruptcy estate may, subject to certain conditions being fulfilled, also decide to realize the security and divide the proceeds between the secured creditors and others holding legal rights in the assets.

Any undersecured amount (any amount exceeding the value of the secured assets) will be deemed as an ordinary (unsecured) trade claim.

In a Norwegian bankruptcy, the creditors will be paid according to the following priority:

- Secured claims (valid and perfected security covered up to the value of the secured asset—either after the realization by the secured creditor itself or after realization undertaken by the bankruptcy estate).
- Super priority claims (claims which arise during the bankruptcy proceedings, liquidator's costs, obligations of the estate).
- Salary claims (within certain limitations).
- Tax claims (such as withholding tax and value-added tax within certain limitations).
- Ordinary unsecured claims (all other claims unless subordinated, including unsecured debt, trade creditors and indemnity claims).
- Subordinated claims (including interest incurred after the opening of bankruptcy proceedings, claims subordinated by agreement, liquidated damages and penalty claims).

Pursuant to the Recovery Act, the bankruptcy estate may be entitled to set aside or reverse transactions carried out in the three- up to 12-month period (and in respect of transactions in favor of related parties up to two years) before the opening of the bankruptcy, such as extraordinary payments of certain creditors, security established for old debt and transaction at under-value. The bankruptcy estate may also, under certain circumstances, be entitled to set aside or reverse transactions made in bad faith or negligently which in an improper manner increase the debtor's debt, favor one creditor at the expense of others or deprive the debtor of assets which may otherwise have served to cover the creditors' claims, in which case the time limit for challenges by the estate is increased to 10 years.

It should also be noted that the bankruptcy estate has a statutory first lien of up to five percent of the respective asset's estimated value or sales value over assets mortgaged/pledged by the debtor or mortgaged/pledged by a third party for the debtor's indebtedness (limited, however, to the Norwegian Court Fee (presently being in the amount of 860 Norwegian krone) multiplied by 700 for assets registered in an asset register ("*realregister*")). Such statutory lien is not applicable to financial security pursuant to the Norwegian Financial Security Act no. 17/2004 (cash deposits and financial instruments), cf., the Norwegian Liens Act no. 2/1980 section 6-4 (9).

#### ***Limitations on guarantees and securities provided by Guarantors incorporated in Norway***

Section 8-7 of the Norwegian Private Limited Companies Act 1997 (the "Norwegian Companies Act") restricts a Norwegian limited liability company from granting credit to, guaranteeing or providing security for the obligations of, its shareholders or a party related to the shareholder beyond its distributable reserves (free equity) and then further provided that satisfactory security for repayment/recovery has been established.

The above restriction does not, however, apply to credit or security/guarantee for the obligations of a parent company or another company within the same "group." This exemption must be read in conjunction with the group definition in Section 1-3 of the Norwegian Companies Act which, broadly speaking, includes Norwegian limited liability companies. The group exemption is, according to Section 1-4 of the Norwegian Companies Act, extended to limited liability companies established within the European Economic Area, but only to the extent such European Economic Area group companies are subject to laws that are correspondent to or more stringent than the Norwegian rules with respect to lending to, guaranteeing or providing security for the obligations of shareholders or a related party (a qualification which is difficult to apply in practice). Without having made a comparative analysis between Norwegian and English law on those issues, it should be deemed that a PLC company or a limited company subject to English law is not regarded as subject to laws that are equivalent to or more stringent than the Norwegian rules in this respect.

In addition to the restrictions with regard to, among others, upstream and cross-stream guarantees and security as outlined above, Section 8-10 of the Norwegian Companies Act prohibits a Norwegian private or public limited liability company from providing financial assistance in connection with the acquisition of its shares or the shares in the parent company (and any intermediate parent company). The prohibition against financial assistance applies irrespective of whether the company in which shares are acquired is a Norwegian or foreign company, and there are no general exemptions available except for special cases of real estate financing and employee share purchase programs. The assistance is prohibited if made "in connection with" the acquisition of the shares, which may also cover financial assistance after completion of the acquisition, for instance by way of a refinancing of acquisition debt.

A loan, guarantee or security interest infringing the limitations set out in Section 8-7 and Section 8-10 of the Norwegian Companies Act is void and any funds paid out will have to be repaid. In addition, loans, securities and

guarantees of Guarantors incorporated in Norway may be deemed void for failing to comply with the provisions in Chapter 3 of the Norwegian Companies Act.

The principle of corporate benefit also exists in Norway and may in some situations impose a restriction on a Norwegian company's ability to offer credits or a guarantee and provide security to shareholders (or close associates of the shareholders) in addition to the restrictions on financial assistance and upstream/cross-stream guarantees, loans and security described above.

Accordingly, any guarantees and security for the notes provided by Guarantors incorporated in Norway may be void under Norwegian law as infringing one or more of the above limitations.

The limitations set forth in these sections will apply mutatis mutandis to any security created by a Guarantor incorporated in Norway under the Collateral and to any guarantee, indemnity and similar obligations resulting in a payment obligation and payment pursuant to the Collateral and made by a Guarantor incorporated in Norway.

The liability of each Guarantor incorporated in Norway for the Issuer's and the other Guarantors' obligations under the notes will be limited to an aggregate amount of €75 million and \$1,150 million (or its equivalent in other currencies), plus any unpaid amount of interest, fees, liability, costs and expenses under the notes.

### ***Foreclosure of Security Interest***

Enforcement of the Norwegian law share pledges will be subject to the mandatory provisions of the Norwegian Financial Securities Act 2004 no. 17, which stipulates that enforcement must be implemented on commercially reasonable terms. Enforcement of the other Norwegian law security in Norway will be subject to the mandatory provisions of the Norwegian Enforcement Act 1992 no. 86.

Under the Norwegian Companies Act, section 5-2, a shareholder may at any time revoke a power of attorney to exercise voting rights. Accordingly, provisions in the Share Pledges giving the holder of the security power of attorney to vote for the relevant shares may therefore be rendered ineffective against the relevant company whose shares are pledged in the event the pledgor of the relevant shares were to revoke the power of attorney while he remains the registered owner of the shares.

A pledge in future shares is only to be read as an obligation to pledge future shares and not a pledge in itself, consequently a share declaration by the pledgor must be issued and notified to the issuer of the shares, upon issuance of the shares, in order to receive a perfected security interest.

Only creditors of a claim may have active judicial standing in a Norwegian court; therefore, a security agent may seek enforcement of a claim but such claim may have to be supported by the actual creditors of such claim. A security agent has standing to be sued in Norway and it is believed that a security agent may enforce any security being subject to the Financial Collateral Act of 2004 implementing the EU Financial Collateral Directive.

### **Scotland**

Some of the assets granted relate to Scots law security interests under the laws of Scotland and are being granted by a non-Scottish entity (the "Scottish Security Grantor"). Therefore, any insolvency proceedings by or against the Scottish Security Grantor would likely be based on Scottish insolvency laws. Pursuant to s51(1) of the Insolvency Act 1986 as amended by the Insolvency Act 1986 Amendment (Appointment of Receivers) (Scotland) Regulations 2011, it is competent for a holder of a floating charge to appoint a receiver over the property which the floating charge purports to create security, provided that the Court of Session has jurisdiction to initiate insolvency proceedings to wind up the grantor of the floating charge. Furthermore, where the Court of Session in Scotland does not have jurisdiction to initiate insolvency proceedings to wind up the grantor of the floating charge, but another EU court does, a receiver can be appointed. Whether another EU court has jurisdiction will depend on the location of the company's "centre of main interests" and this being found to be in a member state other than the United Kingdom. There are a number of factors that are taken into account to ascertain the centre of main interests. The centre of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The place of the registered office of the company is presumed to be the centre of main interests in the absence of proof to the contrary. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (*i.e.*, non-European) court may have jurisdiction where any company granting security in Scotland, has a centre of its main interests in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

However, where a company or its centre of main interests is located in a non-EU country, such as Switzerland, it may not be clear whether the Court of Session has jurisdiction to initiate insolvency proceedings to wind up the grantor of the floating charge in that jurisdiction. Scottish law does not currently provide specific tests to determine whether the Court of Session has such jurisdiction. Case law does provide guidance on how to make such a determination and a number of specific tests, but a judge may not be bound to follow such tests.

Under Schedule 3C of the Civil Jurisdiction and Judgments Act 1982 (Lugano Convention), Switzerland would recognize and enforce an insolvency judgment from Scotland (Scotland being another Contracting State under the Lugano Convention) were the Scottish court able to make such a judgment.

### ***Fixed and Floating Charges***

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business) while in administration in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets the subject of the floating charge) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (e) there are particular challenge risks in relation to floating charge security (please see "—Grant of Floating Charge"); and (f) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees) and to ring-fencing (please see "—Administration and Floating Charges").

In Scotland, forms of security are closely tied to specific types of property. Since Scots law does not recognize the English law concept of "equity" there is more focus on the legal formalities rather than the intention of the parties with respect to the creation of security interests. If the strict legal requirements under Scots law are not met, there will be no security over the subject notwithstanding the intention of the parties.

In respect of movable property, it is essential that the security holder has some form of possession (which may take different forms) over the subject in order to create a valid security interest. Scots law does not differentiate between legal and equitable ownership of property so, for instance, in order to create a security interest over shares in companies incorporated in Scotland, the security holder (or its nominee) must be registered as the shareholder. Furthermore, as there is no Scottish equivalent of an English law of equitable assignment, a Scottish interest in incorporeal property will only be created when the assignment is notified to the relevant parties.

Fixed charges over land and buildings situated in Scotland may only be created using a standard security (which is the English law equivalent of a legal mortgage over an interest of land) and is governed by statute.

### ***Administration and Floating Charges***

The relevant Scottish insolvency statutes empower Scottish courts to make an administration order in respect of a Scottish company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointor. During the administration, in general, no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with leave of the court or the consent of the administrator. Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral agreement" (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. If the Scottish Security Grantor were to enter administration, it is possible that the security granted by it or the guarantee granted by it may not be enforced while it is in administration. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed must resign if requested to do so by the administrator. Where the company is already in administration no other receiver may be appointed.

In order to empower the Security Trustee to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant Scottish Security Grantor must constitute a "qualifying floating charge" for purposes of Scottish insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document predates September 15, 2003, fall within one of the

exceptions in the Enterprise Act 2002 to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company; (c) purports to empower the holder to appoint an administrative receiver; or (d) purports to empower the holder of a floating charge in Scotland to appoint a receiver who on appointment would be an administrative receiver (although this is only permitted under limited circumstances). The Security Trustee will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with the fixed charge security interests, relates to the whole or substantially the whole of the Scottish Security Grantor's property and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the U.K. Insolvency Act 1986, as amended), which will apply if the issue of the notes creates a debt of at least £50,000,000 for the relevant company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the U.K. Insolvency Act 1986, but is generally a rated, listed or traded debt instrument). An administrator, receiver or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of net floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the Scottish Security Grantor's assets at the time that the floating charges are enforced will be a question of fact at that time.

In addition, under Scottish insolvency law any debt payable in a currency other than pounds sterling (such as euro or U.S. dollars in the case of the notes) must be converted into pounds sterling at the rate of exchange for that currency at the mean of the buying and selling spot rates prevailing in the London market at close of business on the date of commencement of winding up. Accordingly, in the event that the Scottish Security Grantor goes into liquidation or administration, holders of the notes may be subject to exchange rate risk between the date that went into liquidation or administration and receipt of any amounts to which such holders of the notes may become entitled.

There are circumstances under Scottish insolvency law in which the granting by a Scottish company of security and guarantees can be challenged. In most cases this will only arise if the company is placed into administration or liquidation within a specified period of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to a Scottish company, he may challenge the validity of the guarantee or security given by such company.

The following potential grounds for challenge may apply to guarantees and charges:

### ***Gratuitous Alienations***

Under Scottish insolvency law, a liquidator, administrator or creditor of a Scottish company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator, administrator or creditor believes that the creation of such security interest or guarantee constituted a gratuitous alienation. It will only be a gratuitous alienation if at the time of the transaction or as a result of the transaction, the Scottish company is insolvent (as defined in the U.K. Insolvency Act 1986, as amended). The transaction can be challenged if the Scottish company enters into liquidation or administration proceedings within a period of two years from the date the Scottish company grants the security interest or the guarantee or five years in the case of an “associate” of the Scottish company. A transaction might be subject to being set aside as a gratuitous alienation if the company makes a gift to a person (except in certain specified circumstances), if the company receives no consideration or if the company receives consideration of significantly less value, in money or money’s worth, than the consideration given by such company. However, a court generally will not intervene if the person seeking to uphold the alienation establishes (i) that immediately or at any other time or after the alienation the company’s assets were greater than its liabilities, (ii) the alienation was made for adequate consideration, or (iii) the alienation was a birthday, Christmas or other gift for a charitable purpose to a person not an associate of the company, which in all circumstances it was reasonable for the company (without prejudice to any right or interest acquired in good faith and for value from the recipient of the alienation) to make. If the court determines that the transaction was a gratuitous alienation the court can grant a reduction or for restoration of the property or assets or such other redress as may be appropriate. In any proceedings, it is for the administrator or liquidator to demonstrate that the Scottish company was insolvent (the test for which is set out in (i) above).

A transaction made at a time when a company is insolvent may also constitute a gratuitous alienation at common law. In these circumstances, no time limits apply in relation to challenging it. A gratuitous alienation may constitute wrongful (or indeed fraudulent) trading, or a breach of duty, and lead to action being raised against directors personally.

### ***Unfair Preferences***

Under Scottish insolvency law, a liquidator, administrator or creditor of a Scottish company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator, administrator or creditor believed that the creation of such security interest or such guarantee constituted an unfair preference. It will only be an unfair preference if at the time of the transaction or as a result of the transaction the Scottish company is insolvent. The transaction can be challenged if the Scottish company enters into liquidation or administration proceedings within a period of six months from the date the Scottish company grants the security interest or the guarantee. A transaction may constitute an unfair preference if it has the effect of putting a creditor of the Scottish company (or a surety or Guarantor for any of the company’s debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, Guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was an unfair preference, the court may grant a reduction or restoration of the property or assets or such other redress as may be appropriate (although there is protection for a third party who enters into one of the transactions in good faith and without notice). An unfair preference may also constitute wrongful (or indeed fraudulent) trading or a breach of duty and lead to actions being raised against directors personally.

A transaction made at a time the company is insolvent may constitute an unfair preference at law. In these circumstances, no time limits apply in relation to challenging it. It may also constitute a fraudulent preference at common law.

### ***Grant of Floating Charge***

Under Scottish insolvency law, if the Scottish Security Grantor is insolvent at the time of (or as a result of) granting the floating charge then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the Scottish Security Grantor at the same time as or after the creation of the floating charge. The requirement for the Scottish Security Grantor to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the Scottish Security Grantor at the same time as or after the creation of the floating charge, whether the Scottish Security Grantor is solvent or insolvent. The transaction can be challenged if the Scottish Security Grantor enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the Scottish Security Grantor grants the floating charge.

## **Singapore**

### ***Difference in Insolvency Law***

One of the Guarantors is incorporated under the laws of Singapore (“Singapore Guarantor”).

Any insolvency proceedings applicable to it will be likely to be governed by Singapore insolvency laws. Singapore insolvency laws differ from the insolvency laws of the United States and may make it more difficult for holders of the notes to recover the amount in respect of the Singapore Guarantor’s guarantee of the notes and/or the Collateral securing the same than they would have recovered in a liquidation or bankruptcy proceeding in the United States.

### ***Priority of Secured Creditors***

Singapore insolvency laws generally recognize the priority of secured creditors over unsecured creditors. The lenders under the Senior Facilities Agreement and the holders of the notes and the 2015 Notes have, or will have, security interests on certain of the assets of the Singapore Guarantor.

### ***Security over Book Debts***

Where security is taken over the book debt of a Singapore company by way of an assignment, the Civil Law Act (Cap 43) of Singapore prescribes that a statutory assignment must be by way of an absolute assignment in writing under hand of the assignor and express notice in writing thereof must be given to the debtor, trustee or other person from whom the assignor would have been entitled to receive or claim such book debt. Where such notice is not given, the assignment is only effective as an equitable assignment.

### ***Fixed and Floating Charges***

Fixed charges are superior to floating charges in a number of aspects. Until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security. In addition, a floating charge security created within six months of the commencement of winding up of the chargor company may be invalid, unless it is proved that the chargor company was solvent immediately after the creation of the charge. Where the assets of the chargor company are insufficient to pay certain preferential debts (these include winding up costs, wages and salaries and retrenchment benefits), those preferential debts would have priority over assets secured by a floating charge.

Amounts received in a winding-up or receivership from the realization of assets subject to a floating charge must first be used to pay the holders of any fixed charge over such assets and then certain preferential creditors if applicable (explained above) before any distribution is made to the holders of a floating charge.

It is open to a court to find that assignments and charges described as fixed charges constitute floating charges rather than fixed charges, the description given to them as fixed charges not being determinative. One of the three characteristics of a floating charge is the ability of the chargor to carry on business in the ordinary course so far as concerns the particular class of assets in question until some further step is taken by or on behalf of the chargee. Where the chargor, without the consent of the chargee, is free to deal with the assets or the proceeds of such assets that form the subject matter of the charge, the court would be likely to hold that the charge in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge. In addition, to the extent that any of the assets secured by the Collateral are not specifically identified, an insolvency official may hold that such assets, which are expressed to be subject to a fixed charge, may in fact be subject to a floating charge.

### ***Preferential Creditors***

Under Section 328 of the Singapore Companies Act (Cap 50) (the “Singapore Companies Act”), in a winding-up of a Singapore company preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (a) to (c) and (e) to (f) below) if the assets of the chargor company are insufficient to satisfy such preferential debts. The preferential debts covered by Section 328 of the Singapore Companies Act are described briefly below:-

- (a) costs and expenses of the winding up;



- (b) employees' wages and salaries;
- (c) retrenchment benefits under employment contracts;
- (d) work injury compensation under the Work Injury Compensation Act (Cap 354) of Singapore;
- (e) certain amounts due under employee's superannuation or provident funds or under any scheme of superannuation which is an approved scheme under the Income Tax Act (Cap 134) of Singapore;
- (f) other remuneration payable to employees such as vacation leave and death benefits;
- (g) taxes assessed and goods and services tax; and
- (h) gratuity or other sum of money due and owing to an employee on his retirement or on termination of his services pursuant to a collective agreement or an award.

### ***Transactions at undervalue or unfair Preference***

Under Singapore insolvency law, if a Singapore company goes into liquidation, and has entered into certain transactions at an undervalue within the last five years, or has entered into a transaction by way of unfair preference in the past six months (a 2-year period applies in the case of a transaction with a connected party), those transactions may be liable to be made void or voidable.

### ***Disclaimer of Onerous Contracts***

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable by reason of its binding the company to any onerous act or payment, the liquidator may apply to disclaim such property within 12 months of (i) commencement of winding-up or (ii) such time as the liquidator becomes aware of such property or such extended period as is allowed by the court.

### ***Enforcement Process***

#### ***Receivership***

Receivership arises principally by way of enforcement of the right of the holders of security under mortgage or charges, as set out in the security document. The receiver is, in effect, an agent of the chargor company. Its rights and obligations are usually set out in the security document itself.

#### ***Appointment***

Receivers can be appointed on the basis of the powers set out in the security document. A person appointed on the basis of a fixed charge over specific assets will act as receiver in respect of those assets. However, mortgages containing a floating charge over all of the assets and undertaking typically provide for enforcement by means of the appointment of a receiver having full powers as a receiver and manager over all of the secured assets (*i.e.*, all of the assets and undertaking of a chargor), including the power of sale of the assets.

### ***Switzerland***

#### ***Limitations on guarantees and securities provided by Guarantors incorporated in Switzerland***

Swiss rules regarding capital maintenance, including but not limited to Articles 671(1) to (4), 675(2) and 680(2) of the Swiss Code of Obligations, prohibit the direct or indirect repayment of a Swiss stock corporation's share capital and legal reserves to its shareholders and restrict the distribution of a Swiss stock corporation's accrued earnings to its shareholders. Guarantees, share pledges and any other collateral granted by a Swiss stock corporation in order to guarantee or secure liabilities of a direct or indirect parent or sister company may be considered as an indirect distribution of assets which are subject to the limitation provided by Swiss law to protect the share capital and legal reserves of Swiss stock corporation. Similar rules apply in case the guarantee or collateral is granted by a Swiss limited liability company (GmbH). Therefore, it is standard market practice for credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to Swiss subsidiaries. Pursuant to such limitation language, the secured parties agree to enforce the collateral and the beneficiaries of the guarantees agree to enforce the guarantees against the Swiss subsidiary only to the extent that such enforcement does not result in the subsidiary's net

assets falling below its stated share capital and legal reserves. Accordingly, the documentation in relation to the guarantees and the security interests, to the extent they concern the Swiss Guarantors, contains such limitation language and such guarantees and security interests are limited in the manner described.

### **Insolvency**

In the event of a Swiss entity's insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of such Swiss entity's offices being registered in the competent commercial register in Switzerland. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets of a foreign entity located in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets, even if located outside Switzerland, and liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree is enforceable only if it is recognized at the place where such assets are located. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed on a private liquidation. However, if bankruptcy is declared while such a special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation is no longer permitted. Certain particular rules apply to security interests created over intermediated securities pursuant to the Swiss Federal Intermediated Securities Act.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, inter alia, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is overindebted (*überschuldet*) within the meaning of art. 725 (2) of the Swiss Code of Obligations (or the corresponding provision of the Swiss Code of Obligations in case of a limited liability company (*GmbH*)) or if it declares to be insolvent (*zahlungsunfähig*), and (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*).

All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate which, after deduction of costs and certain other expenses, is used to satisfy the creditors. Assets of the bankrupt estate over which a pledge was created in favor of a creditor before the declaration of bankruptcy are included in the bankrupt estate. The pledgee is under an obligation to remit the pledged assets to the bankrupt estate. The assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate, but the creditor secured by the pledge retains its privilege to be satisfied from the proceeds of the liquidation of the assets pledged to it with priority over the unsecured creditors. Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans and family law. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of Federal law. All other creditors are treated equally in the third class. A secured party participates in the third class to the extent its claim is not covered by its collateral.

The notification to the debtors of the claims assignment is not a legal requirement for the validity thereof. However, until such time as any debtor of the receivables has not been notified of the claims assignment, such debtor may validly discharge its debt in the hands of the assignor, thereby voiding the security interest. The foregoing is of particular relevance in the context of assignment of trade receivables where such assignment is generally not notified to the debtors until the occurrence of an event of default.

Claims assigned for security purposes by a Swiss entity that come into existence prior to the opening of bankruptcy can be enforced by the assignee outside Swiss bankruptcy proceedings. Assigned claims that come into existence after the opening of bankruptcy over a Swiss entity may fall within the bankrupt estate, and the assignee may not be entitled to such claim proceeds.

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request with the competent court for a stay (*Nachlassstundung*) pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is the possibility of a composition in the form of a mere payment term extension (*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and

pending proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, *inter alia*, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland.

### ***Avoidance***

Certain arrangements or dispositions that are made during a certain period (the "suspect period") preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy (*Konkursverwaltung*) and certain creditors under the applicable rules of avoidance. The avoidance may relate to (i) gifts and gratuitous transactions made in the suspect period of 12 months prior to being declared bankrupt or the grant of a moratorium, (ii) certain acts of a debtor in the suspect period of 12 months prior to being declared bankrupt or the grant of a moratorium if the debtor at that time was overindebted, and (iii) dispositions made by the debtor within a suspect period of five years prior to being declared bankrupt or the grant of a moratorium with the intent to disadvantage its creditors or to prefer certain of its creditors to the detriment of other creditors. The transactions potentially subject to avoidance also include those contemplated by a Swiss entity's Guarantee of the notes or the granting of security interests under the Security Documents by a Swiss entity. If they are challenged successfully, the rights granted under the Swiss Guarantee of the notes or in connection with security interests under the Security Documents may become unenforceable and any amounts received must be refunded to the insolvent estate.

### **United States**

#### ***Fraudulent Transfer***

Under the U.S. Bankruptcy Code or comparable provisions of state fraudulent transfer or fraudulent conveyance laws, the incurrence of the obligations under the notes, the issuance of the guarantees and the grant of security, whether now or in the future, by the Issuer and the Guarantors (together, the "Obligors") could be avoided, if, among other things, at the time the Obligors incurred the obligations, issued the related guarantee or gave the security, the Obligors intended to hinder, delay or defraud any present or future creditor; or received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness or the grant of such security and either:

- were insolvent or rendered insolvent by reason of such incurrence or grant of security;
- were engaged in a business or transaction for which the Obligors' remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that they would incur, debts beyond their ability to pay such debts as they mature.

#### ***Preference***

Any future grant of security interest with regard to the Collateral in favor of the notes, including pursuant to security documents delivered after the date of the Indenture, might be avoidable in a U.S. bankruptcy case by the grantor (as debtor-in-possession) or by its bankruptcy trustee as a preference if certain events or circumstances exist or occur, including, among others, if the grantor is insolvent at the time of the grant, the security interest permits the holders of the notes to receive a greater recovery than if the bankruptcy case were a case under Chapter 7 of the Bankruptcy Code and the security had not been given and a bankruptcy case in respect of the grantor is commenced within 90 days following the grant, or in certain circumstances, a longer period.

### ***The Automatic Stay***

The right of a holder of the notes to enforce its security interests against the Obligors upon the occurrence of an event of default under the indenture governing the notes is likely to be significantly impaired by applicable U.S. bankruptcy law if one or more of the Obligors became a debtor in a case under the U.S. Bankruptcy Code before such security interest was enforced. Upon the commencement of a case under the U.S. Bankruptcy Code, a secured creditor such as a holder of notes is prohibited by the automatic stay imposed by the U.S. Bankruptcy Code from taking any act to obtain possession of or exercise control over, property of the bankruptcy estate. The automatic stay in a bankruptcy case of one or more of the Obligors could therefore prevent the holders of the notes from obtaining possession or exercising control over the Collateral or commencing any action in an attempt to obtain possession or exercise control over the Collateral the automatic stay could be lifted or modified with bankruptcy court approval in certain circumstances, but parties may object to any creditor request to lift or modify the automatic stay, and the bankruptcy court deny such a request.

### ***Right of Debtor-In-Possession to Remain In Control of Collateral and the Bankruptcy Process***

An entity that becomes a debtor under chapter 11 of the U.S. Bankruptcy Code remains in possession of its property and is authorized to operate and manage its business as a “debtor-in-possession,” subject to certain limitations. This remains the case unless a chapter 11 trustee is appointed or the chapter 11 case is converted to a chapter 7 liquidation under the U.S. Bankruptcy Code.

Moreover, the U.S. Bankruptcy Code permits the debtor to continue to retain and use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given “adequate protection” of its interest in the debtor’s property. The term “adequate protection” is not defined in the U.S. Bankruptcy Code, but it may include making periodic cash payments, providing an additional or replacement lien or granting other relief, in each case to the extent that the collateral decreases in value during the pendency of the bankruptcy case as a result of, among other things, the use, sale or lease of such collateral or the imposition of the automatic stay. The type of adequate protection provided to a secured creditor may vary according to circumstances. A U.S. bankruptcy court may determine that a secured creditor is not entitled to additional adequate protection for a diminution in the value of its collateral if the value of the collateral exceeds the amount of the debt that it secures.

Only the debtor in a chapter 11 bankruptcy case may propose a chapter 11 plan unless the debtor fails to file a plan within the first 120 days of the case or fails to solicit sufficient acceptances of its plan within the first 180 days of the case. The bankruptcy court may reduce or enlarge these periods. The 120-day period could be extended for up to 18 months after a chapter 11 filing, while the 180-day period could be extended for up to 20 months after a chapter 11 filing. During these “exclusive periods,” other parties such as secured creditors would be precluded from proposing or soliciting acceptances of their own chapter 11 plans.

In view of the automatic stay, the lack of a precise definition of the term “adequate protection,” the exclusive periods, and the broad discretionary power of a U.S. bankruptcy court, it is impossible to predict:

- whether or when a holder of the notes could enforce its security interests;
- the value of the collateral at the time of the bankruptcy petition or at the time a chapter 11 plan is proposed or confirmed; or
- whether or to what extent holders of the notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of “adequate protection.”

### ***A Debtor-In-Possession May Obtain New Credit Secured By a Lien That is Senior or Equal to Existing Liens***

The U.S. Bankruptcy Code permits a debtor-in-possession or trustee in a chapter 11 case to obtain an extension of new credit from an existing lender or from a new lender. The bankruptcy court may, depending on the facts and circumstances, authorize the debtor-in-possession or trustee to obtain new credit or incur new debt that is secured by a lien that is senior or equal to existing liens. In other words, it is possible that in connection with a chapter 11 case of one or more of the Obligors, such Obligor or Obligors would be permitted to incur new debt that is secured by a lien that is senior or equal to the liens that exist at the time of the chapter 11 filing.

### ***Ability to Confirm a Chapter 11 Plan Notwithstanding the Dissenting Votes of Creditors***

Under the U.S. Bankruptcy Code, a chapter 11 plan can be imposed on a creditor or equityholder (or class of creditors or equityholders) that does not accept the plan. A chapter 11 plan provides for the comprehensive treatment of

all claims asserted against the debtor and its property, and may provide for the readjustment or extinguishment of equity interests. Claims and interests may be classified by type. Only those classes of claims and interests impaired by the plan may vote to accept or reject such plan. Classes of claims and interests that are unimpaired are not entitled to vote on the plan, and are deemed to accept it. Classes of claims and interest that receive no distributions under the plan are not entitled to vote on the plan, and are deemed to reject it.

A class of claims is deemed to accept the plan if more than one-half in number of claims holders and two-thirds in claims amount in that class vote in favor of the plan. A plan can be confirmed by the bankruptcy court over the dissenting votes of members of a class that accepts the plan overall. Furthermore, even if one or more impaired classes reject the plan, it may still be confirmed, subject to specific statutory requirements, in accordance with the “cram-down” provisions of the U.S. Bankruptcy Code, so long as the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. This could allow the debtor or other plan proponent to confirm its plan over the objection of one or more dissenting classes.

## **BOOK-ENTRY, DELIVERY AND FORM**

### **General**

Each series of the notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “Regulation S Global Notes”). The Regulation S Global Notes representing the Dollar Fixed Rate Notes (the “Dollar Fixed Rate Regulation S Global Notes”) will be deposited upon issuance with The Bank of New York Mellon as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Regulation S Global Notes representing the Euro Floating Rate Notes (the “Euro Floating Rate Regulation S Global Notes”) will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Each series of the notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “144A Global Notes” and, together with the Regulation S Global Notes, the “Global Notes”). The 144A Global Notes representing the Dollar Fixed Rate Notes (the “Dollar Fixed Rate 144A Global Notes”) will be deposited upon issuance with The Bank of New York Mellon as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Notes representing the Euro Floating Rate Notes (the “Euro Floating Rate 144A Global Notes”) will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

The Dollar Fixed Rate 144A Global Notes and the Dollar Fixed Rate Regulation S Global Notes are collectively referred to herein as the “Dollar Fixed Rate Global Notes.” The Euro Floating Rate 144A Global Notes and the Euro Floating Rate Regulation S Global Notes are collectively referred to herein as the “Euro Floating Rate Global Notes.”

Ownership of interests in the 144A Global Notes (“144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interest” and, together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. The Book-Entry Interests in Euro Floating Rate Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof and the Book-Entry Interests in Dollar Fixed Rate Global Notes will be issued only in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, owners of interest in the Global Notes will not have the notes registered in their names, will not receive physical delivery of the notes in certificated form and will not be considered the registered owners or “holder” of the notes under the Indenture for any purpose.

So long as the notes are held in global form, DTC, Euroclear or Clearstream, as applicable (or their respective nominees), will be considered the holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC, Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of DTC, Euroclear or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither the Issuer, the Registrar, The Bank of New York Mellon as custodian for DTC nor the Trustee under the Indenture nor any of the Issuer’s respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### **Issuance of Definitive Registered Notes**

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive notes in registered form (the “Definitive Registered Notes”):

- if DTC (with respect to the Dollar Fixed Rate Global Notes) or Euroclear and Clearstream (with respect to the Euro Floating Rate Global Notes) notify the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days;
- if the Issuer, at its option, notifies the Trustee in writing that it elects to exchange in whole, but not in part, the Global Note for Definitive Notes; or
- if DTC, Euroclear or Clearstream so requests following an event of default under the Indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear or Clearstream, as applicable, or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in “Notice to Investors,” unless that legend is not required by the Indenture or applicable law.

### **Redemption of the Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of less than €100,000, in the case of the Euro Floating Rate Global Notes, or \$200,000, in the case of the Dollar Fixed Rate Global Notes, principal amount at maturity, or less, may be redeemed in part.

### **Payments on Global Notes**

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream (in the case of the Euro Floating Rate Global Notes) and to DTC or its nominee (in the case of the Dollar Fixed Rate Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the notes, the Issuer and the Trustee will treat the registered holder of the Global Notes (for example, DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the Registrar nor the U.S. Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in “street name.”

### **Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Floating Rate Global Notes will be paid to holders of interest in such notes (the “Euroclear/Clearstream Holders”) through

Euroclear or Clearstream, as applicable, in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Fixed Rate Global Notes will be paid to holders of interest in such notes (the “DTC Holders”) through DTC in dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Floating Rate Global Notes in dollars and DTC Holders may elect to receive payments in respect of the Dollar Fixed Rate Global Notes in euro.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Floating Rate Global Notes in dollars in accordance with Euroclear or Clearstream’s customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder’s election. All costs of conversion resulting from any such election will be borne by such holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Fixed Rate Global Notes in euro in accordance with DTC’s customary procedures, which include, among other things, giving to DTC a notice of such holder’s election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such holder.

### **Action by Owners of Book-Entry Interests**

DTC, Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the notes, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### **Transfers**

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in “Notice to Investors.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “Notice to Investors.”

Through and including the 40th day after the later of the commencement of the Offering of the notes and the closing of the Offering (the “40-day Period”), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “Notice to Investors” and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available).

Subject to the foregoing, and as set forth in “Notice to Investors,” Book-Entry Interests may be transferred and exchanged as described under “Description of the Notes—Transfer and Exchange.” Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned



Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “Description of the Notes—Transfer and Exchange” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Notice to Investors.”

This paragraph refers to transfers and exchanges with respect to Dollar Fixed Rate Global Notes only. Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Dollar Fixed Rate Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### **Information Concerning DTC, Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the initial purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organized under New York Banking Law;
- a “banking organization” under New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC’s owners are the New York Stock Exchange, Inc., the American Stock Exchange, Inc., the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant, also have access to the DTC system and are known as indirect participants.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream systems, or otherwise take actions in respect of such

interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the DTC, Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear or Clearstream participants.

### **Global Clearance and Settlement Under the Book-Entry System**

The notes represented by the Global Notes are expected to be admitted to trading on the Euro MTF and listed on the official list of the Luxembourg Stock Exchange and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will therefore be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross-market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by its common depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depository.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC, will be received with value on the settlement date of DTC, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, any Guarantor, the Trustee, the Registrar or the Principal Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the notes was made in euro and dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### **Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## CERTAIN TAX CONSIDERATIONS

### **United Kingdom Tax Considerations**

The following is a general description of certain UK tax consequences of acquiring, holding and disposing of the notes and is based on the Issuer's understanding of current UK law and HM Revenue & Customs ("HMRC") practice as at the date hereof, both of which are subject to change, possibly with retrospective effect. This description is not exhaustive and relates only to the position of persons who are the absolute beneficial owners of the notes and may not apply to certain classes of persons, such as brokers, dealers in securities, persons connected with the Issuer or certain professional investors, to whom special rules may apply. This description does not purport to constitute legal or tax advice and any holders who are in any doubt as to their tax position should consult their independent professional advisors. Further, these comments do not deal with holders of the notes who are individuals treated as non-domiciled and resident or ordinarily resident in the United Kingdom for UK tax purposes. Any such holders of the notes who are subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisors.

#### ***Interest on the Notes***

The notes constitute "quoted Eurobonds" within the meaning of Section 987 of the Income Tax Act 2007 ("ITA") while they are and remain listed on a "recognised stock exchange" within the meaning of Section 1005 ITA. While the notes are, and continue to be, quoted Eurobonds, payments of interest on the notes may be made without deduction or withholding for or on account of UK income tax. Securities that have been admitted to the Official List by the Société de la Bourse de Luxembourg and are admitted to trading on the Euro MTF Market will meet the requirement to be listed on a recognised stock exchange. So long as this remains the case with respect to the notes, they will therefore constitute quoted Eurobonds.

If the notes do not constitute "quoted Eurobonds," an amount may, subject to any relief available under any applicable double taxation treaty and to the availability of any other relief, have to be withheld on account of UK income tax from payments of interest on the notes at the "basic rate" of UK income tax (currently 20%).

If interest were to be paid under deduction of UK income tax, holders of the notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

The interest will have a UK source and accordingly may be chargeable to UK income or corporation tax by direct assessment even where paid without deduction or withholding. However, where the interest is paid without deduction or withholding, the interest will not be assessed to UK tax in the hands of holders of the notes who are not resident for tax purposes in the United Kingdom, except where the holder carries on a trade, profession or vocation through a branch or agency (or, in the case of a corporate holder, a permanent establishment) in the United Kingdom in connection with which the interest is received or to which the notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the UK branch, agency or permanent establishment.

Holders of the notes may wish to note that the provisions referred to in "Description of the Notes—Payment of Additional Amounts" would not apply if HMRC sought to assess directly the person entitled to the relevant interest to UK tax. However, exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

Holders of the notes who are individuals may wish to note that HMRC has power to obtain information (including the name and address of the recipient or beneficial owner of the relevant payment) from any person in the United Kingdom who either pays interest to, or receives interest for the benefit of, an individual. Any information obtained may, in certain circumstances, be provided by HMRC to the tax authorities of other jurisdictions.

#### ***United Kingdom Holders Subject to Corporation Tax***

In general, holders of the notes who are within the charge to UK corporation tax will be charged a tax on income in respect of all profits, gains and losses on, and fluctuations in value of, the notes (whether attributable to currency fluctuations or otherwise) measured and recognized in each accounting period broadly in accordance with their statutory accounting treatment.

### ***United Kingdom Holders not Subject to Corporation Tax***

HMRC may consider that the notes constitute “deeply discounted securities” for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 by virtue of the provisions set out under “Description of the Notes—Purchase of the Notes Upon a Change of Control.” If the notes do constitute deeply discounted securities, individual holders who are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the notes are attributable will generally be held liable to UK income tax on any gain made on the sale or other disposal (including redemption) of the notes, but such holders will not be able to claim relief from UK income tax in respect of costs incurred on the acquisition, transfer or redemption, or losses incurred on the transfer or redemption, of the notes.

If the notes do not constitute deeply discounted securities, the disposal of the notes by an individual holder who is resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the notes are attributable may give rise to a chargeable gain or allowable loss for the purposes of UK tax on chargeable gains, depending on individual circumstances. In calculating any gain or allowable loss on the disposal of the notes, sterling values are compared at acquisition and transfer. Accordingly, a taxable gain can arise even where the euro or dollar amount received on a disposal is less than or the same as the euro or dollar amount paid for the notes.

Special rules may apply to individuals who have ceased to be resident or ordinarily resident for tax purposes in the United Kingdom and who dispose of their notes before becoming once again resident or ordinarily resident in the United Kingdom. Noteholders are advised to consult their own professional advisors if they require any advice or further information relating to residency.

On the disposal of the notes by a holder (if they do not constitute deeply discounted securities), any interest which has accrued since the last interest payment date may be chargeable to tax on income under the rules relating to accrued income profits as set out in Chapter 2 of Part 12 of ITA (the “accrued income scheme”) if that holder is resident or ordinarily resident for tax purposes in the United Kingdom or carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the notes are attributable. Further, if the notes are regarded as variable rate securities for the purposes of the accrued income scheme, the holder may be subject to UK income tax on such amount as HMRC deems just and reasonable and the transferee of the notes would not be entitled to any corresponding allowance under the accrued income scheme. A note is deemed to be a variable rate security unless throughout the period from issue to redemption the note carries: (i) interest at a fixed rate; (ii) interest bearing a fixed relationship to a standard, published base rate; or (iii) interest bearing a fixed relationship to a published index of prices. Holders of the notes are advised to consult their own professional advisors if they require any advice or further information about the accrued income scheme in general and the potential tax consequences of holding variable rate securities.

### ***Stamp Duty and Stamp Duty Reserve Tax***

No UK stamp duty or stamp duty reserve tax is payable on issue of or on a transfer of the notes.

### ***EU Savings Directive***

The European Union has adopted a directive (Council Directive 2003/48/EC, the “Directive”) regarding the taxation of savings income. The Directive provides for member states of the European Union (each, a “Member State”) to provide to the tax authorities of another Member State details of certain payments of interest and other similar income paid by a person within its jurisdiction to an individual (or certain other persons) in that other Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period unless during such period they elect otherwise. The Directive does not preclude Member States from levying other types of withholding tax.

On November 13, 2008 the European Commission published a proposal for amendments to the Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

### ***U.S. Federal Income Tax Considerations***

**INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE SERVICE, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING MEMORANDUM OR ANY DOCUMENT REFERRED TO HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED**

**ON THEM UNDER THE INTERNAL REVENUE CODE; (II) SUCH DISCUSSION IS WRITTEN FOR USE IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (III) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following discussion is a summary based on present law of certain U.S. Federal income tax considerations relevant to the purchase, ownership and disposition of the notes. This discussion addresses only U.S. Holders (as defined below) who purchase the notes in the original issuance at the original offering price, hold the notes as capital assets and use the U.S. dollar as their functional currency. This summary does not address the tax consequences to subsequent purchasers of the notes. This discussion is not a complete description of all U.S. tax considerations relating to the notes. It also does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers, traders that elect to mark to market, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the notes as part of a hedge, straddle, conversion or other integrated financial transaction. This summary does not discuss any tax consequences arising under the U.S. Federal estate and gift tax laws or the laws of any state, local, non-U.S. or other taxing jurisdiction.

**EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE U.S. FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES.**

For purposes of this discussion, a “U.S. Holder” is a beneficial owner that is, for purposes of U.S. Federal income taxation, (i) a citizen or resident alien of the United States, (ii) a corporation or other business entity treated as a corporation created or organized in or under the laws of the United States or its political subdivisions, (iii) a trust (a) that is subject to the control of a U.S. person and the primary supervision of a U.S. court or (b) which has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person or (iv) an estate, the income of which is subject to U.S. Federal income taxation regardless of its source.

No rulings from the IRS have been or will be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the notes or that any such position would not be sustained. If a partnership (or an entity or arrangement treated as a partnership for U.S. Federal income tax purposes) acquires or holds the notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner or partnership that acquires or holds the notes should consult its own tax advisors.

***Interest***

Stated interest on the notes generally should be included in the gross income of a U.S. Holder as ordinary income at the time the interest accrues or is received, in accordance with the holder’s regular method of accounting for U.S. Federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income.

In the event that Additional Amounts are paid in respect of withholding or deductions for taxes imposed on payments on the notes (as described under “Description of the Notes—Payment of Additional Amounts”), such Additional Amounts will be taxable to a U.S. Holder as ordinary income, as received or accrued, in accordance with such U.S. Holder’s method of accounting for U.S. Federal income tax purposes. The amount taxable to a U.S. Holder will also include all taxes withheld or deducted in respect thereof. Thus, a U.S. Holder may be required to report income in an amount greater than the cash it receives in respect of payments on the notes. A U.S. Holder may be eligible to claim a credit or deduction in respect of such taxes for purposes of computing such U.S. Holder’s U.S. Federal income tax liability, subject to certain limitations.

In the case of a Euro Floating Rate Note, a cash basis U.S. Holder must include in income a U.S. dollar amount equal to the U.S. dollar value of the stated interest paid in euro at the spot exchange rate on the date of receipt, whether or not the payment is converted into U.S. dollars, and an accrual basis U.S. Holder generally must include in income the U.S. dollar value of the accrued stated interest paid in euro at the average exchange rate for the accrual period in which the interest accrued (or, if any accrual period spans two taxable years, the partial period within each taxable year). Upon receipt of the interest (including amounts received upon the sale, exchange, retirement or other taxable disposition of a note attributable to accrued but unpaid interest), an accrual basis U.S. Holder generally will recognize foreign currency exchange gain or loss equal to the difference, if any, between the U.S. dollar amount of the interest previously accrued and the U.S. dollar value of the euro received at the spot exchange rate on the date of receipt, regardless of whether the payment is converted into U.S. dollars. Foreign currency exchange gain or loss generally will be U.S. source ordinary income or loss.

An accrual basis U.S. Holder may elect to convert accrued euro interest into a U.S. dollar value at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the spot exchange rate on the last day of the part of the accrual period within each taxable year). If accrued interest actually is received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead convert the accrued interest at the spot exchange rate on the date of receipt. Any currency conversion election will apply to all debt instruments that the electing U.S. Holder holds or acquires at or after the beginning of the first taxable year to which the election applies. The election cannot be revoked without the consent of the IRS.

### ***Sale, Redemption or Disposition***

A U.S. Holder generally will recognize gain or loss on a sale, redemption or other taxable disposition of a note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which is taxed as interest) and the U.S. Holder's adjusted tax basis in the note. In the case of a Euro Floating Rate Note, the U.S. dollar amount realized will be the value of the euro received at the spot exchange rate on the date of disposition (or, if the notes are traded on an established securities market and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date). A U.S. Holder's adjusted tax basis in a note generally will be the amount paid for the note, decreased by any payments previously received by the U.S. Holder. In the case of a Euro Floating Rate Note, the amount paid for a Euro Floating Rate Note will be the U.S. dollar value of the euro used to purchase it at the spot exchange rate on the purchase date (or, if the Euro Floating Rate Notes are traded on an established securities market and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date).

Gain or loss on disposition of a note generally will be U.S. source capital gain or loss except, in the case of a Euro Floating Rate Note, to the extent of any foreign currency exchange gain or loss (discussed below). Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the note for more than one year at the time of disposition. A non-corporate U.S. Holder may be eligible for reduced rates of taxation on any long-term capital gain recognized. Deductions for capital losses are subject to limitations.

### ***Currency Gain or Loss***

In the case of a Euro Floating Rate Note, a U.S. Holder generally will recognize foreign currency exchange gain or loss on a taxable disposition of a Euro Floating Rate Note equal to the difference between the U.S. dollar value of the principal amount of such note on the date of acquisition and the date of such disposition (or, if the Euro Floating Rate Notes are traded on an established securities market and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date). Foreign currency gain or loss cannot exceed overall gain or loss on the Euro Floating Rate Note. Foreign currency gain or loss generally will be ordinary income or loss from sources within the United States.

A U.S. Holder will have a tax basis in euro received as interest on a note or on the disposition of a Euro Floating Rate Note equal to the U.S. dollar value of the euro received translated at the spot exchange rate on the date of receipt. A U.S. Holder will have a tax basis in euro received on the disposition of a Euro Floating Rate Note equal to the U.S. dollar amount realized. Any gain or loss realized by a U.S. Holder on a sale or other taxable disposition of the euro generally will be U.S. source ordinary income or loss.

### ***Reportable Transactions***

Certain U.S. Treasury Regulations on tax shelter transactions could be interpreted to require a U.S. Holder of the Euro Floating Rate Notes specifically to disclose with its U.S. Federal income tax return loss from certain transactions involving a sale, exchange, retirement or other taxable disposition of a Euro Floating Rate Note or foreign currency received in respect of such note in excess of certain thresholds. U.S. Holders are urged to consult their tax advisors about these and all other specific reporting requirements.

### ***Information Reporting and Backup Withholding***

Payments of interest and proceeds from the sale, redemption or other taxable disposition of a note may be reported to the IRS unless the holder establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or, in the case of interest payments, fails either to report in full dividend and interest income or, in either case, fails to make certain certifications. Backup withholding is not an additional tax. A holder generally can claim a credit against its U.S. Federal income tax liability for the amount of any backup withholding tax and a refund of any excess, provided that the required information is timely furnished to the IRS.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the notes. Prospective purchasers of the notes should consult their own tax advisors concerning the tax consequences of their particular situations.**

## NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the notes.

The notes and the guarantees have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the securities laws of any other jurisdiction. Accordingly, the notes are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S under the Securities Act.

We have not registered and will not register the notes or the guarantees under the Securities Act and, therefore, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Issuer is offering and selling the notes to the initial purchasers for re-offer and resale only:

- in the United States to “qualified institutional buyers,” commonly referred to as “QIBs,” as defined in Rule 144A in compliance with Rule 144A; and
- outside the United States in accordance with Regulation S.

We use the terms “offshore transaction,” “U.S. person” and “United States” with the meanings given to them in Regulation S.

Each purchaser of the notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the initial purchasers as follows:

- (1) You understand and acknowledge that the notes and the guarantees have not been registered under the Securities Act or any other applicable securities laws and that the notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
- (2) You are not our “affiliate” (as defined in Rule 144 under the Securities Act) or acting on our behalf and you are either:
  - (a) a QIB, within the meaning of Rule 144A under the Securities Act and are aware that any sale of these notes to you will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for your own account or for the account of another QIB; or
  - (b) you are purchasing the notes in an offshore transaction in accordance with Regulation S under the Securities Act.
- (3) You acknowledge that none of the Issuer, the Guarantors, or the initial purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the notes. You acknowledge that neither the initial purchasers nor any person representing the initial purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase any of the notes, including an opportunity to ask questions of, and request information from, us and the initial purchasers.
- (4) You are purchasing the notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or the securities laws of any other jurisdiction, subject to any requirement of law that the disposition of your property or the



property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

- (5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the notes, and each subsequent holder of the notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such notes prior to the date (the “Resale Restriction Termination Date”) that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the notes are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer’s and the trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) and (v) to require the delivery of an opinion of counsel, certification or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each note contains a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO

CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these notes as well as to holders of these notes.

- (6) You agree that you will give to each person to whom you transfer the notes notice of any restrictions on the transfer of such notes.
- (7) You acknowledge that until 40 days after the commencement of the Offering, any offer or sale of the notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.
- (8) You acknowledge that the trustee will not be required to accept for registration or transfer any notes acquired by you except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth therein have been complied with.
- (9) You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the notes are no longer accurate, it shall promptly notify the initial purchasers. If you are acquiring any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.
- (10) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the initial purchasers that would result in a public offering of the notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the notes are subject to the selling restrictions set forth under "Plan of Distribution."

#### **ERISA Considerations**

Any purchaser, including, without limitation, any fiduciary purchasing on behalf of (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) subject to the provisions of part 4 of subtitle B of Title I of ERISA or a plan to which Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), applies (each, a "Plan"), (ii) an entity whose underlying assets include "plan assets" by reason of a Plan's investment in such entity (each, a "Benefit Plan Investor"), or (iii) a governmental, church or non-U.S. plan which is subject to any Federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws"), transferee or holder of the notes will be deemed to have represented, in its corporate and fiduciary capacity, that:

- (a) With respect to the acquisition, holding and disposition of the notes, or any interest therein, (1) either (A) it is not, and it is not acting on behalf of (and for so long as it holds such notes or any interest therein will not be, and will not be acting on behalf of), a Plan, a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such notes or any interest therein constitutes the assets of any such Plan, Benefit Plan Investor or governmental, church or non-U.S. plan which is subject to Similar Laws, or (B) (i) its acquisition, holding and disposition of such notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975, as applicable, of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (ii) none of the Issuer, the guarantors, the initial purchasers, Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of "fiduciary" under Similar Laws) with respect to the purchaser, transferee or holder in

connection with any acquisition, holding or disposition of such notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with such notes, and no advice provided by the Issuer or any of their affiliates has formed a primary basis for any investment or other decision by or on behalf of the purchaser, transferee or holder in connection with such notes and the transactions contemplated with respect to such notes; and (2) it will not sell or otherwise transfer such notes or any interest therein other than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such notes or any interest therein.

- (b) The acquirer and any fiduciary causing it to acquire an interest in any notes agrees to indemnify and hold harmless the Issuer, the guarantors, the initial purchasers, the Trustee and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.
- (c) Any purported acquisition or transfer of any note or beneficial interest therein to a purchaser or transferee that does not comply with the requirements of the above provisions shall be void *ab initio*.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement dated February 3, 2012 among us and the initial purchasers (the “Purchase Agreement”), we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us the respective principal amount of the notes set forth opposite its name in the tables below.

<b>Initial Purchasers<sup>(1)</sup></b>	<b>Principal Amount of Fixed Rate Notes</b>
Barclays Bank PLC .....	\$350,000,000
J.P. Morgan Securities LLC .....	\$350,000,000
Citigroup Global Markets Limited .....	\$37,500,000
Deutsche Bank Securities Inc. ....	\$37,500,000
Goldman Sachs International .....	\$37,500,000
HSBC Securities (USA) Inc. ....	\$37,500,000
Lloyds Securities Inc. ....	\$37,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated .....	\$37,500,000
Morgan Stanley & Co. International plc .....	\$37,500,000
UBS Limited .....	\$37,500,000
Total .....	<u>\$1,000,000,000</u>

(1) Sales outside the United States may be made through affiliates of the initial purchasers listed above.

<b>Initial Purchasers<sup>(2)</sup></b>	<b>Principal Amount of the Euro Floating Rate Notes</b>
Barclays Bank PLC .....	€175,000,000
J.P. Morgan Securities Ltd. ....	€175,000,000
Citigroup Global Markets Limited .....	€18,750,000
Deutsche Bank AG, London Branch .....	€18,750,000
Goldman Sachs International .....	€18,750,000
HSBC Bank plc .....	€18,750,000
Lloyds Securities Inc. ....	€18,750,000
Merrill Lynch International .....	€18,750,000
Morgan Stanley & Co. International plc .....	€18,750,000
UBS Limited .....	€18,750,000
Total .....	<u>€500,000,000</u>

(2) Sales in the United States may be made through affiliates of the initial purchasers listed above or through U.S. registered broker dealers.

Subject to the terms and conditions set forth in the Purchase Agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the Purchase Agreement if any of the notes are purchased. If an initial purchaser defaults, the Purchase Agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the Purchase Agreement may be terminated.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes and other conditions contained in the Purchase Agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

### Commissions and Discounts

The initial purchasers propose initially to offer the notes at the offering price of 100% plus accrued interest from the issue date, if any. After the initial offering of the notes, the offering price and other selling terms of the notes may from time to time be varied by the initial purchasers without notice. Sales in the United States may be made through certain affiliates of the initial purchasers.

## **Notes Are Not Being Registered**

The notes and the guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. In addition, until 40 days following the later of (i) the commencement of this Offering and (ii) the issue date of the notes, an offer or sale of the notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under “Notice to Investors.”

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the initial purchaser that would permit a public offering of the notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the notes in any jurisdiction where action for this purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the notes. See “Notice to Investors.”

The Issuer and the Guarantors have agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbor of Rule 144A and Regulation S under the Securities Act to cease to be applicable to the offer and sale of the notes.

## **New Issue of Securities**

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any U.S. securities exchange or for inclusion of the notes on any automated dealer quotation system. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the Offering. However, they are under no obligation to do so and may discontinue any market making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. See “Risk Factors—Risks related to the Notes and Our Capital Structure—Lack of public market—There may not be an active trading market for the notes, in which case your ability to sell the notes may be limited.”

We have applied, through our listing agent, to list the notes on the Official List of the Luxembourg Stock Exchange and trade the notes on the Euro MTF market, however, we cannot assure you that such listing will be maintained.

## **No Sales of Similar Securities**

We have agreed that we will not, for a period of 60 days after the date of this offering memorandum, without the prior written consent of the Representatives, directly or indirectly, pledge, issue, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any of our other debt securities having a maturity of more than one year from the date of issue, except for debt securities (A) issued or guaranteed in accordance with, or as permitted under, the Senior Facilities Agreement, (B) issued or guaranteed in connection with the sales of receivables pursuant to securitization or factoring arrangements or issuances of debt securities pursuant to sales of such receivables, or the implementation of any receivables securitization or factoring facility or (C) issued or guaranteed in immaterial amounts in the ordinary course of business.

## **Price Stabilization and Short Positions**

In connection with the Offering, the initial purchasers (or persons acting on their behalf) may engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

In connection with the Offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of the notes than they are required to purchase in the Offering. The initial purchasers must close out any short position by purchasing the notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the notes. See "Risk Factors—Risks Relating to the Notes and Our Capital Structure—Lack of public market—There may not be an active trading market for the notes, in which case your ability to sell your notes may be limited" and "Stabilization."

### **Other Relationships**

The initial purchasers or their respective affiliates have engaged in, and may in the future engage in, investment banking, financial advisory, consulting, commercial banking and other commercial dealings in the ordinary course of business with us, our principal shareholders or our affiliates. They have received, and expect to receive, customary fees, commissions and expense reimbursements for these transactions. In addition, each of Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, Lloyds TSB Bank plc, Merrill Lynch International, Morgan Stanley Bank International Limited and UBS Limited or their respective affiliates are lenders under the Senior Facilities Agreement. The net proceeds from the Offering were used to repay all amounts outstanding under the Term B Facility and certain amounts outstanding under the Term C Facility, in each case including certain amounts owed to the initial purchasers or their affiliates. See "Use of Proceeds." Affiliates of Barclays Bank PLC, J.P. Morgan Securities Ltd. and J.P. Morgan Securities LLC also act as mandated lead arrangers and bookrunners and as lenders under the Senior Facilities Agreement and receive customary fees for their services in such capacities. Barclays Bank PLC also acts as facility agent under the Senior Facilities Agreement. In addition, certain of the initial purchasers and/or their affiliates may hold positions which will be repaid with the proceeds. Affiliates of Barclays Bank PLC, Citigroup Global Markets Limited, HSBC Bank plc, Lloyds TSB Bank plc and Merrill Lynch International are lenders under the Securitization Program.

