OFFERING MEMORANDUM

INEOS

Ineos Group Holdings plc

€1,750,000,000 7⅞% Senior Notes due 2016
$750,000,000 8½% Senior Notes due 2016

The Notes will be jointly and severally guaranteed on an unsecured senior subordinated basis by certain of our subsidiaries.

The €1,750,000,000 7⅞% Senior Notes due 2016 (the "Euro Notes") and the $750,000,000 8½% Senior Notes due 2016 (the "Dollar Notes" and, together with the Euro Notes, the "notes") will be issued by Ineos Group Holdings plc (the "Issuer"). Interest will be paid on the notes on February 15 and August 15 of each year, beginning August 15, 2006. The notes will mature on February 15, 2016. Some or all of the notes may be redeemed prior to February 15, 2011 by paying 100% of the principal amount of such notes plus a make-whole premium and at any time on or after February 15, 2011 at the redemption prices set forth in this offering memorandum. In addition, at any time on or prior to February 15, 2009, up to 35% of the aggregate principal amount of each of the Euro Notes and the Dollar Notes may be redeemed with the net proceeds of certain equity offerings at 107.875% of the principal amount of the Euro Notes and 108.500% of the principal amount of the Dollar Notes, in each case, plus accrued interest, if at least 65% of the originally issued aggregate principal amount of each of the Euro Notes and the Dollar Notes remains outstanding.

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 a change in law. Upon the occurrence of certain change of control events, each holder of notes may require the Issuer to repurchase all or a portion of its notes.

The notes will be the Issuer's senior obligations and, upon issuance, will be secured by junior pledges of all of the shares of Ineos Holdings Limited and the claims under the intercompany funding loan representing the proceeds of the offering of the notes. These pledges will rank junior to pledges of these assets securing certain senior debt, including the Senior Secured Credit Facilities, as well as pledges securing certain second secured liabilities, including the Term D Facility. The notes will rank equally in right of payment with all of the Issuer's existing and future senior debt and senior to any of the Issuer's future subordinated debt. Certain of the Issuer's subsidiaries will jointly and severally guarantee the notes on an unsecured senior subordinated basis. The guarantees will be unsecured senior subordinated obligations of the guarantors and will rank equally with all of their existing and future senior subordinated debt and will be subordinated in right of payment to all of their existing and future senior debt (as well as any debt consisting of guarantees of certain second secured liabilities, including the Term D Facility, which may rank behind senior guarantees and ahead of the guarantees of the notes), including their guarantees under the Senior Secured Credit Facilities. The notes and the guarantees will also be effectively subordinated to all the Issuer's and the guarantors' existing and future secured debt to the extent of the value of the assets securing such debt.

Currently there is no public 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.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 25 of this offering memorandum.

Offering price for the notes: 100% plus accrued interest, if any.

The notes have not been registered under the US Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, we are offering the notes only to qualified institutional buyers under Rule 144A and to persons outside the United States in reliance on Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "Notice to Investors".

The notes will be ready for delivery, in book-entry form only, on or about February 7, 2006.

Joint Book-Running Managers

Merrill Lynch International **Barclays Capital** **Morgan Stanley**

Sole Global Coordinator

Co-Managers

Lloyds TSB **Mizuho** **UBS Investment Bank**

The date of this offering memorandum is January 31, 2006.

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You should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the initial purchasers are not, making an offer to sell the notes in any jurisdiction except where the offer or sale is permitted. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

We are relying on an exemption from registration under the US Securities Act of 1933, as amended, for offers and sales of securities that do not involve a public offering. By purchasing 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 will be required to bear the financial risks of your investment for an indefinite period of time.

This offering memorandum may only be used for the purposes for which it has been published. We accept responsibility for the accurate reproduction of the information included in this offering memorandum.

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

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.

You should contact the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this offering memorandum.

We reserve the right to withdraw this 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 notes sought by such purchaser. The initial purchasers and certain related entities may acquire for their own account a portion of the notes. See "Plan of Distribution".

In connection with the offering, Merrill Lynch International (or persons acting on its 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. If Merrill Lynch International (or persons acting on its behalf) creates a short position in the notes in connection with the offering, *i.e.*, if it sells more notes than are listed on the cover page of this offering memorandum, it may reduce that short position by purchasing notes in the open market. 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.

Neither we nor Merrill Lynch International 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 Merrill Lynch International make any representation that the initial purchasers 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 date on which the Issuer received the proceeds of the issue and 60 days after the date of the allotment of the notes.

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.

Neither the US Securities and Exchange Commission, any state securities commission nor any other regulatory authority has approved or disapproved these securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

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.

NOTICE TO US INVESTORS

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

The notes 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. For a description of certain further restrictions on resale or transfer of the notes, 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 NOTE TO THE PUBLIC.

NOTICE TO EEA INVESTORS

In relation to each Member State of the European Economic Area 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 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 notes to the public in the Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an "offer of 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 and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO UK INVESTORS

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments 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 or (iii) 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 document relates is available only to relevant persons and will be engaged in only with relevant persons. The notes are being offered solely to "qualified investors" as defined in Directive 2003/71/EC (the "Prospectus Directive") and accordingly the offer of notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

NOTICE TO LUXEMBOURG RESIDENTS

This offering should not be considered a public offering 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.

NOTICE TO ITALIAN INVESTORS

The offering of the notes in Italy has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly: (i) the notes cannot be offered, sold or delivered in the Republic of Italy ("Italy") in a solicitation to the public at large (*sollecitazione all'investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislation Decree no. 58 of February 24, 1998 (the "Financial Services Act"), nor may any copy of this offering memorandum or any other document relating to the notes be distributed in Italy, (ii) **the notes cannot be offered, sold and/or delivered, nor may any copy of this offering memorandum or any other document relating to the notes be distributed, either in the primary or in the secondary market, to individuals resident in Italy,** and (iii) sales of the notes in Italy shall only be: (a) negotiated with "Professional Investors" (*operatori qualificati*), as defined under Article 31, paragraph 2, of CONSOB Regulation no. 11522 of July 1, 1998, as amended ("CONSOB Regulation 11522"), (b) effected in compliance with Article 129 of the Legislative Decree no. 385 of September 1, 1993 (the "Italian Banking Act") and the implementing instructions of the Bank of Italy, (c) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Italian Banking Act, the Financial Services Act, CONSOB Regulation 11522 and all the other relevant provisions of Italian law, and (d) effected in accordance with any other Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

NOTICE TO GERMAN INVESTORS

The offering of the notes is not a public offering in the Federal Republic of Germany. The notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapier-prospektgesetz, WpPG*) and any other applicable German law. Consequently, in Germany, the notes will only be available to and this offering memorandum and any other offering material in relation to the notes is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act. Any resale of the notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

NOTICE TO IRISH INVESTORS

The notes may be offered or sold in Ireland only in accordance with the European Communities (Stock Exchange) Regulations 1984, the European Communities (Transferable Securities and Stock Exchange) Regulations 1992, the Investment Intermediaries Act, 1995 (as amended) and the Companies Act 1963 to 2001 and all other applicable Irish laws and regulations.

NOTICE TO SPANISH INVESTORS

The notes may not be offered or sold in Spain except in accordance with the requirements of the Spanish Securities Market Law (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), as amended and restated, and Royal Decree 291/1992, on issues and public offerings for the sale of securities (*Real Decreto 291/1992, de 27 de marzo, sobre emisiones y ofertas públicas de venta de valores*), as amended and restated, and the decrees and regulations made thereunder. The notes may not be sold, offered or distributed to persons in Spain except (i) in circumstances which do not constitute an offer of securities in Spain within the meaning of Spanish Securities Market Law and further relevant legislation or (ii) pursuant to Article 7 of Royal Decree 291/1992 and subject to compliance with the registration requirements set out therein. This offering memorandum has not been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore it is not intended for the offering or sale of the notes in Spain.

NOTICE TO SWEDISH INVESTORS

This offering memorandum has not been and will not be registered with the Swedish Financial Supervisory Authority. 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 Financial Instruments Trading Act (1991:980).

NOTICE TO FRENCH INVESTORS

The notes have not been and will not be offered or sold to the public in France (*appel public à l'épargne*), and no offering or marketing materials relating to the notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in the Republic of France.

The notes may only be offered or sold in the Republic of France to qualified investors (*investisseurs qualifiés*) and/or to a limited group of investors (*cercle restreint d'investisseurs*) as defined in and in accordance with articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and Decree n°98-880 dated October 1, 1998.