Barclays Bank PLC and J.P. Morgan Securities Ltd. acted as solicitation agents in connection with the solicitation of consents from holders of our 2015 Notes and 2016 Notes and bookrunners in connection with the solicitation of consents from lenders under the Senior Facilities Agreement concerning the Refining Divestiture. In addition, Barclays Bank PLC will act as security agent for the notes.

## **LEGAL MATTERS**

Certain legal matters in connection with the Offering will be passed upon for us by Cravath, Swaine & Moore LLP, as to matters of U.S. Federal and New York state law, and by Slaughter and May, as to matters of English law. Certain legal matters in connection with the Offering will be passed upon for the initial purchasers by Latham & Watkins (London) LLP, as to matters of U.S. Federal, New York state and English law.

## **INDEPENDENT AUDITORS AND REPORTING ACCOUNTANTS**

The consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

The consolidated financial information of INEOS Group Holdings plc as of and for the years ended December 31, 2007, 2008 and 2009 included in this offering memorandum has been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

The financial statements of INEOS Finance plc as of and for the period ended December 31, 2010, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

PricewaterhouseCoopers LLP are members of the Institute of Chartered Accountants of England and Wales (“ICAEW”).

## WHERE YOU CAN FIND MORE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act.

Each purchaser of the notes from the initial purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the initial purchasers by us for such purpose, any related amendment or supplement to this offering memorandum. Each person receiving this offering memorandum acknowledges that: (1) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein; (2) such person has not relied on any of the initial purchasers or any person affiliated with any initial purchaser in connection with its investigation of the accuracy of such information or its investment decision; and (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the notes or the guarantees other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or any initial purchaser. We have agreed in the Indenture governing these notes that, for so long as the notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon written request of a holder or beneficial owner of the notes, furnish to such holder or beneficial owner or to the Trustee or any relevant paying agent for delivery to such holder or beneficial owner or prospective purchaser of the notes, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of the notes. Any such request should be directed to the Issuer at INEOS Finance plc, Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom, Attention: Finance Director (telephone number +44 (0)2380 287067).

So long as the notes are admitted to trading on the Euro MTF market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the paying agent in Luxembourg.



## SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer and many of the Guarantors are companies incorporated in England and Wales. Other Guarantors are organized under the laws of Belgium, Canada, England and Wales, France, Germany, Ireland, Jersey, Luxembourg, Malta, Norway, Singapore, Switzerland and the United States, and future Guarantors may also be organized under the laws of non-U.S. jurisdictions. All of our directors and executive officers and many of the directors and officers of the Guarantors are non-residents of the United States. Although we and each of the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers and the directors and executive officers of the Guarantors or security providers. In addition, as many of our and the Guarantors' assets and the assets of our and their directors and executive officers are located outside of the United States, you may be unable to enforce against them or us judgments obtained in the U.S. courts predicated on civil liability provisions of the Federal securities laws of the United States.

If a judgment is obtained in a U.S. court against us or a Guarantor or a security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which our Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

### Belgium

The United States currently does not have a treaty with Belgium providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment rendered by any Federal or state court in the United States, whether or not predicated solely upon U.S. Federal or state securities laws, would not automatically be enforceable in Belgium.

A U.S. judgment is recognized and enforced by the courts of Belgium following a procedure specified in the Belgian Private International Law Code (*Code de droit international privé/Wetboek van internationaal privaatrecht*). The enforcement of the U.S. judgment will be refused if:

- the enforcement is incompatible with the principles of public policy in Belgium or rules of Belgian public law;
- process rights of the defendant are violated;
- the judgment is still subject to further appeal under U.S. law; in that event, the Belgian courts can declare the judgment provisionally enforceable (the court has the ability to request a caution in such event);
- the U.S. court accepted its jurisdiction solely on the basis of presence of the defendant or its assets in the United States, without any direct relation with the dispute;
- the judgment has been obtained only to evade the applicable law in matters in which parties cannot dispose freely of their rights;
- the judgment is incompatible with a Belgian judgment or a prior foreign judgment that can be recognized in Belgium;
- the claim has been introduced in the United States after it has been introduced in Belgium and the claim in Belgium is still pending between the same parties and with the same subject;
- the Belgian courts had exclusive jurisdiction concerning the matter at stake;
- the recognition or enforcement violates articles 39, 57, 72, 95, 115 or 121 of the Belgian Code on Private International Law; or
- the judgment submitted to it is not authentic (if the judgment has been rendered *in absentia*, evidence must be provided that the defendant has been summoned).

A Belgian court will not reconsider the substantive correctness of the U.S. judgment.

With regard to the enforcement of a judgment through legal proceedings in Belgium (including the exequatur of foreign court decisions in Belgium), a registration tax at the rate of 3% of the amount of the judgment is payable by the debtor, if the sum of money which the debtor is ordered to pay by a Belgian court, or by a foreign court judgment that is either (i) automatically enforceable and registered in Belgium or (ii) rendered enforceable by a Belgian court, exceeds €12,500. The registration tax is payable by the debtor. The creditor is jointly liable up to a maximum of one-half of the amount the creditor recovers from the debtor.

It is questionable whether a Belgian court would accept jurisdiction and impose civil liability if proceedings were commenced in Belgium predicated solely upon U.S. Federal securities laws.

## **Canada**

The following summary with respect to the enforceability of certain U.S. court judgments in the Canadian provinces of Alberta, Nova Scotia and Ontario (individually a “Canadian Province” and collectively the “Canadian Provinces”) is based upon advice provided to us by U.S. and Canadian legal advisors. None of the Canadian Provinces currently have a treaty with the United States of America or any state thereof providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in the Canadian Provinces. In order to enforce any such U.S. judgment in any Canadian Province, proceedings must first be initiated before a court of competent jurisdiction in such Canadian Province (a “Canadian Court”). In such an action, the Canadian Court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Canadian Court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to conflicts of laws principles of the relevant Canadian Province;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening public policy of such Canadian Province;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the judgment not being contrary to an order made by the Attorney General of Canada under the *Foreign Extraterritorial Measures Act* (Canada), or the Competition Tribunal under the *Competition Act* (Canada) in respect of certain judgments referred to in these statutes or the Governor in Council under the *United Nations Act* (Canada) or the *Special Economics Measures Act* (Canada);
- the U.S. judgment not having been obtained by fraud or in breach of principles of natural justice as understood under the laws of such Canadian Province;
- there not having been a prior inconsistent decision of a Canadian Court of such Canadian Province in respect of the same matter; and
- the enforcement proceedings being commenced within the applicable limitation period in the Canadian Province in which the proceeding is brought.

Subject to the foregoing, investors may be able to enforce in the Canadian Provinces judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in any of the Canadian Provinces. In addition, it is questionable whether a Canadian Court would accept jurisdiction and impose civil liability if the original action was commenced in any of the Canadian Provinces, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **England**

The following summary with respect to the enforceability of certain U.S. court judgments in England is based upon advice provided to us by U.S. and English legal advisors. The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil

and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court in respect of the same matter; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **France**

Our French counsel has advised us that the United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon U.S. Federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (*i.e., non-ex parte*) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter in accordance with French rules of international conflicts of jurisdiction (*i.e., the dispute is clearly connected to the United States and the French courts did not have exclusive jurisdiction over the matter*);
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French criminal law No. 68-678 of July 26, 1968, as modified by French laws No. 80-538 of July 16, 1980 and No. 200-916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as modified by law No. 2004-801 of August 6, 2004) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

We have been advised by our French counsel that if an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French public policy. In an action brought in France on the basis of U.S. Federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts (article 14) and can be sued by a foreign claimant before French courts (article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts jurisdiction towards French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction which has sufficient contacts with the litigation and the choice of jurisdiction is not fraudulent. In addition, the French national may waive its rights to benefit from the provisions of articles 14 and 15 of the French Civil Code.

## Germany

The following discussion with respect to the enforceability of certain U.S. court judgments in Germany is based upon advice provided to us by German legal advisors.

The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Consequently, a final judgment for a payment rendered by any court in the United States would not automatically be enforceable in Germany.

Notwithstanding the preceding, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would generally be recognized in an action before a German court, and such German court generally will not investigate the merits of the original matter decided by a U.S. court. The recognition of the U.S. judgment by a German court would be conditional upon all of the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles on jurisdictional competence according to German law;
- the document introducing the proceedings was duly made known to the defendant in a timely manner that allowed for adequate defense;
- the judgment is not contrary to (i) any prior judgment which became *res judicata* rendered by a German court or (ii) any prior judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment is not in contradiction to any such prior judgment;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. Federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the

foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be enforceable. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. Federal securities laws.

## **Ireland**

The following summary with respect to the enforceability of certain U.S. court judgments in Ireland is based upon advice provided to us by U.S. and Irish legal advisors. The United States and Ireland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in Ireland. In order to enforce any such U.S. judgment in Ireland, proceedings must first be initiated before a court of competent jurisdiction in Ireland. In such an action, an Irish court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an Irish court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Irish conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening Irish public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been obtained or alleged to have been obtained by fraud or a trick;
- the U.S. judgment and the enforcement thereof was not and would not be contrary to natural or constitutional justice under Irish law;
- there not having been a prior inconsistent decision of an Irish court between the same parties;
- the procedural rules of the U.S. courts and the Irish courts having been observed; and
- the Irish enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in Ireland judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Ireland. In addition, it is questionable whether an Irish court would accept jurisdiction and impose civil liability if the original action was commenced in Ireland, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **Jersey**

The following summary with respect to the enforceability of certain U.S. court judgments in Jersey is based upon advice provided to us by Jersey legal advisors. The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money (although there are circumstances where non-money judgments can also be enforced);
- the U.S. judgment not contravening Jersey public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);
- the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice; and
- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **Luxembourg**

The Issuer has been advised by Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable (*exécutoire*) in the United States;
- the U.S. court awarding the judgment has jurisdiction, both according to its own national jurisdiction rules and to the Luxembourg principles of conflicts of jurisdiction and in particular, Luxembourg courts had no exclusive jurisdiction over the case at hand, to adjudicate the respective matter under applicable U.S. Federal or state jurisdictions rules;
- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts in accordance with Luxembourg conflict of laws rules;
- the U.S. judgment does not contravene Luxembourg international public policy or overriding mandatory provisions of Luxembourg law;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. judgment was granted following proceedings where the defendant had the opportunity to appear and, if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

With regards to the enforcement of a judgment through legal proceedings in Luxembourg (including the *exequatur* of foreign court decisions in Luxembourg), Luxembourg courts as well as a Luxembourg authority ("*autorité*

*constituée*”) may require the prior registration with the *Administration de l’Enregistrement et des Domaines* in Luxembourg of any document if it was to be produced in a Luxembourg court action or presented to a Luxembourg “*autorité constituée*” as the case may be, in which case either a nominal registration duty of €2.00 or an *ad valorem* duty of 0.24% (calculated on the basis of the payment obligation concerned), depending on the nature of the document submitted to registration would become payable. If registration is so required, the Luxembourg courts or the official Luxembourg authority may require that the agreements and/or any judgments obtained in the U.S. Federal or state courts must be translated into French or German.

Subject to the foregoing, investors may be able to enforce in Luxembourg judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Luxembourg. In addition, it is questionable whether a Luxembourg court would accept jurisdiction and impose civil liability if the original action was commenced in Luxembourg instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **Malta**

The United States and Malta currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States would not automatically be recognized or enforceable in Malta.

Notwithstanding the above, Article 826 of the Code of Organization and Civil Procedure (Chapter 12 of the Laws of Malta) (the “Code of Organization and Civil Procedure”) provides that any judgment delivered by a competent court outside Malta and constituting a *res judicata* may be enforced by the competent court in Malta, in the same manner as judgments delivered in Malta, upon an application containing a demand that the enforcement of such judgment be ordered. Article 826 shall not have effect in each of the following instances:

- if the judgment sought to be enforced may be set aside on any of the grounds of retrial mentioned in Article 811 of the Code of Organization and Civil Procedure;
- in the case of a judgment by default, if the parties were not contumacious according to foreign law; and
- if the judgment contains any disposition contrary to public policy or to the internal public law of Malta.

## **Norway**

A judgment against the Issuer or any Guarantor in the courts of a state which is not, under the terms of the Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters, a Contracting State (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, would not be recognized or enforceable in Norway as a matter of right unless the jurisdiction of such court has been specifically agreed between the parties in a civil matter in accordance with the Norwegian Civil Procedure Act section 19-16 cfr. section 4-6 or the recognition and enforcement of such judgments is otherwise accepted under Norwegian law. However, such judgments may be admissible as evidence in the courts of law, executive or other public authorities of Norway and may in such capacity carry persuasive authority depending on the merits of the judgment without a retrial on its merits. The foregoing could imply, *inter alia*, that judgments by U.S. courts would not be recognized or enforceable in Norway as a matter of right. A judgment against an Issuer or any Guarantor in the courts of a state which is, under the terms of the Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters, a Contracting State (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, and judgments rendered by a court whose jurisdiction have been expressly agreed to and accepted by the party, in writing and in a particular civil matter, in accordance with the Norwegian Civil Procedure Act, and such judgments for which the recognition and enforcement is otherwise accepted under Norwegian law, would be recognized and enforceable in Norway, but only insofar as such recognition and enforcement would not be in breach of mandatory law or contrary to public policy in Norway.

## **Scotland**

The following summary with respect to the enforceability of certain U.S. court judgments in Scotland is based upon advice provided to us by U.S. and Scottish legal advisors. The United States and Scotland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in Scotland. In order to enforce any such U.S. judgment in Scotland, proceedings must first be initiated before a court of competent jurisdiction in Scotland. In such an action, a Scottish court

would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Scottish court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Scottish conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening Scottish public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud;
- the U.S. judgment resulted from proceedings which displayed a substantial degree of unfairness or irregularity against the parties to the action;
- there not having been a prior inconsistent decision of a Scottish court between the same parties; and
- the U.S. judgment is affected by Section 32 of the Civil Jurisdiction and Judgments Act 1982 where (1) the bringing of the proceedings was contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in the courts of that country, (2) those proceedings were not brought in that court by or with the agreement of the person against whom the judgment was given and (3) that person did not counterclaim in the proceedings or otherwise submit to the jurisdiction of the court.

Subject to the foregoing, investors may be able to enforce in Scottish judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Scotland. In addition, it is questionable whether a Scottish court would accept jurisdiction and impose civil liability if the original action was commenced in Scotland, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **Singapore**

A final and conclusive judgment on the merits properly obtained against (as the case may be) us or a Guarantor or a security provider in any competent court of the United States of America for a fixed sum of money in respect of any legal suit or proceeding and which could be enforced by execution against (as the case may be) us or a Guarantor or a security provider in the jurisdiction of the relevant court and has not been stayed or satisfied in whole may be sued on in Singapore as a debt due from (as the case may be) us or a Guarantor or a security provider if:

- the relevant court had jurisdiction over (as the case may be) us or a Guarantor or a security provider in that (as the case may be) us or a Guarantor or a security provider was, at the time such proceeding was instituted, resident in the jurisdiction in which such proceeding had been commenced or had submitted to the jurisdiction of the relevant court;
- that judgment was not obtained by fraud;
- the enforcement of that judgment would not be contrary to public policy of Singapore;
- that the judgment had not been obtained in contravention of the principles of natural justice; and
- that the judgment of the relevant court does not include the payment of taxes, a fine or penalty.



## Switzerland

Our Swiss counsel has advised us that a United States judgment may be recognized and enforced upon request by the courts of Switzerland if certain requirements of the Swiss Federal Act on Private International Law are met, in particular, that:

- the foreign court had jurisdiction;
- the judgment of such foreign court has become final and non-appealable;
- the recognition of the foreign judgment is not manifestly contrary to the public policy or the law in Switzerland;
- the counterparty has been properly served with process according to the law of the state of his/her/its domicile or ordinary residence (if in Switzerland, through judicial aid granted by the Swiss authorities) or the counterparty has unconditionally joined the proceedings;
- the proceedings leading to the judgment have respected the principles of a fair trial (as understood in Switzerland) and, in particular, that the counterparty has been granted the right to be heard and the possibility to properly defend his/her/its case; and
- no action between the same parties and on the same subject matter has been commenced or decided first in Swiss court and no judgment between the same parties and on the same subject matter has been first rendered by a foreign court, which judgment may be recognized in Switzerland.

Subject to the foregoing, purchasers of the notes may be able to enforce in Switzerland judgments in civil and commercial matters obtained from United States Federal or state courts; however, we cannot assure you that those judgments will be enforceable. It is doubtful whether a Swiss court would accept jurisdiction and impose civil liability if proceedings were commenced in Switzerland predicated solely upon United States Federal or state securities laws. In addition, in an action brought in a Swiss court on the basis of United States Federal or state securities laws, the Swiss courts may not have the requisite power to grant the remedies sought. Awards of punitive damages awarded in original actions outside Switzerland may also not be enforceable in Switzerland.

## LISTING AND GENERAL INFORMATION

1. The Issuer was incorporated in England and Wales on November 23, 2009. It is registered at Companies House with Company Number 07084307. The address of the Issuer's registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.
2. Application has been made for the notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange's Euro MTF Market.
3. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, copies of the Issuer's Articles of Association and those of the Guarantors and the Indenture (including the guarantees granted thereunder) will be available free of charge at the specified office of the Paying Agent in Luxembourg referred to in paragraph 9 below. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, copies of the Issuer's audited annual financial information and IGH's audited annual financial information and the consolidated audited annual financial information, consolidated quarterly financial information and all subsequent fiscal years will be available free of charge during normal business hours on any weekday at the offices of such Paying Agent in Luxembourg referred to in paragraph 9 below. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, copies of the security documents will be available free of charge during normal business hours on any weekday at the offices of the Paying Agent in Luxembourg referred to in paragraph 9 below.
4. We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.
5. The proceeds will be used at all times while any notes are outstanding outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.
6. Except as disclosed herein, there has been no material adverse change in IGH's consolidated financial position since the date of the last quarterly consolidated financial statements dated as of September 30, 2011.
7. Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the notes, except as disclosed herein.
8. The Trustee for the notes is The Bank of New York Mellon and its address is One Canada Square, London E14 5AL. The Trustee will be acting in its capacity as trustee for the holders of the notes and will provide such services to the holders of the notes as described in the Indenture.
9. We have appointed The Bank of New York Mellon (Luxembourg) S.A. as our Luxembourg Listing Agent, Paying Agent and Transfer Agent. We reserve the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). The Paying Agent in Luxembourg will act as intermediary between the holders of the notes and us and so long as the notes are listed on the Euro MTF Market we will maintain paying agents and transfer agents in Luxembourg.
10. The issue of the notes was authorized by resolutions of the Issuer's board of directors passed at meetings held on January 26, 2012. The guarantees of the Initial Guarantors located in the United States were authorized by resolutions of the respective board of directors of such Guarantors passed at meetings held on January 24, 2012, and the guarantees of the Initial Guarantors located outside the United States were authorized by resolutions of the respective boards of directors and/or shareholders of such Guarantors passed on or about January 26, 2012.
11. The Euro Floating Rate Global Notes sold pursuant to Regulation S and Rule 144A under the Securities Act have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 074413293 and 074413307, respectively. The ISIN number for the Euro Floating Rate Global Notes sold pursuant to Regulation S is XS0744132936 and the ISIN number for the Euro Floating Rate Global Notes sold pursuant to Rule 144A is XS0744133074.

The Dollar Fixed Rate Global Notes sold pursuant to Regulation S and Rule 144A under the Securities Act have been accepted for clearance through the facilities of DTC, Euroclear and Clearstream. The ISIN number for the Dollar

Fixed Rate Global Notes sold pursuant to Regulation S is USG47965AB78 and the ISIN number for the Dollar Fixed Rate Global Notes sold pursuant to Rule 144A is US44984WAC10. The common code for the Dollar Fixed Rate Global Notes sold pursuant to Regulation S is 063343846 and the common code for the Dollar Fixed Rate Global Notes sold pursuant to Rule 144A is 063344087. The CUSIP number for the Dollar Fixed Rate Global Notes sold pursuant to Regulation S is G47965AB7 and the CUSIP number for the Dollar Fixed Rate Global Notes sold pursuant to Rule 144A is 4498WAC1.

12. Set forth below is certain information with respect to the Initial Guarantors.

INEOS Manufacturing Belgium NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Antwerpen under Company Number 0869.926.088 and the address of its registered office is Scheldelaan 482, 2040 Antwerpen (Belgium).

INEOS NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Antwerpen under Company Number 0454.443.614 and the address of its registered office is Haven 1053—Nieuwe Weg 1, 2070 Zwijndrecht (Belgium).

INEOS Phenol Belgium NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Dendermonde under Company Number 0888.947.788 and the address of its registered office is Haven 1930—Geslecht 1, 9130 Beveren (Belgium).

INEOS Polymers Sarralbe SAS is a limited liability company (*société par actions simplifiée*) formed under the laws of France. Its registered office is at Avenue de la Bienfaisance, 13117 Lavéra, France.

INEOS Chemicals Lavéra SAS is a limited liability company (*société par actions simplifiée*) formed under the laws of France. Its registered office is at Avenue de la Bienfaisance Martigues, 13117 Lavéra, France.

INEOS Group Holdings Limited (formerly INEOS Group Holdings plc) is a limited company organized under the laws of England and Wales incorporated on May 14, 2001. It is registered at Companies House with Company Number 04215862 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Holdings Limited is a limited company organized under the laws of England and Wales incorporated on May 14, 2001. It is registered at Companies House with Company Number 04215887 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Tenderco Limited is a limited company organized under the laws of England and Wales incorporated on March 10, 2010. It is registered at Companies House with Company Number 07185465 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Chemicals Grangemouth Limited is a limited company organized under the laws of England and Wales incorporated on August 5, 2009. It is registered at Companies House with Company Number 06981897 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Commercial Services UK Limited is a limited company organized under the laws of England and Wales incorporated on November 19, 2010. It is registered at Companies House with Company Number 07445497 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Group Limited is a limited company organized under the laws of England and Wales incorporated on March 19, 1998. It is registered at Companies House with Company Number 03534631 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Holdings (Investments) Limited is a limited company organized under the laws of England and Wales incorporated on January 18, 2011. It is registered at Companies House with Company Number 07497205 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Limited is a limited company organized under the laws of England and Wales incorporated on April 25, 2008. It is registered at Companies House with Company Number 06576859 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Investments International Limited is a limited company organized under the laws of England and Wales incorporated on March 2, 2000. It is registered at Companies House with Company Number 03938607 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS UK Holdings 1 is a private unlimited company organized under the laws of Ireland registered on December 13, 2006. It is registered with the Companies Registration Office under Company Number 431558 and the address of its registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

INEOS UK Holdings 2 is a private unlimited company organized under the laws of Ireland registered on December 13, 2006. It is registered with the Companies Registration Office under Company Number 431571 and the address of its registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

INEOS Manufacturing Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on July 5, 2002. It is presently registered with the Commercial Register of local court of Köln Number HRB 57260 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Phenol GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on April 23, 1997, originally in the legal form of a limited partnership under the name of Phenolchemie GmbH & Co. Kommanditgesellschaft. It is presently registered with the Commercial Register of local court of Gelsenkirchen Number HRB 9687 and the address of its registered office is Dechenstraße 3, 45966 Gladbeck.

INEOS Partners is a general partnership formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS US Holding Company II LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Delaware II LLC is a limited liability company incorporated under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Delaware LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Holding Company LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Intermediate Investment Company is a corporation incorporated under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS US Intermediate Holding Company LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Fluor Americas LLC is a limited liability company formed under the laws of Louisiana. Its registered office is at 8550 United Plaza Blvd., Baton Rouge, LA 70809, United States.

INEOS Americas LLC is a limited liability company formed under the laws of Alabama. Its registered office is at 5 Dauphin Street, Suite 201, Mobile, AL 36602, United States.

INEOS US Finance LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS USA LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Group Holdings S.A., is a "société anonyme" incorporated under the laws of Luxembourg having its registered office at 58, rue Charles Murtel L-2134, Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number 157810.

INEOS Luxembourg I S.A. is a “société anonyme” incorporated under the laws of Luxembourg having its registered office at 58, rue Charles Martel L-2134 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B158195.

INEOS Luxembourg II S.A. is a “société anonyme” incorporated under the laws of Luxembourg having its registered office at 58, rue Charles Martel L-2134 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B158194.

INEOS Europe AG is a limited company incorporated and existing under the laws of Switzerland, with its registered office at 3 avenue des Uttins, 1180 Rolle Switzerland, registered under number CH-550-1083017-7

INEOS Group AG is a limited company incorporated and existing under the laws of Switzerland, with its registered office at 3 avenue des Uttins, 1180 Rolle Switzerland, registered under number CH-550-1083014-7

13. Set forth below is certain information with respect to the Additional Guarantors. For more information, see “Description of the Collateral and the Guarantees.”

INEOS Belgium Holdco NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Brussels under Company Number 0871.523.521 and the address of its registered office is Ransbeekstraat 310, 1120 Neder-over-Heembeek (Belgium).

INEOS Belgium NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Antwerpen under Company Number 0463.251.511 and the address of its registered office is Haven 1053—Nieuwe Weg 1, 2070 Zwijndrecht (Belgium).

INEOS Feluy SPRL is a private limited company organized under the laws of Belgium. It is registered with the RPR of Charleroi under Company Number 0862.492.029 and the address of its registered office is Parc de Feluy Nord-Zone C, 7181 FELUY (Belgium).

INEOS Canada Company is an unlimited liability company organized under the laws of Nova Scotia, Canada registered on June 1, 2005. It is registered under the Companies Act (Nova Scotia) under Corporation Number 3101804 and the address of its registered office is 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 3N2.

INEOS Canada Investment Company is an unlimited liability company organized under the laws of Nova Scotia, Canada registered on November 29, 2005. It is registered under the Company Act (Nova Scotia) under Corporation Number 3119614 and the address of its registered office is 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 3N2.

INEOS Canada Partnership is a partnership organized under the laws of the Province of Alberta, Canada registered on January 29, 2004. It is registered under the Partnership Act (Alberta) under registration number PT10888030 and the address of the registered office of its partners is Suite 900, 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2.

INEOS Canada Preferred Holdings Limited is a limited company organized under the laws of Nova Scotia, Canada registered on July 17, 2008. It is registered under the Companies Act (Nova Scotia) under Corporation Number 3229777 and the address of its registered office is 1100-1959 Upper Water Street, Halifax, Nova Scotia B3J 3E5.

INEOS European Holdings Limited is a limited company organized under the laws of England and Wales incorporated on December 10, 2004. It is registered at Companies House with Company Number 05310700 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Fluor Holdings Limited is a limited company organized under the laws of England and Wales incorporated on August 9, 2000. It is registered at Companies House with Company Number 04049690 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Fluor Limited is a limited company organized under the laws of England and Wales incorporated on July 26, 2000. It is registered at Companies House with Company Number 04041123 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Holdings International Limited (formerly INEOS Investment Holdings (Fluor & Silicas) Limited) is a limited company organized under the laws of England and Wales incorporated on April 27, 2000. It is registered at

Companies House with Company Number 03982231 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS (Malta) Company is an unlimited Company organized under the laws of England and Wales incorporated on June 26, 2008. It is registered at Companies House with Company Number 06631578 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Manufacturing (Hull) Limited is a limited company organized under the laws of England and Wales incorporated on January 22, 2008. It is registered at Companies House with Company Number 06480046 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Nitriles (UK) Limited is a limited company organized under the laws of England and Wales incorporated on May 4, 2007. It is registered at Companies House with Company Number 06238238 and the address of its registered office is PO BOX 62, Seal Sands, Middlesbrough TS2 1TX, United Kingdom.

INEOS Overseas Company I Limited is a limited company organized under the laws of England and Wales incorporated on October 13, 2000. It is registered at Companies House with Company Number 04092648 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Overseas Company II Limited is a limited company organized under the laws of England and Wales incorporated on October 13, 2000. It is registered at Companies House with Company Number 04092597 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Oxide Limited is a limited company organized under the laws of England and Wales incorporated on April 6, 1998. It is registered at Companies House with Company Number 03545207 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Investment Holdings (Germany) Limited (formerly INEOS Phenol Limited) is a limited company organized under the laws of England and Wales incorporated on December 11, 2000. It is registered at Companies House with Company Number 04122347 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Silicas Holdings Limited is a limited company organized under the laws of England and Wales incorporated on June 12, 2000. It is registered at Companies House with Company Number 04012355 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Silicas Limited is a limited company organized under the laws of England and Wales incorporated on July 11, 1896. It is registered at Companies House with Company Number 00048745 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on May 9, 2005. It is presently registered with the Commercial Register of local court of Köln Number HRB 61258 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Deutschland Holding GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on June 6, 2008. It is presently registered with the Commercial Register of local court of Köln Number HRB 64857 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Köln Beteiligungs GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany registered for the first time on February 1, 2007. It is registered with the Commercial Register of local court of Köln Number HRA 24630 and the address of its office is Alte Straße 201, 50769 Köln.

INEOS Köln GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on December 1, 1998, originally under the name of "CAROLINE" Siebzehnte Vermögensverwaltungsgesellschaft mbH. It is presently registered with the Commercial Register of local court of Köln Number HRB 37428 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Köln Verwaltungs GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on November 16, 2006. It is presently registered with

the Commercial Register of local court of Köln Number HRB 59517 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Phenol Verwaltungsgesellschaft mbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on December 13, 1996, originally under the name of Phenolchemie Verwaltungsgesellschaft mit beschränkter Haftung. It is presently registered with the Commercial Register of local court of Gelsenkirchen Number HRB 4099 and the address of its registered office is Dechenstraße 3, 45966 Gladbeck.

INEOS Jersey Limited is a private limited liability company organized under the laws of Jersey incorporated on November 8, 2005. It is registered at the JFSC Companies Registry with Company Number 91677 and the address of its registered office is Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands.

INEOS Financing (Malta) Limited is a private limited liability company organized under the laws of Malta incorporated on August 20, 2007. It is registered at the Registry of Companies with Company Number C42138 and the address of its registered office is 171, Old Bakery Street, Valletta, VLT 1455, Malta.

INEOS Holdings (Malta) Limited is a private limited liability company organized under the laws of Malta incorporated on August 20, 2007. It is registered at the Registry of Companies with Company Number C42141 and the address of its registered office is 171, Old Bakery Street, Valletta, VLT 1455, Malta.

INEOS Holdings Norge AS is a private limited liability company organized under the laws of Norway registered on April 28, 2007. It is registered with the Norwegian Register of Business Enterprises (*Foretaksregisteret*) with Company Number 991192328 and the address of its registered office is Asdalstrand 291, 3960 Stathelle, Norway.

INEOS Singapore Pte. Ltd. is a private limited liability company organized under the laws of Singapore incorporated on 20th January 2005. It is incorporated with the Accounting and Corporate Regulatory Authority in Singapore with Registration Number 200501012G and the address of its registered office is 435 Orchard Road, #19-04 Wisma Atria, Singapore 238877.

INEOS LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Polypropylene LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

14. The Guarantors represent 94.8% of the Parent's pro forma consolidated EBITDA for the twelve months ended September 30, 2011 after giving pro forma effect to the Refining Divestiture and the Offering, and hold 89.2% of the Parent's consolidated total assets as of September 30, 2011.

15. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, all notices concerning the Company and intended for the bondholders will be published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu).

## GLOSSARY OF SELECTED TERMS

Term	Definition
Acetone .....	Byproduct of the production of phenol. Is used in the production of methylmethacrylate, polymethylmethacrylate, acrylate and Bisphenol A and acetone-based solvents.
Acetonitrile .....	Co-produced in the manufacture of acrylonitrile and is largely used in solvents.
Acrylic acid.....	Produced from propylene and used in manufacturing absorbent polymers, coatings and adhesives/sealants.
Acrylonitrile.....	A commodity used in a wide variety of consumer applications. Used in the production of acrylic fiber, acrylonitrile butadiene styrene and styrene acrylonitrile. Is manufactured from propylene, ammonia and air with the use of a catalyst.
Acrylonitrile-butadiene styrene (ABS).....	A tough thermoplastic that has a variety of consumer appliance and automotive component uses. Made from acrylonitrile, butadiene and styrene.
Additive .....	An ingredient added to a chemical reaction, usually in polymerization reactions, to impart additional performance properties on the resulting product.
Alpha olefins (AO).....	See "Linear alpha olefins" and "Poly alpha olefins."
Ammonia .....	Used in the manufacture of acrylonitrile, although its largest end use is in the manufacture of fertilizers. Made from nitrogen and hydrogen with the use of a catalyst.
Aromatics.....	Hydrocarbons that are in a ring formation instead of a linear formation. The major products comprising this group are: benzene, toluene, mixed xylenes, ortho-xylene and para-xylene.
Barrel or bbl.....	Barrel of crude oil, 159 liters by volume.
Benzene.....	A building block for styrene and is also used to make cumene and nylon. Mainly produced from refinery processes or as a co-product of steam cracker operations.
Bisphenol A .....	An intermediate product produced from acetone and phenol used to produce polycarbonate and epoxy-resins.
BTX Extraction .....	The separation of benzene, toluene and xylenes by fractionation.
Butadiene .....	A gas, one of the co-products of the steam cracking process and is used primarily in the production of polymers, principally synthetic rubbers, such as styrene butadiene rubber, which is used to manufacture tires and other rubber products.
Catalyst .....	An ingredient added to facilitate a chemical reaction, but which does not itself get consumed during the reaction process.
Comonomer .....	An additional monomer used in a polymerization reaction to offer additional properties to a polymer.
Copolymer .....	A polymer created by the polymerization of one or more additional monomers (comonomers) to offer additional properties to the resulting polymer.
Cracker.....	See "Olefins cracker."
Cracking.....	The conversion of large hydrocarbon molecules into smaller ones. Carried out either at high temperatures (thermal cracking), or with the aid of a catalyst and high pressure (catalytic cracking and hydrocracking). The cracking process enables greater quantities of saturated hydrocarbons suitable for gasoline and other light hydrocarbon fractions to be recovered from crude oil.
Cumene .....	Produced from benzene and propylene and is used as a feedstock for producing phenol/acetone, which have a large number of uses in the manufacture of plastics and resins.
Ethanolamine .....	An ethylene oxide derivative. Major applications are herbicides, surfactants (used in personal care products and detergent formulations), cement additives, textile chemicals and pigments.
Ethylbenzene .....	An intermediate made from benzene and ethylene and used to make styrene. Virtually all worldwide ethylbenzene production is consumed in the manufacture of styrene.
Ethylene .....	A flammable gas obtained in a process called steam cracking. Itself has no consumer applications, but is the basic feedstock for a large number of industrial uses, including the manufacture of polyethylene. Is a key building block for polyethylene, polystyrene, ethylene oxide and other derivatives.
Ethylene glycol (EG).....	An industrial chemical, primarily used in the manufacture of polyesters and antifreeze/coolants. Produced from ethylene oxide.



Ethylene oxide (EO) .....	A commodity monomer used as a building block for the manufacture of a wide range of products and intermediates in the chemical industry. Mainly used to produce ethylene glycol and industrial detergents. The products derived from ethylene oxide have many familiar applications and coolants for auto engines, polyester fibers and film. Manufactured from ethylene and oxygen.
Ethylene propylene diene monomer .	Made from a combination of ethylene, propylene and another monomer containing two double bonds. Key end use applications after further processing and reaction, are for roofing materials and automotive seals.
Ethylidene norbornene (ENB) monomer .....	Made by reacting butadiene with dicyclopentadiene and is used as a termonomer in ethylene propylene diene monomer rubber.
Feedstocks .....	Crude oil and other hydrocarbons used as basic materials in a refining or manufacturing process.
Forties blend .....	Means the blend of crude oil supplied to Cruden Bay, Aberdeenshire, via the Forties Pipeline System.
Forties Pipeline System.....	The pipeline that carries crude oil from a variety of oil fields in the North Sea to the mainland.
Fractionator.....	Splits gas into its components ethane, propane, butane and other natural gas liquids.
Gas .....	Includes methane, ethane, butane and propane.
Glycol ethers.....	Used as solvents in paints, inks and cleaning fluids and are derivatives of ethylene oxide.
High-density polyethylene .....	A type of polyethylene and is a relatively tough thermoplastic. Most common household use is container plastics. Also commonly used for molding, pipe and thin film applications.
Homopolymers .....	Polymers that are created by the polymerization of a single monomer.
Hydrocarbons.....	All compounds that consist of hydrogen and carbon. These include crude oil, natural gas, gas, olefins and their derivatives.
Hydrogen cyanide.....	Manufactured as a co-product of acrylonitrile. Is an extremely hazardous gas used mainly to produce polymers, coatings and nylon, and for chemicals used in gold extraction.
hta.....	Kilotonnes per annum.
Kinneil Gas (KG) cracker .....	The gas cracker at our Grangemouth site using mainly ethane and propane as its raw materials.
Linear alpha olefins (LAO) .....	Hydrocarbons in a straight chain formation which have physical characteristics and commercial uses that vary according to the length of the hydrocarbon chain. Are co-monomers for certain types of polyethylene. They also have applications as surfactant intermediates, base oil for synthetic lubricants and drilling fluids. They are made from ethylene.
Linear low-density polyethylene.....	A type of polyethylene and has basic properties similar to low-density polyethylene. Low-density polyethylene and linear low-density polyethylene are to a certain extent substitutes. The most significant end use for linear low-density polyethylene is film.
Liquefied petroleum gas (LPG) .....	A mixture of gases, usually propane and butane, used as fuel in heating appliances and vehicles and also as a petrochemical feedstock.
Low-density polyethylene (LDPE) ...	The first type of polyethylene invented. Its most common household use is in plastic bags.
Methylmethacrylate.....	Produced from acetone and is used to manufacture polymethylmethacrylate resins.
Monomer.....	Feedstock material for the manufacture of polymers and derivative products.
Mothballed.....	Describes a facility that is not used for production but is maintained so that production may be resumed quickly.
Naphtha.....	A refinery product that is used as a gasoline component, but also serves as feedstock for petrochemical plants.
Natural gas liquids.....	Generally comprise a mixture of ethane, propane, butanes and smaller amounts of other lighter hydrocarbons.
Nitriles .....	Used to describe acrylonitrile, its co-products and other products produced from ammonia feedstock.
NPS .....	The NATO pipeline system (NPS) is 11,500 km of pipeline linking 13 NATO countries to enable delivery of fuel and lubricants to military storage locations.
Olefins.....	Including ethylene and propylene, are the key building blocks of the petrochemical industry and produce a large range of derivative products.
Olefins cracker.....	Breaks down naphtha or other gas feedstocks into olefins, principally ethylene and propylene.

Organoleptic products .....	Impart no taste or odor to the contents of the container and include caps and closures made from polyethylene.
Oxo-alcohols.....	A feedstock for intermediates which are used in many soft plastic products and solvent applications. They are largely produced from propylene feedstock.
Ppm .....	Parts per million.
Phenol .....	Produced from cumene, and is used in the production of Bisphenol A, as well as phenolic resins and caprolactam.
Poly alpha olefins (PAO) .....	Made by polymerizing, or merging, several linear alpha olefins together and are used in a large number of automotive and industrial applications (mainly as synthetic lubricants).
Polycarbonate .....	An engineering thermoplastic polymer which, due to its superior optical qualities, structural strength and weight, has a wide range of uses, including CDs and DVDs, optic-fibers, optical lenses, structural parts in cars and trucks and housings for electrical household appliances and office equipment.
Polyethylene .....	The world's most used thermoplastic (including high-density polyethylene, low-density polyethylene and linear low-density polyethylene). Manufactured by the polymerization of ethylene and co-monomers. Used primarily to produce films for packaging, agricultural applications, molded products, pipes and coatings.
Polyethylene terephthalate (PET) .....	Made by the combination of ethylene glycol and terephthalic acid. Typical end uses include films for packaging and fibers.
Polyisobutylene .....	A synthetic polymer available in a wide variety of viscosities for use in a broad range of industrial applications, including lubricants, sealants, cling film, cables and adhesives.
Polymer.....	A chemical compound usually made up of a large number of identical components linked together into long molecular chains.
Polymethylmethacrylate resins .....	Used in a wide range of architectural and industrial applications, ranging from point of sale retail displays to glazing and decorative light panels, and compounds for molding and extrusion.
Polypropylene.....	The world's second most widely used thermoplastic after polyethylene. It is manufactured by the polymerization of propylene. It is used mainly for molding, filaments, fibers and films and is the most significant thermoplastic material used in molded containers and automotive applications.
Polyvinyl chloride (PVC).....	The world's third most widely used thermoplastic after polyethylene and polypropylene. It is produced by the polymerization of the vinyl chloride monomer. It is used mainly in the construction industry in the form of pipes and insulation on electric cables.
Propane .....	A gaseous hydrocarbon in its natural state but can be easily liquefied. Its major end uses are as a fuel and as a feedstock for petrochemicals.
Propylene .....	A flammable gas which is largely derived either as a co-product of the refinery fluid catalytic cracker process used to make gasoline or as a co-product of the steam cracking process used to make ethylene. Has virtually no independent end use, but is an important input for a significant number of industrial products, and is the main feedstock used to make polypropylene and acrylonitrile.
Propylene glycols .....	An industrial chemical, mainly used to produce polyester, paints and coatings, airplane de-icers, antifreeze and industrial coolants, made from propylene oxide.
Propylene oxide .....	Used in manufacture of polyurethane foams and to make propylene glycols. Primarily made from propylene feedstock.
Pygas.....	A by-product of olefins production from steam crackers and is used by refineries as a liquid gasoline blending component.
Solvents.....	Used to dissolve solids and keep them in liquid form.
SPMR pipeline.....	The Société du Pipeline Méditerranée Rhône pipeline system in France.
SPSE pipeline .....	La Société du Pipeline Sud-Européen: south European pipeline system connecting refineries and petrochemicals facilities along the route from Fos to Karlsruhe.
Spot market.....	A term used to describe the international trade in one-off cargoes or shipments of commodities, such as crude oil, in which prices closely follow demand and availability.
Synthetic ethanol .....	A solvent used in personal care products, inks, household chemicals and industrial applications, as well as in the manufacture of other chemical products.
Thermoplastic .....	A plastic which softens when heated and hardens again when cooled. Includes polyethylene, polypropylene and polystyrene.

Turnaround ..... Temporary shutdown of a refinery or petrochemical production facility for required maintenance. Can be scheduled (planned, routine maintenance, inspections and tests to comply with industry regulations) or unscheduled (in response to an unexpected outage or plant failure).

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## **AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS GROUP HOLDINGS PLC**

We have audited the Group financial statements of Ineos Group Holdings plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

**Other matter**

We have reported separately on the parent company financial statements of Ineos Group Holdings plc for the year ended 31 December 2010.

A handwritten signature in black ink, appearing to be 'SD' or similar initials, written in a cursive style.

Steve Denison (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
31 March 2011

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010	2009	2008
			€m	
<b>Revenue</b> .....	2	<b>22,912.7</b>	<b>18,077.3</b>	<b>29,073.3</b>
Cost of sales before exceptional items .....		(21,327.1)	(16,707.9)	(28,140.8)
Exceptional cost of sales .....	5	—	—	(130.3)
Total cost of sales .....		(21,327.1)	(16,707.9)	(28,271.1)
<b>Gross profit</b> .....		<b>1,585.6</b>	<b>1,369.4</b>	<b>802.2</b>
Distribution costs .....		(267.1)	(425.5)	(543.7)
Administrative expenses before exceptional items .....		(267.6)	(361.5)	(403.9)
Exceptional administrative expenses .....	5	(12.1)	(41.9)	(80.7)
Exceptional administrative gain .....	5	—	—	29.0
Total administrative expenses .....		(279.7)	(403.4)	(455.6)
Total expenses .....		(546.8)	(828.9)	(999.3)
<b>Operating profit/(loss)</b> .....	6	<b>1,038.8</b>	<b>540.5</b>	<b>(197.1)</b>
Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method, before exceptional items .....		12.9	23.7	(53.3)
Share of exceptional loss of associates and jointly controlled entities using the equity accounting method .....	5	—	—	(4.5)
Total share of profit/(loss) of associates and jointly controlled entities using the equity accounting method .....		12.9	23.7	(57.8)
(Loss)/profit on disposal of businesses .....	3	(74.7)	(276.5)	143.0
<b>Profit/(loss) before net finance costs</b> .....		<b>977.0</b>	<b>287.7</b>	<b>(111.9)</b>
Finance income before exceptional items .....	9	80.9	95.1	173.9
Exceptional finance income .....	5	—	89.0	—
Total finance income .....	9	80.9	184.1	173.9
Finance costs before exceptional item .....	9	(901.3)	(863.8)	(946.2)
Exceptional finance cost .....	5	—	(209.2)	—
Total finance costs .....	9	(901.3)	(1,073.0)	(946.2)
Net finance costs .....	9	(820.4)	(888.9)	(772.3)
<b>Profit/(loss) before tax</b> .....		<b>156.6</b>	<b>(601.2)</b>	<b>(884.2)</b>
Tax (charge)/credit .....	10	(213.1)	(13.9)	311.6
<b>Loss for the year</b> .....		<b>(56.5)</b>	<b>(615.1)</b>	<b>(572.6)</b>
<b>Attributable to:</b>				
Owners of the parent .....		(56.5)	(617.3)	(572.3)
Minority interest .....		—	2.2	(0.3)
<b>Loss for the year</b> .....		<b>(56.5)</b>	<b>(615.1)</b>	<b>(572.6)</b>

All amounts relate to continuing operations.

The notes on the following pages are an integral part of this consolidated financial information.

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>Note</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
			€m	
<b>Loss for the year</b> .....		<b>(56.5)</b>	<b>(615.1)</b>	<b>(572.6)</b>
<b>Other comprehensive income:</b>				
Foreign exchange translation differences net of tax.....		281.5	56.8	(184.1)
Foreign exchange differences recycled on disposal of subsidiaries net of tax .....	3	45.5	(25.0)	13.5
Changes in the fair value of assets classified as available for sale net of tax..		—	22.9	—
Net (loss)/gain on hedge of net investment in foreign operations net of tax...	26.e	(73.8)	13.9	(40.0)
Net change in fair value of cash flow hedges net of tax .....		—	—	76.3
Cash flow hedge recycled from hedging reserve net of tax .....		—	(76.3)	—
Actuarial gains and losses on defined benefit pension schemes net of tax.....	22	(63.1)	(2.1)	(241.5)
<b>Other comprehensive income for the year net of tax</b> .....		<b>190.1</b>	<b>(9.8)</b>	<b>(375.8)</b>
<b>Total comprehensive income for the year</b> .....		<b>133.6</b>	<b>(624.9)</b>	<b>(948.4)</b>
<b>Total comprehensive income for the year is attributable to:</b>				
Owners of the parent .....		133.6	(624.2)	(946.0)
Minority interest .....		—	(0.7)	(2.4)
		<b>133.6</b>	<b>(624.9)</b>	<b>(948.4)</b>

The notes on the following pages are an integral part of this consolidated financial information.



# **CONSOLIDATED BALANCE SHEET**

**AS AT 31 DECEMBER 2010**

	Note	2010	2009	2008
		€m		
<b>Non-current assets</b>				
Property, plant and equipment .....	11	4,402.3	5,093.2	5,440.6
Intangible assets .....	12	993.8	949.6	1,046.6
Investments in equity-accounted investees .....	13.a	105.6	109.6	115.5
Other investments.....	14	152.2	129.7	123.5
Other financial assets .....	15	90.1	82.2	49.0
Other receivables.....	19	73.3	168.9	168.2
Deferred tax assets .....	17	522.3	458.9	437.8
		<u>6,339.6</u>	<u>6,992.1</u>	<u>7,381.2</u>
<b>Current assets</b>				
Inventories .....	18	2,254.9	1,544.7	1,593.6
Trade and other receivables .....	19	2,356.6	1,918.0	1,991.9
Other financial assets .....	15	8.2	2.9	159.4
Cash and cash equivalents .....	29	599.2	662.1	651.8
		<u>5,218.9</u>	<u>4,127.7</u>	<u>4,396.7</u>
<b>Total assets .....</b>		<b><u>11,558.5</u></b>	<b><u>11,119.8</u></b>	<b><u>11,777.9</u></b>
<b>Equity attributable to owners of the parent</b>				
Share capital .....	24	17.7	17.7	17.7
Share premium .....		51.1	51.1	51.1
Other reserves.....		(410.3)	(600.2)	(593.3)
Retained earnings.....		(95.2)	(38.7)	578.6
<b>Total shareholders' (deficit)/funds .....</b>		<b><u>(436.7)</u></b>	<b><u>(570.1)</u></b>	<b><u>54.1</u></b>
Minority interest.....		—	12.9	17.7
<b>Total equity .....</b>		<b><u>(436.7)</u></b>	<b><u>(557.2)</u></b>	<b><u>71.8</u></b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings .....	20	6,954.9	6,910.0	7,333.8
Trade and other payables .....	21	91.2	78.2	102.6
Employee benefits .....	22	687.2	824.1	782.1
Provisions .....	23	46.5	55.4	163.4
Deferred tax liabilities.....	17	239.5	161.1	195.1
		<u>8,019.3</u>	<u>8,028.8</u>	<u>8,577.0</u>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings .....	20	387.9	839.3	615.6
Trade and other payables .....	21	3,466.3	2,731.5	2,451.6
Tax payable .....		86.3	38.4	8.4
Other financial liabilities.....	16	6.7	6.5	0.5
Provisions .....	23	28.7	32.5	53.0
		<u>3,975.9</u>	<u>3,648.2</u>	<u>3,129.1</u>
<b>Total liabilities .....</b>		<b><u>11,995.2</u></b>	<b><u>11,677.0</u></b>	<b><u>11,706.1</u></b>
<b>Total equity and liabilities .....</b>		<b><u>11,558.5</u></b>	<b><u>11,119.8</u></b>	<b><u>11,777.9</u></b>

The notes on the following pages are an integral part of this consolidated financial information.

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

## **FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share capital	Share premium	Other reserves	Retained earnings	Shareholders' funds	Minority interest	Total equity
	<b>€m</b>						
<b>Balance at 1 January 2008</b> .....	<b>17.7</b>	<b>51.1</b>	<b>(219.6)</b>	<b>1,150.9</b>	<b>1,000.1</b>	<b>13.7</b>	<b>1,013.8</b>
Loss for the year.....	—	—	—	(572.3)	(572.3)	(0.3)	(572.6)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	(182.0)	—	(182.0)	(2.1)	(184.1)
Foreign exchange differences recycled on disposal of subsidiaries.....	—	—	13.5	—	13.5	—	13.5
Net loss on hedge of net investment in foreign operations.....	—	—	(40.0)	—	(40.0)	—	(40.0)
Net change in fair value of cash flow hedges, net of tax.....	—	—	76.3	—	76.3	—	76.3
Actuarial losses on defined benefit plan schemes net of tax.....	—	—	(241.5)	—	(241.5)	—	(241.5)
<b>Transactions with owners, recorded directly in equity:</b>							
Acquisitions (see Note 4).....	—	—	—	—	—	6.4	6.4
<b>Balance at 31 December 2008</b> .....	<b>17.7</b>	<b>51.1</b>	<b>(593.3)</b>	<b>578.6</b>	<b>54.1</b>	<b>17.7</b>	<b>71.8</b>
Loss for the year.....	—	—	—	(617.3)	(617.3)	2.2	(615.1)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	59.7	—	59.7	(2.9)	56.8
Foreign exchange differences recycled on disposal of subsidiaries.....	—	—	(25.0)	—	(25.0)	—	(25.0)
Changes in the fair value of assets classified as available for sale.....	—	—	22.9	—	22.9	—	22.9
Net gain on hedge of net investment in foreign operations..	—	—	13.9	—	13.9	—	13.9
Cash flow hedge recycled from hedging reserve net of tax.....	—	—	(76.3)	—	(76.3)	—	(76.3)
Actuarial losses on defined benefit plan schemes net of tax.....	—	—	(2.1)	—	(2.1)	—	(2.1)
<b>Transactions with owners, recorded directly in equity:</b>							
Disposals (see Note 3).....	—	—	—	—	—	(4.1)	(4.1)
<b>Balance at 31 December 2009</b> .....	<b>17.7</b>	<b>51.1</b>	<b>(600.2)</b>	<b>(38.7)</b>	<b>(570.1)</b>	<b>12.9</b>	<b>(557.2)</b>
Loss for the year.....	—	—	—	(56.5)	(56.5)	—	(56.5)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	281.3	—	281.3	0.2	281.5
Foreign exchange differences recycled on disposal of subsidiaries.....	—	—	45.5	—	45.5	—	45.5
Changes in the fair value of assets classified as available for sale.....	—	—	—	—	—	—	—
Net gain on hedge of net investment in foreign operations..	—	—	(73.8)	—	(73.8)	—	(73.8)
Cash flow hedge recycled from hedging reserve net of tax.....	—	—	—	—	—	—	—
Actuarial losses on defined benefit plan schemes net of tax.....	—	—	(63.1)	—	(63.1)	—	(63.1)
<b>Transactions with owners, recorded directly in equity:</b>							
Disposals (see Note 3).....	—	—	—	—	—	(13.1)	(13.1)
<b>Balance at 31 December 2010</b> .....	<b>17.7</b>	<b>51.1</b>	<b>(410.3)</b>	<b>(95.2)</b>	<b>(436.7)</b>	<b>—</b>	<b>(436.7)</b>

The notes on the following pages are an integral part of this consolidated financial information.

## Analysis of other reserves

	Translation reserve	Fair value reserve	Hedging reserve	Actuarial gains/losses	Total other reserves
			€m		
<b>Balance at 1 January 2008</b> .....	<b>(229.0)</b>	—	—	<b>9.4</b>	<b>(219.6)</b>
Foreign exchange translation differences.....	(182.0)	—	—	—	(182.0)
Foreign exchange differences recycled on disposal of subsidiaries.....	13.5	—	—	—	13.5
Net loss on hedge of net investment in foreign operations.....	(40.0)	—	—	—	(40.0)
Net change in fair value of cash flow hedges, net of tax .....	—	—	76.3	—	76.3
Actuarial gains and losses on defined benefit plan schemes net of tax .....	—	—	—	(241.5)	(241.5)
<b>Balance at 31 December 2008</b> .....	<b>(437.5)</b>	—	<b>76.3</b>	<b>(232.1)</b>	<b>(593.3)</b>
Foreign exchange translation differences.....	59.7	—	—	—	59.7
Foreign exchange differences recycled on disposal of subsidiaries.....	(25.0)	—	—	—	(25.0)
Changes in the fair value of assets classified as available for sale.....	—	22.9	—	—	22.9
Net gain on hedge of net investment in foreign operations.....	13.9	—	—	—	13.9
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	(76.3)	—	(76.3)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	—	(2.1)	(2.1)
<b>Balance at 31 December 2009</b> .....	<b>(388.9)</b>	<b>22.9</b>	—	<b>(234.2)</b>	<b>(600.2)</b>
Foreign exchange translation differences.....	281.3	—	—	—	281.3
Foreign exchange differences recycled on disposal of subsidiaries.....	45.5	—	—	—	45.5
Changes in the fair value of assets classified as available for sale.....	—	—	—	—	—
Net gain on hedge of net investment in foreign operations.....	(73.8)	—	—	—	(73.8)
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	—	—	—
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	—	(63.1)	(63.1)
<b>Balance at 31 December 2010</b> .....	<b>(135.9)</b>	<b>22.9</b>	—	<b>(297.3)</b>	<b>(410.3)</b>

The notes on the following pages are an integral part of this consolidated financial information.

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010	2009	2008
			€m	
<b>Cash flows from operating activities</b>				
Loss for the year.....		(56.5)	(615.1)	(572.6)
Adjustments for:				
Depreciation and impairment.....	11	567.7	595.7	755.5
Amortisation.....	12	12.6	20.4	21.5
Negative goodwill.....	5	—	—	(29.0)
Net finance costs.....	9	820.4	888.9	772.3
Share of (profits)/losses of equity-accounted investees.....		(12.9)	(23.7)	57.8
Loss on sale of property, plant and equipment.....	6	5.7	10.5	21.2
(Profit)/loss on disposal of businesses.....	3	74.7	276.5	(143.0)
Tax (credit)/charge.....	10	213.1	13.9	(311.6)
Decrease/(increase) in trade and other receivables.....		(538.9)	(105.9)	1,306.6
Decrease/(increase) in inventories.....		(724.8)	(44.4)	1,164.1
(Decrease)/increase in trade and other payables.....		812.1	222.0	(1,673.9)
Increase/(decrease) in provisions and employee benefits.....		(49.6)	(23.4)	(1.8)
Tax (paid)/received.....		(91.5)	11.1	(121.7)
<b>Net cash from operating activities.....</b>		<b>1,032.1</b>	<b>1,226.5</b>	<b>1,245.4</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment.....		—	24.6	—
Proceeds from sales of investments.....		—	—	—
Interest and other finance income received.....		3.2	6.0	36.3
Dividends received.....		9.1	7.3	3.7
Disposal of businesses, net of cash disposed of.....	3	415.2	(31.5)	190.3
Acquisition of subsidiaries, net of cash acquired.....	4	—	(1.0)	(106.7)
Acquisition of intangible assets.....		—	—	(25.3)
Acquisition of property, plant and equipment.....		(344.3)	(264.0)	(624.0)
Acquisition of other investments.....		—	(3.3)	(3.4)
<b>Net cash generated/(used) in investing activities.....</b>		<b>83.2</b>	<b>(261.9)</b>	<b>(529.1)</b>
<b>Cash flows from financing activities</b>				
Securitisation Facility.....		119.7	(148.4)	(348.2)
Revolving Credit Facility.....		(239.8)	167.9	410.0
Proceeds from new Senior Secured Notes.....		730.4	—	—
Issue costs.....		(79.3)	(2.3)	(40.2)
Interest paid.....		(763.4)	(729.5)	(646.6)
Repayment of loans.....		(952.8)	(230.5)	(384.0)
Dividends paid.....	25	—	—	—
Dividends paid to minority interests.....		—	—	(0.3)
Capital element of finance lease payment.....		(0.2)	(1.6)	(2.8)
<b>Net cash used in financing activities.....</b>		<b>(1,185.4)</b>	<b>(944.4)</b>	<b>(1,012.1)</b>
Net (decrease)/increase in cash and cash equivalents.....	29	(70.1)	20.2	(295.8)
Cash and cash equivalents at 1 January.....	29	662.1	651.8	951.4
Effect of exchange rate fluctuations on cash held.....		7.2	(9.9)	(3.8)
<b>Cash and cash equivalents at 31 December.....</b>	29	<b>599.2</b>	<b>662.1</b>	<b>651.8</b>

The notes on the following pages are an integral part of this consolidated financial information.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **(FORMING PART OF THE FINANCIAL STATEMENTS)**

## **1. ACCOUNTING POLICIES**

### ***Overview***

Ineos Group Holdings plc (the “Company”) is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The nature of the operations and principal activities of the Company and its subsidiaries are the manufacture and sale of a range of chemicals and refined products used in a variety of applications.

### ***Basis of accounting***

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”) and equity account the Group’s interest in associates and jointly controlled entities.

The Group financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union in response to the IAS regulation (EC 1606/2002) effective as of 31 December 2010.

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

### ***Measurement convention***

The financial statements are prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as fair value through the profit or loss are stated at their fair value and non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

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

These Group financial statements are presented in euro, which is the functional currency of the majority of operations. The Group’s primary products are sold in an international commodities market which is priced and invoiced primarily in euros.

All financial information presented in euro has been rounded to the nearest €0.1 million.

### ***Changes in accounting policies***

The Group has applied the following accounting standards for the first time in 2010 with effect from 1 January 2010 (with prior period comparative information restated, to the extent required and as explained below):

- IAS 7 ‘Statement of Cash Flows’—Classification of expenditures on unrecognised assets
- IAS 17 ‘Leases’—Classification of leases of land and buildings
- IAS 18 ‘Revenue’—Determining whether an entity is acting as principal or agent
- IAS 36 ‘Impairment of Assets’—Unit of accounting for goodwill impairment test

- IAS 39 'Financial Instruments: Recognition and Measurement'—Cash flow hedge accounting, Eligible Hedged Items (July 2008) and Treatment of loan prepayment penalties
- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'—Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
- Improvements to IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17—Distributions of Non-Cash Assets to Owners (Issued November 2008)
- IFRIC 18—Transfers of Assets from Customers (issued January 2009)

IAS 17 'Leases' has been amended such that a lease of land with an indefinite economic life need not be classified as an operating lease. As a result a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title does not pass to the lessee. This amendment has had no material impact on the financial statements.

The appendix to IAS 18 'Revenue' has been amended to specify that an entity acts as principal when it is exposed to significant risks and rewards associated with sale of goods or rendering of services. The amendment also provides further indicators to assist in assessing whether an entity is principal or agent. This amendment has had no material impact on the financial statements.

The improvement to IAS 36 'Impairment of Assets' clarified that each unit or group of units to which goodwill is allocated should not be larger than an operating segment as defined by paragraph 5 of IFRS 8 'Operating Segments' before aggregation. The improvement is only applicable prospectively and had no material impact on the financial statements.

The following amendments to IAS 39 'Financial instruments: Recognition and measurement' were applied for the first time in 2010 and had no material impact on the financial statements:

- Clarification of the principles applied in relation to identifying inflation as a hedged risk or portion; and hedging with options.
- Guidance on the treatment of embedded prepayment options in debt contracts.
- Confirmation that gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss.

The improvement to IFRIC 16 'Hedges of a net investment in a foreign operation' requires that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. This amendment to the interpretation has had no material impact on the financial statements.

The remaining amendments identified above were applied for the first time during 2010 and had no material impact on the financial statements.

### ***Basis of consolidation***

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken

into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

#### *Special purpose entities (“SPE”)*

An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE’s risks and rewards, the Group concludes that it controls the SPE.

The Group has established an SPE, Ineos Finance Ireland Limited, for a debt securitisation programme. The Group does not have any direct or indirect shareholdings in this SPE. Ineos Finance Ireland Limited is controlled by the Group as it was established under terms that impose strict limitations on the decision-making powers of the SPE’s management that result in the Group receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks arising from the SPE’s activities, and retaining the majority of the residual or ownership risks related to the SPE and its assets. Ineos Finance Ireland Limited is therefore regarded as an SPE and has been consolidated in these financial statements.

#### *Associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers’ unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Group’s investment in associates and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group financial statements include the Group’s share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group’s share of losses exceeds its interest in an equity accounted investee, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

#### ***Foreign exchange***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign exchange are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group’s presentational currency, euros, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at exchange rates prevailing at the dates of the transactions. The Group applies an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising

from this translation of foreign operations are taken directly to the translation reserve. They are recycled into the consolidated income statement upon disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign exchange differences arising on the retranslation of a borrowing designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

#### ***Classification of financial instruments issued by the Group***

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### ***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### ***Trade and other payables***

Trade and other payables are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### ***Investments in debt and equity securities***

Investments in loans and receivables are stated at amortised cost less impairment.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in a fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing,



interest calculated using the effective interest method is recognised in profit or loss. Where no reliable measurement of fair value is available, available-for-sale investments are stated at historic acquisition cost (see Note 15).

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Debt restructuring*

The Group derecognises financial liabilities in accordance with the provisions in IAS 39. When debt is modified, the Group analyses the modifications from both a quantitative and qualitative perspective to determine if the modifications are substantial and meet the IFRS requirements for derecognition, in which case the debt is treated as extinguished. All fees paid in connection with a debt extinguishment are expensed immediately. When a modification is accounted for as a non-substantial modification, associated fees incurred are deferred as an adjustment to the carrying value of the liability and amortised using the effective interest method.

#### ***Derivative financial instruments and hedging***

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement as finance income or expense. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the consolidated income statement as finance income or expense.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and included in the consolidated income statement as an adjustment to turnover and cost of sales in the same period or periods during which the hedged forecast transaction affects turnover and cost of sales in the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

#### *Hedge of net investment in foreign operation*

The Group applies hedge accounting to foreign exchange differences arising on the retranslation of a foreign currency loan where the loan is designated as a hedge of a net investment in a foreign operation in accordance with IAS 21 and IAS 39.

Exchange differences arising on retranslation of foreign currency loans designated as a net investment hedge are taken directly to equity via the consolidated statement of comprehensive income. Gains and losses accumulated in the translation reserve will be recycled to the statement of comprehensive income when the foreign operation is sold.

#### ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

• Buildings .....	10 - 40 years
• Plant and equipment and fixtures and fittings.....	3 - 40 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

### ***Business combinations, goodwill and intangible assets***

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1 January 2007, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. For any acquisitions occurring on or after 1 January 2009, all transaction costs are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. At Ineos, cash generating units are predominately business units. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

IFRS 1 grants certain transition exemptions from the full requirements of IFRSs in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2007. In respect of acquisitions prior to 1 January 2007, goodwill is included at 1 January 2007 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable to IFRS save that only separable intangible assets were recognised and goodwill was amortised. On transition to IFRS amortisation of goodwill has ceased and negative goodwill recognised under UK GAAP is included within retained earnings.

Negative goodwill arising on an acquisition is recognised immediately in the consolidated income statement.

### ***Intangible assets***

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets principally comprise intellectual property rights, customer relationships, non-compete agreements and license fees.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of other consideration given to acquire the assets. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

### ***Amortisation***

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

• Customer relationships .....	3 years
• Intellectual property rights .....	10 - 15 years
• Non-compete agreements .....	life of the agreement
• Licenses.....	up to 15 years

These intangible assets are tested for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

### ***Research and development***

Expenditure on research activities is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is recognised in the income statement. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

***Impairment excluding inventories and deferred tax assets***

The carrying amounts of the Group's assets are assessed at the end of the reporting period to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(FORMING PART OF THE FINANCIAL STATEMENTS)

### 1. ACCOUNTING POLICIES

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Items owned by the Group that are held on consignment at another entity's premises are included as part of the Group's inventory.

### ***Commodities***

Contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts.

### ***Employee benefits***

The Group operates a number of defined contribution plans and funded and unfunded defined benefit pension schemes. The Group also provides unfunded early retirement benefits, long service awards and an incentive plan for certain employees.

The Group provides health care insurance to eligible retired employees and their dependants, primarily in the United States.

#### ***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

#### ***Defined benefit plans***

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and that have maturity dates approximating to the terms of, the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated income statement.

All actuarial gains and losses as at 1 January 2007, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2007, the Group recognises them in the period they occur directly in equity through the statement of comprehensive income.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between:

- cost of sales,
- net finance costs and,
- in net expense recognised directly in equity, the actuarial gains and losses.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Incentive plan*

Certain employees of the Group are eligible to participate in an incentive plan (the Plan) operated by Ineos Limited, the parent of Ineos Group Holdings plc in the United Kingdom. Ineos Limited issues “Business Tracker Shares” in relation to each of the businesses operated by Ineos Limited and its subsidiaries, including those businesses within the Ineos Group Holdings plc group. These Business Tracker Shares entitle the holder of the share to appreciation in market value (rather than the totality of the market value) of the relevant business compared with the market value at the date of acquisition of the relevant share. Determination of market values, and any discretionary adjustments, is made by a committee (the Special Committee) of Ineos Limited.

The Plan is considered to be in the nature of a Share-based Payment arrangement within the scope of IFRS 2. The Ineos Group Holdings plc group neither receives nor makes any payments and incurs no liabilities in respect of its employees’ participation in the Plan. Under IFRS 2 (as amended in June 2009 for “Group Cash-settled Share-based Payment Transactions” which the Directors have elected to adopt early) the Group recognises any deemed cost of the arrangement in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity as a contribution from the parent. Participating employees purchase Business Tracker Shares from the Trust which administers the Plan at a price which is related to the approximate market value of the relevant Business Unit. Accordingly the Directors believe that the net fair value of the benefit at the date of grant after taking account of the payment for the shares is not significant and no cost has been recognised in these financial statements.

#### *Provisions*

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

#### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### *Revenue*

Revenue represents the invoiced value of products sold or services provided to third parties net of sales discounts, value added taxes and duties. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are either dispatched or delivered depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the buyer when the prices are determinable and when collectability is considered probable.

Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which the Group charges a toll fee. The Group only recognises the toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer as this is the point at which risks and rewards have been transferred to the buyer. For all other services, revenue is recognised upon completion of the service provided.

### ***Government grants***

Government grants are shown in the consolidated balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project.

### ***Expenses***

#### ***Operating lease payments***

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

#### ***Finance lease payments***

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

#### ***Finance income and expenses***

Interest income and interest payable is recognised in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognised in the consolidated income statement on the date the entity's right to receive payments is established. Foreign exchange gains and losses are reported on a net basis.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives and net foreign exchange losses that are recognised in the consolidated income statement (see foreign exchange accounting policy). Finance income comprise interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.

### ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.



Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### ***Segmental analysis***

The Group determines its operating segments in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments. During the year, the chief operating decision makers resigned from the board of the company. The chief operating decision-makers are the members of the Executive Committee of the ultimate parent undertaking, Ineos AG. The members of this committee are the previous company board members and the information presented is unchanged from prior year and therefore there is no change to the segment information presented.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision-makers to make decisions about resources to be allocated to the segment and assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8.

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

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than as acquired through business combinations.

### ***Emission trading scheme***

The Group participates in the EU Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the surplus may be traded in the form of emissions permits.

The incentive money due from the EU Emissions Trading Scheme is recognised in the consolidated income statement once the reduction targets have been met. The emissions permits allocated under the Scheme are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

The Kyoto Protocol sets legally binding targets for cutting emissions and provides for three international "flexible mechanisms" to be used by developed countries in cost effectively meeting their greenhouse gas emissions targets, one of which is the Clean Development Mechanism ("CDM"). This permits industrialised countries to meet part of their commitments through projects in developing countries. The CDM programme provides incentives for the project participants in the form of Certified Emissions Reductions ("CERs"). It is the trading of these CERs that provides the market incentive to reduce emissions. The Group is involved in a number of CDM projects. CERs produced from these projects are recorded at nil cost. CERs purchased from third parties are recognised within stock on the basis of purchased cost. The Group recognises the revenue from sale of CERs upon their sale to third parties.

The Group recognises a provision for emissions produced. The provision is measured at the carrying amount of the emission rights held (nil if granted, otherwise at cost) or, in the case of a shortfall, at the current fair value of the emission rights needed.

### ***Exceptional items***

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of non-current assets, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

### ***Accounting standards not applied***

The following IFRSs relevant to the Group were available for early application but have not been applied by the Group in these financial statements. The impact of their adoption is currently being assessed and is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 'Financial Instruments' is the first step in a process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The group is yet to assess IFRS 9's full impact, but the new standard has the potential to have a significant impact on the accounting for the group's financial assets and liabilities.
- Amendments to IAS 32 Classification of Rights Issues (Issued 8 October 2009) address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The group will apply the amended standard from 1 January 2011.
- Amendments to IFRS 7 'Transfers of Financial Assets' require additional disclosures about transfers of financial assets, such as securitisations, to enable users to understand the possible effects of any risks that may remain with the transferor. The Group is currently assessing the impact of this improvement.
- IAS 24 'Related Party Disclosures (revised 2009)' IAS 24 (revised) clarifies and simplifies the definition of a related party. In addition, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The group will apply the revised standard from 1 January 2011 when adoption is mandatory. The group is currently assessing the impact on the related party disclosures.
- Amendments to IFRIC 14 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14 and without the amendments entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendments are effective for annual periods beginning 1 January 2011 and the group is currently assessing the impact on the financial statements.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The amendments are effective for annual periods beginning 1 July 2010 and group is currently assessing the impact on the financial statements.

## 2. OPERATING SEGMENTS

The determination of the Group's operating segments is based on the business units for which information is reported to the Group's Chief Operating Decision Maker. The Group has four reportable segments, as described below.

- The Group's Olefins and Polymers business units produce olefins and related products and a broad range of polymers. The Group's olefins businesses are focused on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers. These olefins are primarily used as feedstock for the Group's polymers business. In addition, the Group sells olefins to third party customers for a variety of industrial and consumer applications, including plastics, rubber and fibre.

O&P North America segment—In North America, the group's Olefins and Polymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas.

O&P Europe segment—In Europe, the Group owns and operates three major cracker complexes, two that are integrated with our refineries in Grangemouth, United Kingdom and Lavéra, France and one in Cologne, Germany. Each of these sites includes polymers and derivatives units.

- Refining—Oil refining is the process of separating, converting and treating hydrocarbon molecules present in crude oil to produce marketable finished petroleum products, such as gasoline, diesel, liquefied petroleum gas ('LPG'), naphtha, heating and fuel oils and bitumen. Refining is primarily a margin based business where both the feedstocks and refined petroleum products are commodities. The Group owns and operates two refineries which are both fully integrated with petrochemical plants located at the same sites. The Group's principal refining products are transport fuels (particularly diesel fuel and gasoline), LPG, naphtha, and heating and fuel oils.
- Chemical Intermediates—This reportable segment is the aggregation, in compliance with IFRS 8, of a number of different business units with similar economic and other characteristics. Chemical Intermediates are high-value added chemical products used as key components in a variety of consumer and industrial products. The Group's chemical intermediates businesses are exposed to similar key commodities, namely oil and gas. They produce a range of products including phenol, alpha olefins, solvents, industrial chemicals and nitriles. The Chemical Intermediates processes are similar in that they are all capital intensive and based upon processing and mixing chemical raw materials to produce chemical products for the next stage along the value chain. The Chemical Intermediates products are distributed on a business-to-business basis across the world. This is performed using similar conventional methods of pipeline, truck, rail or ship container depending on the customer location and size of the order. The Chemical Intermediates customer base is similar in that the customers are generally manufacturers of consumer and industrial products in developed markets and mature industrial economies. The accounting policies of all of the reportable segments are as described in Note 1.

Information regarding the operations of each reportable segment is included in the following tables. Performance is measured based on earnings before interest, tax, depreciation and amortisation and exceptional items other than exceptional cost of sales items, measured under UK GAAP ("Segment EBITDA") except that share of associate's revenue is not allocated to segments as would be the case under UK GAAP. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding segments reviewed by management includes management accounts comprising the balance sheet, profit or loss, cash flows and other financial and non financial information used to manage the business.

Adjustments in the following tables comprise the following items:

- Elimination of inter-segmental transactions and balances; and

- Differences arising from conversion of UK GAAP to IFRS. These include treatment of negative goodwill, amortisation of goodwill, accounting for derivatives, treatment of deferred tax on pensions, accounting for joint ventures and exchange differences recycled on disposal of businesses.

### Segment information—2010

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	3,253.8	6,543.7	8,782.5	8,917.3	27,497.3	(4,584.6)	22,912.7
Reportable segment EBITDA.....	330.8	326.5	(10.7)	997.5	1,644.1	—	1,644.1
Depreciation and impairment of property, plant and equipment and intangible assets.....	(84.6)	(164.4)	(110.7)	(246.3)	(606.0)	25.7	(580.3)
Exceptional items (excluding items relating to impairment and financing).....	—	(1.7)	(0.9)	(9.5)	(12.1)	—	(12.1)
Profit/(loss) on disposal of businesses .....	—	—	—	154.3	154.3	(229.0)	(74.7)
Net finance costs							(820.4)
Profit before tax							156.6
Share of profit of associates and jointly controlled entities.....	1.8	11.7	2.9	0.2	16.6	(3.7)	12.9
Payments for capital expenditure .....	44.6	63.0	130.2	106.5	344.3	—	344.3

Major items in the adjustments column include:

- Reportable segment revenues: the elimination of inter-segmental revenues: 2010: €4,584.6 million (2009: €3,019.4 million, 2008 €3,424.2 million).
- Profit/(loss) on disposal of businesses: exchange differences recycled on disposal of businesses: €45.5 million and goodwill adjustments: €249.8 million.

### Segment information—2009

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	2,166.3	4,634.3	6,941.7	7,354.4	21,096.7	(3,019.4)	18,077.3
Reportable segment EBITDA.....	276.5	170.8	228.7	546.2	1,222.2	—	1,222.2
Depreciation and impairment of property, plant and equipment and intangible assets.....	(103.4)	(148.6)	(92.1)	(266.3)	(610.4)	(5.7)	(616.1)

Exceptional items (excluding items relating to impairment and financing).....	(19.0)	(7.9)	—	(15.0)	(41.9)	—	(41.9)
Loss on disposal of businesses .....	—	—	—	(220.1)	(220.1)	(56.4)	(276.5)
Net finance costs							(888.9)
Loss before tax							<u>(601.2)</u>
Share of profit of associates and jointly controlled entities.....	0.9	6.6	—	13.8	21.3	2.4	23.7
Payments for capital expenditure .....	<u>31.4</u>	<u>48.0</u>	<u>70.7</u>	<u>113.9</u>	<u>264.0</u>	<u>—</u>	<u>264.0</u>

### Segment information—2008

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	2,950.9	9,946.6	11,757.7	12,842.3	37,497.5	(8,424.2)	29,073.3
Reportable segment EBITDA.....	<u>26.2</u>	<u>101.4</u>	<u>43.4</u>	<u>422.5</u>	<u>593.5</u>	<u>(15.2)</u>	578.3
Depreciation and impairment of property, plant and equipment and intangible assets.....	(114.7)	(190.6)	(93.2)	(398.6)	(797.1)	20.1	(777.0)
Exceptional items (excluding items relating to impairment and financing).....	(3.5)	(12.8)	—	(35.4)	(51.7)	(4.5)	(56.2)
Profit on disposal of businesses .....	—	—	—	143.0	143.0	—	143.0
Net finance costs							<u>(772.3)</u>
Loss before tax							<u>(884.2)</u>
Share of (loss)/profit of associates and jointly controlled entities.....	0.4	8.6	—	(49.2)	(40.2)	(17.6)	(57.8)
Payments for capital expenditure .....	<u>57.8</u>	<u>152.0</u>	<u>90.5</u>	<u>323.7</u>	<u>624.0</u>	<u>—</u>	<u>624.0</u>

For analysis of impairment by segment, see Note 5.

### Geographic segments

	Revenues		
	2010	2009	2008
	€m		
<b>Geographical information by location of customers:</b>			
Europe .....	16,101.9	13,215.2	22,002.5
Americas .....	5,025.4	3,255.3	5,429.3
Rest of World.....	1,785.4	1,606.8	1,641.5
<b>Total.....</b>	<b><u>22,912.7</u></b>	<b><u>18,077.3</u></b>	<b><u>29,073.3</u></b>
<b>Geographical information by location from which the Group derives revenue:</b>			
Europe .....	17,345.3	14,229.6	23,217.1
Americas .....	5,345.9	3,420.0	5,365.8
Rest of World.....	<u>221.5</u>	<u>427.7</u>	<u>490.4</u>

<b>Total</b> .....	<b><u>22,912.7</u></b>	<b><u>18,077.3</u></b>	<b><u>29,073.3</u></b>
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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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(FORMING PART OF THE FINANCIAL STATEMENTS)

### 2. OPERATING SEGMENTS

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

#### *Major customer*

Revenues from one customer of the Group's Refining segment represent €2,540.6 million (2009: €2,918.5 million, 2008: €7,614.5 million) of the Group's total revenues.

### 3. DISPOSALS

#### *2010 disposals*

##### *ChlorVinyls*

On 28 January 2010 the Group completed the sale of the ChlorVinyls and Compounds Switzerland businesses to Kerling plc, a new holding company formed to combine together Ineos Enterprises, Ineos ChlorVinyls and the Ineos Norwegian Polymers business. The Group received €65 million cash consideration (plus true ups for cash and inter-company debt) together with the assignment of pension liabilities and the Ineos Vinyls Senior Notes. The total enterprise value of the transaction was €429.2 million. The Group recorded a pre-tax loss of €161.1 million on the disposal.

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

	<b>2010</b>
	<b>€m</b>
Goodwill.....	7.6
Property, plant and equipment.....	543.8
Inventories.....	61.9
Cash.....	2.8
Trade and other receivables.....	136.9
Employee benefits.....	(197.7)
Deferred tax asset on employee benefits.....	31.5
Trade and other payables.....	(137.3)
Other creditors .....	(76.6)
Ineos Vinyls Senior Notes .....	(161.2)
Provisions.....	(0.1)
Net assets disposed of.....	211.6
Proceeds .....	70.3
Deficit of net assets over proceeds received .....	141.3
Exchange differences recycled on disposal.....	19.8
<b>Loss on disposal of business .....</b>	<b><u>161.1</u></b>

##### *Fluorochemicals*

On 31 March 2010 the Group completed the sale of its fluorochemicals business to Mexichem Fluor S.A. de C.V., a subsidiary of Mexichem S.A.B. de C.V. a leading Latin American producer of PVC pipes and resin, chloralkali, hydrofluoric acid and fluorspar. The sale comprised of the international business and assets related to the Group's fluorochemical operations located in North America, Europe, and Asia. Activities

relating to the Clean Development Mechanism (CDM) and fluorspar (Glebe Mines) remained with Ineos. The Group received total consideration of €265.3 million from the disposal of the fluorochemical business and recorded a pre-tax profit of €176.5 million.

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

	<u>2010</u>
	<u>€m</u>
Goodwill .....	1.2
Intangible assets .....	0.1
Property, plant and equipment .....	40.3
Inventories .....	33.7
Cash .....	3.0
Trade and other receivables .....	38.4
Trade and other payables .....	(26.7)
Net assets disposed of .....	90.0
Costs of disposal .....	8.2
Cash proceeds .....	257.7
Deferred proceeds .....	7.6
Total proceeds .....	265.3
Excess of sale proceeds over net assets .....	167.1
Exchange differences recycled on disposal .....	9.4
<b>Profit on disposal of business .....</b>	<b><u>176.5</u></b>

*Films*

On 1 September 2010 the Group completed the sale of its global films business to the Bilcare group, a leading international pharmaceutical packaging and research company. The Group received €96 million cash consideration from the disposal of the Films business and recorded a pre-tax loss of €90.1 million.

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

	<u>2010</u>
	<u>€m</u>
Property, plant and equipment .....	122.4
Intangibles .....	1.5
Investments .....	0.1
Inventories .....	29.8
Cash .....	3.0
Trade and other receivables .....	47.8
Trade and other payables .....	(35.2)
Other creditors .....	(10.1)
Provisions .....	(0.3)
Minority interests .....	(13.1)
Net assets disposed of .....	145.9
Costs of disposal .....	5.1
Proceeds .....	96.0
Deficit of net assets over proceeds received .....	55.0
Exchange differences recycled on disposal .....	35.1
<b>Loss on disposal of business .....</b>	<b><u>90.1</u></b>

**2009 disposals**

*Summary:*

2009  
€m



Disposals to Ineos Industries .....	(169.6)
Additional commitment to entities sold to Ineos Industries.....	(75.0)
Disposal of Compounds Italia.....	(43.5)
Further consideration from the disposal of the Silicas business in 2008.....	11.6
<b>Net loss on disposal of businesses .....</b>	<b><u>(276.5)</u></b>

#### *INEOS Industries*

During 2009, the Group made a number of disposals to a related party, Ineos Industries Limited, an entity held under common control by the Group's ultimate shareholders. The Group received no consideration for the disposals which included the Group's ABS, Styrenics, Melamines and Films Italia businesses, together with 80% of the Group's Bio and Healthcare businesses. The remaining 20% of Bio and Healthcare businesses, which the Group still owns at 31 December 2010, are accounted for as associated undertakings (see Note 13.a). Of the total loss on these disposals €5.0 million is attributable to the recognition of the retained interests at their estimated fair value of €nil.

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

	<b>2009</b>
	<b>€m</b>
Goodwill.....	45.7
Property, plant and equipment.....	76.4
Intangible assets .....	29.2
Provisions against joint ventures .....	(20.2)
Inventories.....	81.2
Cash.....	29.8
Trade and other receivables .....	252.2
Employee benefits.....	(29.4)
Trade and other payables.....	(215.6)
Provisions, including net deferred tax liability .....	(52.1)
Minority interests .....	(4.1)
Net assets disposed of.....	193.1
Costs of disposal .....	1.5
Proceeds .....	—
Deficit of net assets over proceeds received .....	194.6
Exchange differences recycled on disposal.....	(25.0)
<b>Loss on disposals of businesses .....</b>	<b><u>169.6</u></b>

As part of the disposal agreement the Group has committed to provide further support to the businesses disposed of for the purpose of working capital management of €75 million and has therefore included this amount within the loss on disposal. Management believed it was likely that this amount would be called upon by the businesses within one year and therefore provided for it on disposal as a current liability. If any amount was not called upon within five years the Group must remit the remaining balance at that point. The funds were fully paid to Ineos Industries during 2010.

#### *Compounds Italia*

On 22 January 2009, the Group completed the sale of the Compounds Italia business to a third party. The Group disposed of its entire investment for nominal consideration.

#### **Effect of the disposal on individual assets and liabilities**

	<b>2009</b>
	<b>€m</b>
Property, plant and equipment.....	26.6
Inventories.....	9.9
Cash.....	1.7

Trade and other receivables .....	24.3
Trade and other payables .....	(15.2)
Provisions .....	(4.7)
Net assets disposed .....	42.6
Costs of disposal .....	0.9
Proceeds .....	—
<b>Loss on disposal .....</b>	<b><u>43.5</u></b>

#### *Other*

During 2009, the Group received further consideration from the disposal of the Silicas business which occurred in the prior year. The additional consideration received from PQ Corporation, the entity which acquired the Silicas business during 2008, was €1.6 million and was settled by PQ Corporation waving a liability owed to the Group. This amount has been offset against the loss on disposal of businesses presented in the income statement.

#### **2008 disposals**

##### *INEOS Silicas*

On 2 July 2008 the Group completed the sale of the Ineos Silicas business to PQ Corporation, the speciality chemical company owned by The Carlyle Group and Ineos Investments LLP (see Note 14), for a total consideration of €304.0 million, of which €198.5 million was received in cash. A pre-tax gain of €143.0 million was recorded.

#### **Effect of the disposal on individual assets and liabilities**

	<b>2008</b>
	<b>€m</b>
Goodwill .....	2.6
Property, plant and equipment .....	103.7
Investments .....	0.5
Inventories .....	22.9
Cash .....	13.1
Trade and other receivables .....	109.5
Employee benefits .....	(0.7)
Trade and other payables .....	(70.0)
Provisions .....	(7.1)
Net assets disposed .....	174.5
Excess of sale proceeds over net assets .....	129.5
<b>Total sales proceeds .....</b>	<b><u>304.0</u></b>
Sales proceeds satisfied by:	
Cash .....	198.5
Preferred partnership investment in Ineos Investments LLP .....	105.5
<b>Total sales proceeds .....</b>	<b><u>304.0</u></b>
Profit recognised in the consolidated income statement:	
Excess of sale proceeds over net assets .....	129.5
Exchange differences recycled on disposal .....	13.5
<b>Profit on disposal of businesses .....</b>	<b><u>143.0</u></b>

#### *Other disposals*

During 2008 the Group received cash of €4.9 million being deferred consideration on the disposal of the Emulsion PVC (E-PVC) business which took place on 2 July 2007.

#### 4. ACQUISITIONS OF SUBSIDIARIES

##### 2010 Acquisitions

No acquisitions were made in 2010.

##### 2009 Acquisitions

No acquisitions were made in 2009. A further €1.0 million was paid with regard to acquisitions made in prior years.

##### 2008 Acquisitions

Acquisitions were made in 2008 for a total consideration of €20.2 million including acquisition expenses. These acquisitions gave rise to positive goodwill of €19.1 million and negative goodwill of €29.0 million. Negative goodwill has been recognised in administrative expenses in the consolidated income statement. All acquisitions have been accounted for using the purchase method, as required by IFRS 3. The adjustments required to the book values of the assets and liabilities of the businesses acquired during the year in order to present the net assets of the business at fair values, together with the resultant amount allocated to goodwill, are set out below:

##### VAM/EtAc

	Book value	Fair value adjustments	Fair value
		€m	
Property, plant and equipment .....	21.6	—	21.6
Inventory .....	24.4	1.8	26.2
Trade and other receivables .....	6.8	—	6.8
Net assets acquired .....	<u>52.8</u>	<u>1.8</u>	<u>54.6</u>
Goodwill .....			<u>0.6</u>
Consideration (including acquisition expenses) .....			<u>55.2</u>

On 31 March 2008 the Group acquired the European VAM and EtAc businesses, together with the TSEP pipeline from BP. The production assets acquired are based at Saltend in the United Kingdom. The newly acquired business now forms part of the Chemical Intermediates segment.

A revaluation of inventories by €1.8 million was made to reflect the fair value of catalyst inventories acquired at acquisition.

In the period from acquisition date to 31 December 2008 the European VAM and EtAc businesses, together with the TSEP pipeline contributed revenue of €206.1 million and profit before tax of €8.4 million. It is not practicable to provide information regarding revenue and profit before tax since 1 January 2008 as this information was not provided by the vendor.

Goodwill arising on the acquisition relates to expected future business improvement, expected synergies of the acquisition and the quality of the workforce in the business.

##### Seal Sands

	Book value	Fair value adjustments	Fair value
		€m	
Property, plant and equipment .....	40.7	(6.8)	33.9
Inventory .....	24.7	—	24.7
Provisions .....	(3.3)	—	(3.3)
Deferred tax liability .....	<u>—</u>	<u>(10.7)</u>	<u>(10.7)</u>

Net assets acquired.....	62.1	(17.5)	44.6
Negative goodwill recognised as an administrative gain.....			(29.0)
Consideration (including acquisition expenses).....			<u>15.6</u>

On 18 August 2008 the Group acquired the Seal Sands business on Teesside in the United Kingdom from BASF. The Seal Sands site provides large-scale production facilities for acrylonitrile (AN) and hexamethylenediamine (HMD), along with by-product plants. The total consideration, including acquisition expenses was €15.6 million. The newly acquired business now forms part of the Nitriles business within the Chemical Intermediates segment.

A revaluation of tangible fixed assets by €6.8 million was made to reflect the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets. A deferred tax liability is recognised regarding negative goodwill arising on the acquisition and is included as a fair value adjustment.

The assets acquired were carved out of an existing business and as such there is no historic financial information available for these assets prior to acquisition. In the period from acquisition date to 31 December 2008 the Seal Sands business contributed revenue of €85.5 million and a loss before tax of €23.0 million. Had the Seal Sands business been acquired at the beginning of the period it would have contributed revenue of €294.3 million. The contribution to profit or loss from 1 January 2008 cannot be presented as no separate profit information for this business was prepared by the vendor prior to the acquisition date.

This acquisition, on which negative goodwill arose, was a bargain purchase due to its poor trading performance and future earnings expectations which would continue until a change plan could be implemented by the Group.

#### *ABS India*

	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
		€m	
Property, plant and equipment .....	5.9	17.4	23.3
Inventory .....	10.4	—	10.4
Trade and other receivables .....	16.4	—	16.4
Cash .....	13.5	—	13.5
Trade and other payables .....	(26.3)	—	(26.3)
Net assets acquired.....	<u>19.9</u>	<u>17.4</u>	37.3
Minority interest.....			(6.4)
Net assets acquired (net of minority interest).....			30.9
Goodwill.....			18.5
Consideration (including acquisition expenses).....			<u>49.4</u>

On 2 October 2007 the Group acquired 100% of the Lanxess ABS plastic business, Lustran Polymers. At that time the Indian part of the business was not acquired, although a public offer was launched for the remaining Indian shares that were traded publicly on the Bombay Stock Exchange and the National Stock Exchange in India. On 13 March 2008 the Group acquired an 83.33% shareholding in the Indian part of the business.

A revaluation of tangible fixed assets by €17.4 million was made to reflect the carrying value of the assets based on the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets.

In its last financial year to 31 December 2007, ABS India made a profit after taxation of €6.2 million (INR 349.5 million). For the period from 1 January 2008 until the date of acquisition, ABS India made a profit after taxation of €0.7 million (INR 43.6 million).

Goodwill on acquisition relates to the expected synergies on acquisition and the strong market position of the business in Asia.

## 5. EXCEPTIONAL ITEMS

	2010	2009	2008
		€m	
Exceptional cost of sales .....	—	—	(130.3)
Exceptional administrative expenses:			
Restructuring of corporate headquarters.....	(7.7)	—	—
Restructuring of Innovene operations.....	(4.4)	(29.9)	(20.4)
Restructuring of other acquired businesses .....	—	(12.0)	(26.5)
Settlement of legal claim .....	—	—	(33.8)
Total exceptional administrative expenses .....	(12.1)	(41.9)	(80.7)
Share of exceptional loss of associates and jointly controlled entities using the equity accounting method .....	—	—	(4.5)
Exceptional finance cost: loss on extinguishment of debt .....	—	(209.2)	—
Total exceptional expenses .....	(12.1)	(251.1)	(215.5)
Exceptional administrative gain: negative goodwill .....	—	—	29.0
Exceptional finance income .....	—	89.0	—
Total exceptional gains .....	—	89.0	29.0

### *Exceptional cost of sales*

The charge to cost of sales for the year ended 31 December 2008 reflects the non cash write-down of certain tangible fixed assets. The charge reflects the closure of the polypropylene assets in Bamble, Norway (O&P Europe segment) during the year together with the planned closures of the Per and Trichloroethylene plants in Runcorn, England (Chemical Intermediates segment) and the polypropylene assets in Battleground, Texas (O&P North America segment) in early 2009. Costs incurred on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium (O&P Europe segment) have also been written off as these projects were suspended. An impairment charge has also been taken against the HFC 125 assets in Runcorn (Chemical Intermediates segment) after a review of the business was carried out during the year ended 31 December 2008.

### *Exceptional administrative expenses*

During 2010 the Group relocated its corporate headquarters to Switzerland which has resulted in exceptional costs of €7.7 million being incurred during the year in relation to the Group restructuring.

The Innovene business was acquired in 2005 and the Group has subsequently undertaken a restructuring programme which is focused on the operations at the main sites in the business at Grangemouth, Lavéra, Cologne and Chocolate Bayou. In addition two of the production lines at the Sarralbe site were closed in 2009 which has resulted in a corresponding reduction in the workforce there. The restructuring costs of €4.4 million (2009: €29.9 million, 2008: €20.4 million) largely relate to severance and early retirement costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### (FORMING PART OF THE FINANCIAL STATEMENTS)

#### 5. EXCEPTIONAL ITEMS

Other restructuring costs of €12.0 million charged in 2009 primarily relate to restructuring and the provision of severance payments in the Compounds and ABS businesses. In 2008, other restructuring costs of €26.5 million were charged in relation to other acquired businesses in 2008 and primarily relate to severance costs, early retirement costs and contract termination penalties at Bamble, Norway.

In the year ended 2008 the Group agreed to an out of court settlement of €33.8 million (including costs) to settle the case involving damages awarded to Dr Mannsfeld in Alabama, USA for allegedly patenting his ideas. The Group denied the accusation. The Group acquired Phenolchemie in 2001. Dr Mannsfeld's claim against the Group was based on the contention that Phenolchemie took his idea of using phenol residue as a feedstock for making carbon black in the late nineties. Dr Mannsfeld was an employee of Degussa at that time and has never been an employee of either Phenolchemie or the Group.

#### *Exceptional loss in associates and jointly controlled entities using the equity accounting method*

The restructuring charges of €nil in 2010 (2009: €nil, 2008: €4.5 million) relate to the Group's share of the asset write downs and severance costs incurred by the Ineos Nova joint venture.

#### *Exceptional finance cost: loss on extinguishment of debt*

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's Senior Facilities Agreement. The Group assessed that the package of amendments to the Senior Facilities Agreement represented a substantial modification and resulted in the extinguishment of the existing debt (see Note 20).

As a result, the existing debt was derecognised and the modified debt recognised at fair value. The Group estimated the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt was not quoted and information about transactions in the Group's debt was not available. The valuation technique used a discounted cash flow technique using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the existing Senior Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.

Accordingly the Group recognised a charge of €209.2 million as an exceptional finance expense which included the write-off of the deferred issue costs on the existing Senior Facilities Agreement debt and the costs associated with the July 2009 modification.

#### *Exceptional administrative gain*

For the acquisition of Seal Sands in 2008, the fair value of identifiable assets, liabilities and contingent liabilities exceeded the consideration paid giving rise to negative goodwill recognised directly in the consolidated income statement (see Note 4).

#### *Exceptional finance income*

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €14.1 million. The resulting gain of €89.0 million has been included as exceptional finance income (see Note 20).

## 6. OPERATING PROFIT/(LOSS)

Included in operating profit/(loss) are the following:

	2010	2009	2008
		€m	
Exceptional restructuring costs—included in administrative expenses .....	12.1	41.9	46.9
Research and development expensed as incurred .....	29.7	59.0	66.6
Amortisation of other intangible assets.....	12.6	20.4	21.5
Loss on disposal of property, plant and equipment .....	5.7	10.5	21.2
Amortisation of government grants.....	(8.5)	(8.7)	(4.9)
<b>Depreciation and impairment of tangible fixed assets:</b>			
Owned assets.....	561.4	589.1	749.2
Finance leased assets .....	6.3	6.6	6.3
<b>Operating lease rental charges:</b>			
Plant, machinery and equipment .....	123.8	63.4	46.1
Other.....	9.8	11.3	8.3

### Auditors' remuneration:

	2010	2009	2008
		€m	
Audit of these financial statements.....	0.7	0.7	0.7
<b>Amounts receivable by auditors and their associates in respect of:</b>			
Audit of financial statements of subsidiaries pursuant to legislation .....	2.2	2.8	2.5
Other services relating to taxation .....	3.5	2.0	1.7
Services relating to corporate finance transactions .....	3.9	3.3	0.8
All other services.....	2.5	0.6	1.4
	12.8	9.4	7.1

## 7. STAFF NUMBERS AND COSTS

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

	Number of employees		
	2010	2009	2008
Operations .....	5,960	8,614	11,651
Administration.....	2,058	2,804	2,741
Research and development .....	440	531	579
	<b>8,458</b>	<b>11,949</b>	<b>14,971</b>

The aggregate payroll costs of these persons were as follows:

	2010	2009	2008
		€m	
Wages and salaries .....	645.6	675.3	797.1
Social security costs .....	106.6	123.0	180.5
Expenses related to defined contribution pension plans .....	8.7	7.4	15.7
Expenses related to defined benefit pension plans.....	53.2	101.3	61.3
	<b>814.1</b>	<b>907.0</b>	<b>1,054.6</b>

## 8. DIRECTORS' REMUNERATION

2010	2009	2008
	€m	

Aggregate emoluments .....	1.1	1.0	0.6
Company contribution to money purchase scheme.....	0.1	0.1	0.1
	<u>1.2</u>	<u>1.1</u>	<u>0.7</u>

Retirement benefits are accruing to one director (2009: two directors, 2008: two directors) under a money purchase scheme. Two directors (2009: no directors, 2008: no directors) have retirement benefits accruing under a defined benefit pension scheme.

The total amount of emoluments payable to the highest paid director for the year was €0.4 million (2009: €0.5 million, 2008: €0.4 million). Pension contributions of €nil (2009: €32,000, 2008: €35,000) were paid into a personal pension scheme in relation to the highest paid director.

## 9. FINANCE INCOME AND COSTS

### Recognised in profit or loss

	2010	2009	2008
	€m		
<b>Finance income</b>			
Interest income on bank balances .....	1.2	1.6	30.6
Other interest receivable .....	13.7	11.7	9.3
Total interest income on financial assets not at fair value through profit or loss.....	14.9	13.3	39.9
Exchange movements .....	5.2	16.0	31.8
Net fair value gain on derivatives.....	5.5	—	12.9
Expected return on defined benefit pension plan assets.....	46.2	58.5	85.6
Dividend income .....	9.1	7.3	3.7
Total finance income before exceptional items.....	80.9	95.1	173.9
Exceptional finance income (see Note 5) .....	—	89.0	—
<b>Total finance income.....</b>	<b>80.9</b>	<b>184.1</b>	<b>173.9</b>
<b>Finance costs</b>			
Interest payable on senior notes.....	208.4	178.0	182.0
Interest payable on bank loans and overdrafts .....	458.2	474.6	390.8
Interest payable on securitisation.....	38.1	32.0	53.1
Amortisation of issue costs .....	22.2	20.4	28.6
Interest payable on finance leases.....	0.2	0.2	0.2
Bank consent fees.....	10.4	—	—
Other finance charges.....	29.1	27.6	32.6
Exchange movements .....	58.3	12.4	158.0
Net fair value loss on derivatives.....	—	23.2	—
Interest on employee benefit liabilities.....	73.2	93.4	96.2
Unwind of discount on provisions.....	3.2	2.0	4.7
Total finance cost before exceptional items .....	901.3	863.8	946.2
Exceptional loss on extinguishment of debt (see Note 5).....	—	209.2	—
<b>Total finance costs.....</b>	<b>901.3</b>	<b>1,073.0</b>	<b>946.2</b>
<b>Net finance costs.....</b>	<b>820.4</b>	<b>888.9</b>	<b>772.3</b>

Net gains and losses on financial instruments are included in Note 26.b.

## 10. TAXATION

### Taxation recognised in the consolidated income statement

	2010	2009	2008
	€m		
<b>Current tax expense</b>			
Current year.....	110.7	37.6	74.3



Adjustments in respect of prior years .....	18.2	(1.0)	(12.7)
Current tax expense .....	128.9	36.6	61.6
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences.....	82.0	11.1	(294.2)
Adjustments in respect of prior years .....	2.2	(33.8)	(79.0)
Deferred tax charge/(credit) .....	84.2	(22.7)	(373.2)
<b>Total tax charge/(credit) .....</b>	<b>213.1</b>	<b>13.9</b>	<b>(311.6)</b>

#### Reconciliation of effective tax rate

	2010	2009	2008
	€m		
Profit/(loss) before taxation .....	156.6	(601.2)	(884.2)
Tax on above using the UK corporation tax rate of 28% (2009: 28%, 2008: 28%) ...	43.8	(168.4)	(247.6)
Non-deductible expenses/tax exempt revenues.....	24.7	87.9	(4.3)
Disposal of businesses .....	105.7	8.2	9.7
Effect of tax rates in foreign jurisdictions .....	35.0	29.7	9.8
Deferred tax not recognised .....	6.4	61.7	42.1
Utilisation of tax losses brought forward .....	(22.9)	29.6	(29.6)
Adjustments for prior years .....	20.4	(34.8)	(91.7)
<b>Total tax charge/(credit) .....</b>	<b>213.1</b>	<b>13.9</b>	<b>(311.6)</b>

#### Taxation recognised in other comprehensive income

	2010			2009			2008		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
	€m								
Foreign exchange translation differences .....	281.5	—	281.5	56.8	—	56.8	(184.1)	—	(184.1)
Foreign exchange differences recycled on disposal of subsidiaries .....	45.5	—	45.5	(25.0)	—	(25.0)	13.5	—	13.5
Changes in the fair value of assets classified as available for sale .....	(13.1)	—	(13.1)	22.9	—	22.9	—	—	—
Net (loss)/gain on hedge of net investment in foreign operations .....	(73.8)	—	(73.8)	13.9	—	13.9	(40.0)	—	(40.0)
Net change in fair value of cash flow hedges .....	—	—	—	—	—	—	105.8	(29.5)	76.3
Cash flow hedge recycled from hedging reserve .....	—	—	—	(105.9)	29.6	(76.3)	—	—	—
Actuarial gains and losses on defined benefit pension schemes .....	(94.8)	31.7	(63.1)	(18.9)	16.8	(2.1)	(321.2)	79.7	(241.5)
<b>Total .....</b>	<b>145.3</b>	<b>31.7</b>	<b>177.0</b>	<b>(56.2)</b>	<b>46.4</b>	<b>(9.8)</b>	<b>(426.0)</b>	<b>50.2</b>	<b>(375.8)</b>

#### 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment Fixtures and fittings	Under construction	Total
	€m			
<b>Cost</b>				
Balance at 1 January 2008 .....	476.0	7,577.9	348.3	8,402.2
Acquisitions through business combinations .....	6.6	72.0	0.2	78.8
Additions .....	6.2	238.7	356.5	601.4
Disposals .....	(48.0)	(223.5)	(24.4)	(295.9)
Transfers .....	9.9	222.9	(232.8)	—
Effect of movements in foreign exchange .....	(3.4)	(548.2)	24.8	(526.8)
Balance at 31 December 2008 .....	447.3	7,339.8	472.6	8,259.7
Additions .....	0.4	103.9	159.3	263.6

Disposals .....	(22.3)	(148.8)	(23.0)	(194.1)
Transfers .....	6.4	254.1	(273.1)	(12.6)
Reclassifications .....	—	—	(1.7)	(1.7)
Effect of movements in foreign exchange .....	0.6	153.0	5.8	159.4
Balance at 31 December 2009 .....	432.4	7,702.0	339.9	8,474.3
Disposal through business combinations .....	(65.5)	(1,188.2)	(27.6)	(1,281.3)
Additions .....	0.6	178.0	219.2	397.8
Disposals .....	(5.2)	(32.3)	(0.5)	(38.0)
Transfers .....	1.7	239.8	(231.0)	10.5
Effect of movements in foreign exchange .....	13.1	299.3	14.5	326.9
<b>Balance at 31 December 2010 .....</b>	<b>377.1</b>	<b>7,198.6</b>	<b>314.5</b>	<b>7,890.2</b>
<b>Accumulated depreciation and impairment</b>				
Balance at 1 January 2008 .....	113.4	2,215.6	—	2,329.0
Depreciation charge for the year .....	21.4	603.8	—	625.2
Impairment losses .....	—	130.3	—	130.3
Disposals .....	(10.5)	(160.5)	—	(171.0)
Effect of movements in foreign exchange .....	(1.3)	(93.1)	—	(94.4)
Balance at 31 December 2008 .....	123.0	2,696.1	—	2,819.1
Depreciation charge for the year .....	21.1	574.6	—	595.7
Transfers .....	0.7	(13.3)	—	(12.6)
Disposals .....	(2.3)	(53.7)	—	(56.0)
Effect of movements in foreign exchange .....	(0.6)	35.5	—	34.9
Balance at 31 December 2009 .....	141.9	3,239.2	—	3,381.1
Disposal through business combinations .....	(19.7)	(555.1)	—	(574.8)
Depreciation charge for the year .....	18.9	548.8	—	567.7
Transfers .....	(0.7)	11.2	—	10.5
Disposals .....	(2.2)	(30.1)	—	(32.3)
Effect of movements in foreign exchange .....	4.1	131.6	—	135.7
<b>Balance at 31 December 2010 .....</b>	<b>142.3</b>	<b>3,345.6</b>	<b>—</b>	<b>3,487.9</b>
<b>Net book value</b>				
At 1 January 2008 .....	362.6	5,362.3	348.3	6,073.2
At 31 December 2008 .....	324.3	4,643.7	472.6	5,440.6
At 31 December 2009 .....	290.5	4,462.8	339.9	5,093.2
<b>At 31 December 2010 .....</b>	<b>234.8</b>	<b>3,853.0</b>	<b>314.5</b>	<b>4,402.3</b>

### ***Impairment losses***

The impairment losses for the year ended 31 December 2008 of €130.3 million reflect the closure of polypropylene assets in Bamble, Norway during the year and the closures of the Per and Trichloroethylene plants in Runcorn, England and the polypropylene assets in Battleground, Texas in early 2009. Costs incurred to date on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium were also written off as these projects were suspended. An impairment charge was also taken against the HFC 125 assets in Runcorn after a review of the business was carried out during 2008.

These impairment losses were recognised in cost of sales as exceptional charges. The items of property, plant and equipment were subsequently written off.

### ***Leased plant and machinery***

Included in the above are assets held under hire purchase and finance leases with a net book value of €35.4 million (2009: €43.6 million, 2008: €50.0 million). The leased equipment secured lease obligations (see Note 20).

***Property, plant and equipment under construction***

During 2010, construction work on the Waste Water Treatment plant in Lavéra, France and on the expansion of the Poly Alpha-Olefins production facility in Feluy, Belgium were completed and the assets were transferred to other classes of property, plant and equipment.

Additions to assets under constructions during 2010 included the first phase of expenditure on the construction of an ethylene tank terminal in Antwerp, Belgium and scheduled turnarounds at the KG cracker and Hydrocracker units in Grangemouth, Scotland.

During 2009, construction work at Koln on the overhaul of the two catalytic cracking units was completed and the assets were transferred to other classes of property, plant and equipment. Construction work continued at the KG cracker unit in Grangemouth whilst work on the polypropylene plant in Belgium was halted until a decision to complete the project has been taken.

Additions to assets under constructions during 2009 included investment to meet future regulations with the first phase of construction of a new Sulfur Recovery Unit coupled with a Tail Gas Treatment and a new Waste Water Treatment Plant. Other notable investments include the electrical and hydrocracker substations, new tankage, tank farm fire protection, cross-country pipeline integrity gauging and expansion projects including acid crude processing.

Additions to property, plant and equipment that were treated as assets under construction during 2008 arose from a number of investments. The material ones included: the new furnace constructed for the cracker at the Koln site; the expansion of a polypropylene plant in Belgium; the expansion of feedstock capabilities of the KG cracker unit in Grangemouth, Scotland; and overhaul of the two Fluidised Catalytic Cracking units, Crude distillation unit No.2, Hydrocracker Treatments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(FORMING PART OF THE FINANCIAL STATEMENTS)

## 12. INTANGIBLE ASSETS

	Intellectual property rights	Customer relationships	Other	Goodwill	Total
	€m				
<b>Cost</b>					
Balance at 1 January 2008 .....	134.2	23.1	8.3	909.6	1,075.2
Acquisitions through business combinations .....	—	—	—	19.1	19.1
Other acquisitions.....	27.3	—	0.7	—	28.0
Disposals .....	—	—	—	(2.6)	(2.6)
Effect of movements in foreign exchange.....	1.9	—	0.1	19.9	21.9
Balance at 31 December 2008 .....	163.4	23.1	9.1	946.0	1,141.6
Additions .....	—	—	—	1.0	1.0
Other additions .....	—	—	1.0	—	1.0
Reclassifications.....	1.7	—	—	—	1.7
Disposals .....	(25.8)	(20.2)	(0.3)	(80.6)	(126.9)
Effect of movements in foreign exchange.....	(0.6)	—	—	(6.1)	(6.7)
Balance at 31 December 2009 .....	138.7	2.9	9.8	860.3	1,011.7
Disposals through business combinations .....	(2.9)	—	(0.4)	(8.8)	(12.1)
Acquisitions through business combinations .....	—	—	—	0.1	0.1
Reclassifications.....	(1.0)	—	—	—	(1.0)
Disposals .....	(0.3)	—	(0.2)	—	(0.5)
Effect of movements in foreign exchange.....	5.9	—	0.4	62.2	68.5
<b>Balance at 31 December 2010 .....</b>	<b>140.4</b>	<b>2.9</b>	<b>9.6</b>	<b>913.8</b>	<b>1,066.7</b>
<b>Accumulated amortisation and impairment</b>					
Balance at 1 January 2008 .....	19.2	4.0	5.7	45.0	73.9
Amortisation for the year .....	14.1	6.7	0.7	—	21.5
Effect of movements in foreign exchange.....	0.2	—	—	(0.6)	(0.4)
Balance at 31 December 2008 .....	33.5	10.7	6.4	44.4	95.0
Amortisation for the year .....	14.5	5.2	0.7	—	20.4
Disposal .....	(3.3)	(13.5)	(0.3)	(34.9)	(52.0)
Effect of movements in foreign exchange.....	(0.3)	—	—	(1.0)	(1.3)
Balance at 31 December 2009 .....	44.4	2.4	6.8	8.5	62.1
Disposals through business combinations .....	(1.4)	—	(0.3)	—	(1.7)
Amortisation for the year .....	11.9	0.1	0.6	—	12.6
Reclassifications.....	(1.3)	—	—	—	(1.3)
Effect of movements in foreign exchange.....	0.8	—	—	0.4	1.2
<b>Balance at 31 December 2010 .....</b>	<b>54.4</b>	<b>2.5</b>	<b>7.1</b>	<b>8.9</b>	<b>72.9</b>
<b>Net book value</b>					
At 1 January 2008 .....	115.0	19.1	2.6	864.6	1,001.3
At 31 December 2008 .....	129.9	12.4	2.7	901.6	1,046.6
At 31 December 2009 .....	94.3	0.5	3.0	851.8	949.6
<b>At 31 December 2010 .....</b>	<b>86.0</b>	<b>0.4</b>	<b>2.5</b>	<b>904.9</b>	<b>993.8</b>

Other intangible assets include non-compete agreements and licence fees.

### *Amortisation and impairment charge*

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

### *Impairment*

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

	2010	2009	2008
	€m		
O&P Europe.....	265.9	243.1	245.0
O&P North America .....	252.9	244.8	245.5
Refining.....	305.6	300.6	300.1
Chemical Intermediates .....	80.5	63.3	111.0
<b>Total.....</b>	<b>904.9</b>	<b>851.8</b>	<b>901.6</b>

The Refining segment's recoverable amount has been based upon the irrevocable conditional offer received for 50% of the Refining business of \$1,015 billion which is expected to close on or about 31 May 2011.

For other segments the recoverable amount is based on the value in use of each operating segment before aggregation based on the latest board approved five year plan. The forecasts are based on current performance and management's assumptions regarding the future development of individual parameters including raw material prices and profit margins, utilising available market pricing forecasts. Future assumptions regarding market demand are based on external macroeconomic sources and specific data relevant to the petrochemical industry and management's knowledge of the local markets in which it operates.

The cash flows after the plan period are based on an average of each of the years in the five year plan to take account of the cyclical nature of the industry extrapolated using long term growth rates as set out in the table below.

No impairment charge has been recorded in these accounts as a result of the annual impairment test.

The key assumptions underlying the value in use calculation are shown below:

	2010	2009	2008
Period on which management approved forecasts are based.....	5 years	5 years	5 years
Discount rate .....	11.0%	11.0%	10.5%
Growth rate.....	3.0%	3.0%	3.0%

A terminal value is calculated based on the average cash flows over the five year forecasting period assuming compound growth of 3% and is discounted over the expected lives of the assets.

The discount rate is based upon the pre-tax weighted average cost of capital of the group as at each respective period end.

The growth rate used includes inflationary growth across our various markets.

### *Sensitivity of recoverable amounts*

The following table presents, for each CGU the change in the discount rate for the tests as of 31 December 2010 that would be required in order for the recoverable amount to equal carrying value.

	Applied rate	Change in discount rate in order for the recoverable amount to be equal to carrying value	Required rate
		%	
O&P Europe .....	11.0	4.6	15.6
O&P North America .....	11.0	14.9	25.9
Chemical Intermediates:			
Nitriles .....	11.0	22.0	33.0
Oxide .....	11.0	26.6	37.6
Phenol .....	11.0	19.9	30.9
Oligomers .....	11.0	22.2	33.2
Enterprises .....	11.0	2.5	13.5
Technologies .....	11.0	18.1	29.4

The following table presents, for each CGU the change in the growth rate for the tests as of 31 December 2010 that would be required in order for the recoverable amount to equal carrying value. For all operating segments except Nitriles, Oxide, Phenol and Technologies there would need to be negative growth in order for an impairment to be recognised. For the Nitriles, Oxide, Phenol and Technologies segment growth sensitivity is not relevant as a €nil terminal value would not result in impairment.