Prospective investors are informed that:

(i) this offering memorandum has not been submitted for clearance to the French financial market authority (*Autorité des Marchés Financiers*);

(ii) in compliance with the Decree n°98-880 dated October 1, 1998, any investors subscribing for the notes should be acting for their own account; and

(iii) 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 of the French *Code monétaire et financier*.

NOTICE TO DUTCH INVESTORS

Each of the initial purchasers represents and agrees that (a) it is a professional market party ("PMP") within the meaning of Section 1(e) of the Exemption Regulation of June 26, 2002 in respect of the Act on the Supervision of the Credit System 1992 (*Vrijstellingsregeling Wtk 1992*), as amended from time to time (the "Exemption Regulation"), where applicable read in conjunction with the policy rules of the Dutch Central Bank (*de Nederlandsche Bank N.V.*) on key concepts of market access and enforcement of the Act on the Supervision of the Credit System 1992 (*Wet toezicht kredietwezen 1992*) published on December 29, 2004 (*Beleidsregel 2005 kernbegrippen markttoetreding en handhaving Wtk 1992*) (the "Policy Rules"), and Section 2 of the Policy Rules, as amended, supplemented and restated from time to time and (b) it has offered or sold and will offer or sell, directly or indirectly, as part of the initial distribution or at any time thereafter, the notes exclusively (i) to PMPs as reasonably identified by the Issuer on the Issue Date or (ii) to persons which cannot reasonably be identified as PMPs by the Issuer on the Issue Date, provided that the notes have a denomination of €50,000 (or the equivalent in any other currency) and shall upon their issuance be included in a clearing institution that is established in an EU Member State, the United States, Japan, Australia, Canada or Switzerland; so that it can reasonably be expected that the initial purchasers will transfer the notes exclusively to other PMPs.

Generally, notes (including rights representing an interest in a global note) may not be offered, sold, transferred or delivered at any time by anyone, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands ("Dutch Residents") other than to PMPs acquiring the notes for their own account. Dutch Residents, by purchasing notes (or any interest therein), will be deemed to have represented and agreed for the benefit of the Issuer that (i) they are a PMP and acquire the notes for their own account, (ii) such notes (or any interest herein) may not be offered, sold, pledged or otherwise transferred to Dutch Residents other than to a PMP acquiring for its own account or for the account of another PMP and (iii) they will provide notice of this transfer restriction to any subsequent transferee.

In addition, and without prejudice to the relevant restrictions set out above, the notes that are offered in The Netherlands, may only be offered and such an offer may only be announced: (i) if the notes have a denomination of at least €50,000 or the equivalent in any other currency; (ii) if the notes, irrespective of their denomination, can be acquired only as a package for a consideration of at least €50,000 or the equivalent in any other currency; and/or (iii) to professional market parties within the meaning of Section 1a paragraph 3 of the Exemption Regulation to the Dutch Securities Supervision Act 1995 (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*); and otherwise (iv) in accordance with the Dutch Securities Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*) and corresponding regulations, as amended from time to time.

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 and the Danish Executive Order No. 166 of March 13, 2003 on the First Public Offer of Certain Securities issued pursuant hereto as amended from time to time.

NOTICE TO AUSTRIAN INVESTORS

The notes may be offered and sold in Austria only in accordance with the provisions of the Banking Act, the Securities Supervision Act of Austria (*Bankwesengesetz* and *Wertpapieraufsichtsgesetz*) and any other applicable Austrian law. The notes have not been admitted to public offer in Austria under the provisions of the Capital Market Act or the Investment Fund Act or the Exchange Act (*Kapitalmarktgesetz, Investmentfondsgesetz* or *Börsengesetz*). Consequently, in Austria, the notes may not be offered or sold directly or indirectly by way of a public offering in Austria and will only be available to a limited group of persons within the scope of their professional activities.