	Applied rate	Change in growth rate in order for the recoverable amount to be equal to carrying value	Required rate
		%	
O&P Europe .....	3.0	(10.3)	(7.3)
O&P North America .....	3.0	(71.2)	(68.2)
Chemical Intermediates:			
Nitriles .....	3.0	n/a	n/a
Oxide .....	3.0	n/a	n/a
Phenol .....	3.0	n/a	n/a
Oligomers .....	3.0	(42.4)	(39.4)
Enterprises .....	3.0	(5.0)	(2.0)
Technologies .....	3.0	n/a	n/a

### 13. INVESTMENTS

#### 13.a Investments In Equity—Accounted Investees

	Joint ventures	Associated undertakings	Total
		€m	
At 1 January 2008 .....	158.8	0.7	159.5
Transfer from provisions for liabilities.....	32.3	—	32.3
Share of losses retained.....	(60.9)	—	(60.9)
Additions .....	3.9	—	3.9
Share capital repayments .....	(6.7)	—	(6.7)
Loan repayment.....	(6.4)	—	(6.4)
Reclassifications.....	2.7	—	2.7
Dividends received.....	(1.0)	—	(1.0)
Disposals .....	—	(0.5)	(0.5)
Exchange adjustments.....	(7.2)	(0.2)	(7.4)
At 31 December 2008 .....	115.5	—	115.5
Share of profits retained.....	5.0	—	5.0
Additions .....	1.4	0.1	1.5
Loan repayment.....	(6.6)	—	(6.6)
Reclassifications.....	(10.3)	—	(10.3)
Dividends received.....	(1.1)	—	(1.1)
Disposals .....	(1.6)	—	(1.6)

Exchange adjustments.....	7.2	—	7.2
At 31 December 2009 .....	109.5	0.1	109.6
Share of profits retained.....	4.0	—	4.0
Additions .....	0.6	—	0.6
Loan repayment.....	(6.8)	—	(6.8)
Reclassifications.....	(3.8)	—	(3.8)
Dividends received.....	(0.6)	—	(0.6)
Disposals .....	—	(0.1)	(0.1)
Exchange adjustments.....	2.7	—	2.7
<b>At 31 December 2010 .....</b>	<b>105.6</b>	<b>—</b>	<b>105.6</b>

### **Joint ventures**

During the year ended 31 December 2008, the Group's share of the losses retained on the enlarged Styrenics joint venture resulted in a transfer to provisions as the Group had an obligation to fund future losses of the venture.

In 2009 the Group disposed of its interests in the Nova joint ventures for nil consideration; see Note 3.

The Group has a loan investment with Noretyl AS. At 31 December 2010 the balance was €18.4 million (2009: €19.9 million, 2008: €21.7 million).

Details of investments in joint ventures are set out below:

<b>Company</b>	<b>Class of shares held</b>	<b>Place of business and country of incorporation</b>	<b>Percentage held</b>	<b>Principal activities</b>
Appryl SNC.....	Ordinary	Lavéra, France	50%	Chemicals
Naphthachimie SNC .....	Ordinary	Lavéra, France	50%	Chemicals
Oxochimie SA .....	Ordinary	Lavéra, France	50%	Chemicals
Noretyl AS.....	Ordinary	Rafnes, Norway	50%	Chemicals

Summary aggregated financial information for equity accounted joint ventures—50 per cent of the balances:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
		€m	
Current assets .....	70.1	64.1	285.4
Long-term assets .....	153.6	168.3	299.5
Current liabilities.....	(57.7)	(48.4)	(259.5)
Long-term liabilities.....	(29.1)	(55.4)	(65.0)
Income .....	171.8	844.4	1,551.7
Expenses.....	(170.0)	(831.6)	(1,600.8)

### **Associated undertakings**

The Group retains interests in associated undertakings in the Bio and Healthcare businesses.

Details of the associated undertakings are set out below:

<b>Company</b>	<b>Class of shares held</b>	<b>Place of business and country of incorporation</b>	<b>Percentage held</b>	<b>Principal activities</b>
Ineos Bio Limited.....	Ordinary	UK	20%	Chemicals
Ineos Bio US LLC.....	Ordinary	USA	20%	Chemicals
Ineos Healthcare Limited .....	Ordinary	UK	20%	Healthcare

The Group has not recognised its share of losses relating to the Ineos Bio or Healthcare businesses of €2.9 million (2009: €0.8 million) and €3.7 million (2009: €2.4 million) respectively since the Group has no obligation in respect of these losses. The Group has adopted IAS 27 (revised 2008) *Consolidated and Separate Financial Statements* and has recognised these investments at their fair value on the date of reorganisation of these businesses, estimated by the Group to be €nil.

Summary aggregated financial information for equity accounted associated undertakings—share of the balances:

	2010	2009
	€m	€m
Total assets .....	9.8	23.7
Total liabilities.....	(12.7)	(26.8)
Income .....	1.3	—
Expenses .....	(7.8)	(3.2)

### 13.b Investments in Subsidiary Undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length.

The directors believe the carrying value of the investments is supported by the underlying net assets of the subsidiaries.

The following information relates to the principal subsidiary undertakings of the Company.

Company	Country of incorporation and operation	Percentage holding	Principal activity
Ineos Holdings Limited*			Holding
	England	100%	Company
Ineos European Holdings Limited			Holding
	England	100%	Company
Ineos US Finance LLC	US	100%	Finance
Ineos Finance Plc	England	100%	Finance
Ineos Oxide Limited	England	100%	Chemicals
Ineos NV	Belgium	100%	Chemicals
Ineos Belgium NV	Belgium	100%	Chemicals
Ineos Phenol Belgium NV	Belgium	100%	Chemicals
Ineos Italia Srl	Italy	100%	Chemicals
Ineos Phenol GmbH	Germany	100%	Chemicals
Ineos Fluor Limited	England	100%	Chemicals
IFJ Korea Limited	Korea	100%	Chemicals
Ineos Fluor Americas LLC	US	100%	Chemicals
Ineos Silicas Limited	England	100%	Chemicals
Ineos Americas LLC	US	100%	Chemicals
Ineos Manufacturing Deutschland GmbH	Germany	100%	Chemicals
Ineos Koln GmbH	Germany	100%	Chemicals
Ineos France SAS	France	100%	Chemicals
Ineos Europe Limited	England	100%	Chemicals
Ineos Manufacturing Belgium NV	Belgium	100%	Chemicals
Ineos Feluy SPRL	Belgium	100%	Chemicals
Ineos Manufacturing Scotland Limited	Scotland	100%	Chemicals
Ineos Sales Belgium NV	Belgium	100%	Chemicals
Ineos Sales Italia s.r.l	Italy	100%	Chemicals
Ineos Manufacturing France SAS	France	100%	Chemicals
Ineos Manufacturing Italia s.p.a	Italy	100%	Chemicals
Ineos USA LLC	US	100%	Chemicals



Ineos Polymers Inc.....	US	100%	Chemicals
Ineos Canada Company .....	Canada	100%	Chemicals
Ineos Canada Partnership.....	Canada	100%	Chemicals
Ineos Compounds UK Limited .....	England	100%	Chemicals
Ineos Bamble AS.....	Norway	100%	Chemicals
Ineos Nitriles (UK) Limited .....	England	100%	Chemicals
Ineos Manufacturing (Hull) Limited .....	England	100%	Chemicals
Ineos Fuels Limited.....	England	100%	Chemicals
Ineos Refining France SAS.....	France	100%	Chemicals
Ineos Technologies (Vinyls) Limited .....	England	100%	Chemicals

\* Held directly by the Company

#### 14. OTHER INVESTMENTS

	2010	2009	2008
	€m		
At 1 January .....	129.7	123.5	—
Additions .....	—	—	105.5
Interest receivable .....	11.0	9.3	4.6
Exchange adjustments.....	11.5	(3.1)	13.4
At 31 December .....	<b>152.2</b>	<b>129.7</b>	<b>123.5</b>

During the year ended 31 December 2008 the Group acquired a preferred partnership interest in Ineos Investments LLP (see Note 3), an entity held under common control by the Group's ultimate shareholders, which owns 40% of the share capital of the PQ Corporation, a silicas business incorporated in the USA. Ineos Investments LLP is a limited liability partnership.

#### 15. OTHER FINANCIAL ASSETS

	2010	2009	2008
	€m		
<b>Non-current</b>			
Financial assets designated as fair value through profit or loss (see Note 26.a) .....	—	—	—
Available for sale financial assets (see below and Note 26.a) .....	90.1	82.2	49.0
	<b>90.1</b>	<b>82.2</b>	<b>49.0</b>
<b>Current</b>			
Financial assets designated as fair value through profit or loss .....	—	—	0.3
Derivative commodity contracts designated as fair value through profit or loss (see Note 26.a) .....	8.2	2.9	25.4
Derivative commodity contracts designated as cash flow hedges (see Note 26.e) .....	—	—	105.8
Other receivables.....	—	—	27.9
	<b>8.2</b>	<b>2.9</b>	<b>159.4</b>

##### *Available for sale financial assets*

Available for sale financial assets relate to a 19.9% investment in Geosel Manosque and a 13.9% investment in Geosud, companies registered in France whose principal activities are the provision of underground storage facilities for liquid hydrocarbons in Southern France; a 16.7% investment in Aethylen Rohrleitungs Gesellschaft ('ARG') mbH and Co. KG, a company registered in Germany whose principal activity is the transportation of ethylene via pipelines in Northern Europe; 10% investment in Seminole Pipeline Company, a company registered in the USA whose principal activity is the provision of pipelines and a 4.08% investment in Exeltium SAS, a company registered in France which is a consortium of high energy users established to obtain a preferential supply of electricity from EDF.

The investment in Geosel Manosque was valued at its aggregate acquisition cost of €23.0 million in 2008. As a result of a partial demerger of the business into Geosel Manosque and Geosud in 2009 further

information became available that allowed the valuation of these investments in 2009 to an estimated fair value for Geosel Manosque (€26.0 million) and Geosud (€19.8 million).

Investments in ARG mbH and Co. KG and Seminole Pipeline Company have been classified as available for sale financial assets but are recorded at their acquisition cost. During 2010 the group acquired a 4.08% investment in Exeltium SAS which has also been recorded at its acquisition cost of €7.1 million. These financial instruments comprise shares in private limited companies and partnerships. The carrying amount of these investments was €44.3 million at 31 December 2010 (2009: €36.0 million, 2008: €26.0 million). These shares are not listed and there is no active market. A reliable determination of fair value would only be practicable if there were equity sales transactions on which fair values could be based. A disposal of these investments is not currently anticipated.

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## 16. OTHER FINANCIAL LIABILITIES

	2010	2009	2008
	€m		
<b>Current</b>			
Financial liabilities designated as fair value through profit or loss .....	—	—	0.2
Derivative commodity contracts designated as fair value through profit or loss (see Note 26.a) .....	6.7	6.5	0.3
	<u>6.7</u>	<u>6.5</u>	<u>0.5</u>

## 17. DEFERRED TAX ASSETS AND LIABILITIES

### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	2010		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	221.6	221.6
Employee benefits .....	(207.8)	—	(207.8)
Tax value of loss carry-forwards .....	(251.4)	—	(251.4)
Other .....	(63.1)	17.9	(45.2)
Tax (assets)/liabilities .....	(522.3)	239.5	(282.8)
Set off of tax .....	—	—	—
Net tax (assets)/liabilities .....	<u>(522.3)</u>	<u>239.5</u>	<u>(282.8)</u>

	2009		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	189.7	189.7
Employee benefits .....	(239.3)	—	(239.3)
Tax value of loss carry-forwards .....	(216.4)	—	(216.4)
Other .....	(31.8)	—	(31.8)
Tax (assets)/liabilities .....	(487.5)	189.7	(297.8)
Set off of tax .....	28.6	(28.6)	—
Net tax (assets)/liabilities .....	<u>(458.9)</u>	<u>161.1</u>	<u>(297.8)</u>

	2008		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	269.1	269.1
Employee benefits .....	(223.8)	—	(223.8)
Tax value of loss carry-forwards .....	(290.1)	—	(290.1)
Other .....	—	2.1	2.1
Tax (assets)/liabilities .....	(513.9)	271.2	(242.7)
Set off of tax .....	76.1	(76.1)	—
Net tax (assets)/liabilities .....	<u>(437.8)</u>	<u>195.1</u>	<u>(242.7)</u>

## Movement in deferred tax

	Property, plant and equipment	Employee benefits	Tax value of loss carry-forward utilised	Other	Total
			€m		
At 1 January 2008 .....	403.9	(147.9)	(45.6)	(40.4)	170.0
Recognised in profit or loss .....	(145.5)	3.8	(244.5)	13.0	(373.2)
Recognised in other comprehensive income ...	—	(79.7)	—	29.5	(50.2)
Acquired in business combinations .....	10.7	—	—	—	10.7
At 31 December 2008 .....	269.1	(223.8)	(290.1)	2.1	(242.7)
Recognised in profit or loss .....	(84.8)	(7.3)	73.7	(4.3)	(22.7)
Recognised in other comprehensive income ...	—	(16.8)	—	(29.6)	(46.4)
Acquired in business combinations .....	5.4	8.6	—	—	14.0
At 31 December 2009 .....	189.7	(239.3)	(216.4)	(31.8)	(297.8)
Recognised in profit or loss .....	100.9	31.7	(35.0)	(13.4)	84.2
Recognised in other comprehensive income ...	—	(31.7)	—	—	(31.7)
Included in businesses disposed of .....	(69.0)	31.5	—	—	(37.5)
At 31 December 2010 .....	<u>221.6</u>	<u>(207.8)</u>	<u>(251.4)</u>	<u>(45.2)</u>	<u>(282.8)</u>

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise gross deductible temporary differences of €308.9 million (2009: €1,039.2 million, 2008: €483.3 million). These all relate to tax losses (2009: €217.9 million depreciation in excess of capital allowances, €707.4 million tax losses; €113.9 million other temporary differences. 2008: €162.3 million depreciation in excess of capital allowances; €321.0 million tax losses) that can be carried forward indefinitely against future taxable income.

The Group has not provided deferred tax in relation to temporary differences on its overseas subsidiaries or joint ventures as the Group can control the timing and realisation of these temporary differences, and it is probable that no material unprovided tax liability would arise.

## 18. INVENTORIES

	2010	2009	2008
		€m	
Raw materials and consumables .....	488.0	418.7	421.0
Work in progress .....	26.7	36.6	39.7
Finished goods .....	1,740.2	1,089.4	1,132.9
	<u>2,254.9</u>	<u>1,544.7</u>	<u>1,593.6</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €14,582.0 million (2009: €11,174.4 million, 2008: €18,100.4 million). The net write-down of inventories to net realisable value amounted to €20.0 million (2009: €46.8 million, 2008: €140.7 million) after the reversal of previous write downs of €14.7 million (2009: €22.8 million, 2008: €25.5 million).

## 19. TRADE AND OTHER RECEIVABLES

	2010	2009	2008
		€m	
<b>Current</b>			
Trade receivables .....	1,894.0	1,536.3	1,574.1
Amounts due from related parties .....	207.5	115.9	100.4
Other receivables .....	176.1	179.4	245.0
Prepayments .....	79.0	86.4	72.4
	<u>2,356.6</u>	<u>1,918.0</u>	<u>1,991.9</u>
<b>Non-current</b>			

Amounts due from related parties.....	44.0	138.2	138.2
Other receivables.....	19.4	15.3	5.9
Prepayments .....	9.9	15.4	24.1
	<u>73.3</u>	<u>168.9</u>	<u>168.2</u>

***Credit quality of financial assets and impairment losses***

The ageing of trade and other receivables at the end of the reporting period was:

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2010	2010	2010	2010	2010	2010
	€m					
Not past due.....	1,916.5	(17.7)	251.5	—	190.3	—
Past due 0-30 days.....	—	—	—	—	1.7	—
Past due 31-90 days.....	2.2	(1.5)	—	—	—	—
More than 90 days.....	9.3	(14.8)	—	—	3.5	—
	<u>1,928.0</u>	<u>(34.0)</u>	<u>251.5</u>	<u>—</u>	<u>195.5</u>	<u>—</u>

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2009	2009	2009	2009	2009	2009
	€m					
Not past due.....	1,453.0	(23.1)	254.1	—	190.9	—
Past due 0-30 days.....	101.9	(1.9)	—	—	—	—
Past due 31-90 days.....	7.8	(1.4)	—	—	—	—
More than 90 days.....	22.9	(22.9)	—	—	3.8	—
	<u>1,585.6</u>	<u>(49.3)</u>	<u>254.1</u>	<u>—</u>	<u>194.7</u>	<u>—</u>

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2008	2008	2008	2008	2008	2008
	€m					
Not past due.....	1,435.9	(15.3)	238.6	—	249.5	—
Past due 0-30 days.....	138.2	(3.4)	—	—	0.5	—
Past due 31-90 days.....	16.7	(5.8)	—	—	0.8	—
More than 90 days.....	32.3	(24.5)	—	—	0.1	—
	<u>1,623.1</u>	<u>(49.0)</u>	<u>238.6</u>	<u>—</u>	<u>250.9</u>	<u>—</u>

The accounts receivable not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers (see Note 26.c). At 31 December 2008, 2009 and 2010 there were no significant trade, related party or other receivable balances not past due that were subsequently impaired.

Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit risk other than with BP Plc ('BP') which represents approximately 7% of trade receivables (2009: 14%). The concentration of credit risk arises due to the number of commercial agreements that the Group has with BP. The credit risk associated with these receivables is managed through a master bilateral netting agreement where, in the event of termination of commercial agreements, balances owed from BP will be offset against the Group's balances payable to BP. During the normal course of business amounts owed by BP are normally less than the Group's payable to BP in relation to purchases of crude oil, feed stocks and other inputs.

During 2008, 2009 and 2010 there were no significant trade, related party or other receivable balances that were subject to renegotiation of terms. Credit enhancements are held in respect of trade and other receivables in the form of €233.4 million (2009: €295.7 million, 2008: €255.5 million) of assets pledged as security against amounts owed to the Group of which €2.6 million (2009: €12.0 million, 2008: €33.8 million) is in respect of amounts falling overdue.

Trade receivable balances totalling €1,063.6 million (2009: €1,096.7 million, 2008: €1,118.5 million) have been pledged as security against amounts drawn down under the Receivables Securitisation Facility, described in Note 20, totalling €753.0 million (2009: €605.5 million, 2008: €750.6 million). In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the trade receivable balances pledged as security do not qualify for derecognition and are included within the trade receivable balances above.

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

	2010	2009	2008
		€m	
Balance at 1 January .....	49.3	49.0	43.7
Impairment loss recognised .....	(15.3)	0.3	5.3
Balance at 31 December .....	<u>34.0</u>	<u>49.3</u>	<u>49.0</u>

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

During the year the Group has not experienced a significant deterioration in the quality of receivable balances due to the current economic conditions. The significant falls in the price of crude oil and related products during 2008 increased the reported level of the allowance for impairment to the total receivable balance in that year due to a consequential deterioration in the creditworthiness of certain customers.

There were no allowances made against amounts due from related parties or other receivables during the years ended 31 December 2010, 2009 and 2008.

## 20. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 26.f.

	2010	2009	2008
		€m	
<b>Non-current liabilities</b>			
Senior Facilities Agreement .....	3,468.2	4,165.8	4,317.3
Senior Secured Notes .....	715.2	—	—
Senior Notes .....	2,017.7	1,969.9	2,088.8
Ineos Vinyls Senior Notes .....	—	159.9	160.4
Securitisation Facility .....	746.1	603.4	748.4
Other bank loans .....	—	—	0.3
Finance lease liabilities .....	6.7	10.1	17.7
Other loans .....	1.0	0.9	0.9
	<u>6,954.9</u>	<u>6,910.0</u>	<u>7,333.8</u>
<b>Current liabilities</b>			
Current portion of borrowings under Senior Facilities Agreement .....	386.8	837.9	612.0
Current portion of other bank loans .....	—	—	0.4
Current portion of finance lease liabilities .....	1.1	1.4	3.2
	<u>387.9</u>	<u>839.3</u>	<u>615.6</u>

## Gross debt and issue costs

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2010	2010	2010
	€m		
Senior Facilities Agreement.....	3,907.0	(52.0)	3,855.0
Senior Secured Notes .....	733.9	(18.7)	715.2
Senior Notes .....	2,047.9	(30.2)	2,017.7
Securitisation Facility .....	753.0	(6.9)	746.1
Other .....	8.8	—	8.8
<b>Total .....</b>	<b>7,450.6</b>	<b>(107.8)</b>	<b>7,342.8</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2009	2009	2009
	€m		
Senior Facilities Agreement.....	5,003.7	—	5,003.7
Senior Notes .....	2,005.9	(36.0)	1,969.9
Ineos Vinyls Senior Notes .....	161.2	(1.3)	159.9
Securitisation Facility .....	605.6	(2.2)	603.4
Other .....	12.4	—	12.4
<b>Total .....</b>	<b>7,788.8</b>	<b>(39.5)</b>	<b>7,749.3</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2008	2008	2008
	€m		
Senior Facilities Agreement.....	5,079.8	(150.5)	4,929.3
Senior Notes .....	2,125.0	(36.2)	2,088.8
Ineos Vinyls Senior Notes .....	161.7	(1.3)	160.4
Securitisation Facility .....	750.6	(2.2)	748.4
Other .....	22.5	—	22.5
<b>Total .....</b>	<b>8,139.6</b>	<b>(190.2)</b>	<b>7,949.4</b>

## Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Facilities Agreement.....	\$/€	LIBOR/EURIBOR plus 6.0%-8.0%	2012-2015
Senior Secured Notes .....	\$/€	9.0%/9.25%	2015
Senior Notes .....	\$/€	7.9%-8.5%	2016
Securitisation Facility .....	\$/€£	Variable	2013
Other .....	€/¥	7.0-9.0%	2010-2016

### Senior Facilities Agreement

The Group has outstanding borrowings under a facilities agreement (the “Senior Facilities Agreement”) which consists of Term Loans (“Term Loan A”, “Term Loan B”, “Term Loan C” and “Term Loan D”), and a revolving credit facility (the “Revolving Credit Facility”). The Term Loans outstanding at 31 December 2010 before issues costs were €3,568.8 million (2009: €4,425.8 million, 2008: €4,669.8 million), of which €63.3 million (2009: €260.0 million, 2008: €231.9 million) is due within one year. The total amounts outstanding on Term Loan A were €68.1 million (2009: €727.2 million, 2008: €929.0 million), Term Loan B were €1,366.9 million (2009: €1,524.3 million, 2008: €1,545.4 million), Term Loan C were €1,483.8 million (2009: €1,524.3 million, 2008: €1,545.4 million), Term Loan D were €650.0 million (2009: €650.0 million,

2008: €650.0 million). The Revolving Credit Facility outstanding at 31 December 2010 before issues costs was €38.2 million (2009: €577.9 million, 2008: €410.0 million).

As a result of the substantial modification of the existing Senior Facilities Agreement debt on 17 July 2009 (see Note 5), the unamortised issue costs at that date were written off.

Term Loan A is repayable in semi-annual installments ranging from 15.5% to 17.5% of the principal amount of the loan up until the final repayment on December 16, 2012. Term Loan B is repayable in annual installments ranging from 1.0% to 48.5% of the principal amount of the loan up until the final repayment on December 16, 2013. Term Loan C is repayable in annual installments ranging from 1.0% to 48.0% of the principal amount of the loan up until the final repayment on December 16, 2014. Term Loan D is repayable in full on December 16, 2015.

The Term Loans and Revolving Credit Facility bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum cash margins as at December 31, 2010 are 4.00% per annum for the Term Loan A facility; 4.50% per annum for the Term Loan B facility; 5.00% per annum for the Term Loan C facility; 5.00% per annum for Revolving Credit Facility; and 6.00% per annum for the Term D Loan Facility. With effect from July 17, 2009 the Term Loans are also subject to a Payment in Kind ('PIK') margin of 2.00% per annum.

The cash margin on the Revolving Credit Facility is subject to a reduction based on certain financial tests. The PIK margin on the Term Loans is subject to a reduction based upon achieving certain reductions in total leverage, together with achieving certain credit ratings with Moody's and Standard and Poor. On May 18, 2010 Standard and Poor's Ratings Services raised its long-term corporate credit ratings on the Group. On October 28, 2010 Moody's also raised its corporate credit rating for the Group which has resulted in the PIK margin on the Term Loans of 2.00% per annum being reduced to 1.00% per annum.

A US dollar LIBOR floor of 3.00% applies to all US dollar denominated Term Loans and is payable in cash. A EURIBOR floor of 3.00% applies to all Euro denominated Term Loans. The EURIBOR floor is payable in cash with effect from May 12, 2010. Prior to that date, the difference between the actual EURIBOR at the start of each interest period and the floor was accrued over the period and is not payable in cash until the final repayment dates of the applicable loans.

Ineos Holdings Limited and substantially all of its material subsidiaries are guarantors of the Senior Facilities Agreement. Their obligations are secured by fixed and floating charges over all of the assets of Ineos Holdings Limited and substantially all of the assets of those material subsidiaries.

The Senior Facilities Agreement contains numerous customary operating and financial covenants including requirements to maintain minimum coverage of interest expense, minimum coverage of total debt service and a maximum leverage ratio. In addition, the Senior Facilities Agreement includes covenants relating to, among other things, limitations on indebtedness, ability to give guarantees, creation of security interests, making acquisitions and investments, disposing of assets and paying dividends.

The term loans are stated net of debt issue costs of €2.0 million (2009: €nil million, 2008: €150.5 million)). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### ***Senior Secured Notes***

The Senior Secured Notes are listed on the Luxembourg Stock Exchange and comprise €300.0 million (2009 and 2008: €nil million) Senior Secured Notes due 2015 (the "Secured Euro Notes") and \$570.0 million (2009 and 2008: €nil million) Senior Secured Notes due 2015 (the "Secured Dollar Notes"). The Senior Secured Notes bear interest at 9.25% per annum for the Secured Euro Notes and 9.0% for the Secured Dollar Notes, payable semi-annually in arrears on May 15 and November 15 of each year. Unless previously redeemed as noted below, the Senior Secured Notes will be redeemed by the Group at their principal amount on May 15, 2015.



The Senior Secured Notes will be subject to redemption at any time on or after May 15, 2013, at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning May 15, of the years indicated below:

<b>Year</b>	<b>Secured Euro Notes Redemption Price</b>	<b>Secured Dollar Notes Redemption Price</b>
2013 .....	104.625%	104.500%
2014 and thereafter.....	100.000%	100.000%

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

The Senior Secured Notes rank pari passu with the Term Loans under the Senior Facilities Agreement and are structurally senior to the Senior Notes due 2016. The notes are guaranteed by Ineos Group Holdings plc, Ineos Holdings Limited and certain of their subsidiaries on a senior secured basis.

The notes and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure Ineos Holdings Limited's obligations under the senior secured credit facility.

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

The Senior Secured Notes are stated net of debt issue costs of €18.7 million (2009 and 2008: €nil million). These costs are allocated to the profit and loss account over the term of the Senior Notes.

#### **Senior Notes**

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,532.1 million (2009: €1,532.1 million, 2008: €1,630 million) Senior Notes due 2016 (the "Euro Notes") and \$677.5 million (2009: \$677.5 million, 2008: \$700 million) Senior Notes due 2016 (the "Dollar Notes"). The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year. Unless previously redeemed as noted below, the Senior Notes will be redeemed by the Group at their principal amount on 15 February 2016.

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €14.1 million. The transaction resulted in a gain of €89.0 million which has been accounted for as exceptional finance income (see Note 5).

The Senior Notes will be subject to redemption at any time on or after 15 February 2011, at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning 15 February of the years indicated below:

<b>Year</b>	<b>Euro Notes redemption price</b>	<b>Dollar Notes redemption price</b>
2011 .....	103.938%	104.250%
2012 .....	102.625%	102.833%
2013 .....	101.313%	101.417%
2014 and thereafter.....	100.0%	100.0%

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

The Senior Notes are secured by junior pledges of all of the shares of Ineos Group Holdings plc. The Senior Notes are guaranteed by Ineos Group Holdings plc and its material operating subsidiaries on an unsecured senior subordinated basis. Such guarantees only become due 179 days after an event of default on the Senior Notes has occurred or earlier under certain circumstances.

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

The Senior Notes are stated net of debt issue costs of €30.2 million (2009: €36.0 million, 2008: €36.2 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### ***Ineos Vinyls Senior Notes***

The Ineos Vinyls Senior Notes bear interest at 9.125% per annum, payable semi-annually in arrears on September 1 and December 1 of each year. As part of the disposal of ChlorVinyls, the Group transferred the Ineos Vinyls Senior Notes to Kerling plc in January 2010. The Notes were subsequently redeemed on March 1, 2010.

### ***Receivables Securitisation Facility***

The Company has entered into a €1,200 million receivables securitisation facilities agreement (“Receivables Securitisation Facility”) which matures in July 2013. The total amount outstanding at 31 December 2010 was €753.0 million (2009: €605.6 million, 2008: €750.6 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €6.9 million (2009: €2.2 million, 2008: €2.2 million).

### ***Finance lease liabilities***

Finance lease liabilities are payable as follows:

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2010</b>		
	<b>€m</b>		
Less than one year .....	1.7	(0.2)	1.5
Between one and five years .....	6.5	(6.1)	0.4
More than five years .....	8.3	(2.4)	5.9
	<b>16.5</b>	<b>(8.7)</b>	<b>7.8</b>

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2009</b>		
	<b>€m</b>		
Less than one year .....	1.6	(0.2)	1.4
Between one and five years .....	6.9	(6.3)	0.6
More than five years .....	10.6	(1.1)	9.5
	<b>19.1</b>	<b>(7.6)</b>	<b>11.5</b>

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2008</b>		
	<b>€m</b>		
Less than one year .....	4.8	(1.6)	3.2
Between one and five years .....	15.7	(11.0)	4.7

More than five years .....	14.8	(1.8)	13.0
	<u>35.3</u>	<u>(14.4)</u>	<u>20.9</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2010**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

### 21. TRADE AND OTHER PAYABLES

	2010	2009	2008
	€m		
<b>Current</b>			
Trade payables.....	1,054.9	896.3	707.0
Amounts due to related parties .....	106.0	161.9	104.7
Other payables.....	591.4	672.5	572.2
Deferred consideration.....	32.7	30.3	30.8
Accruals and deferred income .....	1,681.3	970.5	1,036.9
	<u>3,466.3</u>	<u>2,731.5</u>	<u>2,451.6</u>
<b>Non-current</b>			
Amounts due to related parties .....	4.2	4.0	3.6
Other payables.....	64.1	30.3	69.5
Accruals and deferred income .....	22.9	43.9	29.5
	<u>91.2</u>	<u>78.2</u>	<u>102.6</u>

### 22. EMPLOYEE BENEFITS

#### *Pension plans*

The Group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans are generally of the defined benefit type and are funded by payments to separately administered funds or insurance companies. The principal funded plans are in the United Kingdom, North America, Belgium and Norway.

The Group also operates a number of unfunded defined benefit pension schemes in Germany and France.

The most recent full valuations of the significant defined benefit plans were carried out as follows:

Plan	Country	Valuation date
Innovene .....	United Kingdom	31 December 2008
All Plans .....	North America	1 January 2010
All Plans .....	Belgium	31 December 2010
Borealis.....	Norway	31 December 2010
All plans .....	France	31 December 2010
All Plans .....	Germany	31 December 2010

These valuations have been updated where appropriate to 31 December 2010 by independent qualified actuaries.

The Group's pension schemes have been disclosed on a geographical basis as those schemes in the United Kingdom, North America and Other European. Other European principally includes the Group's pension plans in Germany, Belgium, Norway and France.

#### *Pension plan assumptions*

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

United Kingdom	North America	Other European
----------------	---------------	----------------

	2010	2009	2008	2010	2009	2008	2010	2009	2008
							%		
<b>Major assumptions</b>									
Rate of general increase in salaries.....	4.6	4.6	4.6	3.5	3.5	4.0	2.7-5.0	2.7-5.0	2.8-4.5
Rate of increase to pension in payment .....	3.5	3.5	3.1	0.0	0.0	0.0	0.8-2.0	1.0-2.0	1.0-4.3
Discount rate for scheme liabilities.....	5.5	5.7	6.1	5.5	6.0	5.8	4.0-5.0	4.5-5.8	4.0-6.0
Inflation .....	3.6	3.6	3.1	2.5	2.5	2.5	2.0-2.3	2.0-2.3	2.0-2.5

The assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	United Kingdom			North America			Other European		
	2010 years	2009 years	2008 years	2010 years	2009 years	2008 years	2010 years	2009 years	2008 years
Longevity at age 65 for current pensioners .....	20.3-21.2	19.1-21.1	18.9-20.9	18.1-19.5	18.1-19.5	18.1-19.5	18.0-23.4	18.0-23.2	17.0-23.0

Expected long-term rate of return is as follows:

	United Kingdom			North America			Other European		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
							%		
Equities.....		8.1	8.1	8.2	8.6	8.8	9.6	7.0	7.0-7.8
Bonds.....		4.8	5.1	5.2	4.2	4.4	5.7	4.3	4.0-4.5
Property .....		7.5	8.1	8.2	7.0	7.2	6.6	7.0	6.5-7.0
Other .....	4.2-8.1	4.3	4.0	N/A	N/A	N/A	3.0-4.5	3.0-5.6	3.5-5.9

#### Post-retirement health care plans

The Group also operates a number of post retirement healthcare plans in the United States, which provide employees with other post-employment benefits in respect of health care. The plans are unfunded and the liability in respect of these benefits is included in provisions. The liability is assessed by qualified independent actuaries under the projected unit method, assuming the following rates:

Rate	Country	2010	2009	2008
Liability discount rate .....	USA	5.5	6.0	5.8
Liability discount rate .....	Europe	N/A	N/A	5.8
Long-term healthcare trend rate.....	USA	5.0	5.0	5.0
Long-term healthcare trend rate.....	Europe	N/A	N/A	2.8

#### History of plans

The Group has taken the exemption in IFRS 1 that permits it to elect to provide disclosures prospectively from the date of transition to IFRS of 1 January 2007.

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

#### Consolidated balance sheet

2010	2009	2008
€m		

Present value of the defined benefit obligation in respect of pension plans.....	(1,453.2)	(1,733.4)	(1,512.6)
Present value of obligations in respect of post retirement health care plan..	(57.8)	(37.8)	(48.2)
Unrecognised past service cost.....	6.2	5.7	—
Fair value of plan assets.....	817.6	941.4	778.7
<b>Deficit.....</b>	<b>(687.2)</b>	<b>(824.1)</b>	<b>(782.1)</b>

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

	2010	2009	2008
	€m		
Obligations in respect of pension plans			
United Kingdom.....	202.9	388.2	290.3
North America.....	41.3	66.7	56.9
Other European .....	391.4	337.1	386.7
	635.6	792.0	733.9
Obligations in respect of post-retirement health care plans .....	57.8	37.8	48.2
Unrecognised past service cost .....	(6.2)	(5.7)	—
<b>Recognised liability for defined benefit obligations .....</b>	<b>687.2</b>	<b>824.1</b>	<b>782.1</b>

#### Experience adjustments

	2010	2009	2008
	€m/%		
Experience adjustments (loss)/gain on plan liabilities .....	(9.9)	(12.9)	(51.2)
Experience adjustments as a percentage of plan liabilities .....	(0.7)%	(0.7)%	(3.4)%
Experience adjustments gain/(loss) on plan assets.....	20.6	84.9	(379.8)
Experience adjustments as a percentage of plan assets.....	3.2%	9.0%	(48.8)%

The Group expects to contribute approximately €64.3 million to its funded defined benefit plans in the next financial year. This excludes direct company benefit payments and payments in relation to unfunded defined benefit plan schemes.

#### Expense recognised in the consolidated income statement

	Pension Plan								
	United Kingdom			North America			Other European		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
	€m								
Current service cost.....	29.2	31.5	47.9	8.2	9.0	9.0	19.6	23.2	23.2
Past service cost .....	0.9	0.5	—	—	(0.2)	—	—	—	4.7
Losses/(gains) on curtailments and settlements .....	(6.0)	2.3	(7.6)	(0.2)	23.1	(3.2)	0.5	8.9	(9.7)
Interest on obligation .....	39.0	57.0	61.2	8.7	9.7	10.0	23.0	24.3	22.5
Expected return on plan assets.....	(35.0)	(45.2)	(66.6)	(6.5)	(8.0)	(12.6)	(4.7)	(5.3)	(6.4)
	<b>28.1</b>	<b>46.1</b>	<b>34.9</b>	<b>10.2</b>	<b>33.6</b>	<b>3.2</b>	<b>38.4</b>	<b>51.1</b>	<b>34.3</b>

	Post retirement health care plans					
				Total		
	2010	2009	2008	2010	2009	2008
	€m					
Current service cost.....	2.2	2.3	2.4	59.2	66.0	82.5
Past service cost .....	—	0.7	0.3	0.9	1.0	5.0
Losses/(gains) on curtailments and settlements .....	(1.2)	—	(5.7)	(6.9)	34.3	(26.2)
Interest on obligation .....	2.5	2.4	2.5	73.2	93.4	96.2
Expected return on plan assets.....	—	—	—	(46.2)	(58.5)	(85.6)

<u>3.5</u>	<u>5.4</u>	<u>(0.5)</u>	<u>80.2</u>	<u>136.2</u>	<u>71.9</u>
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The expense is recognised in the following line items in the consolidated income statement:

	2010	2009	2008
	€m		
Cost of sales .....	53.2	101.3	61.3
Finance income .....	(46.2)	(58.5)	(85.6)
Finance cost.....	73.2	93.4	96.2
	<u>80.2</u>	<u>136.2</u>	<u>71.9</u>

Actuarial gains and losses, before tax, recognised directly in equity in the statement of comprehensive income since 1 January 2008, the transition date to IFRSs:

	2010	2009	2008
	€m		
Cumulative amount at 1 January .....	(289.8)	(270.9)	50.3
(Loss)/gain recognised in the year .....	(94.8)	(18.9)	(321.2)
<b>Cumulative amount at 31 December .....</b>	<b><u>(384.6)</u></b>	<b><u>(289.8)</u></b>	<b><u>(270.9)</u></b>

#### Pension plans

	United Kingdom			North America		
	2010	2009	2008	2010	2009	2008
	€m					
Present value of funded obligations.....	787.9	1,152.1	855.1	170.6	140.8	185.3
Present value of unfunded obligations.....	—	—	—	—	—	—
	787.9	1,152.1	855.1	170.6	140.8	185.3
Fair value of plan assets .....	(585.1)	(763.9)	(564.8)	(129.3)	(74.1)	(128.4)
<b>Deficit.....</b>	<b><u>202.8</u></b>	<b><u>388.2</u></b>	<b><u>290.3</u></b>	<b><u>41.3</u></b>	<b><u>66.7</u></b>	<b><u>56.9</u></b>

	Other European			Total		
	2010	2009	2008	2010	2009	2008
	€m					
Present value of funded obligations.....	130.0	139.7	162.0	1,088.5	1,432.6	1,202.4
Present value of unfunded obligations.....	364.7	300.8	310.2	364.7	300.8	310.2
	494.7	440.5	472.2	1,453.2	1,733.4	1,512.6
Fair value of plan assets .....	(103.2)	(103.4)	(85.5)	(817.6)	(941.4)	(778.7)
<b>Deficit.....</b>	<b><u>391.5</u></b>	<b><u>337.1</u></b>	<b><u>386.7</u></b>	<b><u>635.6</u></b>	<b><u>792.0</u></b>	<b><u>733.9</u></b>

Movements in present value of defined benefit obligation:

	United Kingdom			North America		
	2010	2009	2008	2010	2009	2008
	€m					
At 1 January .....	1,152.1	855.1	1,166.9	140.8	185.3	166.2
Interest cost .....	39.0	57.0	61.2	8.7	9.7	10.0
Current service cost.....	29.2	31.5	47.9	8.2	9.0	9.0
Special termination cost and past service cost .....	3.2	3.1	—	—	(0.2)	—
Member contributions .....	2.1	4.5	5.6	—	—	—
Curtailments .....	(8.2)	(0.1)	(7.6)	(0.2)	(0.2)	(0.2)
Settlements .....	—	(0.4)	—	—	(45.2)	(3.0)
Benefits paid.....	(18.8)	(20.2)	(12.7)	(4.7)	(2.1)	(16.7)
Reclassifications.....	—	—	(0.4)	—	—	(1.7)
Acquisitions.....	—	2.7	2.4	—	—	2.3
Disposals .....	(489.7)	—	—	(0.6)	(14.8)	(6.4)

Actuarial loss/(gain) .....	46.6	136.4	(117.2)	5.9	0.6	20.2
Exchange .....	32.4	82.5	(291.0)	12.5	(1.3)	5.6
<b>At 31 December .....</b>	<b>787.9</b>	<b>1,152.1</b>	<b>855.1</b>	<b>170.6</b>	<b>140.8</b>	<b>185.3</b>

	Other European			Total		
	2010	2009	2008	2010	2009	2008
	€m					
At 1 January .....	440.5	472.2	425.2	1,733.4	1,512.6	1,758.3
Interest cost .....	23.0	24.3	22.5	70.7	91.0	93.7
Current service cost .....	19.6	23.2	23.2	57.0	63.7	80.1
Special termination cost and past service cost .....	0.4	8.9	4.7	3.6	11.8	4.7
Member contributions .....	—	—	—	2.1	4.5	5.6
Curtailments .....	—	—	(5.7)	(8.4)	(0.3)	(13.5)
Settlements .....	—	—	(4.0)	—	(45.6)	(7.0)
Benefits paid .....	(28.4)	(29.4)	(26.6)	(51.9)	(51.7)	(56.0)
Reclassifications .....	—	(27.9)	(5.6)	—	(27.9)	(7.7)
Acquisitions .....	—	—	10.7	—	2.7	15.4
Disposals .....	(11.2)	(9.8)	—	(501.5)	(24.6)	(6.4)
Actuarial loss/(gain) .....	48.9	(29.7)	36.8	101.4	107.3	(60.2)
Exchange .....	1.9	8.7	(9.0)	46.8	89.9	(294.4)
<b>At 31 December .....</b>	<b>494.7</b>	<b>440.5</b>	<b>472.2</b>	<b>1,453.2</b>	<b>1,733.4</b>	<b>1,512.6</b>

Movements in fair value of plan assets:

	United Kingdom			North America		
	2010	2009	2008	2010	2009	2008
	€m					
At 1 January .....	763.9	564.8	971.0	74.1	128.4	165.2
Benefit payments .....	(18.8)	(20.2)	(12.7)	(4.7)	(2.1)	(16.7)
Group contributions .....	56.2	45.5	35.5	43.3	12.7	28.7
Member contributions .....	2.1	4.5	5.6	—	—	—
Expected return on plan assets .....	35.0	45.2	66.6	6.5	8.0	12.6
Actuarial gain/(loss) .....	26.8	67.1	(293.5)	3.9	5.1	(58.9)
Acquisitions .....	—	2.7	2.4	—	—	2.3
Disposals .....	(302.8)	—	—	(0.5)	(9.3)	(5.7)
Settlements .....	—	(0.3)	—	—	(68.5)	(2.3)
Reclassifications .....	—	—	—	—	—	—
Exchange movements .....	22.7	54.6	(210.1)	6.7	(0.2)	3.2
<b>At 31 December .....</b>	<b>585.1</b>	<b>763.9</b>	<b>564.8</b>	<b>129.3</b>	<b>74.1</b>	<b>128.4</b>

	Other European			Total		
	2010	2009	2008	2010	2009	2008
	€m					
At 1 January .....	103.4	85.5	101.6	941.4	778.7	1,237.8
Benefit payments .....	(28.4)	(29.4)	(26.6)	(51.9)	(51.7)	(56.0)
Group contributions .....	27.4	28.3	31.5	126.9	86.5	95.7
Member contributions .....	—	—	—	2.1	4.5	5.6
Expected return on plan assets .....	4.7	5.3	6.4	46.2	58.5	85.6
Actuarial gain/(loss) .....	(10.1)	12.7	(27.4)	20.6	84.9	(379.8)
Acquisitions .....	—	—	10.7	—	2.7	15.4
Disposals .....	(0.6)	—	—	(303.9)	(9.3)	(5.7)
Settlements .....	—	—	(4.0)	—	(68.8)	(6.3)
Reclassifications .....	5.1	(4.7)	—	5.1	(4.7)	—
Exchange movements .....	1.7	5.7	(6.7)	31.1	60.1	(213.6)
<b>At 31 December .....</b>	<b>103.2</b>	<b>103.4</b>	<b>85.5</b>	<b>817.6</b>	<b>941.4</b>	<b>778.7</b>



The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The fair value of the plan assets and the return on those assets were as follows:

	United Kingdom			North America		
	2010	2009	2008	2010	2009	2008
	€m					
Equities .....	414.3	574.2	397.6	58.4	47.0	79.7
Corporate bonds .....	133.5	174.5	144.6	62.1	20.3	37.8
Property .....	6.6	4.3	7.4	8.8	6.8	10.9
Other .....	30.7	10.9	15.2	—	—	—
<b>Total plan assets .....</b>	<b>585.1</b>	<b>763.9</b>	<b>564.8</b>	<b>129.3</b>	<b>74.1</b>	<b>128.4</b>
<b>Actual return on plan assets .....</b>	<b>61.9</b>	<b>112.3</b>	<b>(226.9)</b>	<b>10.4</b>	<b>13.1</b>	<b>(46.3)</b>

	Other European			Total		
	2010	2009	2008	2010	2009	2008
	€m					
Equities .....	51.0	43.8	27.2	523.7	665.0	504.5
Corporate bonds .....	17.7	19.2	26.3	213.3	214.0	208.7
Property .....	2.5	1.9	1.2	17.9	13.0	19.5
Other .....	32.0	38.5	30.8	62.7	49.4	46.0
<b>Total plan assets .....</b>	<b>103.2</b>	<b>103.4</b>	<b>85.5</b>	<b>817.6</b>	<b>941.4</b>	<b>778.7</b>
<b>Actual return on plan assets .....</b>	<b>3.5</b>	<b>18.0</b>	<b>(21.0)</b>	<b>75.8</b>	<b>143.4</b>	<b>(294.2)</b>

#### *Post-retirement health care plans*

Reconciliation of present value of scheme liabilities:

	2010	2009	2008
	€m		
At 1 January .....	37.8	48.2	32.7
Current service cost .....	2.2	2.3	2.4
Past service cost / (credit) .....	(0.2)	6.5	0.3
Curtailment/settlement .....	(1.2)	—	(5.7)
Contributions .....	(0.5)	(0.3)	(0.4)
Interest cost .....	2.5	2.5	2.5
Actuarial (gain)/loss .....	14.0	(3.5)	1.6
(Disposals)/acquisitions .....	(0.1)	(14.1)	13.2
Reclassifications .....	—	(3.2)	—
Exchange adjustments .....	3.3	(0.6)	1.6
<b>At 31 December .....</b>	<b>57.8</b>	<b>37.8</b>	<b>48.2</b>

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

The sensitivity of the present value of scheme liabilities and aggregate of service and interest cost to changes in the medical trend rate is set out below:

	2010		2009		2008	
	Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate	
	Increase of 1%	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%	Decrease of 1%
Impact on scheme liabilities .....	(7.2)	8.9	(4.4)	5.3	(4.4)	(4.1)

Impact on aggregate of service and interest cost.....	(0.5)	0.6	(0.5)	0.6	(0.5)	(0.9)
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## 23. PROVISIONS

	Severance and restructuring costs	Remediation	Joint ventures	Other	Total
	€m				
At 1 January 2010 .....	32.0	37.2	—	18.7	87.9
Reclassifications.....	6.9	(0.4)	—	11.9	18.4
Disposals through business combinations .....	(0.1)	—	—	(0.3)	(0.4)
Charged to the consolidated income statement .....	1.1	1.5	—	8.8	11.4
Discount unwinding .....		3.3	—	—	3.3
Utilised in the year .....	(14.0)	(16.3)	—	(10.2)	(40.5)
Released in the year .....	(3.1)	(0.1)	—	(4.2)	(7.4)
Exchange adjustments.....	0.8	0.7	—	1.0	2.5
At 31 December 2010 .....	23.6	25.9	—	25.7	75.2
Non-current .....	22.5	41.3	32.3	67.3	163.4
Current.....	29.6	5.6	—	17.8	53.0
Balance at 31 December 2008 .....	52.1	46.9	32.3	85.1	216.4
Non-current .....	23.3	24.1	—	8.0	55.4
Current.....	8.7	13.1	—	10.7	32.5
Balance at 31 December 2009 .....	32.0	37.2	—	18.7	87.9
Non-current .....	20.1	12.6	—	13.8	46.5
Current.....	3.5	13.3	—	11.9	28.7
<b>Balance at 31 December 2010 .....</b>	<b>23.6</b>	<b>25.9</b>	<b>—</b>	<b>25.7</b>	<b>75.2</b>

### *Severance and restructuring costs*

As described in Note 5, the Group has implemented a restructuring programme of the Innovene business. The restructuring costs largely relate to severance and early retirement costs and the programme is expected to continue for another 2 years.

Other restructuring charged in 2010 primarily relate to costs relating to the disposal of the Fluor business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2010**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

### 23. PROVISIONS

#### *Remediation costs*

The Group has provided for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. The provision was established to meet the clean up costs of contaminated soil and groundwater, the removal of potentially hazardous substances and rectification work required to ensure compliance with license to operate obligations. These costs relate mainly to the Group's production facilities at the Runcorn, Warrington, Cologne, Grangemouth, Lavéra, Chocolate Bayou, Green Lake, Lima and Texas City sites. The provision only covers items of specific work for which a reasonable estimate can be determined. The required work is expected to be completed within the next four year period. The interest rate used to determine the obligation in the balance sheet at 31 December 2010 was 8.0% (2009: 9.0%, 2008: 8.0%). By their nature the amounts and timing of any outflows in respect of remediation costs are difficult to predict.

#### *Other provisions*

At 31 December 2008 other provisions included an amount in respect of expected losses on an onerous raw material supply contract. This contract was with the ABS business in Germany for the period until the end of the contract in 2012. The ABS business was sold in 2009. Other provisions also include a number of provisions for other loss making contracts and commercial disputes and a provision for costs related to the Fluor disposal made in 2010.

### 24. SHARE CAPITAL

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>€m</u>		
<b>Fully paid</b>			
11,500,231 (2009: 11,500,231, 2008: 11,500,231) Ordinary shares of £1 each .....	<u>17.7</u>	<u>17.7</u>	<u>17.7</u>

As the reporting currency of the Company is in euro, share capital has been converted to euro at the effective rate of exchange ruling at the date of issuance.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 25. DIVIDENDS

The following dividends were recognised during the year:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>€m</u>		
Nil (2009: Nil , 2008: Nil) per ordinary share .....	<u>—</u>	<u>—</u>	<u>—</u>

## **26. FINANCIAL INSTRUMENTS**

### **26.a Fair value of financial instruments**

#### ***Investments in debt and equity securities***

The fair value of other investments shown as loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment. However, as explained in Note 15, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date.

#### ***Trade and other receivables***

The carrying amount of trade and other receivables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

#### ***Trade and other payables***

The carrying amount of trade and other payables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

#### ***Cash and cash equivalents***

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### ***Interest-bearing borrowings***

The fair value of the Senior Facilities Agreement and Senior Notes are based on the prices of recent transactions on the bankers' OTC market and Luxembourg Stock Exchange respectively. The fair value of other interest-bearing borrowings, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Market discount rates applied range from 5% to 10% (2009: 5% to 10%, 2008: 6% to 9%). The fair value of finance leases is determined by reference to market rates for similar lease agreements. The significant decline in the fair value of these financial liabilities at 31 December 2008 was as a result of the impact of the global financial crisis on the markets that the Group's debt is traded within and the impact on the wider economy resulting in significant declines in commodity prices.

#### ***Derivative financial instruments***

The fair value of forward exchange contracts is based on market quotes where they are available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and commodity contracts are based on market or broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The interest rates used to discount estimated cash flows were between 1.6% and 3.6% (2009: 1.6% to 3.6%, 2008: 3.7% to 5.7%).

### ***Fair values***

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the consolidated balance sheet are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	2010		2009		2008	
	€m					
<b>Financial assets held for trading at fair value through profit or loss:</b>						
Derivative Commodity contracts .....	8.2	8.2	2.9	2.9	25.4	25.4
Forward exchange contracts .....	—	—	—	—	0.3	0.3
	<u>8.2</u>	<u>8.2</u>	<u>2.9</u>	<u>2.9</u>	<u>25.7</u>	<u>25.7</u>
<b>Derivative commodity contracts designated as cash flow hedges:</b>						
Carried at fair value .....	—	—	—	—	105.8	105.8
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>105.8</u>	<u>105.8</u>
<b>Available for sale equity investments:</b>						
Carried at fair value .....	45.8	45.8	45.8	45.8	—	—
Carried at cost .....	44.3	44.3	36.4	36.4	49.0	49.0
<b>Total available for sale equity investments .....</b>	<b>90.1</b>	<b>90.1</b>	<b>82.2</b>	<b>82.2</b>	<b>49.0</b>	<b>49.0</b>
<b>Loans and receivables carried at amortised cost:</b>						
Trade receivables .....	1,894.0	1,894.0	1,536.3	1,536.3	1,574.1	1,574.1
Amounts due from related parties .....	251.5	251.5	254.1	254.1	238.6	238.6
Other receivables .....	195.5	195.5	194.7	194.7	250.9	250.9
Other investments .....	152.2	135.8	129.7	124.8	123.5	122.1
Loans and receivables .....	2,493.2	2,476.8	2,114.8	2,109.9	2,187.1	2,185.7
Cash and cash equivalents .....	599.2	599.2	662.1	662.1	651.8	651.8
	<u>3,092.4</u>	<u>3,076.0</u>	<u>2,776.9</u>	<u>2,772.0</u>	<u>2,838.9</u>	<u>2,837.5</u>
<b>Total financial assets .....</b>	<b>3,190.7</b>	<b>3,174.3</b>	<b>2,862.0</b>	<b>2,857.1</b>	<b>3,019.4</b>	<b>3,018.0</b>
<b>Financial liabilities held for trading at fair value through profit and loss:</b>						
Derivative Commodity contracts .....	6.7	6.7	6.5	6.5	0.3	0.3
Forward exchange contracts .....	—	—	—	—	0.2	0.2
	<u>6.7</u>	<u>6.7</u>	<u>6.5</u>	<u>6.5</u>	<u>0.5</u>	<u>0.5</u>
<b>Financial liabilities carried at amortised cost:</b>						
Senior Facilities Agreement .....	3,855.0	4,342.5	5,003.7	5,003.7	4,929.3	2,467.2
Senior Secured Notes .....	715.2	780.0	—	—	—	—
Senior Notes .....	2,017.7	1,902.8	1,969.9	1,084.9	2,088.8	268.8
Ineos Vinyls Senior Notes .....	—	—	159.9	139.4	160.4	16.2
Securitisation Facility .....	746.1	746.1	603.4	603.4	748.4	748.4
Other bank loans .....	1.0	1.0	0.9	0.9	1.6	1.6
Finance lease liabilities .....	7.8	7.8	11.5	11.5	20.9	20.9
Trade payables .....	1,054.9	1,054.9	896.3	896.3	707.0	707.0
Amounts due to related parties .....	110.2	110.2	165.9	165.9	108.3	108.3
Other payables .....	<u>655.5</u>	<u>655.5</u>	<u>702.8</u>	<u>702.8</u>	<u>641.2</u>	<u>641.2</u>

	9,163.4	9,600.8	9,514.3	8,608.8	9,405.9	4,979.6
<b>Total financial liabilities</b> .....	<b>9,170.1</b>	<b>9,607.5</b>	<b>9,520.8</b>	<b>8,615.3</b>	<b>9,406.4</b>	<b>4,980.1</b>

The fair value of the Senior Facilities Agreement has been determined using a level 3 valuation technique and non-observable consensus prices for interbank transactions (2009 non-observable inputs for the discount rate of equivalent debt). The movement in the fair value during the year not recognised in these accounts includes an increase of €148.1 million (2009: increase of €2,768.5 million, 2008: decrease of €2,176.3 million). The improvement in the level of the fair value is due to the improving performance of the business and credit rating upgrades for the Group in 2010 by Moody's and Standard and Poors.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels, determined in accordance with IFRS 7 "Financial Instruments: Disclosure", have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
	2010				2009				2008			
<b>Financial assets held for trading at fair value through profit or loss:</b>												
Derivative Commodity contracts .....	8.2	—	8.2	—	2.9	—	2.9	—	25.4	—	25.4	—
Interest rate swaps .....	—	—	—	—	—	—	—	—	—	—	—	—
Forward exchange contracts .....	—	—	—	—	—	—	—	—	0.3	—	0.3	—
<b>Derivative commodity contracts designated as cash flow hedges carried at fair value .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>105.8</b>	<b>—</b>	<b>105.8</b>	<b>—</b>
<b>Available for sale equity investments carried at fair value .....</b>	<b>45.8</b>	<b>—</b>	<b>—</b>	<b>45.8</b>	<b>45.8</b>	<b>—</b>	<b>—</b>	<b>45.8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financial liabilities held for trading at fair value through profit and loss:</b>												
Derivative Commodity contracts .....	(6.7)	—	(6.7)	—	(6.5)	—	(6.5)	—	(0.3)	—	(0.3)	—
Forward exchange contracts .....	—	—	—	—	—	—	—	—	(0.2)	—	(0.2)	—
<b>Total financial assets and liabilities held at fair value .....</b>	<b>1.5</b>	<b>—</b>	<b>1.5</b>	<b>—</b>	<b>42.2</b>	<b>—</b>	<b>(3.6)</b>	<b>45.8</b>	<b>131.0</b>	<b>—</b>	<b>131.0</b>	<b>—</b>

There have been no transfers from Level 2 to Level 1 in 2010 (2009: no transfers from Level 2 to Level 1).

## 26.b Net gains and losses from financial instruments

Net gains and losses from financial instruments comprise the results of valuations, the amortisation of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, dividends and all effects on profit or loss of financial instruments.

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

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

The item 'financial instruments at fair value through profit or loss' comprise valuation gains and losses, and only includes gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39.

No gains or losses on items measured at fair value have been recognised in the income statement in respect of fair values determined based on a level 3 valuation technique using non-observable inputs. Gains totalling €nil million (2009: €33.2 million, 2008: €nil million) on available for sale equity investments have been recognised in the Statement of Comprehensive Income for the year ended 31 December 2010 based on a level 3 valuation technique using non-observable inputs. There have been no other movements in financial assets and liabilities held at fair value based on a level 3 valuation technique so a reconciliation table has not been presented.

	Loans and receivables			Available for sale financial assets		
	2010	2009	2008	2010	2009	2008
	€m					
Interest income .....	14.9	13.3	39.9	—	—	—
Dividend income .....	—	—	—	9.1	7.3	3.9
Foreign exchange gains/(losses) .....	(0.1)	34.7	16.4	—	—	—
<b>Net result .....</b>	<b>14.8</b>	<b>48.0</b>	<b>56.3</b>	<b>9.1</b>	<b>7.3</b>	<b>3.9</b>
<b>Carrying value at 31 December .....</b>	<b>3,092.4</b>	<b>2,776.9</b>	<b>2,838.9</b>	<b>90.1</b>	<b>82.2</b>	<b>49.0</b>

	Liabilities measured at amortised cost			Financial instruments at fair value through profit or loss		
	2010	2009	2008	2010	2009	2008
	€m					
Redemption premium on early settlement of Senior Bonds .....	—	89.0	—	—	—	—
Interest cost .....	(742.9)	(715.8)	(681.7)	—	—	—
Loss on extinguishment of Senior Facilities Agreement Debt .....	—	(209.2)	—	—	—	—
Other finance cost .....	(23.5)	(11.2)	(7.8)	—	—	—
Net fair value gains/(losses) on derivatives .....	—	—	—	5.5	(23.2)	12.9
Foreign exchange gains/(losses) .....	(53.0)	(31.1)	(142.8)	—	—	—
<b>Net result .....</b>	<b>(819.4)</b>	<b>(878.3)</b>	<b>(832.3)</b>	<b>5.5</b>	<b>(23.2)</b>	<b>12.9</b>
<b>Carrying value at 31 December .....</b>	<b>(9,163.4)</b>	<b>(9,514.3)</b>	<b>(9,405.9)</b>	<b>1.5</b>	<b>(3.6)</b>	<b>131.0</b>

## 26.c Credit risk

### Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, deposits with financial institutions and derivatives.

Group Treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

### ***Trade and other receivables***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Management considers that there is no geographical concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

### ***Investments, cash and cash equivalent***

Surplus cash investments are only made with banks with which the Group has a relationship. Occasionally deposits are made with banking counterparties that provide financing arrangements, reducing the credit exposure of the Group.

### ***Guarantees***

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2010 no guarantees were outstanding (2009: none, 2008: none).

### ***Exposure to credit risk***

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Further details on the Group's exposure to credit risk are given in Note 19.

## **26.d Liquidity risk**

### ***Financial risk management***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group's exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long-term borrowings from the Group's lenders.

The Group is reliant on committed funding from a variety of sources at Group and subsidiary company level to meet the anticipated needs of the Group for the period covered by the Group's budget.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. On a monthly basis the level of headroom on existing facilities is reported and forecast forward until the end of the financial period. In addition, the Group maintains the following lines of credit:

- Senior Facilities Agreement—€2,943.4 million (2009: €3,915.8 million, 2008: €3,926.4 million) and \$1,265.8 million (2009: \$1,555.8 million, 2008: \$1,629.2 million) facility that is secured. Interest is payable at rates of EURIBOR and \$LIBOR plus 6-8% (2009: EURIBOR and \$LIBOR plus 6-8%, 2008: EURIBOR and \$LIBOR plus 4-6%).



- Receivables Securitisation Facility—€1,200 million (2009: €1,200 million, 2008: €1,500 million) that can be drawn down to meet short-term financing needs. The facility renews automatically at the option of the Group and expires in July 2013. Interest is payable at a variable rate and the margin is linked to the credit rating of the receivables included in the securitisation.<sup>26</sup>

The maturity profile of the Group's undrawn committed facilities at 31 December 2010, 2009 and 2008 was as follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>Undrawn</b>	<b>Undrawn</b>	<b>Undrawn</b>
	<b>facilities</b>	<b>facilities</b>	<b>facilities</b>
	<b>€m</b>		
In one year .....	—	—	—
In more than one year, but not more than two years .....	—	—	—
In more than two years, but not more than five years .....	262.6	8.7	66.0
In more than five years .....	—	—	—
	<b>262.6</b>	<b>8.7</b>	<b>66.0</b>

The undrawn committed facilities are in respect of unused committed Revolving Credit Facilities of €262.6 million (2009: €8.7 million, 2008: €66.0 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2010

### (FORMING PART OF THE FINANCIAL STATEMENTS)

#### 26. FINANCIAL INSTRUMENTS

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

2010						
Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	3,855.0	(5,120.8)	(375.1)	(711.1)	(4,034.6)	—
Senior Secured Notes .....	715.2	(1,067.9)	(66.8)	(66.8)	(934.3)	—
Senior Notes .....	2,017.7	(2,870.3)	(164.5)	(164.5)	(493.5)	(2,047.8)
Securitisation Facility .....	746.1	(865.9)	(37.6)	(37.6)	(790.6)	—
Other loans .....	1.0	(36.5)	(16.6)	(18.9)	(1.0)	—
Finance lease liabilities .....	7.8	(16.4)	(0.4)	(4.0)	(8.6)	(3.5)
Trade payables.....	1,054.9	(1,054.9)	(1,054.9)	—	—	—
Amounts due to related parties .....	110.2	(118.0)	(107.3)	(5.5)	(3.9)	(1.3)
Other payables.....	655.5	(651.8)	(591.4)	(60.4)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	6.7	(6.7)	(6.7)	—	—	—
<b>9,170.1</b>	<b>(11,809.2)</b>	<b>(2,421.3)</b>	<b>(1,068.8)</b>	<b>(6,266.4)</b>	<b>(2,052.6)</b>	
2009						
Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	5,003.7	(7,059.8)	(1,171.3)	(603.9)	(4,407.0)	(877.6)
Senior Notes .....	1,969.9	(3,025.8)	(170.0)	(170.0)	(509.9)	(2,175.9)
Ineos Vinyls Senior Notes .....	159.9	(189.2)	(14.6)	(174.6)	—	—
Securitisation Facility .....	603.4	(635.2)	(24.9)	(610.3)	—	—
Other loans .....	0.9	(40.8)	(13.5)	(13.3)	(14.0)	—
Finance lease liabilities .....	11.5	(26.7)	(1.8)	(5.0)	(8.2)	(11.7)
Trade payables.....	896.3	(901.4)	(901.4)	—	—	—
Amounts due to related parties .....	165.9	(178.5)	(164.0)	(6.1)	(6.3)	(2.1)
Other payables.....	702.8	(702.8)	(646.8)	(56.0)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	6.5	(6.5)	(6.5)	—	—	—
<b>9,520.8</b>	<b>(12,766.7)</b>	<b>(3,114.8)</b>	<b>(1,639.2)</b>	<b>(4,945.4)</b>	<b>(3,067.3)</b>	
2008						
Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	4,929.3	(6,810.9)	(995.4)	(599.1)	(1,422.0)	(3,794.4)
Senior Notes .....	2,088.8	(3,318.0)	(170.4)	(170.4)	(511.3)	(2,465.9)
Ineos Vinyls Senior Notes .....	160.4	(205.5)	(14.6)	(14.6)	(176.3)	—

Securitisation Facility .....	748.4	(839.4)	(35.5)	(35.5)	(768.4)	—
Other loans .....	1.6	(1.6)	(0.4)	(0.2)	—	(1.0)
Finance lease liabilities .....	20.9	(49.7)	(6.4)	(8.9)	(17.8)	(16.6)
Trade payables.....	707.0	(707.0)	(707.0)	—	—	—
Amounts due to related parties .....	108.3	(144.3)	(110.7)	(9.6)	(18.0)	(6.0)
Other payables.....	641.2	(641.2)	(571.7)	(69.5)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	0.5	(0.5)	(0.5)	—	—	—
	<b>9,406.4</b>	<b>(12,718.1)</b>	<b>(2,612.6)</b>	<b>(907.8)</b>	<b>(2,913.8)</b>	<b>(6,283.9)</b>

## 26.e Net investment and cash flow hedges

The Group has derivative commodity contracts that qualify as cash flow hedges at 31 December 2010 with a carrying value of €nil (2009: €nil, 2008: €105.8 million). No gains or losses were taken to the hedge reserve in respect of these contracts during 2010 €nil (2009: €nil, 2008: gain of €105.8 million). The amount of gains recycled from the hedge reserve during the year totalled €nil million before tax or €nil million net of tax (2009: €105.8, 2008: €nil). The cash flow hedges were used to manage the price risk in respect of certain forecast purchases of raw materials and sales of petrochemical-based products from the Group's refining activities. The forecast purchases and sales are hedged using forward and swap contracts linked to the oil price. The cash flows associated with cash flow hedging instruments are all expected to occur and impact on the profit or loss within less than one year.

The Group has US\$ and Sterling financial liabilities in respect of the Senior Facilities Agreement and Securitisation Facility that are designated net investment hedges of US\$ and Sterling operations in accordance with the requirements of IAS 21 "The effects of changes in Foreign Exchange Rates". The US\$ and Sterling net investment hedges had a carrying value and fair value as follows:

	Carrying amounts 2010	Fair value 2010	Carrying amounts 2009	Fair value 2009	Carrying amounts 2008	Fair value 2008
			€m			
US\$ .....	(1,243.8)	(1,250.1)	(699.5)	(485.9)	(777.9)	(317.8)
Sterling .....	(64.4)	(64.4)	(40.8)	(40.6)	(47.2)	(47.1)
	<b>(1,308.2)</b>	<b>(1,314.5)</b>	<b>(740.3)</b>	<b>(526.5)</b>	<b>(825.1)</b>	<b>(364.9)</b>

For the year ended 31 December 2010 losses totalling €73.8 million were taken directly to reserves and reported in the Statement of Comprehensive Income for the year then ended (2009: gains €13.9 million, 2008: losses €40.0 million). There was no ineffectiveness recognised in the income statement for the year ended 31 December 2010 (2009: €nil, 2008: €nil).

## 26.f Market risk

### *Financial risk management*

Market risk reflects the possibility that changes in market prices, such as crude oil, feedstock refined products, chemicals or currency exchange rates or changes in interest rates will adversely affect the value of the Group's assets, liabilities or expected future cash flows. The Group holds interest rate swaps, forward foreign exchange contracts, currency swaps and commodity contracts in order to manage market risk. The use of derivative instruments is confined to specialist teams that have the appropriate skills, experience, supervision, control and reporting systems.

#### **(i) Market risk—Foreign currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Sterling.

Foreign exchange risk arises from net investments in foreign operations, future commercial transactions, and recognised assets and liabilities.

The Group applies hedge accounting to foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item is considered to form part of a net investment in a foreign operation and changes in the fair value are recognised directly within equity.

A substantial portion of the Group's revenue is generated in, or linked to, the US dollar and the euro. In the refining business the prices of finished products and of the underlying raw materials are primarily denominated in US dollars, while the costs are largely denominated in euros and sterling. In the European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and sterling. In the US petrochemical and specialty chemicals businesses, product prices, raw materials costs and most other costs are primarily denominated in US dollars.

The Group generally does not enter into foreign currency exchange instruments to hedge foreign currency transaction exposure, although the Group has done so in the past and may do so in the future. The Group benefits from natural hedging, to the extent that currencies in which net cash flows are generated from the Group's operations, are matched against long-term indebtedness.

The foreign currency exposure where the Group's financial assets / (liabilities) are not denominated in the functional currency of the operating unit involved is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the Group.

	2010	2009	2008
	€m		
Euros .....	226.9	223.3	36.8
US Dollars .....	(1,331.2)	(570.6)	(634.7)
Sterling .....	(109.4)	(586.8)	(215.5)
Other .....	61.4	2.7	2.4
	<b>(1,152.3)</b>	<b>(931.4)</b>	<b>(811.0)</b>

### *Sensitivity analysis*

A 10% percent weakening of the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	Equity			Profit or loss		
	2010	2009	2008	2010	2009	2008
	€m					
Euros .....	130.8	74.0	71.9	(15.6)	19.1	9.2
US Dollars .....	124.4	70.0	67.2	8.7	(12.9)	(3.7)
Sterling .....	6.4	4.1	4.7	4.5	54.6	16.8
Other .....	—	—	—	(6.1)	(0.3)	(0.2)

A 10% percent strengthening of the above currencies against the euro at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**(ii) Market risk—Interest rate risk**

**Profile**

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

	2010	2009	2008
	€m		
<b>Carrying amount—asset / (liability)</b>			
<b>Fixed rate instruments</b>			
Financial assets.....	242.3	211.9	172.5
Financial liabilities.....	(2,741.7)	(2,142.2)	(2,271.7)
	<u>(2,499.4)</u>	<u>(1,930.3)</u>	<u>(2,099.2)</u>
<b>Variable rate instruments</b>			
Financial assets.....	599.2	662.1	651.8
Financial liabilities.....	(4,601.1)	(5,607.1)	(5,677.7)
	<u>(4,001.9)</u>	<u>(4,945.0)</u>	<u>(5,025.9)</u>

**Sensitivity analysis**

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2010, 2009 and 2008.

	2010	2009	2008
	€m		
<b>Equity</b>			
Increase.....	—	—	—
Decrease .....	—	—	—
<b>Profit or loss</b>			
Increase in interest rates by 1% .....	(40.6)	(49.4)	(51.8)
Decrease in interest rates by 1% .....	<u>40.6</u>	<u>49.4</u>	<u>51.8</u>

**(iii) Market risk—Commodity price risk**

The Group is exposed to commodity price risk through fluctuations in raw material prices and sales of products. The raw material exposures result primarily from the price of crude oil and base chemicals linked to the price of crude. The sales price exposures are primarily related to petrochemicals where prices are in general linked to the market price of crude oil.

The Group enters into contracts to supply or acquire physical volumes of commodities at future dates during the normal course of business that may be considered derivative contracts. Where such contracts exist and are in respect of the normal purchase or sale of products to fulfil the Group's requirements, the own use exemption from derivative accounting is applied.

The Group manages commodity price exposures through trading crude oil, refined products and chemical feedstock and using commodity swaps, options and futures as a means of managing price and timing risks. The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised. At 31 December 2010 the Group had swap and option contracts with a nominal exposure to purchase 4.8 million barrels of crude oil and other commodities (2009: 1.4 million barrels, 2008: 19.8 million barrels) and no nominal exposure to sell the refined product generated from those barrels of crude oil (2009: 1.4 million barrels, 2008: 19.8 million barrels).

A 10 percent increase/decrease in commodity prices at the reporting date would have decreased/increased the loss for the year by:

	2010	2009	2008
	€m		
<b>Equity</b>			
Increase in commodity prices by 10% .....	—	—	6.3
Decrease in commodity prices by 10% .....	—	—	(6.3)
<b>Profit or loss</b>			
Increase in commodity prices by 10% .....	(18.2)	(25.3)	(16.7)
Decrease in commodity prices by 10% .....	14.4	25.3	16.7

Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Group might reasonably be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2008, 31 December 2009 and 31 December 2010.

#### (iv) Market risk—Equity price risk

The Group's exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the consolidated balance sheet as other financial assets. Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available. However, as explained in Note 15, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date. The remainder of available for sale financial assets are valued at fair value based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment.

For the available for sale investments carried at fair value a 10 percent increase and decrease in transaction prices at the reporting date would have decreased and increased the loss for the year by €4.6 million (2009: €4.6 million). Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Ineos Group is expected to be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## 26.g Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital employed of €6,306.9 million (2009: €6,517.1 million, 2008: €7,351.7 million) as shareholders' equity of €436.7) million (2009: €570.1) million, 2008: €54.1 million) and net debt (net of debt issue costs) of €6,743.6 million (2009: €7,087.2 million, 2008: €7,297.6 million).

The principal sources of debt available to the Group at 31 December 2010 include the Senior Facilities Agreement, Senior Secured Notes, Senior Notes and Receivables Securitisation Facility and are described in Note 20 along with the key operating and financial covenants that apply to these facilities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt or sell assets to reduce debt. The ability of the Group to pay dividends and provide appropriate facilities to the Group is restricted by the terms of principal financing agreements to which members of the Group are party.

## 27. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		€m	
Less than one year .....	83.1	81.3	116.3
Between one and five years .....	353.3	295.3	369.5
More than five years .....	74.1	255.3	220.0
	<u><b>510.5</b></u>	<u><b>631.9</b></u>	<u><b>705.8</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2010**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

### 27. OPERATING LEASES

The Group has certain operating lease arrangements in respect of manufacturing facilities and combined heat and power plants where the Group has the option to acquire at fair value or depreciated cost to the lessor in certain circumstances either during the life of the lease or at the end of the lease term.

### 28. CAPITAL COMMITMENTS

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2010 by the Group amounted to approximately €6.5 million (2009: €98.4 million, 2008: €60.9 million).

### 29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2010	2009	2008
		€m	
Increase/(decrease) in cash and cash equivalents in the year.....	(70.1)	20.2	(295.8)
Cash outflow from change in debt financing .....	342.7	212.8	325.0
Change in net debt resulting from cash flows .....	272.6	233.0	29.2
Ineos Vinyls Senior Notes disposed of with subsidiary .....	161.2	—	—
Finance leases acquired/disposed of with subsidiary .....	3.9	7.1	—
Other net non-cash transactions .....	(162.4)	121.0	(59.2)
Movement in net debt in year .....	<b>275.3</b>	<b>361.1</b>	<b>(30.0)</b>

	1 Jan 2008	Cash Flow	Other Non Cash Changes	31 Dec 2008
			€m	
Cash at bank and in hand .....	951.4	(295.8)	(3.8)	651.8
Debt due within one year .....	(225.1)	(410.0)	(7.2)	(642.3)
Debt due after more than one year.....	(8,160.0)	732.2	(48.6)	(7,476.4)
Finance leases.....	(24.1)	2.8	0.4	(20.9)
	(8,409.2)	325.0	(55.4)	(8,139.6)
<b>Net debt .....</b>	<b>(7,457.8)</b>	<b>29.2</b>	<b>(59.2)</b>	<b>(7,487.8)</b>

	1 Jan 2009	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2009
				€m	
Cash at bank and in hand .....	651.8	20.2	—	(9.9)	662.1
Debt due within one year .....	(642.3)	(167.7)	—	(27.8)	(837.8)
Debt due after more than one year.....	(7,476.4)	378.9	—	158.0	(6,939.5)
Finance leases.....	(20.9)	1.6	7.1	0.7	(11.5)
	(8,139.6)	212.8	7.1	130.9	(7,788.8)
<b>Net debt .....</b>	<b>(7,487.8)</b>	<b>233.0</b>	<b>7.1</b>	<b>121.0</b>	<b>(7,126.7)</b>

	1 Jan 2010	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2010
				€m	
Cash at bank and in hand .....	662.1	(70.1)	—	7.2	599.2



Debt due within one year .....	(837.8)	239.8	—	196.5	(401.5)
Debt due after more than one year.....	(6,939.5)	102.7	161.2	(365.7)	(7,041.3)
Finance leases.....	(11.5)	0.2	3.9	(0.4)	(7.8)
	<u>(7,788.8)</u>	<u>342.7</u>	<u>165.1</u>	<u>(169.6)</u>	<u>(7,450.6)</u>
<b>Net debt .....</b>	<b><u>(7,126.7)</u></b>	<b><u>272.6</u></b>	<b><u>165.1</u></b>	<b><u>(162.4)</u></b>	<b><u>(6,851.4)</u></b>

### 30. RELATED PARTIES

#### *Identity of related parties with which the Group has transacted*

*Related parties comprise:*

- Parent entities and their subsidiaries not included within the Ineos Group Holdings plc group;
- Entities controlled by the shareholders of Ineos AG, the ultimate parent company of Ineos Group Holdings plc; and
- Key management personnel

Mr JA Ratcliffe, Mr AC Currie and Mr J Reece are partners in Ineos Capital Partners. Ineos Capital Partners provides operational management services to the Group through a management services agreement. The management services agreement was novated from Ineos Capital Partners to Ineos AG in April 2010. Ineos AG (previously Ineos Capital Partners) management fees of €67.4 million (2009: €65.8 million, 2008: €79.9 million) were charged to the income statement during the year. The Group recovered costs of €nil million (2009: €0.2 million, 2008: €1.2 million). At 31 December 2010 amounts owed to Ineos AG (previously Ineos Capital Partners) were €54.1 million (2009: €4.1 million, 2008: €21.9 million). Amounts due from Ineos AG were €6.8 million (2009: €nil, 2008: €44.1 million).

Ineos AG owns and controls Kerling plc. The Group has made sales to the Kerling Group of €16.9 million (2009: €47.4 million), recovered costs of €7.5m million (2009: €nil million) and made purchases of €0.9 million (2009: €nil million). €2.0 million (2009: €8.1 million) was owed by and €15.5 million (2009: €12.9 million) was owed to the Kerling Group.

Ineos AG owns and controls Ineos Industries Limited. The Group has made sales to the Ineos Industries Group of €24.4 million (2009: €71.1 million), recovered costs of €11.1 million (2009: €2.7 million) and made purchases of €4.1 million (2009: €6.2 million). €8.0 million (2009: €200.0 million) was owed by and €2.9 million (2009: €84.5 million) was owed to the Ineos Industries Group.

The Group has entered into a number of leases for office space with Ineos Capital Limited on terms no less favourable to us than what we would expect to negotiate with disinterested third parties. The Group currently pay rent and service charges of approximately €2.1 million per year.

There were a number of transactions with joint ventures, all of which arose in the normal course of business. The Group has made sales to joint ventures of €157.8 million (2009: €162.9 million, 2008: €383.3 million), recovered costs of €13.7 million (2009: €38.7 million, 2008: €35.1 million) and made purchases of €111.7 million (2009: €429.4 million, 2008: €29.6 million). At 31 December, 2010 €32.4 million (2009: €32.5 million, 2008: €46.4 million) was owed by joint ventures and €33.6 million (2009: €43.7 million, 2008: €36.3 million) was owed to joint ventures.

#### *Compensation to key management personnel (including directors)*

The Group defines key management as the directors of the Company. Details of Directors' remuneration are given in Note 8.

### ***Other transactions with related parties***

Ineos Limited and its subsidiaries operate certain benefits for designated employees for which no charge is made to Ineos Group Holdings plc. No charge is made in the financial statements for these transactions:

1. The Group operates a number of pension plans throughout the world. Further details of the schemes are given in Note 22.
2. The Group operates an incentive plan (refer Note 1) for certain employees. Directors are excluded from this scheme. The Directors have determined that any charge calculated in accordance with IFRS 2 (revised) would be immaterial.

### **31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Ineos Group Limited. The ultimate parent undertaking at 31 December 2010 was Ineos AG, a company registered in Switzerland. The ultimate controlling party is Mr JA Ratcliffe, director and majority shareholder of the ultimate parent undertaking.

### **32. SUBSEQUENT EVENTS**

On 31 January 2011 the Group received an irrevocable offer from PetroChina of \$1,015 million for a 50% share of the Refining business. The transaction is expected to close on 31 May 2011 after a period of employee consultation and the required regulatory approvals have been obtained.

In January 2011 the Group completed a further internal restructuring to incorporate further holding and operating companies in Luxembourg and Switzerland. As part of this reorganisation the obligations of the Company as Issuer of the Senior Notes Due 2016 were transferred to Ineos Group Holdings S.A., a company registered in Luxembourg. On 10 February 2011 the Company re-registered as a Limited company.

### **33. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group prepares its consolidated financial statements in accordance with IFRSs, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The following areas are considered to involve a significant degree of judgement or estimation:

#### ***Fair value measurement on business combination***

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgement, and estimates and assumptions made.

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

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

The carrying amount of intangibles is disclosed in Note 12.

### ***Taxation***

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

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

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

Details of amounts recognised with regard to taxation are disclosed in Notes 10 and 17.

### ***Post-retirement benefits***

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

- Future rate of increase in salaries;
- Inflation rate projections
- Discount rate for scheme liabilities;
- Expected rates of return on the scheme assets.

Details of post-retirement benefits are set out in Note 22.

### ***Provisions***

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

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

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

In relation to remediation costs, the estimated interest rate used in discounting the cash flows is reviewed at least annually. The interest rate used to determine the obligation in the balance sheet at 31 December 2010 was 8% (2009: 9%, 2008: 8.0%) .

The nature and amount of provisions included within the financial statements are detailed in Note 23.

### ***Impairment reviews***

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

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

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

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

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

The Group has property, plant and equipment with a carrying value of €4,402.3 million (2009: €5,093.2 million, 2008: €5,440.6 million) as disclosed in Note 11 and intangible assets with a carrying value of €93.8 million (2009: €94.6 million, 2008: €1,046.6 million) as disclosed in Note 12. All of these assets are assessed annually for impairment as described above.

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

Further details on the impairment review performed on the goodwill and intangible assets are provided in Note 12, including sensitivity analysis in relation to key assumptions.

### ***Segment aggregation***

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



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28 April 2010

Dear Sirs

## **Introduction**

We report on the financial information set out on pages F-4 to F-100 of this offering memorandum (the “Offering Memorandum”). The financial information as at 31 December 2009, 2008 and 2007 and for the three years ended 31 December 2009 of INEOS Group Holdings plc (the “Company” and, together with its subsidiaries, the “Group”) have been prepared for inclusion in the Offering Memorandum of senior secured notes (the “Notes”) of INEOS Finance plc (the “Issuer”) in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

This report has been prepared for the purpose of the Offering Memorandum and for no other purpose. An application has been made to list the Notes offered on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange’s Euro MTF Market, in accordance with the Rules and Regulations of the Luxembourg Stock Exchange.

## **Responsibilities**

The Directors of the Company are responsible for preparing the financial information in accordance with IFRS.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Offering Memorandum and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising to the investors and initial purchasers, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or its inclusion in the Offering Memorandum.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Offering Memorandum, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits and losses, cash flows and recognised income and expense for the periods then ended in accordance with IFRS.

Yours faithfully

A handwritten signature in dark ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP  
Chartered Accountants

# **CONSOLIDATED INCOME STATEMENT**

**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

	Note	2009	2008	2007
			€m	
<b>Revenue</b> .....	2	<b>18,077.3</b>	<b>29,073.3</b>	<b>27,515.8</b>
Cost of sales before exceptional items .....		(16,707.9)	(28,140.8)	(25,182.7)
Exceptional cost of sales .....	5	—	(130.3)	(45.9)
Total cost of sales .....		(16,707.9)	(28,271.1)	(25,228.6)
<b>Gross profit</b> .....		<b>1,369.4</b>	<b>802.2</b>	<b>2,287.2</b>
Distribution costs .....		(425.5)	(543.7)	(532.4)
Administrative expenses before exceptional items .....		(361.5)	(403.9)	(462.6)
Exceptional administrative expenses .....	5	(41.9)	(80.7)	(56.9)
Exceptional administrative gain .....	5	—	29.0	106.6
Total administrative expenses .....		(403.4)	(455.6)	(412.9)
Total expenses .....		(828.9)	(999.3)	(945.3)
<b>Operating profit/(loss)</b> .....	6	<b>540.5</b>	<b>(197.1)</b>	<b>1,341.9</b>
Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method, before exceptional items .....		23.7	(53.3)	0.9
Share of exceptional loss of associates and jointly controlled entities using the equity accounting method .....	5	—	(4.5)	(48.5)
Total share of profit/(loss) of associates and jointly controlled entities using the equity accounting method .....		23.7	(57.8)	(47.6)
(Loss)/profit on disposal of businesses .....	3	(276.5)	143.0	(29.6)
<b>Profit/(loss) before net finance costs</b> .....		<b>287.7</b>	<b>(111.9)</b>	<b>1,264.7</b>
Finance income before exceptional items .....	9	95.1	173.9	129.9
Exceptional finance income .....	5	89.0	—	—
Total finance income .....	9	184.1	173.9	129.9
Finance costs before exceptional item .....	9	(863.8)	(946.2)	(870.9)
Exceptional finance cost .....	5	(209.2)	—	—
Total finance costs .....	9	(1,073.0)	(946.2)	(870.9)
Net finance costs .....	9	(888.9)	(772.3)	(741.0)
<b>(Loss)/profit before tax</b> .....		<b>(601.2)</b>	<b>(884.2)</b>	<b>523.7</b>
Tax (charge)/credit .....	10	(13.9)	311.6	(121.2)
<b>(Loss)/profit for the year</b> .....		<b>(615.1)</b>	<b>(572.6)</b>	<b>402.5</b>
<b>Attributable to:</b>				
Owners of the parent .....		(617.3)	(572.3)	402.6
Minority interest .....		2.2	(0.3)	(0.1)
<b>(Loss)/profit for the year</b> .....		<b>(615.1)</b>	<b>(572.6)</b>	<b>402.5</b>

All amounts relate to continuing operations.

The notes on the following pages are an integral part of this consolidated financial information.



# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

	<u>Note</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
			€m	
<b>(Loss)/profit for the year .....</b>		<b><u>(615.1)</u></b>	<b><u>(572.6)</u></b>	<b><u>402.5</u></b>
<b>Other comprehensive income:</b>				
Foreign exchange translation differences net of tax.....		56.8	(184.1)	(472.3)
Foreign exchange differences recycled on disposal of subsidiaries net of tax .....	3	(25.0)	13.5	2.8
Changes in the fair value of assets classified as available for sale net of tax .....		22.9	—	—
Net gain/(loss) on hedge of net investment in foreign operations net of tax .....	26.e	13.9	(40.0)	240.5
Net change in fair value of cash flow hedges net of tax .....		—	76.3	—
Cash flow hedge recycled from hedging reserve net of tax .....		(76.3)	—	—
Actuarial gains and losses on defined benefit pension schemes net of tax...	22	(2.1)	(241.5)	9.4
<b>Other comprehensive loss for the year net of tax .....</b>		<b><u>(9.8)</u></b>	<b><u>(375.8)</u></b>	<b><u>(219.6)</u></b>
<b>Total comprehensive loss for the year .....</b>		<b><u>(624.9)</u></b>	<b><u>(948.4)</u></b>	<b><u>182.9</u></b>
<b>Total comprehensive (loss)/income for the year is attributable to:</b>				
Owners of the parent .....		(624.2)	(946.0)	183.0
Minority interest .....		(0.7)	(2.4)	(0.1)
		<b><u>(624.9)</u></b>	<b><u>(948.4)</u></b>	<b><u>182.9</u></b>

The notes on the following pages are an integral part of this consolidated financial information.

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2009, 2008 AND 2007**

	Note	2009	2008	2007
		€m		
<b>Non-current assets</b>				
Property, plant and equipment .....	11	5,093.2	5,440.6	6,073.2
Intangible assets .....	12	949.6	1,046.6	1,001.3
Investments in equity-accounted investees .....	13.a	109.6	115.5	159.5
Other investments.....	14	129.7	123.5	—
Other financial assets .....	15	82.2	49.0	53.3
Other receivables.....	19	168.9	168.2	160.5
Deferred tax assets .....	17	458.9	437.8	126.6
		<u>6,992.1</u>	<u>7,381.2</u>	<u>7,574.4</u>
<b>Current assets</b>				
Inventories .....	18	1,544.7	1,593.6	2,608.3
Trade and other receivables .....	19	1,918.0	1,991.9	3,313.3
Other financial assets .....	15	2.9	159.4	29.8
Cash and cash equivalents .....	29	662.1	651.8	951.4
		<u>4,127.7</u>	<u>4,396.7</u>	<u>6,902.8</u>
<b>Total assets .....</b>		<b><u>11,119.8</u></b>	<b><u>11,777.9</u></b>	<b><u>14,477.2</u></b>
<b>Equity attributable to owners of the parent</b>				
Share capital .....	24	17.7	17.7	17.7
Share premium .....		51.1	51.1	51.1
Other reserves.....		(600.2)	(593.3)	(219.6)
Retained earnings.....		(38.7)	578.6	1,150.9
<b>Total shareholders' (deficit)/funds .....</b>		<b><u>(570.1)</u></b>	<b><u>54.1</u></b>	<b><u>1,000.1</u></b>
Minority interest.....		12.9	17.7	13.7
<b>Total equity .....</b>		<b><u>(557.2)</u></b>	<b><u>71.8</u></b>	<b><u>1,013.8</u></b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings .....	20	6,910.0	7,333.8	8,034.0
Trade and other payables .....	21	78.2	102.6	97.0
Employee benefits .....	22	824.1	782.1	553.2
Provisions .....	23	55.4	163.4	182.0
Deferred tax liabilities.....	17	161.1	195.1	296.6
		<u>8,028.8</u>	<u>8,577.0</u>	<u>9,162.8</u>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings .....	20	839.3	615.6	196.7
Trade and other payables .....	21	2,731.5	2,451.6	3,979.2
Tax payable .....		38.4	8.4	45.9
Other financial liabilities.....	16	6.5	0.5	0.6
Provisions .....	23	32.5	53.0	78.2
		<u>3,648.2</u>	<u>3,129.1</u>	<u>4,300.6</u>
<b>Total liabilities .....</b>		<b><u>11,677.0</u></b>	<b><u>11,706.1</u></b>	<b><u>13,463.4</u></b>
<b>Total equity and liabilities .....</b>		<b><u>11,119.8</u></b>	<b><u>11,777.9</u></b>	<b><u>14,477.2</u></b>

The notes on the following pages are an integral part of this consolidated financial information.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

	Share capital	Share premium	Other reserves	Retained earnings	Shareholders' funds	Minority interest	Total equity
				€m			
<b>Balance at 1 January 2007</b> .....	<b>17.7</b>	<b>51.1</b>	—	<b>773.3</b>	<b>842.1</b>	<b>13.8</b>	<b>855.9</b>
Profit for the year .....	—	—	—	402.6	402.6	(0.1)	402.5
<b>Other comprehensive income:</b>							
Foreign exchange translation differences .....	—	—	(472.3)	—	(472.3)	—	(472.3)
Foreign exchange differences recycled on disposal of subsidiaries .....	—	—	2.8	—	2.8	—	2.8
Net gain on hedge of net investment in foreign operations .....	—	—	240.5	—	240.5	—	240.5
Actuarial gains on defined benefit plan schemes net of tax .....	—	—	9.4	—	9.4	—	9.4
<b>Transactions with owners, recorded directly in equity:</b>							
Dividends .....	—	—	—	(25.0)	(25.0)	—	(25.0)
<b>Balance at 31 December 2007</b> .....	<b>17.7</b>	<b>51.1</b>	<b>(219.6)</b>	<b>1,150.9</b>	<b>1,000.1</b>	<b>13.7</b>	<b>1,013.8</b>
Loss for the year .....	—	—	—	(572.3)	(572.3)	(0.3)	(572.6)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences .....	—	—	(182.0)	—	(182.0)	(2.1)	(184.1)
Foreign exchange differences recycled on disposal of subsidiaries .....	—	—	13.5	—	13.5	—	13.5
Net loss on hedge of net investment in foreign operations .....	—	—	(40.0)	—	(40.0)	—	(40.0)
Net change in fair value of cash flow hedges, net of tax .....	—	—	76.3	—	76.3	—	76.3
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(241.5)	—	(241.5)	—	(241.5)
<b>Transactions with owners, recorded directly in equity:</b>							
Acquisitions (see Note 4) .....	—	—	—	—	—	6.4	6.4
<b>Balance at 31 December 2008</b> .....	<b>17.7</b>	<b>51.1</b>	<b>(593.3)</b>	<b>578.6</b>	<b>54.1</b>	<b>17.7</b>	<b>71.8</b>
Loss for the year .....	—	—	—	(617.3)	(617.3)	2.2	(615.1)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences .....	—	—	59.7	—	59.7	(2.9)	56.8
Foreign exchange differences recycled on disposal of subsidiaries .....	—	—	(25.0)	—	(25.0)	—	(25.0)
Changes in the fair value of assets classified as available for sale .....	—	—	22.9	—	22.9	—	22.9
Net gain on hedge of net investment in foreign operations .....	—	—	13.9	—	13.9	—	13.9
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	(76.3)	—	(76.3)	—	(76.3)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(2.1)	—	(2.1)	—	(2.1)
<b>Transactions with owners, recorded directly in equity:</b>							
Disposals (see Note 3) .....	—	—	—	—	—	(4.1)	(4.1)
<b>Balance at 31 December 2009</b> .....	<b>17.7</b>	<b>51.1</b>	<b>(600.2)</b>	<b>(38.7)</b>	<b>(570.1)</b>	<b>12.9</b>	<b>(557.2)</b>

The notes on the following pages are an integral part of this consolidated financial information.

## Analysis of other reserves

	Translation reserve	Fair value reserve	Hedging reserve	Actuarial gains/losses	Total other reserves
	€m				
<b>Balance at 1 January 2007</b> .....	—	—	—	—	—
Foreign exchange translation differences .....	(472.3)	—	—	—	(472.3)
Foreign exchange differences recycled on disposal of subsidiaries .....	2.8	—	—	—	2.8
Net gain on hedge of net investment in foreign operation .....	240.5	—	—	—	240.5
Actuarial gains and losses on defined benefit plan schemes net of tax .....	—	—	—	9.4	9.4
<b>Balance at 31 December 2007</b> .....	<b>(229.0)</b>	—	—	<b>9.4</b>	<b>(219.6)</b>
Foreign exchange translation differences .....	(182.0)	—	—	—	(182.0)
Foreign exchange differences recycled on disposal of subsidiaries .....	13.5	—	—	—	13.5
Net loss on hedge of net investment in foreign operations .....	(40.0)	—	—	—	(40.0)
Net change in fair value of cash flow hedges, net of tax .....	—	—	76.3	—	76.3
Actuarial gains and losses on defined benefit plan schemes net of tax .....	—	—	—	(241.5)	(241.5)
<b>Balance at 31 December 2008</b> .....	<b>(437.5)</b>	—	<b>76.3</b>	<b>(232.1)</b>	<b>(593.3)</b>
Foreign exchange translation differences .....	59.7	—	—	—	59.7
Foreign exchange differences recycled on disposal of subsidiaries .....	(25.0)	—	—	—	(25.0)
Changes in the fair value of assets classified as available for sale .....	—	22.9	—	—	22.9
Net gain on hedge of net investment in foreign operations .....	13.9	—	—	—	13.9
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	(76.3)	—	(76.3)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	—	(2.1)	(2.1)
<b>Balance at 31 December 2009</b> .....	<b>(388.9)</b>	<b>22.9</b>	—	<b>(234.2)</b>	<b>(600.2)</b>

The notes on the following pages are an integral part of this consolidated financial information.

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

	<u>Note</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
		<u>€m</u>		
<b>Cash flows from operating activities</b>				
(Loss)/profit for the year .....		(615.1)	(572.6)	402.5
Adjustments for:				
Depreciation and impairment.....	11	595.7	755.5	893.5
Amortisation.....	12	20.4	21.5	16.0
Negative goodwill .....	5	—	(29.0)	(106.6)
Net finance costs .....	9	888.9	772.3	741.0
Share of (profits)/losses of equity-accounted investees .....		(23.7)	57.8	47.6
Loss on sale of property, plant and equipment.....	6	10.5	21.2	2.9
Loss/(profit) on disposal of businesses.....	3	276.5	(143.0)	29.6
Tax charge/(credit).....	10	13.9	(311.6)	121.2
(Increase)/decrease in trade and other receivables .....		(105.9)	1,306.6	(813.4)
(Increase)/decrease in inventories.....		(44.4)	1,164.1	(500.8)
Increase/(decrease) in trade and other payables .....		222.0	(1,673.9)	1,353.6
(Decrease)/increase in provisions and employee benefits .....		(23.4)	(1.8)	0.1
Tax (received)/paid .....		11.1	(121.7)	(106.9)
<b>Net cash from operating activities</b> .....		<b><u>1,226.5</u></b>	<b><u>1,245.4</u></b>	<b><u>2,080.3</u></b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment.....		24.6	—	2.4
Proceeds from sales of investments.....		—	—	7.2
Interest and other finance income received .....		6.0	36.3	31.6
Dividends received.....		7.3	3.7	6.5
Disposal of businesses, net of cash disposed of .....	3	(31.5)	190.3	11.5
Acquisition of subsidiaries, net of cash acquired .....	4	(1.0)	(106.7)	(222.4)
Acquisition of intangible assets .....		—	(25.3)	—
Acquisition of property, plant and equipment.....		(264.0)	(624.0)	(639.1)
Acquisition of other investments .....		(3.3)	(3.4)	(0.1)
<b>Net cash used in investing activities</b> .....		<b><u>(261.9)</u></b>	<b><u>(529.1)</u></b>	<b><u>(802.4)</u></b>
<b>Cash flows from financing activities</b>				
Securitisation .....		(148.4)	(348.2)	25.5
Proceeds from new loans .....		167.9	410.0	—
Issue costs.....		(2.3)	(40.2)	—
Interest paid .....		(729.5)	(646.6)	(673.8)
Repayment of loans.....		(230.5)	(384.0)	(284.4)
Dividends paid .....	25	—	—	(25.0)
Dividends paid to minority interests.....		—	(0.3)	—
Capital element of finance lease payment .....		(1.6)	(2.8)	(1.4)
<b>Net cash used in financing activities</b> .....		<b><u>(944.4)</u></b>	<b><u>(1,012.1)</u></b>	<b><u>(959.1)</u></b>
Net increase/(decrease) in cash and cash equivalents .....	29	20.2	(295.8)	318.8
Cash and cash equivalents at 1 January .....	29	651.8	951.4	659.7
Effect of exchange rate fluctuations on cash held.....		(9.9)	(3.8)	(27.1)
<b>Cash and cash equivalents at 31 December</b> .....	29	<b><u>662.1</u></b>	<b><u>651.8</u></b>	<b><u>951.4</u></b>

The notes on the following pages are an integral part of this consolidated financial information.

**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
**(FORMING PART OF THE FINANCIAL INFORMATION)**

**1. ACCOUNTING POLICIES**

***Overview***

INEOS Group Holdings plc (the “Company”) is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The nature of the operations and principal activities of the Company and its subsidiaries are the manufacture and sale of a range of chemicals and refined products used in a variety of applications.

***Basis of accounting***

This consolidated financial information consolidates those financial statements of the Company and its subsidiaries (together referred to as the “Group”) and equity account the Group’s interest in associates and jointly controlled entities.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this consolidated financial information.

***Measurement convention***

This consolidated financial information has been prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as fair value through the profit or loss are stated at their fair value and non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

***Functional and presentation currency***

This consolidated financial information is presented in euro, which is the functional currency of the majority of operations. The Group’s primary products are sold in an international commodities market which is priced and invoiced primarily in euros.

All financial information presented in euro has been rounded to the nearest €0.1 million.

***Changes in accounting policies***

The Group has applied the following accounting standards for the first time in 2009 with effect from 1 January 2009 (with prior period comparative information restated, to the extent required and as explained below):

- IAS 23 Revised 2007—Borrowing costs (“IAS23”);
- IAS1 Revised 2007—Presentation of financial statements (“IAS1 (Revised)”);
- Amendments to IFRS 7—Financial Instruments: Disclosures;
- IFRS3 Revised 2008—Business Combinations and IAS 27 Revised 2008—Consolidated and Separate Financial Statements; and
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”.

IAS23 requires the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, in respect of qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Previously the Group expensed all borrowing costs immediately. IAS 23 does not require prior periods to be restated. During the year ended 31 December 2009 the Group capitalised €nil of borrowing costs.

IAS 1 (Revised) introduces changes to the presentation of the primary financial statements but does not impact on the underlying measurement of transactions, assets or liabilities and accordingly net income, total assets, total liabilities, total equity and cash flows are not affected. Comparative information has been re-presented on a consistent basis.

The amendment to IFRS7 requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the consolidated statements of income, comprehensive income, financial position or cash flows.

The revisions to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements introduce a variety of changes to the accounting for acquisitions, including requirements to charge transaction costs to the income statement and in relation to contingent consideration. However, adoption of the revisions had no material impact on the net income for the year ended 31 December 2009 given that no significant acquisitions occurred during that year. The revisions have been applied for all business combinations occurring after 1 January 2009. The change in accounting policy is applied prospectively and accordingly comparative information has not been restated.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” applies to an entity that hedges the foreign exchange risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. The main expected change in practice is to eliminate the possibility of an entity qualifying for hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent’s consolidated financial statements. The IFRIC recognises the difficulty that entities would face in preparing adequate documentation from the inception of the hedge relationship and therefore requires prospective application of the guidance. This interpretation has had no material impact on this consolidated financial information.

### ***Basis of consolidation***

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial information of subsidiaries are included in this consolidated financial information from the date that control commences until the date that control ceases.

#### ***Special purpose entities (“SPE”)***

An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE’s risks and rewards, the Group concludes that it controls the SPE.

The Group has established an SPE, INEOS Finance Ireland Limited, for a debt securitisation programme. The Group does not have any direct or indirect shareholdings in this SPE. INEOS Finance Ireland Limited is controlled by the Group as it was established under terms that impose strict limitations on the decision-making powers of the SPE’s management that result in the Group receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks arising from the SPE’s activities, and retaining the majority of the residual or ownership risks related to the SPE and its assets. INEOS Finance Ireland Limited is therefore regarded as an SPE and has been consolidated in this consolidated financial information.

#### *Associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Group's investment in associates and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial information include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

#### ***Foreign exchange***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign exchange are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, euros, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at exchange rates prevailing at the dates of the transactions. The Group applies an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are recycled into the consolidated income statement upon disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign exchange differences arising on the retranslation of a borrowing designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRSs (1 January 2007).



### ***Classification of financial instruments issued by the Group***

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in this consolidated financial information for called up share capital and share premium account exclude amounts in relation to those shares.

### ***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### ***Trade and other receivables***

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### ***Trade and other payables***

Trade and other payables are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### ***Investments in debt and equity securities***

Investments in loans and receivables are stated at amortised cost less impairment.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in a fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Where no reliable measurement of fair value is available, available-for-sale investments are stated at historic acquisition cost (see Note 15).

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### *Debt restructuring*

The Group derecognises financial liabilities in accordance with the provisions in IAS 39. When debt is modified, the Group analyses the modifications from both a quantitative and qualitative perspective to determine if the modifications are substantial and meet the IFRS requirements for derecognition, in which case the debt is treated as extinguished. All fees paid in connection with a debt extinguishment are expensed immediately. When a modification is accounted for as a non-substantial modification, associated fees incurred are deferred as an adjustment to the carrying value of the liability and amortised using the effective interest method.

### *Derivative financial instruments and hedging*

#### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement as finance income or expense. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

#### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the consolidated income statement as finance income or expense.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and included in the consolidated income statement as an adjustment to turnover and cost of sales in the same period or periods during which the hedged forecast transaction affects turnover and cost of sales in the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

#### *Hedge of net investment in foreign operation*

The Group applies hedge accounting to foreign exchange differences arising on the retranslation of a foreign currency loan where the loan is designated as a hedge of a net investment in a foreign operation in accordance with IAS 21 and IAS 39.

Exchange differences arising on retranslation of foreign currency loans designated as a net investment hedge are taken directly to equity via the consolidated statement of comprehensive income. Gains and losses accumulated in the translation reserve will be recycled to the statement of comprehensive income when the foreign operation is sold.

### ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

• Buildings .....	10 - 40 years
• Plant and equipment and fixtures and fittings.....	3 - 40 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

### ***Business combinations, goodwill and intangible assets***

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1 January 2007, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. For any acquisitions occurring on or after 1 January 2009, all transaction costs are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

IFRS 1 grants certain transition exemptions from the full requirements of IFRSs in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2007. In respect of acquisitions prior to 1 January 2007, goodwill is included at 1 January 2007 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable to IFRS save that only separable intangible assets were recognised and goodwill was amortised. On transition to IFRS amortisation of goodwill has ceased and negative goodwill recognised under UK GAAP is included within retained earnings.

Negative goodwill arising on an acquisition is recognised immediately in the consolidated income statement.

#### *Intangible assets*

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets principally comprise intellectual property rights, customer relationships, non-compete agreements and license fees.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of other consideration given to acquire the assets. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

#### *Amortisation*

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer relationships ..... 3 years
- Intellectual property rights ..... 10 - 15 years
- Non-compete agreements ..... life of the agreement
- Licenses..... up to 15 years

These intangible assets are tested for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

#### *Research and development*

Expenditure on research activities is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is recognised in the income statement. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### *Impairment excluding inventories and deferred tax assets*

The carrying amounts of the Group's assets are assessed at the end of the reporting period to determine whether there is any indication of impairment. A financial asset is considered to be impaired if

objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

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.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1 January 2007, the date of transition to IFRSs, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
**(FORMING PART OF THE FINANCIAL INFORMATION)**

**1. ACCOUNTING POLICIES**

*Calculation of recoverable amount*

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Items owned by the Group that are held on consignment at another entity's premises are included as part of the Group's inventory.

### ***Commodities***

Contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts.

### ***Employee benefits***

The Group operates a number of defined contribution plans and funded and unfunded defined benefit pension schemes. The Group also provides unfunded early retirement benefits, long service awards and an incentive plan for certain employees.

The Group provides health care insurance to eligible retired employees and their dependants, primarily in the United States and Belgium.

#### ***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

#### ***Defined benefit plans***

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and that have maturity dates approximating to the terms of, the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated income statement.

All actuarial gains and losses as at 1 January 2007, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2007, the Group recognises them in the period they occur directly in equity through the statement of comprehensive income.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between:

- cost of sales,
- net finance costs and,
- in net expense recognised directly in equity, the actuarial gains and losses.

### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Incentive plan*

Certain employees of the Group are eligible to participate in an incentive plan (the Plan) operated by INEOS Limited, the ultimate parent of INEOS Group Holdings plc in the United Kingdom. INEOS Limited issues “Business Tracker Shares” in relation to each of the businesses operated by INEOS Limited and its subsidiaries, including those businesses within the INEOS Group Holdings plc group. These Business Tracker Shares entitle the holder of the share to appreciation in market value (rather than the totality of the market value) of the relevant business compared with the market value at the date of acquisition of the relevant share. Determination of market values, and any discretionary adjustments, is made by a committee (the Special Committee) of INEOS Limited.

The Plan is considered to be in the nature of a Share-based Payment arrangement within the scope of IFRS 2. The INEOS Group Holdings plc group neither receives nor makes any payments and incurs no liabilities in respect of its employees’ participation in the Plan. Under IFRS 2 (as amended in June 2009 for “Group Cash-settled Share-based Payment Transactions” which the Directors have elected to adopt early) the Group recognises any deemed cost of the arrangement in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity as a contribution from the parent. Participating employees purchase Business Tracker Shares from the Trust which administers the Plan at a price which is related to the approximate market value of the relevant Business Unit. Accordingly the Directors believe that the net fair value of the benefit at the date of grant after taking account of the payment for the shares is not significant and no cost has been recognised in this consolidated financial information.

### *Provisions*

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

### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### *Revenue*

Revenue represents the invoiced value of products sold or services provided to third parties net of sales discounts, value added taxes and duties. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are either dispatched or delivered depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the buyer when the prices are determinable and when collectability is considered probable.

Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which the Group charges a toll fee. The Group only recognises the toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer as this is the point at which risks and



rewards have been transferred to the buyer. For all other services, revenue is recognised upon completion of the service provided.

### ***Government grants***

Government grants are shown in the consolidated balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project.

### ***Expenses***

#### ***Operating lease payments***

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

#### ***Finance lease payments***

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

#### ***Finance income and expenses***

Interest income and interest payable is recognised in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognised in the consolidated income statement on the date the entity's right to receive payments is established. Foreign exchange gains and losses are reported on a net basis.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives and net foreign exchange losses that are recognised in the consolidated income statement (see foreign exchange accounting policy). Finance income comprise interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.

### ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### ***Segmental analysis***

The Group determines its operating segments in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

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 Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than as acquired through business combinations.

### ***Emission trading scheme***

The Group participates in the EU Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the surplus may be traded in the form of emissions permits.

The incentive money due from the EU Emissions Trading Scheme is recognised in the consolidated income statement once the reduction targets have been met. The emissions permits allocated under the Scheme are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

The Kyoto Protocol sets legally binding targets for cutting emissions and provides for three international "flexible mechanisms" to be used by developed countries in cost effectively meeting their greenhouse gas emissions targets, one of which is the Clean Development Mechanism ("CDM"). This permits industrialised countries to meet part of their commitments through projects in developing countries. The CDM programme provides incentives for the project participants in the form of Certified Emissions Reductions ("CERs"). It is the trading of these CERs that provides the market incentive to reduce emissions. The Group is involved in a number of CDM projects. CERs produced from these projects are recorded at nil cost. CERs purchased from third parties are recognised within stock on the basis of purchased cost. The Group recognises the revenue from sale of CERs upon their sale to third parties.

The Group recognises a provision for emissions produced. The provision is measured at the carrying amount of the emission rights held (nil if granted, otherwise at cost) or, in the case of a shortfall, at the current fair value of the emission rights needed.

### ***Exceptional items***

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of non-current assets, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

### ***Accounting standards not applied***

The following IFRSs relevant to the Group were available for early application but have not been applied by the Group in this consolidated financial information. Their adoption is not expected to have a material effect on this consolidated financial information unless otherwise indicated:

- Improvement to IAS 36 “Impairment of Assets” (effective prospectively for periods beginning on or after 1 January 2010). This improvement clarified that each unit or group of units to which goodwill is allocated should not be larger than an operating unit as defined by paragraph 5 of IFRS 8 ‘Operating Segments’ before aggregation. The standard is only applicable prospectively. The Group is assessing the impact of this improvement.
- IFRIC 17 “Distribution of non-cash assets to owners (effective on or after 1 July 2009). The interpretation is part of the IASB’s annual improvement project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. The Group is assessing the impact of this interpretation.

## **2. OPERATING SEGMENTS**

The determination of the Group’s operating segments is based on the business units for which information is reported to the Group’s Chief Operating Decision Maker. The Group has four reportable segments, as described below.

- The Group’s Olefins and Polymers business units produce olefins and related products and a broad range of polymers. The Group’s olefins businesses are focused on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers. These olefins are primarily used as feedstock for the Group’s polymers business. In addition, the Group sells olefins to third party customers for a variety of industrial and consumer applications, including plastics, rubber and fibre.

O&P North America segment—In North America, the group’s Olefins and Polymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas.

O&P Europe segment—In Europe, the Group owns and operates three major cracker complexes, two that are integrated with our refineries in Grangemouth, United Kingdom and Lavéra, France and one in Cologne, Germany. Each of these sites includes polymers and derivatives units.

- Refining—Oil refining is the process of separating, converting and treating hydrocarbon molecules present in crude oil to produce marketable finished petroleum products, such as gasoline, diesel, liquefied petroleum gas (‘LPG’), naphtha, heating and fuel oils and bitumen. Refining is primarily a margin based business where both the feedstocks and refined petroleum products are commodities. The Group owns and operates two refineries which are both fully integrated with petrochemical plants located at the same sites. The Group’s principal refining products are transport fuels (particularly diesel fuel and gasoline), LPG, naphtha, and heating and fuel oils.
- Chemical Intermediates—This reportable segment is the aggregation, in compliance with IFRS 8, of a number of different business units with similar economic and other characteristics. Chemical Intermediates are high-value added chemical products used as key components in a variety of consumer and industrial products. The Group’s chemical intermediates businesses are exposed to similar key commodities, namely oil and gas. They produce a range of products including phenol, alpha olefins, solvents, industrial chemicals, chlorine, PVC, hydrofluorocarbons, specialty fluorochemicals and nitriles. The Chemical Intermediates processes are similar in that they are all capital intensive and based upon processing and mixing chemical raw materials to produce

chemical products for the next stage along the value chain. The Chemical Intermediates products are distributed on a business-to-business basis across the world. This is performed using similar conventional methods of pipeline, truck, rail or ship container depending on the customer location and size of the order. The Chemical Intermediates customer base is similar in that the customers are generally manufacturers of consumer and industrial products in developed markets and mature industrial economies.

The accounting policies of all of the reportable segments are as described in Note 1.

Information regarding the operations of each reportable segment is included in the following tables. Performance is measured based on earnings before interest, tax, depreciation and amortisation and exceptional items other than exceptional cost of sales items, measured under UK GAAP ("Segment EBITDA") except that share of associate's revenue is not allocated to segments as would be the case under UK GAAP. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding segments reviewed by management includes management accounts comprising the balance sheet, profit or loss, cash flows and other financial and non financial information used to manage the business.

Adjustments in the following tables comprise the following items:

- Corporate assets and liabilities such as the Group headquarters, investments in associates and joint ventures and the major group borrowings;
- Elimination of inter-segmental transactions and balances; and
- Differences arising from conversion of UK GAAP to IFRS. These include treatment of negative goodwill, amortisation of goodwill, accounting for derivatives, treatment of deferred tax on pensions and accounting for joint ventures.

#### Segment information—2009

	Reportable segments				Total of reportable segments	Adjustments	Total
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	2,166.3	4,634.3	6,941.7	7,354.4	21,096.7	(3,019.4)	18,077.3
Reportable segment EBITDA.....	276.5	170.8	228.7	546.2	1,222.2	—	1,222.2
Depreciation and impairment of property, plant and equipment and intangible assets.....	(103.4)	(148.6)	(92.1)	(266.3)	(610.4)	(5.7)	(616.1)
Exceptional items (excluding items relating to impairment and financing).....	(19.0)	(7.9)	—	(15.0)	(41.9)	—	(41.9)
Loss on disposal of businesses .....	—	—	—	(220.1)	(220.1)	(56.4)	(276.5)
Net finance costs							(888.9)
Loss before tax							(601.2)
Share of profit of associates and jointly controlled entities .....	0.9	6.6	—	13.8	21.3	2.4	23.7
Reportable segment assets .....	964.0	2,559.4	1,564.2	3,835.2	8,922.8	2,197.0	11,119.8
Payments for capital expenditure .....	31.4	48.0	70.7	113.9	264.0	—	264.0

Reportable segment liabilities .....	489.6	694.8	1,012.3	2,018.2	4,214.9	7,462.1	11,677.0
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Major items in the adjustments column include:

- Reportable segment revenues: the elimination of inter-segmental revenues: 2009: €3,019 million (2008: €3,424 million, 2007: €7,698 million)
- Reportable segment assets: assets not allocated to segments, including goodwill: 2009: €52 million (2008: €902 million, 2007: €865 million), cash: 2009: €544 million (2008: €470 million, 2007: €663 million) and deferred tax: 2009: €459 million (2008: €438 million, 2007: €127 million).
- Reportable segment liabilities: liabilities not allocated to segments including corporate borrowings under the Senior Facilities Agreement €5,004 million (2008: €4,929 million, 2007: €4,897 million), Senior Notes €1,970 million (2008: €2,089 million, 2007: €2,063 million), accrued interest of €186 million (2008: €157 million, 2007: €146 million) and deferred tax €61 million (2008: €195 million, 2007: €297 million).