CERTAIN DEFINITIONS AND PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

- all references to "we", "us" or "our" are to Ineos Group Holdings plc and its consolidated subsidiaries, including after giving effect to the Innovene Acquisition (defined below);
- all references to the "Issuer" are to Ineos Group Holdings plc and not to any of its subsidiaries;
- all references to "Ineos Group Holdings" or "Ineos" are to Ineos Group Holdings plc and its consolidated subsidiaries prior to giving effect to the Innovene Acquisition;
- all references to "Ineos Capital" are to Ineos Capital Limited or to Ineos Capital Partners;
- all references to "Innovene" and the "Innovene business" refer to (a) all of BP's petrochemical operating units for olefins, polymers and other derivatives (including, unless otherwise stated, the results and assets attributable to certain ethylene oxide and glycol production assets in Cologne, Germany (the "Dormagen EOG Business"), our proposed acquisition of which is subject to review by the European Commission competition authorities) but excluding BP's Pasadena LAO operations, the Gelsenkirchen naphtha-cracking operations and the Munchmunster olefins operation ("O&D"), (b) two integrated refinery plants in Grangemouth, United Kingdom and Lavéra, France, (c) a gas fractionator located in Hobbs, New Mexico and certain related pipelines and (d) existing O&D strategic joint venture investments other than BP's joint ventures with SECCO and in Malaysia, prior to giving effect to the Innovene Acquisition;
- all references to the "Innovene Acquisition" are to the purchase by Ineos Group Holdings on December 16, 2005 of all of the shares and assets comprising the Innovene business (other than the Dormagen EOG business) and the entering into of the other agreements described in the section titled "The Acquisition" in this offering memorandum;
- all references to "BP" are to BP p.l.c. and its consolidated subsidiaries;
- all references to the "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, Ineos Holdings Limited ("IHL"), certain subsidiaries of Ineos Holdings Limited and Ineos Group Limited; and
- all references to the "Transactions" refer to the following:
    - the acquisition of the Innovene business for approximately $9.0 billion in cash (including the repayment of Innovene's existing indebtedness owed to BP and amounts allocated to the Dormagen EOG Business), subject to certain purchase price adjustments;
    - the put and call options granted by Ineos and BP to each other over the Dormagen EOG Business;
    - the borrowing of approximately €1.3 billion and approximately $2.3 billion under a senior subordinated unsecured bridge credit facility (the "Bridge Facility");
    - the borrowing of up to approximately €5.1 billion and approximately $2.5 billion under our new senior secured credit facilities (the "Senior Secured Credit Facilities"), consisting of approximately €3.5 billion and approximately $1.9 billion under senior secured term loan facilities, €830 million and $564 million under senior secured borrowing base facilities (the "Borrowing Base Facilities"), and the establishment of an €800 million senior secured revolving credit facility (the

"Revolving Credit Facility"), €390 million of which has been or will be used to replace or support letters of credit, surety bonds and bank guarantees issued by BP on behalf of Innovene, to issue letters of credit to BP in connection with our obligations to BP under the Reorganization Agreements and Commercial Interface Agreements, as described under the caption "The Acquisition" included elsewhere in this offering memorandum and to support bank guarantees issued by Barclays Bank PLC to support obligations of Ineos Chlor guaranteed by us;

- the borrowing of €400 million under a second secured credit facility (the "Term D Facility") under the same credit agreement (the "Senior Facilities Agreement") as the Senior Secured Credit Facilities;
- the issuance and sale of approximately €2,355 million of the notes offered hereby, comprised of €1,750 million of Euro Notes and $750 million of Dollar Notes (translated at an exchange rate of $1.24 = €1.00);
- the repayment of the Bridge Facility;
- the repayment of certain amounts outstanding under Ineos Group Holdings's existing senior credit facilities; and
- the payment of fees and expenses, including placement and other financing fees, breakage costs associated with the repayment of debt, advisory fees and other transaction costs and professional fees (including an advisory fee to and costs incurred by Ineos Capital) and a distribution to the shareholders of our parent company, Ineos Group Limited that we intend to make.

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 "UK" are to the United Kingdom; all references to "pounds sterling", "sterling", "British pounds" or "£" are to the lawful currency of the United Kingdom; all references to the "United States" or the "US" are to the United States of America; all references to "US$", "US dollars", "dollars" or "$" are to the lawful currency of the United States. Unless otherwise specified, dollar amounts that have been aggregated with euro amounts are expressed in euro using an exchange rate of $1.20 = €1.00.

Unless otherwise stated, references to capacities of Ineos's facilities refer to the "nameplate capacities", or theoretical maximum production capacity of such facilities; the effective capacity of such facilities may, however, actually be more or less than the nameplate capacity due to the current operating conditions and asset configuration of each facility.