### Segment information—2008

	Reportable segments				Total of reportable segments	Adjustments	Total
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	2,950.9	9,946.6	11,757.7	12,842.3	37,497.5	(8,424.2)	29,073.3
Reportable segment EBITDA.....	26.2	101.4	43.4	422.5	593.5	(15.2)	578.3
Depreciation and impairment of property, plant and equipment and intangible assets.....	(114.7)	(190.6)	(93.2)	(398.6)	(797.1)	20.1	(777.0)
Exceptional items (excluding items relating to impairment and financing).....	(3.5)	(12.8)	—	(35.4)	(51.7)	(4.5)	(56.2)
Profit on disposal of businesses .....	—	—	—	143.0	143.0	—	143.0
Net finance costs							(772.3)
Loss before tax							(884.2)
Share of (loss) / profit of associates and jointly controlled entities .....	0.4	8.6	—	(49.2)	(40.2)	(17.6)	(57.8)
Reportable segment assets .....	1,133.6	2,945.8	1,510.2	4,061.3	9,650.9	2,127.0	11,777.9
Payments for capital expenditure .....	57.8	152.0	90.5	323.7	624.0	—	624.0
Reportable segment liabilities .....	573.9	741.7	951.9	1,902.9	4,170.4	7,535.7	11,706.1

### Segment information—2007

	Reportable segments				Total of reportable segments	Adjustments	Total
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	3,036.8	9,696.9	9,426.5	13,053.1	35,213.3	(7,697.5)	27,515.8

Reportable segment EBITDA.....	242.0	526.2	427.4	1,025.2	2,220.8	(18.2)	2,202.6
Depreciation and impairment of property, plant and equipment and intangible assets.....	(189.8)	(156.0)	(115.6)	(424.4)	(885.8)	(23.7)	(909.5)
Exceptional items (excluding items relating to impairment and financing).....	—	(28.3)	(4.6)	82.6	49.7	(48.5)	1.2
Loss on disposal of businesses .....	—	—	—	—	—	(29.6)	(29.6)
Net finance costs .....							(741.0)
Loss before tax .....							523.7
Share of profit/(loss) of associates and jointly controlled entities .....	0.1	1.1	—	11.2	12.4	(60.0)	(47.6)
Reportable segment assets .....	1,287.6	4,125.0	2,249.2	4,877.6	12,539.4	1,937.8	14,477.2
Payments for capital expenditure .....	39.7	170.3	87.7	341.4	639.1	—	639.1
Reportable segment liabilities .....	396.3	1,532.0	1,277.2	2,783.5	5,989.0	7,474.4	13,463.4

**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
**(FORMING PART OF THE FINANCIAL INFORMATION)**

**2. OPERATING SEGMENTS**

For analysis of impairment by segment, see Note 5.

*Geographic segments*

	Revenues		
	2009	2008	2007
	€m		
<b>Geographical information by location of customers:</b>			
Europe.....	13,215.2	22,002.5	20,375.0
Americas .....	3,255.3	5,429.3	5,614.2
Rest of World.....	1,606.8	1,641.5	1,526.6
<b>Total .....</b>	<b>18,077.3</b>	<b>29,073.3</b>	<b>27,515.8</b>
<b>Geographical information by location from which the Group derives revenue:</b>			
Europe.....	14,229.6	23,217.1	20,881.2
Americas .....	3,420.0	5,365.8	6,308.8
Rest of World.....	427.7	490.4	325.8
<b>Total .....</b>	<b>18,077.3</b>	<b>29,073.3</b>	<b>27,515.8</b>

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

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

*Major customer*

Revenues from one customer of the Group's Refining segment represent €2,918.5 million (2008: €7,614.5 million, 2007: €6,563.8 million) of the Group's total revenues.

**3. DISPOSALS**

*2009 disposals*

*Summary:*

	2009
	€m
Disposals to INEOS Industries .....	(169.6)
Additional commitment to entities sold to INEOS Industries .....	(75.0)
Disposal of Compounds Italia.....	(43.5)
Further consideration from the disposal of the Silicas business in 2008.....	11.6
<b>Net loss on disposal of businesses .....</b>	<b>(276.5)</b>

*INEOS Industries*

During 2009, the Group made a number of disposals to a related party, INEOS Industries Limited, an entity held under common control by the Group's ultimate shareholders. The Group received no consideration

for the disposals which included the Group's ABS, Styrenics, Melamines and Films Italia businesses, together with 80% of the Group's Bio and Healthcare businesses. The remaining 20% of Bio and Healthcare businesses, which the Group still owns at 31 December 2009, are accounted for as associated undertakings (see Note 13.a). Of the total loss on these disposals €5.0 million is attributable to the recognition of the retained interests at their estimated fair value of €nil.

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

	<u>2009</u>
	<u>€m</u>
Goodwill.....	45.7
Property, plant and equipment.....	76.4
Intangible assets.....	29.2
Provisions against joint ventures.....	(20.2)
Inventories.....	81.2
Cash.....	29.8
Trade and other receivables.....	252.2
Employee benefits.....	(29.4)
Trade and other payables.....	(215.6)
Provisions, including net deferred tax liability.....	(52.1)
Minority interests.....	(4.1)
Net assets disposed of.....	193.1
Costs of disposal.....	1.5
Proceeds.....	—
Deficit of net assets over proceeds received.....	194.6
Exchange differences recycled on disposal.....	(25.0)
<b>Loss on disposals of businesses.....</b>	<b><u>169.6</u></b>

As part of the disposal agreement the Group has committed to provide further support to the businesses disposed of for the purpose of working capital management of €75 million and has therefore included this amount within the loss on disposal. Management believe it is likely that this amount will be called upon by the businesses within one year and have therefore provided for it on disposal as a current liability. If any amount is not called upon within five years the Group must remit the remaining balance at that point. The amount has been included in the loss on disposal in the income statement but is not included within the net assets above.

#### *Compounds Italia*

On 22 January 2009, the Group completed the sale of the Compounds Italia business to a third party. The Group disposed of its entire investment for nominal consideration.

#### Effect of the disposal on individual assets and liabilities

	<u>2009</u>
	<u>€m</u>
Property, plant and equipment.....	26.6
Inventories.....	9.9
Cash.....	1.7
Trade and other receivables.....	24.3
Trade and other payables.....	(15.2)
Provisions.....	(4.7)
Net assets disposed.....	42.6
Costs of disposal.....	0.9
Proceeds.....	—
<b>Loss on disposal.....</b>	<b><u>43.5</u></b>



### *Other*

During 2009, the Group received further consideration from the disposal of the Silicas business which occurred in the prior year. The additional consideration received from PQ Corporation, the entity which acquired the Silicas business during 2008, was €1.6 million and was settled by PQ Corporation waving a liability owed to the Group. This amount has been offset against the loss on disposal of businesses presented in the income statement.

### **2008 disposals**

#### *INEOS Silicas*

On 2 July 2008 the Group completed the sale of the INEOS Silicas business to PQ Corporation, the speciality chemical company owned by The Carlyle Group and INEOS Investments LLP (see Note 14), for a total consideration of €304.0 million, of which €198.5 million was received in cash. A pre-tax gain of €143.0 million was recorded.

#### **Effect of the disposal on individual assets and liabilities**

	<b>2008</b>
	<b>€m</b>
Goodwill.....	2.6
Property, plant and equipment.....	103.7
Investments.....	0.5
Inventories.....	22.9
Cash.....	13.1
Trade and other receivables.....	109.5
Employee benefits.....	(0.7)
Trade and other payables.....	(70.0)
Provisions.....	(7.1)
Net assets disposed.....	174.5
Excess of sale proceeds over net assets.....	129.5
<b>Total sales proceeds.....</b>	<b><u>304.0</u></b>
Sales proceeds satisfied by:	
Cash.....	198.5
Preferred partnership investment in INEOS Investments LLP.....	105.5
<b>Total sales proceeds.....</b>	<b><u>304.0</u></b>
Profit recognised in the consolidated income statement:	
Excess of sale proceeds over net assets.....	129.5
Exchange differences recycled on disposal.....	13.5
<b>Profit on disposal of businesses.....</b>	<b><u>143.0</u></b>

### *Other disposals*

During 2008 the Group received cash of €4.9 million being deferred consideration on the disposal of the Emulsion PVC (E-PVC) business which took place on 2 July 2007.

### **2007 disposals**

On 2 July, 2007 the Group completed its disposal of the Emulsion PVC (E-PVC) business to Vinnolit GmbH & Co. KG, for a total consideration of €6.6 million. The sale consisted of the commercial goodwill of the INEOS ChlorVinyls E-PVC business along with its E-PVC production facilities at Hillhouse (UK) and Schkopau (Germany). The deal also included an agreement for Vinnolit to take off the entire E-PVC output at Porto Torres (Italy).

On 1 October, 2007 the Group entered into a 50:50 joint venture with Nova Chemicals in North America. The Group contributed its North American styrene and polystyrene assets (Styrenics) at its Texas City and Joliet sites, whilst Nova Chemicals contributed its Styrenics business unit and other styrenics polymer assets. Together with the existing joint venture in Europe, the enlarged joint venture is called INEOS Nova.

#### Effect of the disposal on individual assets and liabilities

	<u>E-PVC</u>	<u>Styrenics</u>	<u>Total</u>
	<b>€m</b>		
Property, plant and equipment .....	45.0	—	45.0
Inventories .....	7.6	85.8	93.4
Trade and other receivables .....	1.8	92.1	93.9
Trade and other payables .....	(1.5)	(71.2)	(72.7)
Net assets disposed.....	52.9	106.7	159.6
Deficit of sale proceeds over net assets .....	(36.3)	(2.5)	(38.8)
<b>Total sales proceeds .....</b>	<b>16.6</b>	<b>104.2</b>	<b>120.8</b>
Sales proceeds satisfied by:			
Cash .....	11.5	—	11.5
Deferred consideration.....	5.1	—	5.1
Share of joint venture (Note 13.a) .....	—	104.2	104.2
<b>Total sales proceeds .....</b>	<b>16.6</b>	<b>104.2</b>	<b>120.8</b>
(Loss)/profit recognised in the income statement:			
Deficit of sale proceeds over net assets .....	(36.3)	(2.5)	(38.8)
Exchange differences recycled on disposal .....	—	2.8	2.8
<b>(Loss)/profit on disposal of businesses .....</b>	<b>(36.3)</b>	<b>0.3</b>	<b>(36.0)</b>

The net loss on disposal of businesses in the consolidated income statement includes a gain of €6.4 million in relation to other investments.

#### 4. ACQUISITIONS OF SUBSIDIARIES

##### 2009 Acquisitions

No acquisitions were made in 2009. A further €1.0 million was paid with regard to acquisitions made in prior years.

##### 2008 Acquisitions

Acquisitions were made in 2008 for a total consideration of €120.2 million including acquisition expenses. These acquisitions gave rise to positive goodwill of €19.1 million and negative goodwill of €29.0 million. Negative goodwill has been recognised in administrative expenses in the consolidated income statement. All acquisitions have been accounted for using the purchase method, as required by IFRS 3.

The adjustments required to the book values of the assets and liabilities of the businesses acquired during the year in order to present the net assets of the business at fair values, together with the resultant amount allocated to goodwill, are set out below:

##### VAM/EtAc

	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
	<b>€m</b>		
Property, plant and equipment .....	21.6	—	21.6
Inventory .....	24.4	1.8	26.2
Trade and other receivables .....	6.8	—	6.8
Net assets acquired.....	52.8	1.8	54.6

Goodwill .....	0.6
Consideration (including acquisition expenses) .....	<u>55.2</u>

On 31 March 2008 the Group acquired the European VAM and EtAc businesses, together with the TSEP pipeline from BP. The production assets acquired are based at Saltend in the United Kingdom. The newly acquired business now forms part of the Chemical Intermediates segment.

A revaluation of inventories by €1.8 million was made to reflect the fair value of catalyst inventories acquired at acquisition.

In the period from acquisition date to 31 December 2008 the European VAM and EtAc businesses, together with the TSEP pipeline contributed revenue of €206.1 million and profit before tax of €8.4 million. It is not practicable to provide information regarding revenue and profit before tax since 1 January 2008 as this information was not provided by the vendor.

Goodwill arising on the acquisition relates to expected future business improvement, expected synergies of the acquisition and the quality of the workforce in the business.

### Seal Sands

	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
		€m	
Property, plant and equipment .....	40.7	(6.8)	33.9
Inventory .....	24.7	—	24.7
Provisions .....	(3.3)	—	(3.3)
Deferred tax liability .....	—	(10.7)	(10.7)
Net assets acquired .....	<u>62.1</u>	<u>(17.5)</u>	44.6
Negative goodwill recognised as an administrative gain .....			(29.0)
Consideration (including acquisition expenses) .....			<u>15.6</u>

On 18 August 2008 the Group acquired the Seal Sands business on Teesside in the United Kingdom from BASF. The Seal Sands site provides large-scale production facilities for acrylonitrile (AN) and hexamethylenediamine (HMD), along with by-product plants. The total consideration, including acquisition expenses was €15.6 million. The newly acquired business now forms part of the Nitriles business within the Chemical Intermediates segment.

A revaluation of tangible fixed assets by €6.8 million was made to reflect the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets. A deferred tax liability is recognised regarding negative goodwill arising on the acquisition and is included as a fair value adjustment.

The assets acquired were carved out of an existing business and as such there is no historic financial information available for these assets prior to acquisition. In the period from acquisition date to 31 December 2008 the Seal Sands business contributed revenue of €85.5 million and a loss before tax of €23.0 million. Had the Seal Sands business been acquired at the beginning of the period it would have contributed revenue of €294.3 million. The contribution to profit or loss from 1 January 2008 cannot be presented as no separate profit information for this business was prepared by the vendor prior to the acquisition date.

This acquisition, on which negative goodwill arose, was a bargain purchase due to its poor trading performance and future earnings expectations which would continue until a change plan could be implemented by the Group.

### ABS India

<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
	€m	

Property, plant and equipment .....	5.9	17.4	23.3
Inventory .....	10.4	—	10.4
Trade and other receivables .....	16.4	—	16.4
Cash .....	13.5	—	13.5
Trade and other payables .....	(26.3)	—	(26.3)
Net assets acquired.....	<u>19.9</u>	<u>17.4</u>	<u>37.3</u>
Minority interest.....			(6.4)
Net assets acquired (net of minority interest).....			30.9
Goodwill .....			18.5
Consideration (including acquisition expenses).....			<u>49.4</u>

On 2 October 2007 the Group acquired 100% of the Lanxess ABS plastic business, Lustran Polymers (see 2007 below). At that time the Indian part of the business was not acquired, although a public offer was launched for the remaining Indian shares that were traded publicly on the Bombay Stock Exchange and the National Stock Exchange in India. On 13 March 2008 the Group acquired an 83.33% shareholding in the Indian part of the business.

A revaluation of tangible fixed assets by €17.4 million was made to reflect the carrying value of the assets based on the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets.

In its last financial year to 31 December 2007, ABS India made a profit after taxation of €6.2 million (INR 349.5 million). For the period from 1 January 2008 until the date of acquisition, ABS India made a profit after taxation of €0.7 million (INR 43.6 million).

Goodwill on acquisition relates to the expected synergies on acquisition and the strong market position of the business in Asia.

### **2007 acquisitions**

#### **Borealis AS**

On 31 August, 2007 the Group acquired the Borealis AS petrochemical business in Norway, which included the integrated polyolefins businesses at Bamble, together with a 50% interest in the Noretyl ethylene cracker at Rafnes, Norway. The total consideration, including acquisition expenses after working capital adjustments, was €237.7 million (NOK 1,891.8 million). The business was acquired debt free with cash balances of €48.6 million (NOK 386.8 million). The purchase has been accounted for as an acquisition in this consolidated financial information. The newly acquired business forms part of the O&P Europe business segment.

The total adjustments required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values, together with the resultant amount to goodwill, are set out below:

	<u>Book value</u>	<u>Revaluation</u>	<u>Fair value</u>
		€m	
Intangible fixed assets .....	0.9	—	0.9
Property, plant and equipment .....	48.6	—	48.6
Investments.....	55.9	—	55.9
Inventory .....	30.1	(0.2)	29.9
Trade and other receivables .....	11.7	(0.1)	11.6
Cash .....	48.6	—	48.6
Trade and other payables .....	(56.1)	(2.7)	(58.8)
Pensions .....	(22.5)	2.5	(20.0)
Deferred taxation on pensions .....	4.5	(4.5)	—
Net assets acquired.....	<u>121.7</u>	<u>(5.0)</u>	<u>116.7</u>

Goodwill .....	121.0
Consideration (including acquisition expenses) .....	<u>237.7</u>

An independent actuarial valuation of the pension plans was performed as at the date of the acquisition, which resulted in a decrease in the pension deficit of €2.5 million.

In its past financial year to 31 December, 2006, Borealis AS made a profit after taxation of €6.4 million (NOK 52.3 million). For the period from 1 January, 2007 until the date of acquisition, Borealis AS made a profit after taxation of €18.0 million (NOK 142.6 million).

Goodwill relates to the expected synergies on acquisition and the forecast potential acquired business.

### Lanxess ABS

The Group acquired 100% of the Lanxess ABS plastics business, Lustran Polymers on 2 October 2007.

The initial acquisition excludes the Indian part of the business which completed in March 2008. The business is the world's third largest and Europe's leading supplier of ABS plastics and has sites in Dormagen (Germany), Tarragona (Spain), Map Ta Phut (Thailand), Ualodara (India) and Addyston (USA). The business was renamed INEOS ABS and forms part of the Chemical Intermediates business segment.

The total adjustments required to the book values of the assets and liabilities of the business in order to present the net assets of the business at fair values are set out below:

	Book value	Fair value adjustments	Final fair value
	€m		
Property, plant and equipment .....	42.5	(42.5)	—
Intangible fixed assets .....	0.4	(0.4)	—
Customer relationships .....	—	20.2	20.2
Inventory .....	139.2	(0.7)	138.5
Trade and other receivables .....	159.0	1.0	160.0
Cash .....	21.0	—	21.0
Provisions .....	—	(88.1)	(88.1)
Trade and other payables .....	(96.4)	(10.9)	(107.3)
Pensions .....	(8.6)	(12.7)	(21.3)
Deferred taxation .....	—	10.9	10.9
Net assets .....	257.1	(123.2)	133.9
Negative goodwill .....	—	—	(106.6)
Consideration (including acquisition expenses and contingent consideration) .....	—	—	27.3

The business in Germany was acquired with an onerous raw material supply contract and provision of €88.1 million was recognised for the expected losses on this contract. Following a detailed review of acquired contracts, a finance lease for storage facilities of €10.4 million was recognised within trade and other payables. The independent actuarial valuation of the pension plan liabilities on acquisition was finalised, which resulted in an increase in the pension deficit of €12.7 million. Customer relationships were also identified on the acquisition of €20.2 million. These relationships are being amortised over three years.

The revaluation of tangible fixed assets by €42.5 million represents an adjustment to reflect the lower of depreciated replacement cost and the value in use based on discounted cash flows for the individual asset groupings.

At the acquisition date contingent consideration of €43.4 million was included within the provisional consideration. Contingent consideration is linked to the future profitability of the business and adjustments to

the provisional fair value of net assets acquired. By 31 December, 2007 contingent consideration was reassessed as a receivable of €27.9 million.

In its last financial year to 31 December, 2006, Lanxess ABS made a profit before interest and taxation of €4.6 million. For the period from 1 January, 2007 until the date of acquisition Lanxess ABS made a profit before interest and taxation of €1.5 million. A profit after taxation figure is not available as the business acquired was carved out from various divisions, so no allocation or taxation was made.

The significant negative goodwill arising in the acquisition was due to the business being in a distressed state at acquisition and requiring significant investment by any purchaser.

### Acquisition of Nova Joint Venture

On 1 October 2007 the group acquired a 50% interest in INEOS Nova, a joint venture operated with Nova Chemicals. In return for its interest in the joint venture the Group contributed its North American styrene and polystyrene assets (Styrenics). The Group contributed working capital balances into INEOS Nova of €104.2m which the Group estimates to be the initial fair value of its interest in the joint venture. For further details of this transaction please see Note 3 and Note 13.

### Other acquisitions

On 18 October, 2007 the Group acquired INEOS Chlor Atlantik GmbH from INEOS Enterprises, a legally separate group of companies held under common control with INEOS Group Holdings plc. INEOS Chlor Atlantik GmbH operates a chlorine plant in Wilhelmshaven, Germany. On 16 November, 2007 the Group acquired Glebe Mines Limited. Glebe Mines Limited is the UK's only indigenous fluorspar mining company, based in the Peak District.

The total adjustments required to the book values of the assets and liabilities of the business acquired in order to present the net assets of the business at fair values, together with the resultant amount of goodwill, are set out below:

	<b>Total</b>
	<b>€m</b>
Book value.....	2.6
Revaluation/accounting policy alignments.....	4.3
Net assets acquired.....	6.9
Goodwill.....	11.0
Consideration (including acquisition expenses).....	<u>17.9</u>

### Updates to prior year acquisitions

The Group received an additional €13.0m in 2007 in settlement of working capital balances relating to the acquisition of Innovene from BP. This is recognised as a reduction in the consideration paid for Innovene with a consequent reduction in the goodwill recognised on acquisition.

## 5. EXCEPTIONAL ITEMS

	<b>2009</b>	<b>2008</b>	<b>2007</b>
		<b>€m</b>	
Exceptional cost of sales.....	—	(130.3)	(45.9)
Exceptional administrative expenses:			
Restructuring of Innovene operations.....	(29.9)	(20.4)	(43.3)
Restructuring of other acquired businesses .....	(12.0)	(26.5)	(13.6)
Settlement of legal claim .....	—	(33.8)	—
Total exceptional administrative expenses.....	(41.9)	(80.7)	(56.9)
Share of exceptional loss of associates and jointly controlled entities using the equity accounting method.....	—	(4.5)	(48.5)

Exceptional finance cost: loss on extinguishment of debt .....	(209.2)	—	—
Total exceptional expenses .....	(251.1)	(215.5)	(151.3)
Exceptional administrative gain: negative goodwill .....	—	29.0	106.6
Exceptional finance income .....	89.0	—	—
Total exceptional gains .....	89.0	29.0	106.6

#### ***Exceptional cost of sales***

The charge to cost of sales for the year ended 31 December 2008 reflects the non cash write-down of certain tangible fixed assets. The charge reflects the closure of the polypropylene assets in Bamble, Norway (O&P Europe segment) during the year together with the planned closures of the Per and Trichloroethylene plants in Runcorn, England (Chemical Intermediates segment) and the polypropylene assets in Battleground, Texas (O&P North America segment) in early 2009. Costs incurred on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium (O&P Europe segment) have also been written off as these projects were suspended. An impairment charge has also been taken against the HFC 125 assets in Runcorn (Chemical Intermediates segment) after a review of the business was carried out during the year ended 31 December 2008.

The charge to cost of sales for the year ended 31 December 2007 reflects the non cash write-down of the North American tangible fixed assets at the Texas City and Joliet sites after an impairment review of these businesses was carried out during the year. This impairment charge relates entirely to the O&P North America segment.

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(FORMING PART OF THE FINANCIAL INFORMATION)

### 5. EXCEPTIONAL ITEMS

#### *Exceptional administrative expenses*

The Innovene business was acquired in 2005 and the Group has subsequently undertaken a restructuring programme which is focused on the operations at the main sites in the business at Grangemouth, Lavéra, Cologne and Chocolate Bayou. In addition two of the production lines at the Sarralbe site were closed in 2009 which has result in a corresponding reduction in the workforce there. The restructuring costs of €29.9 million (2008: €20.4 million, 2007: €43.3 million) largely relate to severance and early retirement costs.

Other restructuring costs of €12.0 million charged in 2009 primarily relate to restructuring and the provision of severance payments in the Compounds and ABS businesses. In 2008, other restructuring costs of €26.5 million were charged in relation to other acquired businesses in 2008 and primarily relate to severance costs, early retirement costs and contract termination penalties at Bamble, Norway.

In the year ended 2008 the Group agreed to an out of court settlement of €33.8 million (including costs) to settle the case involving damages awarded to Dr Mannsfeld in Alabama, USA for allegedly patenting his ideas. The Group denied the accusation. The Group acquired Phenolchemie in 2001. Dr Mannsfeld's claim against the Group was based on the contention that Phenolchemie took his idea of using phenol residue as a feedstock for making carbon black in the late nineties. Dr Mannsfeld was an employee of Degussa at that time and has never been an employee of either Phenolchemie or the Group.

Restructuring costs during the year ended 31 December 2007 include €9.1 million in respect of severance costs, contract termination penalties and general site clearance costs for the closure of the Films manufacturing facility in Monfalcone, Italy.

#### *Exceptional loss in associates and jointly controlled entities using the equity accounting method*

During the year ended 31 December 2007 the INEOS Nova joint venture restructured some of its operations in North America during the year. The restructuring related to the closure of their facilities in Montreal, Canada and Belpre, USA. In addition the joint venture acquired the exclusive production rights from Sterling Chemical's Texas City, USA styrene plant and then nominated zero production volumes, so that the Sterling plant was then permanently shut down. The restructuring charges of €nil in 2009 (2008: €4.5 million, 2007: €48.5 million) relate to the Group's share of the asset write downs and severance costs incurred by the joint venture.

#### *Exceptional finance cost: loss on extinguishment of debt*

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's Senior Facilities Agreement. The Group has assessed that the package of amendments to the Senior Facilities Agreement represents a substantial modification and result in the extinguishment of the existing debt (see Note 20).

As a result, the existing debt has been derecognised and the modified debt recognised at fair value. The Group has estimated the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt is not quoted and information about transactions in the Group's debt is not available. The valuation technique used a discounted cash flow technique using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the Existing Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.



Accordingly the Group has recognised a charge of €209.2 million as an exceptional finance expense which includes the write-off of the deferred issue costs on the Existing Facilities Agreement debt and the costs associated with the July 2009 modification.

#### ***Exceptional administrative gain***

For the acquisitions of Lanxess ABS in 2007 and Seal Sands in 2008, the fair value of identifiable assets, liabilities and contingent liabilities exceeded the consideration paid giving rise to negative goodwill recognised directly in the consolidated income statement (see Note 4).

#### ***Exceptional finance income***

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €14.1 million. The resulting gain of €89.0 million has been included as exceptional finance income (see Note 20).

### **6. EXPENSES AND AUDITORS' REMUNERATION**

Included in (loss)/profit are the following:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<b>€m</b>		
Exceptional restructuring costs—included in administrative expenses .....	41.9	46.9	56.9
Research and development expensed as incurred .....	59.0	66.6	85.9
Amortisation of other intangible assets .....	20.4	21.5	16.0
Loss on disposal of property, plant and equipment .....	10.5	21.2	2.9
Amortisation of government grants .....	(8.7)	(4.9)	(3.0)
<b>Depreciation and impairment of tangible fixed assets:</b>			
Owned assets .....	589.1	749.2	886.8
Finance leased assets .....	6.6	6.3	6.7
<b>Operating lease rental charges:</b>			
Plant, machinery and equipment .....	63.4	46.1	45.9
Other .....	<u>11.3</u>	<u>8.3</u>	<u>17.4</u>

#### **Auditors' remuneration:**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<b>€m</b>		
Audit of the INEOS Group Holding plc financial statements .....	0.7	0.7	0.7
<b>Amounts receivable by auditors and their associates in respect of:</b>			
Audit of financial statements of subsidiaries pursuant to legislation .....	2.8	2.5	2.7
Other services relating to taxation .....	2.0	1.7	2.5
Services relating to corporate finance transactions .....	3.3	0.8	1.5
All other services .....	<u>0.6</u>	<u>1.4</u>	<u>1.3</u>
	<u>9.4</u>	<u>7.1</u>	<u>8.7</u>

Amounts paid to the company's auditors and their associates in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis. This consolidated financial information does not constitute statutory financial statements within the meaning of sections 434 and 435 of the Companies Act 2006.

## 7. STAFF NUMBERS AND COSTS

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

	Number of employees		
	2009	2008	2007
Operations .....	8,614	11,651	11,221
Administration.....	2,804	2,741	1,859
Research and development .....	531	579	602
	<b>11,949</b>	<b>14,971</b>	<b>13,682</b>

The aggregate payroll costs of these persons were as follows:

	2009	2008	2007
	€m		
Wages and salaries .....	675.3	797.1	959.5
Social security costs .....	123.0	180.5	147.2
Expenses related to defined contribution pension plans .....	7.4	15.7	12.9
Expenses related to defined benefit pension plans .....	101.3	61.3	70.9
	<b>907.0</b>	<b>1,054.6</b>	<b>1,190.5</b>

## 8. DIRECTORS' REMUNERATION

	2009	2008	2007
	€m		
Aggregate emoluments .....	1.0	0.6	0.6
Company contribution to money purchase scheme.....	0.1	0.1	0.1
	<b>1.1</b>	<b>0.7</b>	<b>0.7</b>

Retirement benefits are accruing to two directors (2008: two directors, 2007: two directors) under a money purchase scheme. No directors (2008: no directors, 2007: no directors) have retirement benefits accruing under a defined benefit pension scheme.

The total amount of emoluments payable to the highest paid director for the year was €0.5 million (2008: €0.4 million, 2007: €0.4 million). Pension contributions of €32,000 (2008: €35,000, 2007: €41,000) were paid into a personal pension scheme in relation to the highest paid director.

## 9. FINANCE INCOME AND COSTS

### Recognised in profit or loss

	2009	2008	2007
	€m		
<b>Finance income</b>			
Interest income on bank balances .....	1.6	30.6	31.3
Other interest receivable .....	11.7	9.3	—
Total interest income on financial assets not at fair value through profit or loss.....	13.3	39.9	31.3
Exchange movements .....	16.0	31.8	—
Net fair value gain on derivatives .....	—	12.9	4.6
Expected return on defined benefit pension plan assets.....	58.5	85.6	87.5
Dividend income .....	7.3	3.7	6.5
Total finance income before exceptional items.....	95.1	173.9	129.9
Exceptional finance income (see Note 5) .....	89.0	—	—
<b>Total finance income .....</b>	<b>184.1</b>	<b>173.9</b>	<b>129.9</b>
<b>Finance costs</b>			
Interest payable on senior notes.....	178.0	182.0	188.4
Interest payable on bank loans and overdrafts .....	474.6	390.8	401.9
Interest payable on securitisation.....	32.0	53.1	70.2
Amortisation of issue costs .....	20.4	28.6	28.7
Interest payable on finance leases.....	0.2	0.2	0.9
Other finance charges.....	27.6	32.6	5.4
Exchange movements .....	12.4	158.0	79.1
Net fair value loss on derivatives.....	23.2	—	—
Interest on employee benefit liabilities.....	93.4	96.2	90.5
Unwind of discount on provisions.....	2.0	4.7	5.8
Total finance cost before exceptional items .....	863.8	946.2	870.9
Exceptional loss on extinguishment of debt (see Note 5) .....	209.2	—	—
<b>Total finance costs .....</b>	<b>1,073.0</b>	<b>946.2</b>	<b>870.9</b>
<b>Net finance costs .....</b>	<b>888.9</b>	<b>772.3</b>	<b>741.0</b>

Net gains and losses on financial instruments are included in Note 26.b.

## 10. TAXATION

### Taxation recognised in the consolidated income statement

	2009	2008	2007
	€m		
<b>Current tax expense</b>			
Current year.....	37.6	74.3	91.9
Adjustments in respect of prior years .....	(1.0)	(12.7)	(53.4)
Current tax expense.....	36.6	61.6	38.5
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences.....	11.1	(294.2)	46.5
Adjustments in respect of prior years .....	(33.8)	(79.0)	36.2

Deferred tax (credit)/charge .....	(22.7)	(373.2)	82.7
<b>Total tax charge/(credit) .....</b>	<b>13.9</b>	<b>(311.6)</b>	<b>121.2</b>

#### Reconciliation of effective tax rate

	2009	2008	2007
	€m		
(Loss)/profit before taxation .....	(601.2)	(884.2)	523.7
Tax on above using the UK corporation tax rate of 28% (2008: 28%, 2007: 30%) ...	(168.4)	(247.6)	157.1
Non-deductible expenses/tax exempt revenues .....	87.9	(4.3)	(3.7)
Disposal of businesses .....	8.2	9.7	—
Effect of tax rates in foreign jurisdictions .....	29.7	9.8	7.7
Deferred tax not recognised .....	61.7	42.1	(20.5)
Utilisation of tax losses brought forward .....	29.6	(29.6)	(3.2)
Adjustments for prior years .....	(34.8)	(91.7)	(16.2)
<b>Total tax charge/(credit) .....</b>	<b>13.9</b>	<b>(311.6)</b>	<b>121.2</b>

#### Taxation recognised in other comprehensive income

	2009			2008			2007		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
	€m								
Foreign exchange translation differences .....	56.8	—	56.8	(184.1)	—	(184.1)	(472.3)	—	(472.3)
Foreign exchange differences recycled on disposal of subsidiaries .....	(25.0)	—	(25.0)	13.5	—	13.5	2.8	—	2.8
Changes in the fair value of assets classified as available for sale .....	22.9	—	22.9	—	—	—	—	—	—
Net gain/(loss) on hedge of net investment in foreign operations .....	13.9	—	13.9	(40.0)	—	(40.0)	240.5	—	240.5
Net change in fair value of cash flow hedges .....	—	—	—	105.8	(29.5)	76.3	—	—	—
Cash flow hedge recycled from hedging reserve .....	(105.9)	29.6	(76.3)	—	—	—	—	—	—
Actuarial gains and losses on defined benefit pension schemes .....	(18.9)	16.8	(2.1)	(321.2)	79.7	(241.5)	50.3	(40.9)	9.4
<b>Total .....</b>	<b>(56.2)</b>	<b>46.4</b>	<b>(9.8)</b>	<b>(426.0)</b>	<b>50.2</b>	<b>(375.8)</b>	<b>(178.7)</b>	<b>(40.9)</b>	<b>(219.6)</b>

#### 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment Fixtures and fittings	Under construction	Total
	€m			
<b>Cost</b>				
Balance at 1 January 2007 .....	467.7	7,284.9	476.5	8,229.1
Acquisitions through business combinations .....	14.7	36.0	6.8	57.5
Additions .....	0.9	252.6	386.9	640.4
Disposals .....	(52.6)	(46.3)	(2.6)	(101.5)
Transfers .....	55.0	460.6	(515.6)	—
Effect of movements in foreign exchange .....	(9.7)	(409.9)	(3.7)	(423.3)
Balance at 31 December 2007 .....	476.0	7,577.9	348.3	8,402.2
Acquisitions through business combinations .....	6.6	72.0	0.2	78.8
Additions .....	6.2	238.7	356.5	601.4
Disposals .....	(48.0)	(223.5)	(24.4)	(295.9)
Transfers .....	9.9	222.9	(232.8)	—

Effect of movements in foreign exchange .....	(3.4)	(548.2)	24.8	(526.8)
Balance at 31 December 2008 .....	447.3	7,339.8	472.6	8,259.7
Additions .....	0.4	103.9	159.3	263.6
Disposals .....	(22.3)	(148.8)	(23.0)	(194.1)
Transfers .....	6.4	254.1	(273.1)	(12.6)
Reclassifications .....	—	—	(1.7)	(1.7)
Effect of movements in foreign exchange .....	0.6	153.0	5.8	159.4
<b>Balance at 31 December 2009 .....</b>	<b>432.4</b>	<b>7,702.0</b>	<b>339.9</b>	<b>8,474.3</b>
<b>Accumulated depreciation and impairment</b>				
Balance at 1 January 2007 .....	102.0	1,515.5	—	1,617.5
Depreciation charge for the year .....	28.3	819.3	—	847.6
Impairment losses .....	—	45.9	—	45.9
Transfers .....	35.7	(35.7)	—	—
Disposals .....	(52.6)	(3.0)	—	(55.6)
Effect of movements in foreign exchange .....	—	(126.4)	—	(126.4)
Balance at 31 December 2007 .....	113.4	2,215.6	—	2,329.0
Depreciation charge for the year .....	21.4	603.8	—	625.2
Impairment losses .....	—	130.3	—	130.3
Disposals .....	(10.5)	(160.5)	—	(171.0)
Effect of movements in foreign exchange .....	(1.3)	(93.1)	—	(94.4)
Balance at 31 December 2008 .....	123.0	2,696.1	—	2,819.1
Depreciation charge for the year .....	21.1	574.6	—	595.7
Transfers .....	0.7	(13.3)	—	(12.6)
Disposals .....	(2.3)	(53.7)	—	(56.0)
Effect of movements in foreign exchange .....	(0.6)	35.5	—	34.9
<b>Balance at 31 December 2009 .....</b>	<b>141.9</b>	<b>3,239.2</b>	<b>—</b>	<b>3,381.1</b>
<b>Net book value</b>				
At 1 January 2007 .....	365.7	5,769.4	476.5	6,611.6
At 31 December 2007 .....	362.6	5,362.3	348.3	6,073.2
At 31 December 2008 .....	324.3	4,643.7	472.6	5,440.6
<b>At 31 December 2009 .....</b>	<b>290.5</b>	<b>4,462.8</b>	<b>339.9</b>	<b>5,093.2</b>

### ***Impairment losses***

The impairment losses for the year ended 31 December 2008 of €130.3 million reflect the closure of polypropylene assets in Bamble, Norway during the year and the closures of the Per and Trichloroethylene plants in Runcorn, England and the polypropylene assets in Battleground, Texas in early 2009. Costs incurred to date on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium were also written off as these projects were suspended. An impairment charge was also taken against the HFC 125 assets in Runcorn after a review of the business was carried out during 2008.

The impairment loss for the year ended 31 December 2007 of €45.9 million is in relation to tangible fixed assets at the Texas City and Joliet sites in the USA.

These impairment losses were recognised in cost of sales as exceptional charges. The items of property, plant and equipment were subsequently written off.

### ***Leased plant and machinery***

Included in the above are assets held under hire purchase and finance leases with a net book value of €43.6 million (2008: €50.0 million, 2007: €56.2 million). The leased equipment secured lease obligations (see Note 20).

***Property, plant and equipment under construction***

During 2009, construction work at Koln on the overhaul of the two catalytic cracking units was completed and the assets were transferred to other classes of property, plant and equipment. Construction work continued at the KG cracker unit in Grangemouth whilst work on the polypropylene plant in Belgium was halted until a decision to complete the project has been taken.

Additions to property, plant and equipment that were treated as assets under construction during 2008 arose from a number of investments. The material ones included: the new furnace constructed for the cracker at the Koln site; the expansion of a polypropylene plant in Belgium; the expansion of feedstock capabilities of the KG cracker unit in Grangemouth, Scotland; and overhaul of the two Fluidised Catalytic Cracking units, Crude distillation unit No.2, Hydrocracker Treatments.

Additions to assets under constructions included investment to meet future regulations with the first phase of construction of a new Sulfur Recovery Unit coupled with a Tail Gas Treatment and a new Waste Water Treatment Plant. Other notable investments include the electrical and hydrocracker substations, new tankage, tank farm fire protection, cross- country pipeline integrity gauging and expansion projects including acid crude processing.

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(FORMING PART OF THE FINANCIAL INFORMATION)

## 12. INTANGIBLE ASSETS

	Intellectual property rights	Customer relationships	Other	Goodwill	Total
	€m				
<b>Cost</b>					
Balance at 1 January 2007 .....	139.2	2.9	9.8	865.1	1,017.0
Acquisitions through business combinations .....	0.3	20.2	—	119.0	139.5
Other acquisitions.....	0.3	—	0.4	—	0.7
Disposals .....	(0.6)	—	(1.6)	—	(2.2)
Effect of movements in foreign exchange.....	(5.0)	—	(0.3)	(74.5)	(79.8)
Balance at 31 December 2007 .....	134.2	23.1	8.3	909.6	1,075.2
Acquisitions through business combinations .....	—	—	—	19.1	19.1
Other acquisitions.....	27.3	—	0.7	—	28.0
Disposals .....	—	—	—	(2.6)	(2.6)
Effect of movements in foreign exchange.....	1.9	—	0.1	19.9	21.9
Balance at 31 December 2008 .....	163.4	23.1	9.1	946.0	1,141.6
Additions .....	—	—	—	1.0	1.0
Other additions .....	—	—	1.0	—	1.0
Reclassifications.....	1.7	—	—	—	1.7
Disposals .....	(25.8)	(20.2)	(0.3)	(80.6)	(126.9)
Effect of movements in foreign exchange.....	(0.6)	—	—	(6.1)	(6.7)
<b>Balance at 31 December 2009 .....</b>	<b>138.7</b>	<b>2.9</b>	<b>9.8</b>	<b>860.3</b>	<b>1,011.7</b>
<b>Accumulated amortisation and impairment</b>					
Balance at 1 January 2007 .....	8.1	2.3	5.7	47.8	63.9
Amortisation for the year .....	12.5	1.7	1.8	—	16.0
Disposals .....	(0.6)	—	(1.6)	—	(2.2)
Effect of movements in foreign exchange.....	(0.8)	—	(0.2)	(2.8)	(3.8)
Balance at 31 December 2007 .....	19.2	4.0	5.7	45.0	73.9
Amortisation for the year .....	14.1	6.7	0.7	—	21.5
Effect of movements in foreign exchange.....	0.2	—	—	(0.6)	(0.4)
Balance at 31 December 2008 .....	33.5	10.7	6.4	44.4	95.0
Amortisation for the year .....	14.5	5.2	0.7	—	20.4
Disposal .....	(3.3)	(13.5)	(0.3)	(34.9)	(52.0)
Effect of movements in foreign exchange.....	(0.3)	—	—	(1.0)	(1.3)
<b>Balance at 31 December 2009 .....</b>	<b>44.4</b>	<b>2.4</b>	<b>6.8</b>	<b>8.5</b>	<b>62.1</b>
<b>Net book value</b>					
At 1 January 2007 .....	131.1	0.6	4.1	817.3	953.1
At 31 December 2007 .....	115.0	19.1	2.6	864.6	1,001.3
At 31 December 2008 .....	129.9	12.4	2.7	901.6	1,046.6
<b>At 31 December 2009 .....</b>	<b>94.3</b>	<b>0.5</b>	<b>3.0</b>	<b>851.8</b>	<b>949.6</b>

Other intangible assets include non-compete agreements and licence fees.

### *Amortisation and impairment charge*

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

### *Impairment*

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>		
O&P Europe.....	243.1	245.0	237.5
O&P North America .....	244.8	245.5	241.1
Refining.....	300.6	300.1	296.7
Chemical Intermediates .....	63.3	111.0	89.3
<b>Total.....</b>	<b><u>851.8</u></b>	<b><u>901.6</u></b>	<b><u>864.6</u></b>

The recoverable amount is based on the value in use of each segment based on the latest board approved five year plan. The forecasts are based on current performance and management's assumptions regarding the future development of individual parameters including raw material prices and profit margins, utilising available market pricing forecasts. Future assumptions regarding market demand are based on external macroeconomic sources and specific data relevant to the petrochemical industry and management's knowledge of the local markets in which it operates.

The cash flows after the plan period are based on an average of each of the years in the five year plan to take account of the cyclical nature of the industry extrapolated using long term growth rates as set out in the table below.

No impairment charge has been recorded in these accounts as a result of the annual impairment test. Trading performance in 2009 was in line with plan despite the market turbulence at the end of 2008 which had a significant effect in 2009. The market has recovered steadily throughout 2009 and this is forecast to continue over the plan period.

The key assumptions underlying the value in use calculation are shown below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Period on which management approved forecasts are based.....	5 years	5 years	5 years
Discount rate .....	11.0%	10.5%	10.0%
Growth rate.....	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>

A terminal value is calculated based on the average cash flows over the five year forecasting period assuming compound growth of 3% and is discounted over the expected lives of the assets.

The discount rate is based upon the pre-tax weighted average cost of capital of the group as at each respective period end.

The growth rate used includes inflationary growth across our various markets.

### *Sensitivity of recoverable amounts*

The following table presents, for each CGU or group of CGUs, the change in the discount rate for the tests as of 31 December 2009 that would be required in order for the recoverable amount to equal carrying value.



	Applied rate	Change in discount rate in order for the recoverable amount to be equal to carrying value	Required rate
		%	
O&P Europe .....	11.0	4.6	15.6
O&P North America .....	11.0	11.5	22.5
Refining .....	11.0	12.5	23.5
Chemical Intermediates.....	11.0	18.4	29.4

The following table presents, for each CGU or group of CGUs, the change in the growth rate for the tests as of 31 December 2009 that would be required in order for the recoverable amount to equal carrying value. For all segments except Chemical Intermediates there would need to be negative growth in order for an impairment to be recognised. For the Chemical Intermediates segment growth sensitivity is not relevant as a €nil terminal value would not result in impairment.

	Applied rate	Change in growth rate in order for the recoverable amount to be equal to carrying value	Required rate
		%	
O&P Europe .....	3.0	(10.1)	(7.1)
O&P North America .....	3.0	(37.4)	(34.4)
Refining .....	3.0	(46.7)	(43.7)
Chemical Intermediates.....	3.0	n/a	n/a

### 13. INVESTMENTS

#### 13.a Investments In Equity—Accounted Investees

	Joint ventures	Associated undertakings	Total
		€m	
At 1 January 2007 .....	81.0	0.7	81.7
Transfer from provisions for liabilities.....	(24.1)	—	(24.1)
Share of losses retained.....	(42.9)	—	(42.9)
Acquired on disposal of Styrenics (Note 3) .....	104.2	—	104.2
Acquisitions.....	55.9	—	55.9
Disposals .....	(7.6)	—	(7.6)
Exchange adjustments.....	(7.7)	—	(7.7)
At 31 December 2007 .....	158.8	0.7	159.5
Transfer to provisions for liabilities .....	32.3	—	32.3
Share of losses retained.....	(60.9)	—	(60.9)
Additions .....	3.9	—	3.9
Share capital repayment.....	(6.7)	—	(6.7)
Loan repayment.....	(6.4)	—	(6.4)
Reclassifications.....	2.7	—	2.7
Dividends received.....	(1.0)	—	(1.0)
Disposals .....	—	(0.5)	(0.5)
Exchange adjustments.....	(7.2)	(0.2)	(7.4)
At 31 December 2008 .....	115.5	—	115.5
Share of profits retained.....	5.0	—	5.0
Additions .....	1.4	0.1	1.5
Loan repayment.....	(6.6)	—	(6.6)
Reclassifications.....	(10.3)	—	(10.3)
Dividends received.....	(1.1)	—	(1.1)
Disposals .....	(1.6)	—	(1.6)
Exchange adjustments.....	7.2	—	7.2
<b>At 31 December 2009 .....</b>	<b>109.5</b>	<b>0.1</b>	<b>109.6</b>

## Joint ventures

During the year ended 31 December 2007, the Group contributed its North American styrene and polystyrene assets into a new joint venture, INEOS Nova LLC. This created a new enlarged INEOS Nova joint venture covering both Europe and North America. This enlarged joint venture resulted in the Group's prior share of the net liabilities of the existing INEOS Nova European joint venture of €24.1 million being transferred from provisions for liabilities to investments in 2007. The Group recognised the interest in the joint venture initially at fair value which it determined to be equal to the carrying value of the assets contributed into the joint venture.

During the year ended 31 December 2008, the Group's share of the losses retained on the enlarged Styrenics joint venture resulted in a transfer to provisions as the Group had an obligation to fund future losses of the venture.

In 2009 the Group disposed of its interests in the Nova joint ventures for nil consideration; see Note 3.

The Group has a loan investment with Noretyl AS. At 31 December 2009 the balance was €19.9 million (2008: €1.7 million, 2007: €2.1 million).

Details of investments in joint ventures are set out below:

Company	Class of shares held	Place of business and country of incorporation	Percentage held	Principal activities
Appryl SNC .....	Ordinary	Lavéra, France	50%	Chemicals
Naphthachimie SNC .....	Ordinary	Lavéra, France	50%	Chemicals
Oxochimie SA .....	Ordinary	Lavéra, France	50%	Chemicals
INEOS Nova European Holding BV (disposed of in 2009) .....	Class A Ordinary	Breda, Netherlands	50%	Chemicals
INEOS Nova International SA (disposed of in 2009) .....	Class A Ordinary	Fribourg, Switzerland	50%	Chemicals
INEOS Nova LLC (disposed of in 2009) .....	Common	Illinois, USA	50%	Chemicals
Southern Ridge Pipeline GP LLC .....	Partnership	Illinois, USA	50%	Pipeline/ Transportation
Jiangxi In-Tech Chemical Company Limited .....	Ordinary	Jiangxi, China	50%	Chemicals
Noretyl AS .....	Ordinary	Rafnes, Norway	50%	Chemicals

Summary aggregated financial information for equity accounted joint ventures—50 per cent of the balances:

	2009	2008	2007
	€m		
Current assets .....	64.1	285.4	593.8
Long-term assets .....	168.3	299.5	312.9
Current liabilities .....	(48.4)	(259.5)	(226.6)
Long-term liabilities .....	(55.4)	(65.0)	(88.7)
Income .....	844.4	1,551.7	1,101.5
Expenses .....	(831.6)	(1,600.8)	(983.2)

## Associated undertakings

During the year ended 31 December 2009 the Group retained interests in associated undertakings on disposal of the Bio and Healthcare businesses (see Note 3) and as a result of the Group entering into an agreement to construct a waste energy plant in Runcorn.

Details of the associated undertakings are set out below:

Company	Class of shares held	Place of business and country of incorporation	Percentage held	Principal activities
---------	----------------------	--	-----------------	----------------------

INEOS Bio Limited .....	Ordinary	UK	20%	Chemicals
INEOS Bio US LLC .....	Ordinary	USA	20%	Chemicals
INEOS Healthcare Limited.....	Ordinary	UK	20%	Healthcare
INEOS Runcorn (TPS) Limited..	Ordinary Class 'A' and Class 'B'	UK	25%	Waste processing

The Group has not recognised its share of losses relating to the INEOS Bio or Healthcare businesses of €0.8 million and €2.4 million respectively since the Group has no obligation in respect of these losses additional to that already provided for on disposal (see Note 3). The Group has adopted IAS 27 (revised 2008) *Consolidated and Separate Financial Statements* and has recognised these investments at their fair value on the date of reorganisation of these businesses, estimated by the Group to be €nil.

Summary aggregated financial information for equity accounted associated undertakings—share of the balances:

	<u>2009</u>
	<u>€m</u>
Total assets.....	23.7
Total liabilities .....	(26.8)
Income.....	—
Expenses.....	<u>(3.2)</u>

### 13.b Investments in Subsidiary Undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length.

The following information relates to the principal subsidiary undertakings of the Company. The full list of subsidiary undertakings at 31 December 2009 will be annexed to the Company's annual return:

<u>Company</u>	<u>Country of incorporation and operation</u>	<u>Percentage holding</u>	<u>Principal activity</u>
INEOS Holdings Limited* .....			Holding
INEOS US Finance LLC .....	England	100%	Company
INEOS Industrial Investment Limited.....	US	100%	Finance
INEOS Oxide Limited .....	England	100%	Finance
INEOS NV .....	England	100%	Chemicals
INEOS Belgium NV .....	Belgium	100%	Chemicals
INEOS Italia Srl .....	Belgium	100%	Chemicals
INEOS Phenol GmbH.....	Italy	100%	Chemicals
INEOS Fluor Limited.....	Germany	100%	Chemicals
INEOS Fluor Japan Limited .....	England	100%	Chemicals
IFJ Korea Limited .....	Japan	100%	Chemicals
INEOS Fluor Canada Inc .....	Korea	100%	Chemicals
INEOS Fluor Americas LLC .....	Canada	100%	Chemicals
INEOS Silicas Limited.....	US	100%	Chemicals
INEOS Silicas Netherlands BV .....	England	100%	Chemicals
INEOS Americas LLC .....	The Netherlands	100%	Chemicals
INEOS Manufacturing Deutschland GmbH.....	US	100%	Chemicals
INEOS Koln GmbH .....	Germany	100%	Chemicals
INEOS France SAS .....	Germany	100%	Chemicals
INEOS Europe Limited.....	France	100%	Chemicals
INEOS Manufacturing Belgium NV .....	England	100%	Chemicals
INEOS Feluy SPRL .....	Belgium	100%	Chemicals
INEOS Manufacturing Scotland Limited .....	Belgium	100%	Chemicals
INEOS Sales Belgium NV .....	Scotland	100%	Chemicals
	Belgium	100%	Chemicals

INEOS Sales Italia s.r.l. ....	Italy	100%	Chemicals
INEOS Manufacturing France SAS.....	France	100%	Chemicals
INEOS Manufacturing Italia s.p.a. ....	Italy	100%	Chemicals
INEOS USA LLC .....	US	100%	Chemicals
INEOS Polymers Inc.....	US	100%	Chemicals
INEOS Canada Company .....	Canada	100%	Chemicals
INEOS Canada Partnership.....	Canada	100%	Chemicals
INEOS Chlor Limited .....	England	100%	Chemicals
INEOS Chlor Atlantik GmbH.....	Germany	100%	Chemicals
INEOS Vinyls Finance Plc .....	England	100%	Finance
INEOS Vinyls UK Limited.....	England	100%	Chemicals
INEOS Vinyls Belgium NV .....	Belgium	100%	Chemicals
INEOS Vinyls Deutschland GmbH.....	Germany	100%	Chemicals
INEOS Vinyls Sales GmbH.....	Germany	100%	Chemicals
INEOS Compounds UK Limited.....	England	100%	Chemicals
INEOS Compounds Switzerland AG .....	Switzerland	100%	Chemicals
INEOS Films s.p.a. ....	Italy	100%	Chemicals
INEOS Films Inc.....	US	100%	Chemicals
INEOS Films GmbH.....	Germany	100%	Chemicals
INEOS Films Staufen GmbH .....	Germany	100%	Chemicals
Caprihans India Limited .....	India	59%	Chemicals
INEOS Bamble AS .....	Norway	100%	Chemicals
INEOS Nitriles (UK) Limited.....	England	100%	Chemicals
INEOS Manufacturing (Hull) Limited .....	England	100%	Chemicals
INEOS Fuels Limited.....	England	100%	Chemicals
INEOS Refining France SAS .....	France	100%	Chemicals
INEOS Technologies (Vinyls) Limited.....	England	100%	Chemicals

\* Held directly by the Company

#### 14. OTHER INVESTMENTS

	2009	2008	2007
	€m		
At 1 January .....	123.5	—	—
Additions .....	—	105.5	—
Interest receivable .....	6.5	4.6	—
Exchange adjustments.....	(0.3)	13.4	—
At 31 December .....	<u>129.7</u>	<u>123.5</u>	<u>—</u>

During the year ended 31 December 2008 the Group acquired a preferred partnership interest in INEOS Investments LLP (see Note 3), an entity held under common control by the Group's ultimate shareholders, which owns 40% of the share capital of the PQ Corporation, a silicas business incorporated in the USA. INEOS Investments LLP is a limited liability partnership.

#### 15. OTHER FINANCIAL ASSETS

	2009	2008	2007
	€m		
<b>Non-current</b>			
Financial assets designated as fair value through profit or loss (see Note 26.a) .....	—	—	5.6
Available for sale financial assets (see below and Note 26.a) .....	82.2	49.0	47.7
	<u>82.2</u>	<u>49.0</u>	<u>53.3</u>
<b>Current</b>			
Financial assets designated as fair value through profit or loss .....	—	0.3	—
Derivative commodity contracts designated as fair value through profit or loss (see Note 26.a) .....	2.9	25.4	1.9

Derivative commodity contracts designated as cash flow hedges (see Note 26.e) .....	—	105.8	—
Other receivables.....	—	27.9	27.9
	<u>2.9</u>	<u>159.4</u>	<u>29.8</u>

#### *Available for sale financial assets*

Available for sale financial assets relate to a 19.9% investment in Geosel Manosque and a 13.9% investment in Geosud, companies registered in France whose principal activities are the provision of underground storage facilities for liquid hydrocarbons in Southern France; a 16.7% investment in Aethylen Rohrleitungs Gesellschaft ('ARG') mbH and Co. KG, a company registered in Germany whose principal activity is the transportation of ethylene via pipelines in Northern Europe; and a 10% investment in Seminole Pipeline Company, a company registered in the USA whose principal activity is the provision of pipelines.

The investment in Geosel Manosque was valued at its aggregate acquisition cost of €23.0 million in 2007 and 2008. As a result of a partial demerger of the business into Geosel Manosque and Geosud in 2009 further information became available that allowed the valuation of these investments in 2009 to an estimated fair value for Geosel Manosque (€26.0 million) and Geosud (€19.9 million).

Investments in ARG mbH and Co. KG and Seminole Pipeline Company have been classified as available for sale financial assets but are recorded at their acquisition cost. These financial instruments comprise shares in private limited companies and partnerships. The carrying amount of these investments was €36.0 million at 31 December 2009 (2008: €26.0 million, 2007: €24.7 million). These shares are not listed and there is no active market. A reliable determination of fair value would only be practicable if there were equity sales transactions on which fair values could be based. A disposal of these investments is not currently anticipated.

## **16. OTHER FINANCIAL LIABILITIES**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	€m		
<b>Current</b>			
Financial liabilities designated as fair value through profit or loss .....	—	0.2	—
Derivative commodity contracts designated as fair value through profit or loss (see Note 26.a).....	<u>6.5</u>	<u>0.3</u>	<u>0.6</u>
	<u>6.5</u>	<u>0.5</u>	<u>0.6</u>

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(FORMING PART OF THE FINANCIAL INFORMATION)

## 17. DEFERRED TAX ASSETS AND LIABILITIES

### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	2009		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	189.7	189.7
Employee benefits .....	(239.3)	—	(239.3)
Tax value of loss carry-forwards .....	(216.4)	—	(216.4)
Other .....	(31.8)	—	(31.8)
Tax (assets)/liabilities .....	(487.5)	189.7	(297.8)
Set off of tax .....	28.6	(28.6)	—
Net tax (assets)/liabilities .....	(458.9)	161.1	(297.8)

	2008		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	269.1	269.1
Employee benefits .....	(223.8)	—	(223.8)
Tax value of loss carry-forwards .....	(290.1)	—	(290.1)
Other .....	—	2.1	2.1
Tax (assets)/liabilities .....	(513.9)	271.2	(242.7)
Set off of tax .....	76.1	(76.1)	—
Net tax (assets)/liabilities .....	(437.8)	195.1	(242.7)

	2007		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	403.9	403.9
Employee benefits .....	(147.9)	—	(147.9)
Tax value of loss carry-forwards .....	(45.6)	—	(45.6)
Other .....	(40.4)	—	(40.4)
Tax (assets)/liabilities .....	(233.9)	403.9	170.0
Set off of tax .....	107.3	(107.3)	—
Net tax (assets)/liabilities .....	(126.6)	296.6	170.0

### **Movement in deferred tax**

	Property, plant and equipment	Employee benefits	Tax value of loss carry-forward utilised	Other	Total
	€m				
At 1 January 2007 .....	397.0	(183.8)	(165.4)	8.9	56.7
Recognised in profit or loss .....	17.2	(5.0)	119.8	(49.3)	82.7
Recognised in other comprehensive income ...	—	40.9	—	—	40.9
Acquired in business combinations .....	(10.3)	—	—	—	(10.3)
At 31 December 2007 .....	403.9	(147.9)	(45.6)	(40.4)	170.0
Recognised in profit or loss .....	(145.5)	3.8	(244.5)	13.0	(373.2)

Recognised in other comprehensive income ...	—	(79.7)	—	29.5	(50.2)
Acquired in business combinations .....	10.7	—	—	—	10.7
At 31 December 2008 .....	269.1	(223.8)	(290.1)	2.1	(242.7)
Recognised in profit or loss .....	(84.8)	(7.3)	73.7	(4.3)	(22.7)
Recognised in other comprehensive income ...	—	(16.8)	—	(29.6)	(46.4)
Included in businesses disposed of .....	5.4	8.6	—	—	14.0
At 31 December 2009 .....	189.7	(239.3)	(216.4)	(31.8)	(297.8)

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise gross deductible temporary differences of €1,039.2 million (2008: €483.3 million, 2007: €492.7 million). These relate to depreciation in excess of capital allowances of €217.9 million (2008: €162.3 million, 2007: €209.3 million), tax losses amounting to €707.4 million (2008: €321.0 million, 2007: €283.3 million) and other temporary differences amounting to €13.9 million (2008: €nil, 2007: €nil) that can be carried forward indefinitely against future taxable income.

The Group has not provided deferred tax in relation to temporary differences on its overseas subsidiaries, joint ventures or associates as the Group can control the timing and realisation of these temporary differences, and it is probable that no material unprovided tax liability would arise.

## 18. INVENTORIES

	2009	2008	2007
	€m		
Raw materials and consumables .....	418.7	421.0	1,071.7
Work in progress .....	36.6	39.7	62.8
Finished goods .....	1,089.4	1,132.9	1,473.8
	<u>1,544.7</u>	<u>1,593.6</u>	<u>2,608.3</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €11,174.4 million (2008: €18,100.4 million, 2007: €17,454.5 million). The net write-down of inventories to net realisable value amounted to €46.8 million (2008: €140.7 million, 2007: €15.3 million) after the reversal of previous write downs of €22.8 million (2008: €25.5 million, 2007: €14.4 million).

## 19. TRADE AND OTHER RECEIVABLES

	2009	2008	2007
	€m		
<b>Current</b>			
Trade receivables .....	1,536.3	1,574.1	2,888.1
Amounts due from related parties .....	115.9	100.4	51.4
Other receivables .....	179.4	245.0	288.7
Prepayments .....	86.4	72.4	85.1
	<u>1,918.0</u>	<u>1,991.9</u>	<u>3,313.3</u>
<b>Non-current</b>			
Amounts due from related parties .....	138.2	138.2	138.2
Other receivables .....	15.3	5.9	1.7
Prepayments .....	15.4	24.1	20.6
	<u>168.9</u>	<u>168.2</u>	<u>160.5</u>

### *Credit quality of financial assets and impairment losses*

The ageing of trade and other receivables at the end of the reporting period was:

Trade receivables	Amounts due from related parties	Other receivables
-------------------	----------------------------------	-------------------

	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>
	€m					
Not past due.....	1,453.0	(23.1)	254.1	—	190.9	—
Past due 0-30 days.....	101.9	(1.9)	—	—	—	—
Past due 31-90 days.....	7.8	(1.4)	—	—	—	—
More than 90 days.....	22.9	(22.9)	—	—	3.8	—
	<u>1,585.6</u>	<u>(49.3)</u>	<u>254.1</u>	<u>—</u>	<u>194.7</u>	<u>—</u>

	<u>Trade receivables</u>		<u>Amounts due from related parties</u>		<u>Other receivables</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>
	€m					
Not past due.....	1,435.9	(15.3)	238.6	—	249.5	—
Past due 0-30 days.....	138.2	(3.4)	—	—	0.5	—
Past due 31-90 days.....	16.7	(5.8)	—	—	0.8	—
More than 90 days.....	32.3	(24.5)	—	—	0.1	—
	<u>1,623.1</u>	<u>(49.0)</u>	<u>238.6</u>	<u>—</u>	<u>250.9</u>	<u>—</u>

	<u>Trade receivables</u>		<u>Amounts due from related parties</u>		<u>Other receivables</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>	<u>2007</u>
	€m					
Not past due.....	2,330.8	(21.2)	189.6	—	286.2	—
Past due 0-30 days.....	137.6	(0.8)	—	—	2.9	—
Past due 31-90 days.....	16.7	(2.5)	—	—	0.7	—
More than 90 days.....	446.7	(19.2)	—	—	0.6	—
	<u>2,931.8</u>	<u>(43.7)</u>	<u>189.6</u>	<u>—</u>	<u>290.4</u>	<u>—</u>

The accounts receivable not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers (see Note 26.c). At 31 December 2007, 2008 and 2009 there were no significant trade, related party or other receivable balances not past due that were subsequently impaired.

Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit risk other than with BP Plc ('BP') which represents approximately 14% of trade receivables. The concentration of credit risk arises due to the number of commercial agreements that the Group has with BP. The credit risk associated with these receivables is managed through a master bilateral netting agreement where, in the event of termination of commercial agreements, balances owed from BP will be offset against the Group's balances payable to BP. During the normal course of business amounts owed by BP are normally less than the Group's payable to BP in relation to purchases of crude oil, feed stocks and other inputs.

During 2007, 2008 and 2009 there were no significant trade, related party or other receivable balances that were subject to renegotiation of terms. Credit enhancements are held in respect of trade and other receivables in the form of €295.7 million (2008: €255.5 million, 2007: €464.9 million) of assets pledged as security against amounts owed to the Group of which €12.0 million (2008: €33.8 million, 2007: €31.2 million) is in respect of amounts falling overdue.

Trade receivable balances totalling €1,096.7 million (2008: €1,118.5 million, 2007: €1,858.6 million) have been pledged as security against amounts drawn down under the Receivables Securitisation Facility, described in Note 20, totalling €605.5 million (2008: €750.6 million, 2007: €1,089.7 million). In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the trade receivable balances pledged as security do not qualify for derecognition and are included within the trade receivable balances above.



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

	2009	2008	2007
	€m		
Balance at 1 January .....	49.0	43.7	37.1
Impairment loss recognised .....	0.3	5.3	6.6
Balance at 31 December .....	<b>49.3</b>	<b>49.0</b>	<b>43.7</b>

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

During the year the Group has not experienced a significant deterioration in the quality of receivable balances due to the current economic conditions. The significant falls in the price of crude oil and related products during 2008 increased the reported level of the allowance for impairment to the total receivable balance in that year due to a consequential deterioration in the creditworthiness of certain customers.

There were no allowances made against amounts due from related parties or other receivables during the years ended 31 December 2009, 2008 and 2007.

## 20. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 26.f.

	2009	2008	2007
	€m		
<b>Non-current liabilities</b>			
Senior Facilities Agreement .....	4,165.8	4,317.3	4,702.0
Senior Notes .....	1,969.9	2,088.8	2,062.6
INEOS Vinyls Senior Notes .....	159.9	160.4	160.4
Securitisation Facility .....	603.4	748.4	1,084.6
Other bank loans .....	—	0.3	1.1
Finance lease liabilities .....	10.1	17.7	22.6
Other loans .....	0.9	0.9	0.7
	<b>6,910.0</b>	<b>7,333.8</b>	<b>8,034.0</b>
<b>Current liabilities</b>			
Current portion of borrowings under Senior Facilities Agreement .....	837.9	612.0	194.8
Current portion of other bank loans .....	—	0.4	0.4
Current portion of finance lease liabilities .....	1.4	3.2	1.5
	<b>839.3</b>	<b>615.6</b>	<b>196.7</b>

### Gross debt and issue costs

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2009	2009	2009
	€m		
Senior Facilities Agreement .....	5,003.7	—	5,003.7
Senior Notes .....	2,005.9	(36.0)	1,969.9
INEOS Vinyls Senior Notes .....	161.2	(1.3)	159.9
Securitisation Facility .....	605.6	(2.2)	603.4
Other .....	12.4	—	12.4
<b>Total .....</b>	<b>7,788.8</b>	<b>(39.5)</b>	<b>7,749.3</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2008	2008	2008
		€m	
Senior Facilities Agreement.....	5,079.8	(150.5)	4,929.3
Senior Notes .....	2,125.0	(36.2)	2,088.8
INEOS Vinyls Senior Notes .....	161.7	(1.3)	160.4
Securitisation Facility .....	750.6	(2.2)	748.4
Other .....	22.5	—	22.5
<b>Total .....</b>	<b>8,139.6</b>	<b>(190.2)</b>	<b>7,949.4</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2007	2007	2007
		€m	
Senior Facilities Agreement.....	5,020.2	(123.4)	4,896.8
Senior Notes .....	2,110.6	(48.0)	2,062.6
INEOS Vinyls Senior Notes .....	162.4	(2.0)	160.4
Securitisation Facility .....	1,089.7	(5.1)	1,084.6
Other .....	26.3	—	26.3
<b>Total .....</b>	<b>8,409.2</b>	<b>(178.5)</b>	<b>8,230.7</b>

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Facilities Agreement.....	\$/€	LIBOR / EURIBOR plus 6.0%-8.0%	2012-2015
Senior Notes .....	\$/€	7.9%-8.5%	2016
INEOS Vinyls Senior Notes .....	€	9.1%	2011
Securitisation Facility .....	\$/€£	Variable	2011
Other .....	€/¥	7.0 - 9.0%	2009-2016

#### Senior Facilities Agreement

The Group has outstanding borrowings under a facilities agreement (the “Senior Facilities Agreement”) which consists of Term Loans (“Term Loan A”, “Term Loan B”, “Term Loan C” and “Term Loan D”), and a revolving credit facility (the “Revolving Credit Facility”). The Term Loans outstanding at 31 December 2009 before issues costs were €4,425.8 million (2008: €4,669.8 million, 2007: €5,020.2 million), of which €260.0 million (2008: €231.9 million, 2007: €224.7 million) is due within one year. The total amounts outstanding on Term Loan A were €727.2 million (2008: €929.0 million, 2007: €1,151.8 million), Term Loan B were €1,524.3 million (2008: €1,545.4 million, 2007: €1,609.2 million), Term Loan C were €1,524.3 million (2008: €1,545.4 million, 2007: €1,609.2 million), Term Loan D were €650.0 million (2008: €650.0 million, 2007: €650.0 million). The Revolving Credit Facility outstanding at 31 December 2009 before issues costs was €577.9 million (2008: €410.0 million, 2007: €nil).

As a result of the substantial modification of the Existing Facilities Agreement Debt on 17 July 2009 (see below and Note 5), the unamortised issue costs at this date were written off.

Term Loan A is repayable in 14 semi-annual instalments beginning on 31 December 2006 ranging from 6.0% to 10.0% of the principal amount of the loan up until the final repayment on 16 December 2012. Term Loan B is repayable in 9 instalments beginning on 31 December 2006 ranging from 1.0% to 46.5% of the principal amount of the loan up until the final repayment on 16 December 2013. Term Loan C is repayable in 10 instalments beginning on 31 December 2006 ranging from 1.0% to 46.5% of the principal amount of the loan up until the final repayment on 16 December 2014. Term Loan D is repayable in full on 16 December 2015.

On 19 December 2008, the Group obtained a waiver from its senior banking syndicate of its Debt Service Cover and Interest Cover tests, together with an amendment to its Leverage test for the period ending 31 December 2008. The amended leverage test was subsequently met. The Group also obtained an agreement to defer the testing of the Interest Cover and Leverage tests for the period ending 31 March 2009 until 31 May 2009.

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's financing arrangements, including a reset of the Group's financial covenants. The remuneration for the senior lenders consisted of a consent fee of €79.0 million. The Group has assessed that the package of amendments to the Senior Facilities Agreement represents a substantial modification and results in the extinguishment of the existing debt. As a result, the existing debt has been derecognised and the modified debt recognised at fair value. The Group has estimated the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt is not quoted and information about transactions in the Group's debt is not available. The valuation technique used a discounted cash flow model using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the Existing Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.

The leverage, interest cover and debt service cover covenants have now been reset for the remaining term of the Senior Facilities Agreement. In addition, a new senior leverage covenant and a minimum available liquidity covenant have been introduced. There have also been a number of amendments to the definitions used for the financial covenants. Net debt denominated in currencies other than the euro will be translated at the average rate for the period rather than the period end rate to match the rates used to translate the operating results for the same period. The operating results of the Group will now be measured on the basis of replacement cost EBITDA for Refining and historical cost EBITDA for the rest of the Group, rather than just historical cost EBITDA. This change will remove most of the current volatility in our operating results caused by unpredictable fluctuations in crude oil prices.

The Term Loans and Revolving Credit Facility bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum cash margins as at December 31, 2009 are 4.00% per annum for the Term Loan A facility; 4.50% per annum for the Term Loan B facility; 5.00% per annum for the Term Loan C facility; 6.00% per annum for Revolving Credit Facility; and 6.00% per annum for the Term D Loan Facility. With effect from July 17, 2009 the Term Loans are also subject to a Payment in Kind ('PIK') margin of 2.00% per annum.

The cash margins on Term Loans A and B are subject to a reduction based on certain financial tests. The PIK margin is subject to a reduction based upon achieving certain reductions in total leverage, together with achieving certain credit ratings with Moody's and Standard and Poor.

A US dollar LIBOR floor of 3.00% applies to all US dollar denominated Term Loans and is payable in cash. A EURIBOR floor of 3.25% applies to all Euro denominated Term Loans. The difference between actual EURIBOR at the start of each interest period and the floor will be accrued over the period and is not payable in cash until the final repayment dates of the applicable loans. If available liquidity (cash and amounts available under the Revolving Credit Facility) of the Group exceeds €750 million the EURIBOR floor reduces to 3.00% and will become payable in cash.

INEOS Group Holdings plc and substantially all of its material subsidiaries are guarantors of the Senior Facilities Agreement. Their obligations are secured by fixed and floating charges over all of the assets of INEOS Holdings Limited and substantially all of the assets of those material subsidiaries.

The Senior Facilities Agreement contains numerous customary operating and financial covenants including requirements to maintain minimum coverage of interest expense, minimum coverage of total debt service and a maximum leverage ratio. In addition, the Senior Facilities Agreement includes covenants relating to, among other things, limitations on indebtedness, ability to give guarantees, creation of security interests, making acquisitions and investments, disposing of assets and paying dividends.

### **Senior Notes**

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,532.1 million (2008: €1,630 million, 2007: €1,630 million) Senior Notes due 2016 (the “Euro Notes”) and \$677.5 million (2008: \$700 million, 2007: \$700 million) Senior Notes due 2016 (the “Dollar Notes”). The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year. Unless previously redeemed as noted below, the Senior Notes will be redeemed by the Group at their principal amount on 15 February 2016.

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €14.1 million. The transaction resulted in a gain of €89.0 million which has been accounted for as exceptional finance income (see Note 5).

The Senior Notes will be subject to redemption at any time on or after 15 February 2011, at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning 15 February of the years indicated below:

<b>Year</b>	<b>Euro Notes redemption price</b>	<b>Dollar Notes redemption price</b>
2011 .....	103.938%	104.250%
2012 .....	102.625%	102.833%
2013 .....	101.313%	101.417%
2014 and thereafter.....	100.0%	100.0%

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

The Senior Notes are secured by junior pledges of all of the shares of INEOS Group Holdings plc. The Senior Notes are guaranteed by INEOS Group Holdings plc and its material operating subsidiaries on an unsecured senior subordinated basis (excluding any INEOS Vinyls operating subsidiaries). Such guarantees only become due 179 days after an event of default on the Senior Notes has occurred or earlier under certain circumstances.

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

### **INEOS Vinyls Senior Notes**

The INEOS Vinyls Senior Notes of €161.2 million (2008: €161.7 million, 2007: €162.4 million) bear interest at 9.125% per annum, payable semi-annually in arrears on 1 June and 1 December of each year. The INEOS Vinyls Senior Notes are listed on the Luxembourg Stock Exchange. Unless previously redeemed, the INEOS Vinyls Senior Notes will be redeemed by the Group at their principal amount on 1 December 2011.

The payments due under the INEOS Vinyls Senior Notes are unconditionally guaranteed by the Group. The guarantee is a senior, unsubordinated obligation of the Group, ranking pari passu with its obligations under the Senior Notes, except that it will not be secured by the shares of INEOS Group Holdings plc and the Funding Loans from the Group to INEOS Group Holdings plc. The INEOS Vinyls Senior Notes are not guaranteed by the guarantors of the Senior Notes.

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

The INEOS Vinyls Senior Notes are stated net of debt issue costs of €1.3 million (2008: €1.3 million, 2007: €2.0 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### ***Receivables Securitisation Facility***

The Group has entered into a five year €1,500 million receivables securitisation facilities agreement (“Receivables Securitisation Facility”). On 9 April 2009, the Group entered into an amendment agreement to reduce the overall facility to €1,200 million for the remaining term of the facility and to increase margins on amounts drawn and the commitment fee on amounts undrawn. The total amount outstanding at 31 December 2009 was €607.0 million (2008: €750.6 million, 2007: €1,089.7 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €2.2 million (2008: €2.2 million, 2007: €5.1 million).

### ***Finance lease liabilities***

Finance lease liabilities are payable as follows:

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2009</b>		
	<b>€m</b>		
Less than one year .....	1.6	(0.2)	1.4
Between one and five years .....	6.9	(6.3)	0.6
More than five years .....	10.6	(1.1)	9.5
	<b>19.1</b>	<b>(7.6)</b>	<b>11.5</b>
	<b>Minimum lease payments</b>		
	<b>Interest</b>		
	<b>Principal</b>		
	<b>2008</b>		
	<b>€m</b>		
Less than one year .....	4.8	(1.6)	3.2
Between one and five years .....	15.7	(11.0)	4.7
More than five years .....	14.8	(1.8)	13.0
	<b>35.3</b>	<b>(14.4)</b>	<b>20.9</b>
	<b>Minimum lease payments</b>		
	<b>Interest</b>		
	<b>Principal</b>		
	<b>2007</b>		
	<b>€m</b>		
Less than one year .....	2.3	(0.8)	1.5
Between one and five years .....	15.5	(6.8)	8.7
More than five years .....	15.0	(1.1)	13.9
	<b>32.8</b>	<b>(8.7)</b>	<b>24.1</b>

**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
**(FORMING PART OF THE FINANCIAL INFORMATION)**

**21. TRADE AND OTHER PAYABLES**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<b>€m</b>		
<b>Current</b>			
Trade payables.....	896.3	707.0	2,429.0
Amounts due to related parties .....	161.9	104.7	56.1
Other payables.....	672.5	572.2	515.0
Deferred consideration.....	30.3	30.8	30.4
Accruals and deferred income .....	970.5	1,036.9	948.7
	<u>2,731.5</u>	<u>2,451.6</u>	<u>3,979.2</u>
<b>Non-current</b>			
Amounts due to related parties .....	4.0	3.6	4.9
Other payables.....	30.3	69.5	51.2
Accruals and deferred income .....	43.9	29.5	40.9
	<u>78.2</u>	<u>102.6</u>	<u>97.0</u>

**22. EMPLOYEE BENEFITS**

***Pension plans***

The Group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans are generally of the defined benefit type and are funded by payments to separately administered funds or insurance companies. The principal funded plans are in the United Kingdom, North America, Belgium and Norway.

The Group also operates a number of unfunded defined benefit pension schemes in Germany and France.

The most recent full valuations of the significant defined benefit plans were carried out as follows:

<b>Plan</b>	<b>Country</b>	<b>Valuation date</b>
Chlor.....	United Kingdom	31 December 2007
Innovene .....	United Kingdom	31 December 2008
All Plans .....	North America	1 January 2009
All Plans .....		31 December 2009
Borealis.....	Belgium	31 December 2007
Noretyl.....	Norway	31 December 2009
All plans .....	Norway	31 December 2009
All Plans .....	France	31 December 2009
	Germany	31 December 2009

These valuations have been updated where appropriate to 31 December 2009 by independent qualified actuaries.

The Group's pension schemes have been disclosed on a geographical basis as those schemes in the United Kingdom, North America and Other European. Other European principally includes the Group's pension plans in Germany, Belgium, Norway and France.

### *Pension plan assumptions*

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

	United Kingdom			North America			Other European		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	%								
<b>Major assumptions</b>									
Rate of general increase in salaries .....	4.6	4.6	4.8	3.5	4.0	4.0	2.7-5.0	2.8-4.5	2.8-4.5
Rate of increase to pension in payment .....	3.5	3.1	3.3	0.0	0.0	0.0	1.0-2.0	1.0-4.3	1.0-4.3
Discount rate for scheme liabilities .....	5.7	6.1	5.8	6.0	5.8	6.3	4.5-5.8	4.0-6.0	4.8-5.5
Inflation .....	3.6	3.1	3.3	2.5	2.5	0.0	2.0-2.3	2.0-2.5	2.0-2.3

The assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	United Kingdom			North America			Other European		
	2009 years	2008 years	2007 years	2009 years	2008 years	2007 years	2009 years	2008 years	2007 years
Longevity at age 65 for current pensioners .....	19.1-21.1	18.9-20.9	18.8-20.8	18.1-19.5	18.1-19.5	16.1-19.8	18.0-23.2	17.0-23.0	17.0-23.0

Expected long-term rate of return is as follows:

	United Kingdom			North America			Other European		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	%								
Equities .....	8.1	8.2	8.0	8.8	9.6	9.3	7.0-7.8	7.3-7.8	7.0
Bonds .....	5.1	5.2	5.1	4.4	5.7	6.8	4.0-4.5	5.0-5.5	4.8
Property .....	8.1	8.2	8.0	7.2	6.6	N/A	6.5-7.0	6.5	5.8
Other .....	4.3	4.0	4.5	N/A	N/A	N/A	3.0-5.6	3.5-5.9	4.5-5.3

### *Post-retirement health care plans*

The Group also operates a number of post retirement healthcare plans, primarily in the United States and Europe, which provide employees with other post-employment benefits in respect of health care. The plans are unfunded and the liability in respect of these benefits is included in provisions. The liability is assessed by qualified independent actuaries under the projected unit method, assuming the following rates:

Rate	Country	2009	2008	2007
		%		
Liability discount rate .....	USA	6.0	5.8	6.3
Liability discount rate .....	Europe	N/A	5.8	5.5
Long-term healthcare trend rate .....	USA	5.0	5.0	4.5
Long-term healthcare trend rate .....	Europe	N/A	2.8	2.0

### History of plans

The Group has taken the exemption in IFRS 1 that permits it to elect to provide disclosures prospectively from the date of transition to IFRS of 1 January 2007.

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

#### Consolidated balance sheet

	2009	2008	2007
	€m		
Present value of the defined benefit obligation in respect of pension plans.....	(1,733.4)	(1,512.6)	(1,758.3)
Present value of obligations in respect of post retirement health care plan..	(37.8)	(48.2)	(32.7)
Unrecognised Past Service Cost .....	5.7	—	—
Fair value of plan assets .....	941.4	778.7	1,237.8
<b>Deficit.....</b>	<b>(824.1)</b>	<b>(782.1)</b>	<b>(553.2)</b>

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

	2009	2008	2007
	€m		
Obligations in respect of pension plans			
United Kingdom.....	388.2	290.3	195.9
North America.....	66.7	56.9	1.0
Other European .....	337.1	386.7	323.6
	792.0	733.9	520.5
Obligations in respect of post-retirement health care plans .....	37.8	48.2	32.7
Unrecognised past service cost .....	(5.7)	—	—
<b>Recognised liability for defined benefit obligations .....</b>	<b>824.1</b>	<b>782.1</b>	<b>553.2</b>

#### Experience adjustments

	2009	2008	2007
	€m/%		
Experience adjustments (loss)/gain on plan liabilities .....	(12.9)	(51.2)	(10.7)
Experience adjustments as a percentage of plan liabilities .....	(0.7)%	(3.4)%	(0.6)%
Experience adjustments gain/(loss) on plan assets.....	84.9	(379.8)	(19.3)
Experience adjustments as a percentage of plan assets.....	9.0%	(48.8)%	(1.6)%

The Group expects to contribute approximately €72.7 million to its funded defined benefit plans in the next financial year. This excludes direct company benefit payments and payments in relation to unfunded defined benefit plan schemes.

#### Expense recognised in the consolidated income statement

	Pension Plan								
	United Kingdom			North America			Other European		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	€m								
Current service cost.....	31.5	47.9	47.7	9.0	9.0	7.7	23.2	23.2	19.1
Past service cost .....	0.5	—	0.5	(0.2)	—	0.2	—	4.7	6.4
Losses/(gains) on curtailments and settlements .....	2.3	(7.6)	(3.8)	23.1	(3.2)	4.1	8.9	(9.7)	—
Interest on obligation .....	57.0	61.2	60.6	9.7	10.0	10.3	24.3	22.5	17.2
Expected return on plan assets .....	(45.2)	(66.6)	(69.1)	(8.0)	(12.6)	(13.3)	(5.3)	(6.4)	(5.1)



<u>46.1</u>	<u>34.9</u>	<u>35.9</u>	<u>33.6</u>	<u>3.2</u>	<u>9.0</u>	<u>51.1</u>	<u>34.3</u>	<u>37.6</u>
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	Post retirement health care plans			Total		
	2009	2008	2007	2009	2008	2007
	€m					
Current service cost.....	2.3	2.4	2.6	66.0	82.5	77.1
Past service cost .....	0.7	0.3	(13.6)	1.0	5.0	(6.5)
Losses/(gains) on curtailments and settlements .....	—	(5.7)	—	34.3	(26.2)	0.3
Interest on obligation .....	2.4	2.5	2.4	93.4	96.2	90.5
Expected return on plan assets.....	—	—	—	(58.5)	(85.6)	(87.5)
	<b>5.4</b>	<b>(0.5)</b>	<b>(8.6)</b>	<b>136.2</b>	<b>71.9</b>	<b>73.9</b>

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

	2009	2008	2007
	€m		
Cost of sales .....	101.3	61.3	70.9
Finance income .....	(58.5)	(85.6)	(87.5)
Finance cost.....	93.4	96.2	90.5
	<b>136.2</b>	<b>71.9</b>	<b>73.9</b>

Actuarial gains and losses, before tax, recognised directly in equity in the statement of comprehensive income since 1 January 2007, the transition date to IFRSs:

	2009	2008	2007
	€m		
Cumulative amount at 1 January .....	(270.9)	50.3	—
(Loss)/gain recognised in the year .....	(18.9)	(321.2)	50.3
<b>Cumulative amount at 31 December .....</b>	<b>(289.8)</b>	<b>(270.9)</b>	<b>50.3</b>

## Pension plans

	United Kingdom			North America		
	2009	2008	2007	2009	2008	2007
	€m					
Present value of funded obligations.....	1,152.1	855.1	1,166.9	140.8	185.3	166.2
Present value of unfunded obligations.....	—	—	—	—	—	—
	1,152.1	855.1	1,166.9	140.8	185.3	166.2
Fair value of plan assets.....	(763.9)	(564.8)	(971.0)	(74.1)	(128.4)	(165.2)
<b>Deficit.....</b>	<b>388.2</b>	<b>290.3</b>	<b>195.9</b>	<b>66.7</b>	<b>56.9</b>	<b>1.0</b>

	Other European			Total		
	2009	2008	2007	2009	2008	2007
	€m					
Present value of funded obligations.....	139.7	162.0	145.6	1,432.6	1,202.4	1,478.7
Present value of unfunded obligations.....	300.8	310.2	279.6	300.8	310.2	279.6
	440.5	472.2	425.2	1,733.4	1,512.6	1,758.3
Fair value of plan assets.....	(103.4)	(85.5)	(101.6)	(941.4)	(778.7)	(1,237.8)
<b>Deficit.....</b>	<b>337.1</b>	<b>386.7</b>	<b>323.6</b>	<b>792.0</b>	<b>733.9</b>	<b>520.5</b>

Movements in present value of defined benefit obligation:

United Kingdom			North America		
2009	2008	2007	2009	2008	2007
€m					

At 1 January .....	855.1	1,166.9	1,218.9	185.3	166.2	187.4
Interest cost .....	57.0	61.2	60.6	9.7	10.0	10.3
Current service cost.....	31.5	47.9	47.7	9.0	9.0	7.7
Special termination cost and past service cost .....	3.1	—	0.5	(0.2)	—	0.2
Member contributions .....	4.5	5.6	6.5	—	—	—
Curtailments .....	(0.1)	(7.6)	(3.8)	(0.2)	(0.2)	(1.4)
Settlements .....	(0.4)	—	—	(45.2)	(3.0)	5.5
Benefits paid.....	(20.2)	(12.7)	(11.8)	(2.1)	(16.7)	(22.3)
Reclassifications.....	—	(0.4)	—	—	(1.7)	(5.3)
Acquisitions.....	2.7	2.4	—	—	2.3	16.0
Disposals .....	—	—	—	(14.8)	(6.4)	—
Actuarial loss/(gain).....	136.4	(117.2)	(45.4)	0.6	20.2	(13.4)
Exchange movements .....	82.5	(291.0)	(106.3)	(1.3)	5.6	(18.5)
<b>At 31 December .....</b>	<b>1,152.1</b>	<b>855.1</b>	<b>1,166.9</b>	<b>140.8</b>	<b>185.3</b>	<b>166.2</b>

	Other European			Total		
	2009	2008	2007	2009	2008	2007
	€m					
At 1 January .....	472.2	425.2	365.7	1,512.6	1,758.3	1,772.0
Interest cost .....	24.3	22.5	17.2	91.0	93.7	88.1
Current service cost.....	23.2	23.2	19.1	63.7	80.1	74.5
Special termination cost and past service cost .....	8.9	4.7	6.4	11.8	4.7	7.1
Member contributions .....	—	—	—	4.5	5.6	6.5
Curtailments .....	—	(5.7)	—	(0.3)	(13.5)	(5.2)
Settlements .....	—	(4.0)	—	(45.6)	(7.0)	5.5
Benefits paid.....	(29.4)	(26.6)	(30.0)	(51.7)	(56.0)	(64.1)
Reclassifications.....	(27.9)	(5.6)	(7.4)	(27.9)	(7.7)	(12.7)
Acquisitions.....	—	10.7	57.2	2.7	15.4	73.2
Disposals .....	(9.8)	—	—	(24.6)	(6.4)	—
Actuarial loss/(gain).....	(29.7)	36.8	(3.3)	107.3	(60.2)	(62.1)
Exchange movements .....	8.7	(9.0)	0.3	89.9	(294.4)	(124.5)
<b>At 31 December .....</b>	<b>440.5</b>	<b>472.2</b>	<b>425.2</b>	<b>1,733.4</b>	<b>1,512.6</b>	<b>1,758.3</b>

Movements in fair value of plan assets:

	United Kingdom			North America		
	2009	2008	2007	2009	2008	2007
	€m					
At 1 January .....	564.8	971.0	977.0	128.4	165.2	175.3
Benefit payments.....	(20.2)	(12.7)	(11.8)	(2.1)	(16.7)	(22.3)
Group contributions .....	45.5	35.5	41.1	12.7	28.7	1.4
Member contributions .....	4.5	5.6	6.5	—	—	—
Expected return on plan assets.....	45.2	66.6	69.1	8.0	12.6	13.3
Actuarial gain/(loss).....	67.1	(293.5)	(23.2)	5.1	(58.9)	6.8
Acquisitions.....	2.7	2.4	—	—	2.3	8.9
Disposals .....	—	—	—	(9.3)	(5.7)	—
Settlements .....	(0.3)	—	—	(68.5)	(2.3)	—
Reclassifications.....	—	—	—	—	—	—
Exchange movements .....	54.6	(210.1)	(87.7)	(0.2)	3.2	(18.2)
<b>At 31 December .....</b>	<b>763.9</b>	<b>564.8</b>	<b>971.0</b>	<b>74.1</b>	<b>128.4</b>	<b>165.2</b>

	Other European			Total		
	2009	2008	2007	2009	2008	2007
	€m					
At 1 January .....	85.5	101.6	78.7	778.7	1,237.8	1,231.0
Benefit payments.....	(29.4)	(26.6)	(30.0)	(51.7)	(56.0)	(64.1)
Group contributions .....	28.3	31.5	24.9	86.5	95.7	67.4

Member contributions .....	—	—	—	4.5	5.6	6.5
Expected return on plan assets .....	5.3	6.4	5.1	58.5	85.6	87.5
Actuarial gain/(loss) .....	12.7	(27.4)	(2.9)	84.9	(379.8)	(19.3)
Acquisitions .....	—	10.7	28.9	2.7	15.4	37.8
Disposals .....	—	—	(3.3)	(9.3)	(5.7)	(3.3)
Settlements .....	—	(4.0)	—	(68.8)	(6.3)	—
Reclassifications .....	(4.7)	—	—	(4.7)	—	—
Exchange movements .....	5.7	(6.7)	0.2	60.1	(213.6)	(105.7)
<b>At 31 December .....</b>	<b>103.4</b>	<b>85.5</b>	<b>101.6</b>	<b>941.4</b>	<b>778.7</b>	<b>1,237.8</b>

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The fair value of the plan assets and the return on those assets were as follows:

	United Kingdom			North America		
	2009	2008	2007	2009	2008	2007
	€m					
Equities .....	574.2	397.6	767.1	47.0	79.7	104.5
Corporate bonds .....	174.5	144.6	177.5	20.3	37.8	60.7
Property .....	4.3	7.4	8.1	6.8	10.9	—
Other .....	10.9	15.2	18.3	—	—	—
	763.9	564.8	971.0	74.1	128.4	165.2
<b>Actual return on plan assets .....</b>	<b>112.3</b>	<b>(226.9)</b>	<b>45.8</b>	<b>13.1</b>	<b>(46.3)</b>	<b>20.2</b>

	Other European			Total		
	2009	2008	2007	2009	2008	2007
	€m					
Equities .....	43.8	27.2	55.5	665.0	504.5	927.1
Corporate bonds .....	19.2	26.3	32.9	214.0	208.7	271.1
Property .....	1.9	1.2	4.2	13.0	19.5	12.3
Other .....	38.5	30.8	9.0	49.4	46.0	27.3
	103.4	85.5	101.6	941.4	778.7	1,237.8
<b>Actual return on plan assets .....</b>	<b>18.0</b>	<b>(21.0)</b>	<b>2.2</b>	<b>143.4</b>	<b>(294.2)</b>	<b>68.2</b>

#### *Post-retirement health care plans*

Reconciliation of present value of scheme liabilities:

	2009	2008	2007
	€m		
At 1 January .....	48.2	32.7	49.8
Current service cost .....	2.3	2.4	2.6
Past service cost/(credit) .....	6.5	0.3	(13.6)
Curtailment/settlement .....	—	(5.7)	—
Contributions .....	(0.3)	(0.4)	(0.1)
Interest cost .....	2.5	2.5	2.4
Actuarial (gain)/loss .....	(3.5)	1.6	(7.5)
(Disposals)/acquisitions .....	(14.1)	13.2	6.5
Reclassifications .....	(3.2)	—	(3.8)
Exchange adjustments .....	(0.6)	1.6	(3.6)
<b>At 31 December .....</b>	<b>37.8</b>	<b>48.2</b>	<b>32.7</b>

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

The sensitivity of the present value of scheme liabilities and aggregate of service and interest cost to changes in the medical trend rate is set out below:

	2009		2008		2007	
	Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate	
	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%
Impact on scheme liabilities .....	5.3	(4.4)	6.9	(5.6)	5.1	(4.1)
Impact on aggregate of service and interest cost.....	0.6	(0.5)	0.8	(0.6)	1.2	(0.9)

The above sensitivity information for 2007 is calculated for the principal plan in the USA. It excludes any impact arising from the smaller scheme in France for which no information was available to the actuary for that year.

## 23. PROVISIONS

	Severance and restructuring costs	Remediation	Joint ventures	Other	Total
	€m				
At 1 January 2009 .....	52.1	46.9	32.3	85.1	216.4
Reclassifications.....	2.6	1.7	—	(1.2)	3.1
Disposals .....	(1.5)	—	(20.3)	(60.7)	(82.5)
Charged to the consolidated income statement .....	17.7	0.2	(11.2)	8.1	14.8
Discount unwinding .....	—	2.0	—	—	2.0
Utilised in the year .....	(39.0)	(18.4)	—	(12.5)	(69.9)
Released in the year .....	(0.1)	(0.2)	—	—	(0.3)
Exchange adjustments.....	0.2	5.0	(0.8)	(0.1)	4.3
At 31 December 2009 .....	32.0	37.2	—	18.7	87.9
Non-current .....	22.6	76.7	—	82.7	182.0
Current.....	42.1	10.2	—	25.9	78.2
Balance at 31 December 2007 .....	64.7	86.9	—	108.6	260.2
Non-current .....	22.5	41.3	32.3	67.3	163.4
Current.....	29.6	5.6	—	17.8	53.0
Balance at 31 December 2008 .....	52.1	46.9	32.3	85.1	216.4
Non-current .....	23.3	24.1	—	8.0	55.4
Current.....	8.7	13.1	—	10.7	32.5
<b>Balance at 31 December 2009 .....</b>	<b>32.0</b>	<b>37.2</b>	<b>—</b>	<b>18.7</b>	<b>87.9</b>

### *Severance and restructuring costs*

As described in Note 5, the Group has implemented a restructuring programme of the Innovene business. The restructuring costs largely relate to severance and early retirement costs and the programme is expected to continue for another 2 years.

Other restructuring charged in 2009 primarily relate to restructuring and the provision of severance payments in the Compounds and ABS businesses.

### *Remediation costs*

The Group has provided for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. The provision was established to meet the clean up costs of

contaminated soil and groundwater, the removal of potentially hazardous substances and rectification work required to ensure compliance with license to operate obligations. These costs relate mainly to the Group's production facilities at the Runcorn, Warrington, Cologne, Grangemouth, Lavéra, Chocolate Bayou, Green Lake, Lima and Texas City sites. The provision only covers items of specific work for which a reasonable estimate can be determined. The required work is expected to be completed within the next four year period. The interest rate used to determine the obligation in the balance sheet at 31 December 2009 was 9.0% (2008: 8.0%, 2007: 7.5%). By their nature the amounts and timing of any outflows in respect of remediation costs are difficult to predict.

#### ***Other provisions***

At 31 December 2008 Other provisions included an amount in respect of expected losses on an onerous raw material supply contract. This contract was with the ABS business in Germany for the period until the end of the contract in 2012. The ABS business was sold in 2009. Other provisions also include a number of provisions for other loss making contracts and commercial disputes.

## **24. SHARE CAPITAL**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>		
<b>Fully paid</b>			
11,500,231 (2008: 11,500,231, 2007: 11,500,231) Ordinary shares of £1 each .....	<u>17.7</u>	<u>17.7</u>	<u>17.7</u>

As the reporting currency of the Company is in euro, share capital has been converted to euro at the effective rate of exchange ruling at the date of issuance.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION**  
**FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**  
**(FORMING PART OF THE FINANCIAL INFORMATION)**

**25. DIVIDENDS**

The following dividends were recognised during the year:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€m</u>		
€nil (2008: €nil , 2007: €2.17) per ordinary share.....	<u>—</u>	<u>—</u>	<u>25.0</u>

**26. FINANCIAL INSTRUMENTS**

**26.a Fair value of financial instruments**

*Investments in debt and equity securities*

The fair value of other investments shown as loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available. However, as explained in Note 15, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date. The remainder of available for sale financial assets are valued at fair value based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment.

*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 as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

*Interest-bearing borrowings*

The fair value of the Senior Notes and INEOS Vinyls Senior Notes are based on the prices of recent transactions on the Luxembourg Stock Exchange where they are listed. The fair value of other interest-bearing

borrowings, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Market discount rates applied range from 5% to 10% (2008: 6% to 9%, 2007: 5% to 8%). The fair value of finance leases is determined by reference to market rates for similar lease agreements. The significant decline in the fair value of these financial liabilities at 31 December 2008 was as a result of the impact of the global financial crisis on the markets that the Group's debt is traded within and the impact on the wider economy resulting in significant declines in commodity prices.

#### ***Derivative financial instruments***

The fair value of forward exchange contracts is based on market quotes where they are available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and commodity contracts are based on market or broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The interest rates used to discount estimated cash flows were between 1.6% and 3.6% (2008: 3.7% to 5.7%, 2007: 4.7% to 5.1%).

#### ***Fair values***

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the consolidated balance sheet are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	2009		2008		2007	
	€m					
<b>Financial assets held for trading at fair value through profit or loss:</b>						
Derivative Commodity contracts .....	2.9	2.9	25.4	25.4	1.9	1.9
Interest rate swaps .....	—	—	—	—	5.6	5.6
Forward exchange contracts .....	—	—	0.3	0.3	—	—
	<u>2.9</u>	<u>2.9</u>	<u>25.7</u>	<u>25.7</u>	<u>7.5</u>	<u>7.5</u>
<b>Derivative commodity contracts designated as cash flow hedges:</b>						
Carried at fair value .....	—	—	105.8	105.8	—	—
	<u>—</u>	<u>—</u>	<u>105.8</u>	<u>105.8</u>	<u>—</u>	<u>—</u>
<b>Available for sale equity investments:</b>						
Carried at fair value .....	45.8	45.8	—	—	—	—
Carried at cost .....	36.4	36.4	49.0	49.0	47.7	47.7
<b>Total available for sale equity investments .....</b>	<b>82.2</b>	<b>82.2</b>	<b>49.0</b>	<b>49.0</b>	<b>47.7</b>	<b>47.7</b>
<b>Loans and receivables carried at amortised cost:</b>						
Trade receivables .....	1,536.3	1,536.3	1,574.1	1,574.1	2,888.1	2,888.1
Amounts due from related parties .....	254.1	254.1	238.6	238.6	189.6	189.6
Other receivables .....	194.7	194.7	250.9	250.9	290.4	290.4
Other investments .....	129.7	124.8	123.5	122.1	—	—
Loans and receivables .....	2,114.8	2,109.9	2,187.1	2,185.7	3,368.1	3,368.1
Cash and cash equivalents .....	662.1	662.1	651.8	651.8	951.4	951.4
	<u>2,776.9</u>	<u>2,772.0</u>	<u>2,838.9</u>	<u>2,837.5</u>	<u>4,319.5</u>	<u>4,319.5</u>
<b>Total financial assets .....</b>	<b>2,862.0</b>	<b>2,857.1</b>	<b>3,019.4</b>	<b>3,018.0</b>	<b>4,374.7</b>	<b>4,374.7</b>
<b>Financial liabilities held for trading at fair value through profit and loss:</b>						

Derivative Commodity contracts .....	6.5	6.5	0.3	0.3	0.6	0.6
Forward exchange contracts .....	—	—	0.2	0.2	—	—
	<u>6.5</u>	<u>6.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>	<u>0.6</u>

**Financial liabilities carried at amortised**

<b>cost:</b>						
Senior Facilities Agreement.....	5,003.7	5,003.7	4,929.3	2,467.2	4,896.8	4,802.4
Senior Notes .....	1,969.9	1,084.9	2,088.8	268.8	2,062.6	1,788.7
INEOS Vinyls Senior Notes .....	159.9	139.4	160.4	16.2	160.4	154.4
Securitisation Facility .....	603.4	603.4	748.4	748.4	1,084.6	1,084.6
Other bank loans .....	0.9	0.9	1.6	1.6	2.2	2.2
Finance lease liabilities .....	11.5	11.5	20.9	20.9	24.1	24.1
Trade payables.....	896.3	896.3	707.0	707.0	2,429.0	2,429.0
Amounts due to related parties .....	165.9	165.9	108.3	108.3	61.0	61.0
Other payables.....	702.8	702.8	641.2	641.2	565.7	565.7
	<u>9,514.3</u>	<u>8,608.8</u>	<u>9,405.9</u>	<u>4,979.6</u>	<u>11,286.4</u>	<u>10,912.1</u>
<b>Total financial liabilities .....</b>	<b><u>9,520.8</u></b>	<b><u>8,615.3</u></b>	<b><u>9,406.4</u></b>	<b><u>4,980.1</u></b>	<b><u>11,287.0</u></b>	<b><u>10,912.7</u></b>

The fair value of the Senior Facilities Agreement has been determined using a level 3 valuation technique and non-observable inputs for the discount rate of equivalent debt. The movement in the fair value during the year not recognised in these accounts includes an increase of €2,768.5 million (2008: decrease of €2,176.3 million, 2007: decrease of €203.2 million).

The table below analyses financial instruments carried at fair value, by valuation method. The different levels, determined in accordance with IFRS 7 “Financial Instruments: Disclosure”, have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
	2009				2008				2007			
<b>Financial assets held for trading at fair value through profit or loss:</b>												
Derivative Commodity contracts.....	2.9	—	2.9	—	25.4	—	25.4	—	1.9	—	1.9	—
Interest rate swaps .....	—	—	—	—	—	—	—	—	5.6	—	5.6	—
Forward exchange contracts.....	—	—	—	—	0.3	—	0.3	—	—	—	—	—
<b>Derivative commodity contracts designated as cash flow hedges carried at fair value .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>105.8</b>	<b>—</b>	<b>105.8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Available for sale equity investments carried at fair value .....</b>	<b>45.8</b>	<b>—</b>	<b>—</b>	<b>45.8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financial liabilities held for trading at fair value through profit and loss:</b>												
Derivative Commodity contracts.....	(6.5)	—	(6.5)	—	(0.3)	—	(0.3)	—	(0.6)	—	(0.6)	—
Forward exchange contracts.....	—	—	—	—	(0.2)	—	(0.2)	—	—	—	—	—
<b>Total financial assets and liabilities held at fair value .....</b>	<b><u>42.2</u></b>	<b><u>—</u></b>	<b><u>(3.6)</u></b>	<b><u>45.8</u></b>	<b><u>131.0</u></b>	<b><u>—</u></b>	<b><u>131.0</u></b>	<b><u>—</u></b>	<b><u>6.9</u></b>	<b><u>—</u></b>	<b><u>6.9</u></b>	<b><u>—</u></b>

There have been no transfers from Level 2 to Level 1 in 2009 (2008: no transfers in either direction).



## 26.b Net gains and losses from financial instruments

Net gains and losses from financial instruments comprise the results of valuations, the amortisation of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, dividends and all effects on profit or loss of financial instruments.

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

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

The item 'financial instruments at fair value through profit or loss' comprise valuation gains and losses, and only includes gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39.

No gains or losses on items measured at fair value have been recognised in the income statement in respect of fair values determined based on a level 3 valuation technique using non-observable inputs. Gains totalling €33.2 million (2008: €nil, 2007: €nil) on available for sale equity investments have been recognised in the Statement of Comprehensive Income for the year ended 31 December 2009 based on a level 3 valuation technique using non-observable inputs. There have been no other movements in financial assets and liabilities held at fair value based on a level 3 valuation technique so a reconciliation table has not been presented.

	Loans and receivables			Available for sale financial assets		
	2009	2008	2007	2009	2008	2007
			€m			
Interest income .....	13.3	39.9	31.3	—	—	—
Dividend income .....	—	—	—	7.3	3.9	6.5
Foreign exchange gains/(losses) .....	34.7	16.4	(86.7)	—	—	—
<b>Net result .....</b>	<b>48.0</b>	<b>56.3</b>	<b>(55.4)</b>	<b>7.3</b>	<b>3.9</b>	<b>6.5</b>
<b>Carrying value at 31 December .....</b>	<b>2,776.9</b>	<b>2,838.9</b>	<b>4,319.5</b>	<b>82.2</b>	<b>49.0</b>	<b>47.7</b>

	Liabilities measured at amortised cost			Financial instruments at fair value through profit or loss		
	2009	2008	2007	2009	2008	2007
			€m			
Redemption premium on early settlement of Senior Bonds .....	89.0	—	—	—	—	—
Interest cost .....	(715.8)	(681.7)	(696.1)	—	—	—
Loss on extinguishment of Senior Facilities Agreement Debt .....	(209.2)	—	—	—	—	—
Other finance cost .....	(11.2)	(7.8)	(2.1)	—	—	—
Net fair value gains/(losses) on derivatives .....	—	—	—	(23.2)	12.9	4.6
Foreign exchange gains/(losses) .....	(31.1)	(142.8)	7.6	—	—	—
<b>Net result .....</b>	<b>(878.3)</b>	<b>(832.3)</b>	<b>(690.6)</b>	<b>(23.2)</b>	<b>12.9</b>	<b>4.6</b>
<b>Carrying value at 31 December .....</b>	<b>(9,514.3)</b>	<b>(9,405.9)</b>	<b>(11,286.4)</b>	<b>(3.6)</b>	<b>131.0</b>	<b>6.9</b>

## 26.c Credit risk

### Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, deposits with financial institutions and derivatives.

Group Treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

#### ***Trade and other receivables***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Management considers that there is no geographical concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

#### ***Investments, cash and cash equivalent***

Surplus cash investments are only made with banks with which the Group has a relationship. Occasionally deposits are made with banking counterparties that provide financing arrangements, reducing the credit exposure of the Group.

#### ***Guarantees***

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2009 no guarantees were outstanding (2008: none, 2007: none).

#### ***Exposure to credit risk***

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Further details on the Group's exposure to credit risk are given in Note 19.

### **26.d Liquidity risk**

#### ***Financial risk management***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group's exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long-term borrowings from the Group's lenders.

The Group is reliant on committed funding from a variety of sources at Group and subsidiary company level to meet the anticipated needs of the Group for the period covered by the Group's budget.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. On a monthly basis the level of headroom on existing facilities is reported and forecast forward until the end of the financial period. In addition, the Group maintains the following lines of credit:

- Senior Facilities Agreement—€3,915.8 million (2008: €3,926.4 million, 2007: €3,804.8 million) and \$1,555.8 million (2008: \$1,629.2 million, 2007: \$1,770.7 million) facility that is secured. Interest is payable at rates of EURIBOR and \$LIBOR plus 6-8% (2008: EURIBOR and \$LIBOR plus 4-6%, 2007: EURIBOR and \$LIBOR plus 4-6%).
- Receivables Securitisation Facility—€1,200 million (2008: €1,500 million, 2007: €1,500 million) that can be drawn down to meet short-term financing needs. The facility renews automatically at the option of the Group and expires in 2011. Interest is payable at a variable rate and the margin is linked to the credit rating of the receivables included in the securitisation.

The maturity profile of the Group's undrawn committed facilities at 31 December 2009, 2008 and 2007 was as follows:

	<b>2009 Undrawn facilities</b>	<b>2008 Undrawn facilities</b>	<b>2007 Undrawn facilities</b>
		<b>€m</b>	
In one year .....	—	—	2.5
In more than one year, but not more than two years .....	—	—	—
In more than two years, but not more than five years .....	8.7	66.0	36.7
In more than five years .....	—	—	425.0
	<b>8.7</b>	<b>66.0</b>	<b>464.2</b>

The undrawn committed facilities are in respect of overdraft facilities of €nil (2008: €nil, 2007: €2.5 million), unused committed Revolving Credit Facilities of €8.7 million (2008: €66.0 million, 2007: €425.0 million) and unused committed Securitization Facilities of €nil (2008: €nil, 2007: €36.7 million).

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(FORMING PART OF THE FINANCIAL INFORMATION)

## 26. FINANCIAL INSTRUMENTS

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

2009						
Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	5,003.7	(7,059.8)	(1,171.3)	(603.9)	(4,407.0)	(877.6)
Senior Notes .....	1,969.9	(3,025.8)	(170.0)	(170.0)	(509.9)	(2,175.9)
INEOS Vinyls Senior Notes .....	159.9	(189.2)	(14.6)	(174.6)	—	—
Securitisation Facility .....	603.4	(635.2)	(24.9)	(610.3)	—	—
Other loans .....	0.9	(40.8)	(13.5)	(13.3)	(14.0)	—
Finance lease liabilities .....	11.5	(26.7)	(1.8)	(5.0)	(8.2)	(11.7)
Trade payables.....	896.3	(901.4)	(901.4)	—	—	—
Amounts due to related parties .....	165.9	(178.5)	(164.0)	(6.1)	(6.3)	(2.1)
Other payables.....	702.8	(702.8)	(646.8)	(56.0)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	6.5	(6.5)	(6.5)	—	—	—
<b>9,520.8</b>	<b>(12,766.7)</b>	<b>(3,114.8)</b>	<b>(1,639.2)</b>	<b>(4,945.4)</b>	<b>(3,067.3)</b>	
2008						
Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	4,929.3	(6,810.9)	(995.4)	(599.1)	(1,422.0)	(3,794.4)
Senior Notes .....	2,088.8	(3,318.0)	(170.4)	(170.4)	(511.3)	(2,465.9)
INEOS Vinyls Senior Notes .....	160.4	(205.5)	(14.6)	(14.6)	(176.3)	—
Securitisation Facility .....	748.4	(839.4)	(35.5)	(35.5)	(768.4)	—
Other loans .....	1.6	(1.6)	(0.4)	(0.2)	—	(1.0)
Finance lease liabilities .....	20.9	(49.7)	(6.4)	(8.9)	(17.8)	(16.6)
Trade payables.....	707.0	(707.0)	(707.0)	—	—	—
Amounts due to related parties .....	108.3	(144.3)	(110.7)	(9.6)	(18.0)	(6.0)
Other payables.....	641.2	(641.2)	(571.7)	(69.5)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	0.5	(0.5)	(0.5)	—	—	—
<b>9,406.4</b>	<b>(12,718.1)</b>	<b>(2,612.6)</b>	<b>(907.8)</b>	<b>(2,913.8)</b>	<b>(6,283.9)</b>	
2007						
Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	4,896.8	(7,177.7)	(606.4)	(599.4)	(1,823.5)	(4,148.4)
Senior Notes .....	2,062.6	(3,464.2)	(169.2)	(169.2)	(507.6)	(2,618.2)
INEOS Vinyls Senior Notes .....	160.4	(220.8)	(14.6)	(14.6)	(191.6)	—

Securitisation Facility .....	1,084.6	(1,333.6)	(69.7)	(69.7)	(1,194.2)	—
Other bank loans .....	2.2	(2.2)	(0.4)	(0.4)	(0.3)	(1.1)
Finance lease liabilities .....	24.1	(41.5)	(3.1)	(7.0)	(15.3)	(16.1)
Trade payables.....	2,429.0	(2,429.0)	(2,429.0)	—	—	—
Amounts due to related parties .....	61.0	(97.0)	(62.1)	(10.9)	(18.0)	(6.0)
Other payables.....	565.7	(565.7)	(514.5)	(51.2)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	0.6	(0.6)	(0.6)	—	—	—
	<b>11,287.0</b>	<b>(15,332.3)</b>	<b>(3,869.6)</b>	<b>(922.4)</b>	<b>(3,750.5)</b>	<b>(6,789.8)</b>

## 26.e Net investment and cash flow hedges

The Group has derivative commodity contracts that qualify as cash flow hedges at 31 December 2009 with a carrying value of €nil (2008: €105.8 million, 2007: €nil). No gains or losses were taken to the hedge reserve in respect of these contracts during 2009 (2008: gain of €105.8 million, 2007: €nil). The amount of gains recycled from the hedge reserve during the year totalled €105.8 million before tax or €76.3 million net of tax (2008: €nil, 2007: €nil). These cash flow hedges are used to manage the price risk in respect of certain forecast purchases of raw materials and sales of petrochemical-based products from the Group's refining activities. The forecast purchases and sales are hedged using forward and swap contracts linked to the oil price. The cash flows associated with cash flow hedging instruments are all expected to occur and impact on the profit or loss within less than one year.

The Group has US\$ and Sterling financial liabilities in respect of the Senior Facilities Agreement and Securitisation Facility that are designated net investment hedges of US\$ and Sterling operations in accordance with the requirements of IAS 21 "The effects of changes in Foreign Exchange Rates". The US\$ and Sterling net investment hedges had a carrying value and fair value as follows:

	Carrying amounts 2009	Fair value 2009	Carrying amounts 2008	Fair value 2008	Carrying amounts 2007	Fair value 2007
				€m		
US\$ .....	(699.5)	(485.9)	(777.9)	(317.8)	(960.8)	(893.8)
Sterling .....	(40.8)	(40.6)	(47.2)	(47.1)	(68.2)	(67.9)
	<b>(740.3)</b>	<b>(526.5)</b>	<b>(825.1)</b>	<b>(364.9)</b>	<b>(1,029.0)</b>	<b>(961.7)</b>

For the year ended 31 December 2009 gains totalling €13.9 million were taken directly to reserves and reported in the Statement of Comprehensive Income for the year then ended (2008: losses €40.0 million, 2007: gains €240.5 million). There was no ineffectiveness recognised in the income statement for the year ended 31 December 2009 (2008: €nil, 2007: €nil).

## 26.f Market risk

### *Financial risk management*

Market risk reflects the possibility that changes in market prices, such as crude oil, feedstock refined products, chemicals or currency exchange rates or changes in interest rates will adversely affect the value of the Group's assets, liabilities or expected future cash flows. The Group holds interest rate swaps, forward foreign exchange contracts, currency swaps and commodity contracts in order to manage market risk. The use of derivative instruments is confined to specialist teams that have the appropriate skills, experience, supervision, control and reporting systems.

#### **(i) Market risk—Foreign currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Sterling.

Foreign exchange risk arises from net investments in foreign operations, future commercial transactions, and recognised assets and liabilities.

The Group applies hedge accounting to foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item is considered to form part of a net investment in a foreign operation and changes in the fair value are recognised directly within equity.

A substantial portion of the Group's revenue is generated in, or linked to, the US dollar and the euro. In the refining business the prices of finished products and of the underlying raw materials are primarily denominated in US dollars, while the costs are largely denominated in euros and sterling. In the European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and sterling. In the US petrochemical and specialty chemicals businesses, product prices, raw materials costs and most other costs are primarily denominated in US dollars.

The Group generally does not enter into foreign currency exchange instruments to hedge foreign currency transaction exposure, although the Group has done so in the past and may do so in the future. The Group benefits from natural hedging, to the extent that currencies in which net cash flows are generated from the Group's operations, are matched against long-term indebtedness.

The foreign currency exposure where the Group's financial assets / (liabilities) are not denominated in the functional currency of the operating unit involved is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the Group.

	2009	2008	2007
		€m	
Euros .....	223.3	36.8	60.1
US Dollars .....	(570.6)	(634.7)	(944.1)
Sterling .....	(586.8)	(215.5)	(291.0)
Other .....	2.7	2.4	(1.7)
	<b>(931.4)</b>	<b>(811.0)</b>	<b>(1,176.7)</b>

#### *Sensitivity analysis*

A 10% percent weakening of the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	Equity			Profit or loss		
	2009	2008	2007	2009	2008	2007
				€m		
Euros .....	74.0	71.9	102.9	19.1	9.2	14.8
US Dollars .....	70.0	67.2	96.1	(12.9)	(3.7)	(1.7)
Sterling .....	4.1	4.7	6.8	54.6	16.8	22.3
Other .....	—	—	—	(0.3)	(0.2)	0.2

A 10% percent strengthening of the above currencies against the euro at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**(ii) Market risk—Interest rate risk**

**Profile**

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

	2009	2008	2007
	€m		
<b>Carrying amount—asset / (liability)</b>			
<b>Fixed rate instruments</b>			
Financial assets.....	211.9	172.5	47.7
Financial liabilities.....	(2,142.2)	(2,271.7)	(2,249.3)
	<u>(1,930.3)</u>	<u>(2,099.2)</u>	<u>(2,201.6)</u>
<b>Variable rate instruments</b>			
Financial assets.....	662.1	651.8	951.4
Financial liabilities.....	(5,607.1)	(5,677.7)	(5,981.4)
	<u>(4,945.0)</u>	<u>(5,025.9)</u>	<u>(5,030.0)</u>

**Sensitivity analysis**

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2009, 2008 and 2007.

	2009	2008	2007
	€m		
<b>Equity</b>			
Increase.....	—	—	—
Decrease .....	—	—	—
<b>Profit or loss</b>			
Increase in interest rates by 1% .....	(49.4)	(51.8)	(51.6)
Decrease in interest rates by 1% .....	<u>49.4</u>	<u>51.8</u>	<u>51.6</u>

**(iii) Market risk—Commodity price risk**

The Group is exposed to commodity price risk through fluctuations in raw material prices and sales of products. The raw material exposures result primarily from the price of crude oil and base chemicals linked to the price of crude. The sales price exposures are primarily related to petrochemicals where prices are in general linked to the market price of crude oil.

The Group enters into contracts to supply or acquire physical volumes of commodities at future dates during the normal course of business that may be considered derivative contracts. Where such contracts exist and are in respect of the normal purchase or sale of products to fulfil the Group's requirements, the own use exemption from derivative accounting is applied.

The Group manages commodity price exposures through trading crude oil, refined products and chemical feedstock and using commodity swaps, options and futures as a means of managing price and timing risks. The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised. At 31 December 2009 the Group had swap and option contracts with a nominal exposure to purchase 1.4 million barrels of crude oil and other commodities (2008: 19.8 million barrels, 2007: 4.1 million barrels) and to sell the refined product generated from those barrels of crude oil.

A 10 percent increase/decrease in commodity prices at the reporting date would have decreased/increased the loss for the year by:

	2009	2008	2007
	€m		
<b>Equity</b>			
Increase in commodity prices by 10% .....	—	6.3	—
Decrease in commodity prices by 10% .....	—	(6.3)	—
<b>Profit or loss</b>			
Increase in commodity prices by 10% .....	(25.3)	(16.7)	(15.1)
Decrease in commodity prices by 10% .....	<u>25.3</u>	<u>16.7</u>	<u>15.1</u>

Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Group might reasonably be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2007, 31 December 2008 and 31 December 2009.

#### (iv) Market risk—Equity price risk

The Group's exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the consolidated balance sheet as other financial assets. Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available. However, as explained in Note 15, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date. The remainder of available for sale financial assets are valued at fair value based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment.

For the available for sale investments carried at fair value a 10 percent increase and decrease in transaction prices at the reporting date would have decreased and increased the loss for the year by €4.6 million. Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the INEOS Group is expected to be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## 26.g Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital employed of €5,517.1 million (2008: €7,351.7 million, 2007: €8,279.4 million) as shareholders' equity of €570.1 million (2008: €54.1 million, 2007: €1,000.1 million) and net debt (net of debt issue costs) of €7,087.2 million (2008: €7,297.6 million, 2007: €7,279.3 million). The significant reduction in capital employed during the year arises in respect of the loss for the year, actuarial losses on defined benefit pension schemes and foreign exchange losses.

The principal sources of debt available to the Group at 31 December 2009 include the Senior Facilities Agreement, Senior Notes, INEOS Vinyls Senior Notes and Receivables Securitisation Facility and are described in Note 20 along with the key operating and financial covenants that apply to these facilities.

As described in Note 20, on 19 December 2008 the Group obtained a waiver in respect of certain covenants in the Senior Facilities Agreement. On 19 July 2009 the Group successfully reached agreement with



its senior lenders on a package of amendments to the Senior Facilities Agreement, including the reset of financial covenants (see Note 20). These amendments are key to the Group meeting its objectives for managing capital.

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 INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

(FORMING PART OF THE FINANCIAL INFORMATION)

### 27. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2009	2008	2007
	€m		
Less than one year .....	81.3	116.3	81.2
Between one and five years .....	295.3	369.5	270.4
More than five years .....	255.3	220.0	398.1
	<b><u>631.9</u></b>	<b><u>705.8</u></b>	<b><u>749.7</u></b>

The Group has certain operating lease arrangements in respect of manufacturing facilities and combined heat and power plants where the Group has the option to acquire at fair value or depreciated cost to the lessor in certain circumstances either during the life of the lease or at the end of the lease term.

### 28. CAPITAL COMMITMENTS

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2009 by the Group amounted to approximately €98.4 million (2008: €60.9 million, 2007: €209.0 million).

### 29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2009	2008	2007
	€m		
Increase/(decrease) in cash and cash equivalents in the year.....	20.2	(295.8)	318.8
Cash outflow from change in debt financing .....	212.8	365.2	260.3
Change in net debt resulting from cash flows .....	233.0	69.4	579.1
Finance leases acquired/disposed of with subsidiary .....	7.1	—	(10.4)
Other net non-cash transactions .....	(29.7)	(87.7)	186.7
Movement in net debt in year .....	<b><u>210.4</u></b>	<b><u>(18.3)</u></b>	<b><u>755.4</u></b>

	1 Jan 2007	Cash Flow	Acquisitions (excluding charges)	Other Non Cash Changes	31 Dec 2007
	€m				
Cash at bank and in hand .....	659.7	318.8	—	(27.1)	951.4
Debt due within one year .....	(189.0)	—	—	(6.2)	(195.2)
Debt due after more than one year.....	(8,489.5)	258.9	—	219.2	(8,011.4)
Finance leases.....	(15.9)	1.4	(10.4)	0.8	(24.1)
	(8,694.4)	260.3	(10.4)	213.8	(8,230.7)
<b>Net debt .....</b>	<b><u>(8,034.7)</u></b>	<b><u>579.1</u></b>	<b><u>(10.4)</u></b>	<b><u>186.7</u></b>	<b><u>(7,279.3)</u></b>

	1 Jan 2008	Cash Flow	Other Non Cash Changes	31 Dec 2008
	€m			
Cash at bank and in hand .....	951.4	(295.8)	(3.8)	651.8
Debt due within one year .....	(195.2)	(369.8)	(47.4)	(612.4)
Debt due after more than one year.....	(8,011.4)	732.2	(36.9)	(7,316.1)
Finance leases.....	(24.1)	2.8	0.4	(20.9)

	(8,230.7)	365.2	(83.9)	(7,949.4)
<b>Net debt</b> .....	<b>(7,279.3)</b>	<b>69.4</b>	<b>(87.7)</b>	<b>(7,297.6)</b>

	1 Jan 2009	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2009
			€m		
Cash at bank and in hand .....	651.8	20.2	—	(9.9)	662.1
Debt due within one year .....	(612.4)	(167.7)	—	(57.8)	(837.9)
Debt due after more than one year.....	(7,316.1)	378.9	—	37.3	(6,899.9)
Finance leases.....	(20.9)	1.6	7.1	0.7	(11.5)
	(7,949.4)	212.8	7.1	(19.8)	(7,749.3)
<b>Net debt</b> .....	<b>(7,297.6)</b>	<b>233.0</b>	<b>7.1</b>	<b>(29.7)</b>	<b>(7,087.2)</b>

### 30. RELATED PARTIES

#### *Identity of related parties with which the Group has transacted*

##### *Related parties comprise:*

- Parent entities and their subsidiaries not included within the INEOS Group Holdings plc group;
- Entities controlled by the partners of INEOS Capital Partners (“INEOS Capital”) which owns the controlling interest in the share capital of INEOS Limited, the ultimate parent company of INEOS Group Holdings plc; and
- Key management personnel

The Group has a management services agreement with INEOS Capital. INEOS Capital management fees of €55.8 million (2008: €79.9 million, 2007: €71.2 million) and deal advisory fees of €nil (2008: €nil, 2007: €4.0 million) were charged to the income statement during the year. The Group recovered costs of €0.2 million (2008: €1.2 million, 2007: €0.9 million). At 31 December 2009 amounts owed to INEOS Capital were €4.1 million (2008: €21.9 million, 2007: €27.8 million). Amounts due from INEOS Capital Limited, a company controlled by the partners of INEOS Capital, were €nil (2008: €44.1 million, 2007: €44.0 million).

The partners of INEOS Capital own a controlling interest in Vinyls Italia SpA. The Group made sales to this company of €nil (2008: €4.5 million, 2007: €21.7 million), recovered costs of €nil (2008: €0.4 million, 2007: €0.7 million) and made purchases of €nil (2008: €51.8 million, 2007: €56.8 million). At 31 December, 2009 €nil (2008: €7.1 million, 2007: €9.5 million) was owed by and €nil (2008: €6.0 million, 2007: €6.9 million) was owed to Vinyls Italia SpA.

During the year INEOS Industries Limited, a business owned controlled by INEOS Capital, acquired a controlling interest in various businesses from the Group (see Note 3). Subsequent to the businesses ceasing to be part of the Group, the Group has made sales to the INEOS Industries Group of €71.1 million, recovered costs of €2.7 million and made purchases of €6.2 million. At 31 December, 2009 €200.0 million was owed by and €84.5 million was owed to the INEOS Industries Group, INEOS Intermediate Holdings Ltd, INEOS Group Ltd and other fellow subsidiaries of the INEOS Ltd Group.

On 18 October, 2007 the Group acquired INEOS Chlor Atlantik GmbH from INEOS Enterprises, a legally separate group of companies held under common control with INEOS Group Holdings plc. INEOS Chlor Atlantik GmbH operates a chlorine plant in Wilhelmshaven, Germany.

The Group has entered into a number of leases for office space with INEOS Capital on terms no less favourable to us than what we would expect to negotiate with disinterested third parties. The Group currently pay rent and service charges of approximately €1.8 million per year.

There were a number of transactions with joint ventures, all of which arose in the normal course of business. The Group has made sales to joint ventures of €162.9 million (2008: €383.3 million, 2007: €501.7 million), recovered costs of €38.7 million (2008: €35.1 million, 2007: €50.8 million) and made purchases of €429.4 million (2008: €29.6 million, 2007: €25.7 million). At 31 December, 2009 €32.5 million (2008: €46.4 million, 2007: €47.6 million) was owed by joint ventures and €43.7 million (2008: €36.3 million, 2007: €7.8 million) was owed to joint ventures.

***Compensation to key management personnel (including directors)***

The Group defines key management as the directors of the Company. Details of Directors' remuneration are given in Note 8.

***Other transactions with related parties***

INEOS Limited and its subsidiaries operate certain benefits for designated employees for which no charge is made to INEOS Group Holdings plc. No charge is made in this consolidated financial information for these transactions:

1. The Group operates a number of pension plans throughout the world. Further details of the schemes are given in Note 22.
2. The Group operates an incentive plan (refer Note 1) for certain employees. Directors are excluded from this scheme. The Directors have determined that any charge calculated in accordance with IFRS 2 (revised) would be immaterial.

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

The immediate parent undertaking is INEOS Group Limited. The ultimate parent undertaking at 31 December 2009 was INEOS Limited, a company registered in England and Wales. As of 26 March 2010, INEOS AG, a Swiss corporation, became the ultimate parent undertaking. The ultimate controlling party is Mr Ratcliffe, director and majority shareholder of the ultimate parent undertaking.

**32. SUBSEQUENT EVENTS**

***Disposals***

On 28 January 2010 the Group disposed of the ChlorVinyls and Compounds Switzerland businesses to Kerling plc, a new holding company formed to combine together INEOS Enterprises, ChlorVinyls and the INEOS Norwegian Polymers business. The Group received €65 million cash consideration from the disposal of the ChlorVinyls business. As part of the disposal transaction, the Group transferred the €160m INEOS Vinyls Notes to Kerling, together with net pension liabilities of approximately €170m. The Group incurred a non cash loss on the disposal. The ChlorVinyls business is part of the Chemical Intermediates segment.

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

As at 31 December 2009, the Group was not committed to disposing of either investment. As a result, in accordance with IFRS 5, these businesses do not meet the criteria to be accounted for as assets held for sale.

On 16 April 2010 the Group obtained senior lender consent for a number of amendments to the Senior Facilities Agreement which included an increase in the level of headroom on the financial covenants and the ability to refinance some of the senior secured debt with senior secured notes.

### 33. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group has prepared this consolidated financial information in accordance with IFRSs, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The following areas are considered to involve a significant degree of judgement or estimation:

#### ***Fair value measurement on business combination***

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgement, and estimates and assumptions made.

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

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

The carrying amount of intangibles is disclosed in Note 12.

#### ***Taxation***

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

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

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

Details of amounts recognised with regard to taxation are disclosed in Notes 10 and 17.

#### ***Post-retirement benefits***

The Group operates a number of defined benefit post employment schemes. Under IAS 19 Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each

of the defined benefit schemes. The costs and year end obligations under defined benefit schemes are determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- Future rate of increase in salaries;
- Inflation rate projections;
- Discount rate for scheme liabilities; and
- Expected rates of return on the scheme assets.

Details of post-retirement benefits are set out in Note 22.

### ***Provisions***

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

Other provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The

timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change.

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

In relation to remediation costs, the estimated interest rate used in discounting the cash flows is reviewed at least annually. The interest rate used to determine the obligation in the balance sheet at 31 December 2009 was 9% (2008: 8.0%, 2007: 7.5%).

The nature and amount of provisions included within this consolidated financial information are detailed in Note 23.

### ***Impairment reviews***

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

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

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

- Growth rates of various revenue streams;
- Long term growth rates;

- Future margins;
- The selection of an appropriately risk adjusted discount rate; and
- The determination of terminal values.

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

The Group has property, plant and equipment with a carrying value of €5,093.2 million (2008: €5,440.6 million, 2007: €6,073.2 million) as disclosed in Note 11 and intangible assets with a carrying value of €949.6 million (2008: €1,046.6 million, 2007: €1,001.3 million) as disclosed in Note 12. All of these assets are assessed annually for impairment as described above.

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

Further details on the impairment review performed on the goodwill and intangible assets are provided in Note 12, including sensitivity analysis in relation to key assumptions.

#### ***Loss on the extinguishment of debt***

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's Senior Facilities Agreement. The Group has assessed that the package of amendments to the Senior Facilities Agreement represents a substantial modification in accordance with the provisions of IAS 39. As a result, the existing debt has been derecognised and the modified debt recognised at fair value.

In order to recognise the modified debt the Group is required to estimate the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt is not quoted and information about transactions in the Group's debt is not available. The valuation technique used a discounted cash flow technique using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the Existing Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.

The estimation of the fair value of the modified debt required management to exercise significant judgment. Management estimate that a 1 percent increase and decrease in the fair value of the modified debt would increase and decrease the loss on extinguishment of debt by €51.4 million respectively. This calculation assumes that the change occurred on 17 July 2009 and assumes that all other variables, in particular interest rates, remain constant.

#### ***Segment aggregation***

IFRS 8 "Operating Segments" permits two or more operating segments to be aggregated into one for disclosure purposes when individual segments have characteristics so similar that they can be expected to have essentially the same future prospects. Management apply this judgment taking into account aspects such as economic characteristics, the nature of products and services, the type of customers etc.

# INEOS GROUP HOLDINGS

## INCOME STATEMENT

(Unaudited)

	Three-Month Period Ended September 30,	
	2011	2010
	(€in millions)	
<b>Continuing operations</b>		
<b>Revenue</b> .....	<b>4,362.2</b>	<b>4,184.8</b>
Cost of sales .....	(3,958.7)	(3,703.5)
<b>Gross profit</b> .....	<b>403.5</b>	<b>481.3</b>
Distribution costs .....	(58.8)	(62.7)
Administrative expenses before exceptional items .....	(74.6)	(58.3)
Exceptional administrative expenses .....	(16.0)	(0.3)
<b>Operating profit</b> .....	<b>254.1</b>	<b>360.0</b>
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method .....	(12.3)	0.8
Profit/(loss) on disposal of businesses .....	9.9	(98.8)
<b>Profit before net finance costs</b> .....	<b>251.7</b>	<b>262.0</b>
Finance income .....	4.4	1.0
Finance costs .....	(240.2)	(47.9)
<b>Profit before tax</b> .....	<b>15.9</b>	<b>215.1</b>
Tax charge .....	(13.9)	(91.6)
<b>Profit for the period from continuing operations</b> .....	<b>2.0</b>	<b>123.5</b>
<b>Discontinued operations</b>		
Loss for the period from discontinued operations .....	—	(55.0)
<b>Profit for the period</b> .....	<b>2.0</b>	<b>68.5</b>
<b>Attributable to:</b>		
Owners of the parent .....	2.0	68.5
Minority interest .....	—	—
<b>Profit for the period</b> .....	<b>2.0</b>	<b>68.5</b>

The notes on the following pages are an integral part of this consolidated financial information.



	<b>Nine-Month Period Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€in millions)</b>	
<b>Continuing operations</b>		
<b>Revenue</b> .....	<b>13,687.5</b>	<b>12,107.8</b>
Cost of sales .....	(12,093.1)	(10,628.7)
<b>Gross profit</b> .....	<b>1,594.4</b>	<b>1,479.1</b>
Distribution costs .....	(183.9)	(197.3)
Administrative expenses before exceptional items .....	(201.9)	(197.4)
Exceptional administrative expenses .....	(33.2)	(3.2)
<b>Operating profit</b> .....	<b>1,175.4</b>	<b>1,081.2</b>
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method .....	(12.3)	4.9
Profit/(loss) on disposal of businesses .....	13.2	(59.1)
<b>Profit before net finance costs</b> .....	<b>1,176.3</b>	<b>1,027.0</b>
Finance income .....	15.3	17.9
Finance costs .....	(483.9)	(582.8)
<b>Profit before tax</b> .....	<b>707.7</b>	<b>462.1</b>
Tax charge .....	(257.0)	(184.9)
<b>Profit for the period from continuing operations</b> .....	<b>450.7</b>	<b>277.2</b>
<b>Discontinued operations</b>		
Profit/(loss) for the period from discontinued operations .....	64.4	(95.9)
<b>Profit for the period</b> .....	<b>515.1</b>	<b>181.3</b>
<b>Attributable to:</b>		
Owners of the parent .....	515.1	181.3
Minority interest .....	—	—
<b>Profit for the period</b> .....	<b>515.1</b>	<b>181.3</b>

The notes on the following pages are an integral part of this consolidated financial information.

**INEOS GROUP HOLDINGS**

**STATEMENT OF COMPREHENSIVE INCOME**

**(Unaudited)**

	<b>Nine-Month Period Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€in millions)</b>	
<b>Profit for the period</b> .....	515.1	181.3
<b>Other comprehensive income:</b>		
Foreign exchange translation differences net of tax.....	47.0	(43.5)
Foreign exchange differences recycled on disposal of subsidiaries net of tax .....	—	(40.3)
Net gain/(loss) on hedge of net investment in foreign operations net of tax .....	(242.5)	243.7
Actuarial gains and losses on defined benefit scheme net of tax.....	—	(5.8)
<b>Other comprehensive income for the period net of tax</b> .....	<b>(195.5)</b>	<b>154.1</b>
<b>Total comprehensive income for the period</b> .....	<b>319.6</b>	<b>335.4</b>
<b>Total comprehensive income for the period is attributable to:</b>		
Owners of the parent .....	319.6	335.4
Minority interest .....	—	—
	<b>319.6</b>	<b>335.4</b>

The notes on the following pages are an integral part of this consolidated financial information.

**INEOS GROUP HOLDINGS**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	September 30, 2011	December 31, 2010
	(€in millions)	
<b>Non-current assets</b>		
Property, plant and equipment .....	3,432.1	4,402.3
Intangible assets .....	645.5	993.8
Investments in equity-accounted investees .....	489.9	105.6
Other investments.....	157.5	152.2
Other financial assets .....	64.1	90.1
Other receivables.....	22.7	73.3
Deferred tax assets .....	319.3	522.3
	<u>5,131.1</u>	<u>6,339.6</u>
<b>Current assets</b>		
Inventories .....	1,609.1	2,254.9
Trade and other receivables .....	2,176.0	2,356.6
Other financial assets .....	2.4	8.2
Cash and cash equivalents .....	601.7	599.2
	<u>4,389.2</u>	<u>5,218.9</u>
<b>Total assets .....</b>	<b><u>9,520.3</u></b>	<b><u>11,558.5</u></b>
<b>Equity attributable to owners of the parent</b>		
Share capital .....	0.9	0.9
Other reserves.....	(537.9)	(342.4)
Retained earnings.....	419.9	(95.2)
<b>Total shareholders' (deficit)/funds .....</b>	<b><u>(117.1)</u></b>	<b><u>(436.7)</u></b>
Minority interest.....	—	—
<b>Total equity .....</b>	<b><u>(117.1)</u></b>	<b><u>(436.7)</u></b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings .....	6,264.4	6,954.9
Trade and other payables .....	91.5	91.2
Employee benefits .....	560.8	687.2
Provisions .....	11.4	46.5
Deferred tax liabilities.....	291.2	239.5
	<u>7,219.3</u>	<u>8,019.3</u>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings .....	457.6	387.9
Trade and other payables .....	1,844.1	3,466.3
Tax payable .....	87.7	86.3
Other financial liabilities.....	—	6.7
Provisions .....	28.7	28.7
	<u>2,418.1</u>	<u>3,975.9</u>
<b>Total liabilities .....</b>	<b><u>9,637.4</u></b>	<b><u>11,995.2</u></b>
<b>Total equity and liabilities .....</b>	<b><u>9,520.3</u></b>	<b><u>11,558.5</u></b>

The notes on the following pages are an integral part of this consolidated financial information.

INEOS GROUP HOLDINGS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Share capital	Other reserves	Retained earnings	Shareholders' funds	Minority interest	Total equity
	(€in millions)					
<b>Balance at 31 December 2010 .....</b>	<b>0.9</b>	<b>(342.4)</b>	<b>(95.2)</b>	<b>(436.7)</b>	<b>—</b>	<b>(436.7)</b>
Profit for the period.....	—	—	515.1	515.1	—	515.1
<b>Other comprehensive income:</b>						
Foreign exchange translation differences .....	—	47.0	—	47.0	—	47.0
Net loss on hedge of net investment in foreign operations .....	—	(242.5)	—	(242.5)	—	(242.5)
<b>Balance at 30 September 2011 .....</b>	<b>0.9</b>	<b>(537.9)</b>	<b>419.9</b>	<b>(117.1)</b>	<b>—</b>	<b>(117.1)</b>
	Share capital	Other reserves	Retained earnings	Shareholders' funds	Minority interest	Total equity
	(€in millions)					
<b>Balance at 31 December 2009 .....</b>	<b>0.9</b>	<b>(532.3)</b>	<b>(38.7)</b>	<b>(570.1)</b>	<b>12.9</b>	<b>(557.2)</b>
Profit for the period.....	—	—	181.3	181.3	—	181.3
<b>Other comprehensive income:</b>						
Foreign exchange translation differences .....	—	(43.5)	—	(43.5)	0.2	(43.3)
Foreign exchange differences recycled on disposal of subsidiaries .....	—	(40.3)	—	(40.3)	—	(40.3)
Net gain on hedge of net investment in foreign operations .....	—	243.7	—	243.7	—	243.7
Actuarial gains and losses on defined benefit pension schemes net of tax..	—	(5.8)	—	(5.8)	—	(5.8)
Disposals .....	—	—	—	—	(13.1)	(13.1)
<b>Balance at 30 September 2010 .....</b>	<b>0.9</b>	<b>(378.2)</b>	<b>142.6</b>	<b>(234.7)</b>	<b>—</b>	<b>(234.7)</b>

The notes on the following pages are an integral part of this consolidated financial information.

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

	<b>Nine-Month Period Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€in millions)</b>	
<b>Cash flows from operating activities</b>		
Profit for the period .....	515.1	181.3
Adjustments for:		
Depreciation and impairment .....	366.0	410.6
Net finance costs .....	454.9	571.1
Share of (profits)/losses of equity-accounted investees .....	10.5	(7.8)
(Profit)/loss on disposal of fixed assets .....	—	—
(Profit)/loss on disposal of businesses .....	(13.2)	59.1
Tax charge .....	282.1	147.5
Increase in trade and other receivables .....	(496.0)	(664.6)
Increase in inventories .....	(328.4)	(213.9)
Increase/(decrease) in trade and other payables .....	(5.4)	113.5
Decrease in provisions and employee benefits .....	(5.7)	(36.7)
Tax paid .....	(115.3)	(70.1)
<b>Net cash from operating activities .....</b>	<b>664.6</b>	<b>490.0</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment .....	3.8	—
Interest and other finance income received .....	4.2	3.0
Dividends received .....	1.7	5.4
Disposal of businesses, net of cash disposed of .....	680.3	412.6
Acquisition of property, plant and equipment .....	(235.7)	(226.3)
<b>Net cash used in investing activities .....</b>	<b>454.3</b>	<b>194.7</b>
<b>Cash flows from financing activities</b>		
Securitisation Facility .....	(1.2)	85.1
Revolving Credit Facility .....	105.4	(239.8)
Proceeds from new Senior Secured Notes .....	—	730.4
Issue costs .....	(10.7)	(72.6)
Interest paid .....	(538.1)	(609.6)
Repayment of loans .....	(662.6)	(707.4)
Capital element of finance lease payment .....	—	(0.3)
<b>Net cash used in financing activities .....</b>	<b>(1,107.2)</b>	<b>(814.2)</b>
Net increase/(decrease) in cash and cash equivalents .....	11.7	(129.5)
Cash and cash equivalents at 1 January .....	599.2	662.1
Effect of exchange rate fluctuations on cash held .....	(9.2)	14.9
<b>Cash and cash equivalents at September 30 .....</b>	<b>601.7</b>	<b>547.5</b>

The notes on the following pages are an integral part of this consolidated financial information.

# INEOS GROUP HOLDINGS

## NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

### 1. BASIS OF PREPARATION

In January 2011 the obligations of Ineos Group Holdings plc as Issuer of the Senior Notes Due 2016 were transferred to Ineos Group Holdings S.A. (Ineos Group Holdings or the “Group”), a company registered in Luxembourg. Ineos Group Holdings S.A. is now the parent company for the Group. The Group has used accounting principles for entities under common control for this restructuring and accordingly the consolidated figures have been presented as if Ineos Group Holdings S.A. had always been the parent company for the current and prior periods. Our results of operations reflect the disposal of the ChlorVinyls business at the end of January 2010, the fluorochemicals business (part of the Ineos Fluor business unit) at the end of March 2010 and the Films business at the beginning of September 2010.

On July 1, 2011 the Group disposed of its Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited, a related party. As a result of the disposal the Refining business has been treated as a discontinued operation and the comparatives have been restated accordingly (see note 7).

The consolidated financial statements include all subsidiaries of the Group. Intra-group transactions and balances have been eliminated on consolidation. The financial and operating results for any period less than a year are not necessarily indicative of the results that may be expected for a full year. The Group does not experience any significant seasonality in its operating results.

The accompanying consolidated financial statements of the Group are unaudited.

### 2. PRINCIPAL ACCOUNTING POLICIES

The financial information has been prepared and approved by the directors in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union in response to the IAS regulation (EC 1606/2002) effective as of September 30, 2011. In compliance with IAS 34, the Company has opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. The accounting policies are set out in the Ineos Group Holdings plc’s annual report for the year ended December 31, 2010.

### 3. SEGMENTAL INFORMATION

#### *Class of business*

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

The revenue and operating profit attributable to each different class of business as measured under IFRS is as follows:

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2011	2010	2011	2010
	(€in millions)		(€in millions)	
<i>Revenue</i>				
<b>Continuing operations</b>				
O&P North America .....	912.9	804.1	2,749.9	2,446.1
O&P Europe .....	1,869.5	1,654.1	5,863.0	4,911.0

Chemical Intermediates.....	2,340.4	2,228.0	7,646.3	6,699.3
Eliminations .....	(760.6)	(501.4)	(2,571.7)	(1,948.6)
<i>Revenue from continuing operations .....</i>	<i>4,362.2</i>	<i>4,184.8</i>	<i>13,687.5</i>	<i>12,107.8</i>
<b>Discontinued operations</b>				
Refining .....	—	2,013.0	6,261.8	6,697.2
Eliminations .....	—	(72.6)	(891.6)	(1,510.2)
	<u>4,362.2</u>	<u>6,125.2</u>	<u>19,057.7</u>	<u>17,294.8</u>
<i>EBITDA before exceptionals</i>				
<b>Continuing operations</b>				
O&P North America .....	126.3	118.5	431.4	297.6
O&P Europe .....	79.7	95.2	369.9	321.5
Chemical Intermediates.....	164.5	249.9	722.7	806.6
<i>EBITDA before exceptionals from continuing operations .....</i>	<i>370.5</i>	<i>463.6</i>	<i>1,524.0</i>	<i>1,425.7</i>
<b>Discontinued operations</b>				
Refining .....	—	(62.4)	126.4	(56.9)
	<u>370.5</u>	<u>401.2</u>	<u>1,650.4</u>	<u>1,368.8</u>

Reconciliation of earnings from continuing operations before operating exceptional items, interest, taxation, depreciation and amortisation ('EBITDA before exceptionals') to operating profit:

	<b>Three-Month Period Ended September 30,</b>		<b>Nine-Month Period Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(€in millions)</b>		<b>(€in millions)</b>	
<b>Continuing operations</b>				
EBITDA before exceptionals.....	370.5	463.6	1,524.0	1,425.7
Depreciation and amortisation .....	(100.4)	(103.3)	(315.4)	(341.3)
Exceptional administrative expenses .....	(16.0)	(0.3)	(33.2)	(3.2)
Operating profit from continuing operations.....	<u>254.1</u>	<u>360.0</u>	<u>1,175.4</u>	<u>1,081.2</u>

#### 4. FINANCE COSTS

	<b>Three-Month Period Ended September 30,</b>		<b>Nine-Month Period Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(€in millions)</b>		<b>(€in millions)</b>	
Interest payable on senior notes.....	56.5	59.6	168.0	151.0
Interest payable on bank loans and overdrafts .....	78.9	109.0	256.2	351.9
Interest payable on securitisation.....	10.2	9.6	31.5	27.0
Amortisation of issue costs .....	14.2	6.8	27.9	14.8
Bank consent fees.....	—	—	31.6	26.8
Other finance charges.....	12.5	—	10.7	4.2
Net fair value loss on derivatives.....	—	(4.5)	1.6	(4.5)
Total finance costs before exchange movements .....	172.3	180.5	527.5	571.2
Exchange movements .....	67.9	(132.6)	(43.6)	11.6
<b>Total finance costs .....</b>	<b><u>240.2</u></b>	<b><u>47.9</u></b>	<b><u>483.9</u></b>	<b><u>582.8</u></b>

#### 5. TAXATION

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

The effective tax rate of approximately 36% for the first nine months of 2011 reflects the fact that the carrying value of deferred tax has been reduced in line with the UK government's announcement on the reduced rate of corporation tax. The effective rate in the same period in 2010 was approximately 40% which was impacted by the loss on the disposal of the ChlorVinyls business of €159.9 million which was disallowed for tax purposes.

## 6. INVENTORIES

	September 30, 2011	December 31, 2010
	(€in millions)	
Raw materials and consumables .....	496.7	488.0
Work in progress .....	29.4	26.7
Finished products .....	1,083.0	1,740.2
	<u>1,609.1</u>	<u>2,254.9</u>

## 7. DISCONTINUED OPERATIONS

### Refining business

On July 1, 2011 the group disposed of the Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited ('IIJL'), a related party. IIJL is held under common control by our controlling shareholders. The consideration received by the Group for the disposal consisted of cash consideration of approximately \$1.015 billion received from PetroChina for a 50% interest in the business and an investment in non-voting ordinary shares in IIJL for the other 50% interest in the business. The Group effectively retains an economic interest in the Refining business by virtue of its investment in IIJL. For so long as any of the Senior Secured Notes or Senior Notes remain outstanding, the non-voting ordinary shares in IIJL will have the right to receive an amount equal to all amounts received by IIJL (net of its administrative expenses) in respect of its investments, including its equity interest, in the disposed Refining business. In addition IIJL shall be obliged to distribute to the Group, subject to applicable legal requirements, in the form of dividends or as a return of capital, all amounts received by it in respect of such investments, less such administrative expenses. For so long as any of the Senior Secured Notes and Senior Notes are outstanding, the non-voting ordinary shares will be entitled to receive all returns of capital, including upon a merger, sale or similar transaction involving, or a winding up or liquidation of, IIJL. The results of the Refining business are now reported against the share of (loss)/profit of associates and jointly controlled entities using the equity accounting method by virtue of this interest.

#### (a) Effect of the aggregated disposals on individual assets and liabilities

	€m
Goodwill .....	278.3
Investments .....	7.1
Property, plant and equipment .....	800.4
Inventories .....	899.1
Other financial assets .....	40.7
Trade and other receivables .....	763.5
Employee benefits .....	(111.6)
Deferred tax asset on employee benefits .....	33.4
Trade and other payables .....	(1,680.3)
Other creditors .....	7.1
Deferred tax asset .....	55.9
Provisions .....	(10.7)
Net assets disposed of .....	<u>1,082.9</u>
Costs of disposal .....	27.9
Cash proceeds .....	702.1
Non-voting ordinary shares in IIJL .....	<u>420.0</u>
<b>Profit on disposal of business .....</b>	<b><u>11.3</u></b>

The above net assets disposed of have been adjusted for preliminary post completion adjustments. The non-voting ordinary shares in IIJL were fair valued at €420 million. This reflects the net present value of the future cash flows expected to be realised by the Group for the ownership of these non-voting shares and takes into account the loss in control of the refining trade and assets.



*(b) Results of discontinued operations*

An analysis of the results of the Refining business operations is set out below.

	<b>Three-Month Period Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€in millions)</b>	
Revenue .....	—	2,013.0
Expenses .....	—	(2,089.4)
<b>Loss before tax of discontinued operations</b> .....	<b>—</b>	<b>(76.4)</b>
Tax .....	—	21.4
<b>Loss for the period from discontinued operations</b> .....	<b>—</b>	<b>(55.0)</b>

	<b>Nine-Month Period Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€in millions)</b>	
Revenue .....	6,261.8	6,697.2
Expenses .....	(6,172.4)	(6,830.4)
<b>Profit/(loss) before tax of discontinued operations</b> .....	<b>89.4</b>	<b>(133.2)</b>
Tax .....	(25.0)	37.3
<b>Profit/(loss) for the period from discontinued operations</b> .....	<b>64.4</b>	<b>(95.9)</b>

*(c) Cash flows from discontinued operations*

	<b>Nine-Month Period Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(€in millions)</b>	
Operating cash flows .....	13.7	(106.8)
Investing cash flows .....	(54.8)	(96.6)
Financing cash flows .....	—	—
<b>Total cash flows</b> .....	<b>(41.1)</b>	<b>(203.4)</b>

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

**8. BORROWINGS**

Borrowing obligations as of September 30, 2011 and December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
	(€in millions)	
<b>Non-current liabilities</b>		
Senior Facilities Agreement.....	2,814.5	3,468.2
Senior Secured Notes .....	701.7	715.2
Senior Notes .....	2,002.7	2,017.7
Securitisation Facility .....	735.9	746.1
Finance lease liabilities .....	8.6	6.7
Other loans .....	1.0	1.0
	<u>6,264.4</u>	<u>6,954.9</u>
<b>Current liabilities</b>		
Current portion of borrowings under Senior Facilities Agreement .....	456.0	386.8
Current portion of finance lease liabilities .....	1.6	1.1
	<u>457.6</u>	<u>387.9</u>

	September 30, 2011		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	(€in millions)		
Senior Facilities Agreement.....	3,303.3	(32.8)	3,270.5
Senior Secured Notes .....	717.6	(15.9)	701.7
Senior Notes .....	2,028.5	(25.8)	2,002.7
Securitisation Facility .....	740.5	(4.6)	735.9
Other .....	11.2	—	11.2
	<u>6,801.1</u>	<u>(79.1)</u>	<u>6,722.0</u>

	December 31, 2010		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	(€in millions)		
Senior Facilities Agreement.....	3,907.0	(52.0)	3,855.0
Senior Secured Notes .....	733.9	(18.7)	715.2
Senior Notes .....	2,047.9	(30.2)	2,017.7
Securitisation Facility .....	753.0	(6.9)	746.1
Other .....	8.8	—	8.8
	<u>7,450.6</u>	<u>(107.8)</u>	<u>7,342.8</u>

**Terms and debt repayment schedule**

	Currency	Nominal interest rate	Year of maturity
		<b>LIBOR/EURIBOR</b>	
Senior Facilities Agreement.....	\$/€	plus 5.0%-7.0%	2013-2015
Senior Secured Notes .....	\$/€	9.0%-9.25%	2015
Senior Notes .....	\$/€	7.9%-8.5%	2016
Securitisation Facility .....	\$/€/£	Variable	2013
Other .....	€/¥	7.0-9.0%	2011-2016

### ***Senior Facilities Agreement***

The Company has outstanding borrowings under a facilities agreement (the “Senior Facilities Agreement”) which consists of Term Loans (“Term Loan A”, “Term Loan B”, “Term Loan C” and “Term Loan D”), and a revolving credit facility (the “Revolving Credit Facility”). The Term Loans outstanding at September 30, 2011 before issue costs were €2,859.7 million (December 31, 2010: €3,568.8 million), of which €23.2 million (December 31, 2010: €63.3 million) is due within one year. The total amounts outstanding on Term Loan A were €nil million (December 31, 2010: €68.1 million), Term Loan B were €1,055.6 million (December 31, 2010: €1,366.9 million), Term Loan C were €1,154.1 million (December 31, 2010: €1,483.8 million), Term Loan D were €650.0 million (December 31, 2010: €650.0 million). The Revolving Credit Facility outstanding at September 30, 2011 before issue costs was €443.6 million (December 31, 2010: €338.2 million).

Term Loan A is now fully repaid. Term Loan B is repayable in annual installments of 1.0% until the final year before maturity where it is repayable in semi-annual installments of 48.5% of the principal amount of the loan up until the final repayment on December 16, 2013. Term Loan C is repayable in annual installments of 1.0% until the final year before maturity where it is repayable in semi-annual installments of 48.0% of the principal amount of the loan up until the final repayment on December 16, 2014. Term Loan D is repayable in full on June 16, 2015. The Revolving Credit Facility matures on December 16, 2013.

The Term Loans and Revolving Credit Facility bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum cash margins as at September 30, 2011 are 4.00% per annum for the Term Loan A facility; 4.50% per annum for the Term Loan B facility; 5.00% per annum for the Term Loan C facility; 5.00% per annum for Revolving Credit Facility; and 6.00% per annum for the Term D Loan Facility. With effect from July 17, 2009 the Term Loans are also subject to a Payment in Kind (‘PIK’) margin of 2.00% per annum.

The cash margin on the Revolving Credit Facility is subject to a reduction based on certain financial tests. The PIK margin on the Term Loans is subject to a reduction based upon achieving certain reductions in total leverage, together with achieving certain credit ratings with Moody’s and Standard and Poor.

The Group has achieved the required corporate credit ratings with Standard and Poor’s and Moody’s. The Group’s net debt leverage is below 4.0 times as at September 30, 2011. This has resulted in the initial PIK margin on the Term Loans of 2.00% per annum being reduced to nil per annum and the cash margin on the Revolving Credit Facility being reduced from an initial 6.00% per annum to 4.00% per annum with effect from November 1, 2011.

A US dollar LIBOR floor of 3.00% applies to all US dollar denominated Term Loans and is payable in cash. A EURIBOR floor of 3.00% applies to all Euro denominated Term Loans. The EURIBOR floor is payable in cash with effect from May 12, 2010. Prior to that date, the difference between the actual EURIBOR at the start of each interest period and the floor was accrued over the period and is not payable in cash until the final repayment dates of the applicable loans.

Ineos Holdings Limited and substantially all of its material subsidiaries are guarantors of the Senior Facilities Agreement. Their obligations are secured by fixed and floating charges over all of the assets of Ineos Holdings Limited and substantially all of the assets of those material subsidiaries.

The Senior Facilities Agreement contains numerous customary operating and financial covenants including requirements to maintain minimum coverage of interest expense, minimum coverage of total debt service and a maximum leverage ratio. In addition, the Senior Facilities Agreement includes covenants relating to, among other things, limitations on indebtedness, ability to give guarantees, creation of security interests, making acquisitions and investments, disposing of assets and paying dividends.

The term loans are stated net of debt issue costs of €32.8 million (December 31, 2010: €52.0 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### **Senior Secured Notes**

The Senior Secured Notes are listed on the Luxembourg Stock Exchange and comprise €300.0 million (December 31, 2010: €300.0 million) Senior Secured Notes due 2015 (the “Secured Euro Notes”) and \$570.0 million (December 31, 2010: \$570.0 million) Senior Secured Notes due 2015 (the “Secured Dollar Notes”). The Senior Secured Notes bear interest at 9.25% per annum for the Secured Euro Notes and 9.0% for the Secured Dollar Notes, payable semi-annually in arrears on May 15 and November 15 of each year. Unless previously redeemed as noted below, the Senior Secured Notes will be redeemed by the Group at their principal amount on May 15, 2015.

The Senior Secured Notes will be subject to redemption at any time on or after May 15, 2013, at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning May 15, of the years indicated below:

<b>Year</b>	<b>Secured Euro Notes Redemption Price</b>	<b>Secured Dollar Notes Redemption Price</b>
2013 .....	104.625%	104.500%
2014 and thereafter.....	100.000%	100.000%

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

The Senior Secured Notes rank pari passu with the Term Loans under the Senior Facilities Agreement and are structurally senior to the Senior Notes due 2016. The notes are guaranteed by Ineos Group Holdings Limited, Ineos Holdings Limited and certain of their subsidiaries on a senior secured basis.

The notes and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure Ineos Holdings Limited’s obligations under the senior secured credit facility.

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

The Senior Secured Notes are stated net of debt issue costs of €15.9 million (December 31, 2010: €18.7 million). These costs are allocated to the profit and loss account over the term of the Senior Notes.

### **Senior Notes**

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,532.1 million (December 31, 2010: €1,532.1 million) Senior Notes due 2016 (the “Euro Notes”) and \$677.5 million (December 31, 2010: \$677.5 million) Senior Notes due 2016 (the “Dollar Notes”). The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year. Unless previously redeemed as noted below, the Senior Notes will be redeemed by the Group at their principal amount on 15 February 2016.

The Senior Notes will be subject to redemption at any time on or after 15 February 2011, at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning 15 February of the years indicated below:

<b>Year</b>	<b>Euro Notes redemption price</b>	<b>Dollar Notes redemption price</b>
2011 .....	103.938%	104.250%
2012 .....	102.625%	102.833%
2013 .....	101.313%	101.417%
2014 and thereafter.....	100.0%	100.0%

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

The Senior Notes are secured by junior pledges of all of the shares of Ineos Holdings Limited. The Senior Notes are guaranteed by Ineos Holdings Limited, and its material operating subsidiaries on an unsecured senior subordinated basis. Such guarantees only become due 179 days after an event of default on the Senior Notes has occurred or earlier under certain circumstances.

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

The Senior Notes are stated net of debt issue costs of €25.8 million (December 31, 2010: €30.2 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### ***Receivables Securitisation Facility***

The Company has entered into a €1,200 million receivables securitisation facilities agreement (“Receivables Securitisation Facility”) which matures in July 2013. The total amount outstanding at September 30, 2011 was €740.5 million (December 31, 2010: €753.0 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €4.6 million (December 31, 2010: €6.9 million).

## **9. CONTINGENCIES**

The Company is subject to various proceedings instituted by governmental authorities arising under the provisions of applicable laws or regulations relating to the discharge of materials into the environment or otherwise relating to the protection of the environment. In management’s opinion, none of the proceedings is material to the financial condition or results of operation of the Company.

## **10. RELATED PARTIES**

Mr JA Ratcliffe, Mr AC Currie and Mr J Reece were partners in Ineos Capital Partners. Ineos Capital Partners provided operational management services to the Group through a management services agreement. The management services agreement was novated from Ineos Capital Partners to Ineos AG, the ultimate parent company, in April 2010. Ineos AG (previously Ineos Capital Partners) management fees of €2.8 million (September 30, 2010: €50.4 million) were charged to the income statement during the nine-month period ended September 30, 2011. At September 30, 2011, amounts owed to Ineos AG (previously Ineos Capital Partners) were €74.7 million (September 30, 2010: €47.4 million). Amounts due from Ineos AG were €25.7 million (September 30, 2010: €0.1 million).

Ineos AG owns and controls Kerling plc. The Group has made sales to the Kerling Group of €24.6 million (September 30, 2010: €27.1 million) and recovered costs of €0.3 million (September 30, 2010: €nil million) during the nine-month period ended September 30, 2011. €2.1 million (September 30, 2010: €2.4 million) was owed by and €13.7 million (September 30, 2010: €13.3 million) was owed to the Kerling Group as at September 30, 2011.

Ineos AG owns and controls Ineos Industries Limited. The Group has made sales to the Ineos Industries Group of €53.1 million (September 30, 2010: €38.0 million), recovered costs of €7.4 million (September 30, 2010: €7.7 million) and made purchases of €13.2 million (September 30, 2010: €11.3 million) during the nine-month period ended September 30, 2011. €205.8 million (September 30, 2010: €140.9 million) was owed by and €1.3 million (September 30, 2010: €3.5 million) was owed to the Ineos Industries Group as at September 30, 2011.

There were a number of transactions with joint ventures, all of which arose in the normal course of business. The Group has made sales to joint ventures of €264.4 million (September 30, 2010: €105.4 million),

recovered costs of €20.0 million (September 30, 2010: €6.3 million) and made purchases of €478.6 million (September 30, 2010: €254.1 million) for the nine-month period ended September 30, 2011. At September 30, 2011, €76.7 million (September 30, 2010: €35.7 million) was owed by joint ventures and €17.9 million (September 30, 2010: €38.0 million) was owed to joint ventures.

INEOS Finance PLC

Annual report

for the period ended 31 December 2010

Contents

## **Directors' report for the period ended 31 December 2010**

The directors present their report and the audited financial statements of the Company for the period ended 31 December 2010.

The Company was incorporated on 23 November 2009 as Kerling 2 PLC and changed its name to INEOS Finance PLC on 31 March 2010. The financial statements include the results from incorporation to 31 December 2010.

### ***Principal activities***

The principal activity of the Company is to act as a finance company for the INEOS group of companies.

### ***Review of the business and future developments***

The directors consider the development of the Company's business during the period to be satisfactory. The directors do not expect any change in the Company's activities during the next financial year.

On 15 May 2010 the Company successfully issued Senior Secured Notes comprised of €300.0 million Senior Secured Notes due 2015 (the "Secured Euro Notes") and \$570.0 million Senior Secured Notes due 2015 (the "Secured Dollar Notes"). The Notes were subsequently listed on the Luxembourg Stock Exchange. The Notes bear interest at 9.25% per annum for the Secured Euro Notes and 9.00% for the Secured Dollar Notes, payable semi-annually in arrears. The proceeds from the issue of the Notes were lent to INEOS Holdings Limited, the immediate parent undertaking, to repay a proportion of its indebtedness under the Group's senior bank facility.

### ***Results and dividends***

The results of the Company are set out in the profit and loss account on page 4 which shows a result for the financial period ended 31 December 2010 of €nil. The directors do not recommend the payment of a final dividend.

### ***Key performance indicators***

Given the close involvement of the shareholders in the running of the business, the directors believe that the current level of disclosures within the Directors' Report is sufficient to give an understanding of the development, performance and position of the business.

### ***Directors***

The directors who held office during the year and up to the date of signing the financial statements are given below:

M J Maher	(appointed 23 November 2009; resigned 23 April 2010)
A J Reed	(appointed 23 November 2009; resigned 23 April 2010)
C E Tane	(appointed 23 November 2009; resigned 23 April 2010)
C G Maclean	(appointed 22 April 2010; resigned 21 September 2010)
G Leask	(appointed 22 April 2010)
J W Dawson	(appointed 21 September 2010)



## **Directors' report for the period ended 31 December 2010 (continued)**

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors confirm that as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that they have taken all steps necessary as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### ***Independent auditors***

During the period PricewaterhouseCoopers LLP were appointed as auditors to the Company. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the Annual General Meeting.

By order of the Board

**M Stokes**

Company Secretary  
16 June 2011

# **Independent auditors' report to the members of INEOS Finance PLC**

We have audited the financial statements of INEOS Finance PLC for the period ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## ***Respective responsibilities of directors and auditors***

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## ***Scope of the audit of the financial statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## ***Opinion on financial statements***

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## ***Opinion on other matter prescribed by the Companies Act 2006***

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## ***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Steve Denison (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
16 June 2011

## Profit and loss account for the period ended 31 December 2010

	Note	2010 €m
Interest receivable and similar income	4	43.0
Interest payable and similar charges	4	(43.0)
<b>Profit on ordinary activities before taxation</b>		-
Tax on profit on ordinary activities		-
<b>Profit on ordinary activities after taxation</b>		-

All the activities of the company relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

## Balance sheet as at 31 December 2010

	Note	2010 €m
<b>Current assets</b>		
Debtors: amounts due within one year	5	8.8
Debtors: amounts due after more than one year	5	733.9
		742.7
Creditors: amounts falling due within one year	6	(8.7)
<b>Total assets less current liabilities</b>		734.0
Creditors : amounts falling due after more than one year	7, 8	(733.9)
<b>Net assets</b>		0.1
<b>Capital and reserves</b>		
Called up equity share capital	9	0.1
Profit and loss account	10	-
<b>Total shareholders' funds</b>	11	0.1

The financial statements on pages 4 to 10 were approved by the board of directors on 16 June 2011 and were signed on its behalf by:

G Leask  
Director

## **Statement of accounting policies**

### ***Basis of accounting***

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

### ***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax assets and liabilities which have been recognised have not been discounted.

### ***Cash flow and related party transactions***

The company is a wholly owned subsidiary of INEOS Holdings Limited and is included in the consolidated financial statements of a parent company INEOS Limited. Consequently, the company has taken advantage of the exemptions from preparing a cash flow statement under the terms of Financial Reporting Standard Number 1 'Cash flow statements' (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard Number 8 'Related party transactions' from disclosing related party transactions with entities that are part of the INEOS Limited group.

### ***Foreign currency***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account in the period in which they occur.

# Notes to the financial statements for the period ended 31 December 2010

## Reporting currency

The financial statements are expressed in Euros as the Group of Companies that it is a part of primarily generates income, incurs expenditure and has the majority of its assets and liabilities denominated in Euros.

The exchange rate as at 31 December 2010 was €1.17412 to £1.

## Auditor's remuneration

The audit fee has been included in the overall audit fee for INEOS Limited in the period and is not separately recharged to the company.

## Employees and directors

Neither the directors nor the secretary received any emoluments during the year in respect of their services to the company. No other persons were employed during the year.

## Interest and similar items

	2010
	€m
<b>Interest receivable and similar income</b>	
Interest receivable from group undertakings	43.0
<b>Interest payable and similar charges</b>	
Interest payable on Senior Secured Notes	(43.0)

Exchange differences on foreign currency denominated loan balances have been recognised in the profit and loss account in accordance with SSAP 20, as explained in the Statement of accounting policies.

## Debtors

	2010
	€m
<b>Amounts falling due within one year</b>	
Amounts due from group undertakings	8.8
<b>Amounts falling due after more than one year</b>	
Amounts due from group undertakings	733.9

## Creditors – Amounts falling due within one year

	2010
	€m
Accruals and deferred income	8.7

## Creditors – Amounts falling due after more than one year

	2010
	€m
Senior Secured Notes due 2015	733.9

## Borrowings

Gross borrowings are repayable as follows:	2010
	€m
Due between 2 and 5 years	733.9

### Senior Secured Notes

The Senior Secured Notes are listed on the Luxembourg Stock Exchange and comprise €300.0 million Senior Secured Notes due 2015 (the “Secured Euro Notes”) and \$570.0 million Senior Secured Notes due 2015 (the “Secured Dollar Notes”). The Senior Secured Notes bear interest at 9.25% per annum for the Secured Euro Notes and 9.0% for the Secured Dollar Notes, payable semi-annually in arrears on May 15 and November 15 of each year. Unless previously redeemed as noted below, the Senior Secured Notes will be redeemed by the Group at their principal amount on May 15, 2015.



The Senior Secured Notes will be subject to redemption at any time on or after May 15, 2013, at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning May 15, of the years indicated below:

<b>Year</b>	<b>Secured Euro Notes Redemption Price</b>	<b>Secured Dollar Notes Redemption Price</b>
2013	104.625%	104.500%
2014 and thereafter	100.000%	100.000%

In each case, the redemption premium will be in addition to accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date). The Senior Secured Notes rank pari passu with the Term Loans under the Senior Facilities Agreement and are structurally senior to the Senior Notes due 2016 held within other subsidiaries of the group. Further details in relation to these facilities has been included within the financial statements of Ineos Group Holdings plc. The notes are guaranteed by Ineos Group Holdings plc, Ineos Holdings Limited and certain of their subsidiaries on a senior secured basis. The notes and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure Ineos Holdings Limited's obligations under the senior secured credit facility. The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

## Called up share capital

	2010
	€m
<hr/>	
<b>Allotted, issued and fully paid</b>	
Equity	
50,000 ordinary shares of £1 each	0.1

As the reporting currency of the Company is the Euro, share capital has been converted to Euros at the effective rate of exchange ruling at the date of issuance.

## Profit and loss account

	€m
At incorporation	-
Retained profit for the financial period	-
<b>At 31 December 2010</b>	<b>-</b>

## Reconciliation of movements in total shareholders' funds

	2010
	€m

Profit for the financial period	-
Net proceeds from issue of ordinary share capital	0.1
Opening total shareholders' funds	-
<b>Closing total shareholders' funds</b>	<b>0.1</b>

## Ultimate parent undertaking and controlling party

The immediate parent undertaking is Ineos Holdings Limited, a company incorporated in England and Wales. The ultimate parent company at 31 December 2010 was INEOS AG, a company incorporated in Switzerland. INEOS Group Holdings plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. Copies of the accounts of INEOS Group Holdings plc can be obtained from the Company Secretary, INEOS Group Holdings Plc, Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG. The directors regard Mr J A Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in the ultimate parent undertakings INEOS AG.

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**REGISTERED OFFICE OF THE ISSUER**

**INEOS Finance plc**  
Hawkslease  
Chapel Lane  
Lyndhurst  
Hampshire SO43 7FG  
United Kingdom

**LEGAL ADVISORS TO THE ISSUER**

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United Kingdom

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*As to U.S. and English law*  
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**LEGAL ADVISOR TO THE TRUSTEE**

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United Kingdom

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United Kingdom

**REGISTRAR, LUXEMBOURG LISTING AGENT,  
PAYING AGENT AND TRANSFER AGENT**

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**SECURITY TRUSTEE**

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United Kingdom

**U.S. PAYING AGENT AND  
TRANSFER AGENT**

**The Bank of New York Mellon**  
101 Barclay Street  
New York, New York 10286  
United States of America



INEOS Finance plc

\$1,000,000,000 8<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2019  
€500,000,000 Floating Rate Senior Secured Notes due 2019

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OFFERING MEMORANDUM

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Barclays Capital  
J.P. Morgan  
BofA Merrill Lynch  
Citigroup  
Deutsche Bank  
Goldman Sachs International  
HSBC  
Lloyds Securities  
Morgan Stanley  
UBS Investment Bank

March 21, 2012

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