Innovene calculates capacity differently from Ineos, and unless otherwise stated, capacity for Innovene's facilities is calculated as the result of (1) the aggregate maximum sustainable daily rate ("MSDR") for all of its facilities multiplied by the actual number of days in the period for which the calculation is made, minus (2) on an average annual basis, the expected amount of volumes expected to be lost due to reliability constraints inherent in the operation of a facility, scheduled turnarounds and transition products. Transition products result when a production unit is adjusted to change product grades, typically in response to customer requirements. Because such adjustments are made while the unit is up and running, it may temporarily yield products which do not fit within a specific grade level. For each facility, the MSDR is calculated by dividing the highest monthly production volumes ever achieved by that facility by the number of days in the month in which those volumes were achieved, subject to adjustment in the event that the facility was unable to operate at its full potential in the relevant month. Capacity figures are reviewed annually for each facility and typically adjusted upwards each year due to upgrades or expansions. Innovene excludes from capacity figures production volumes expected to be lost due to anticipated manufacturing constraints in order to give a more realistic picture of the volumes it is able to achieve.

All references to "tonnes" are to metric tonnes.

All Innovene financial information includes the Dormagen EOG Business, our acquisition of which is subject to review by the European Commission competition authorities. The estimated revenues and Adjusted EBITDA associated with these assets were €253 million and €41 million, respectively, for the twelve months ended September 30, 2005. See "Use of Non-GAAP Financial Measures" for a description of how Innovene calculates Adjusted EBITDA. A $130 million subtranche of the Senior Secured Credit Facilities has been used to support a letter of credit issued to BP in connection with our acquisition of the Dormagen EOG Business or, in the event we are unable to acquire the Dormagen EOG Business, to cover any shortfall or expenses incurred by BP in connection with a third party sale of the Dormagen EOG Business or its decommissioning.

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 chart shows for the period from January 1, 2001 through January 30, 2006, the period end, average, high and low noon buying rates in the City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York expressed as dollars per €1.00.

US Dollars per Euro Year(1)	High	Low	Average(1)	Period end
2001	0.9535	0.8370	0.8910	0.8901
2002	1.0485	0.8594	0.9495	1.0485
2003	1.2597	1.0361	1.1411	1.2597
2004	1.3625	1.1801	1.2478	1.3538
2005	1.3476	1.1667	1.2400	1.1842

Month(2)	High	Low	Average(2)	Period end
July 2005	1.2200	1.1917	1.2041	1.2129
August 2005	1.2434	1.2147	1.2295	1.2330
September 2005	1.2538	1.2011	1.2234	1.2058
October 2005	1.2148	1.1914	1.2022	1.1995
November 2005	1.2067	1.1667	1.1789	1.1790
December 2005	1.2041	1.1699	1.1861	1.1842
January 2006 (through January 30, 2006)	1.2287	1.1980	1.2124	1.2091

(1) The average of the noon buying rates on the last business day of each month during the relevant period.

(2) The average of the noon buying rates on each business day during the relevant period.
The noon buying rate of the euro on January 30, 2006 was US$1.2091 = €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.

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 US 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".

FORWARD-LOOKING STATEMENTS

This offering memorandum includes "forward-looking statements", within the meaning of the US securities laws, based on our current expectations and projections about future events, including:

- our ability to successfully integrate the Innovene businesses with our historical businesses;
- our high degree of leverage and significant debt service obligations, as well as future cash flow and earnings;
- 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;
- 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;
- our ability to retain existing customers and obtain new customers;
- our ability to develop new products and technologies successfully;
- the cyclical and highly competitive nature of our businesses;
- our ability to realize anticipated synergies and cost savings, including with respect to the Innovene Acquisition;
- current or future environmental requirements and the related costs of maintaining compliance and/or addressing liabilities;
- currency fluctuations; and
- our ability to attract and retain members of management and key employees.

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", "intend", "will", "should", "estimate" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. In addition, from time to time we or our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing and these forward-looking statements may be included in but are not limited to press releases (including on our website), filings with the US Securities and Exchange Commission, reports to our securityholders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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.

TRADEMARKS AND TRADE NAMES

Ineos and Innovene 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 belongs to its holder.

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 Chemical Market Associates, Inc. ("CMAI"), Purvin & Gertz, Inc. ("PGI"), PCI Xylenes & Polyesters Ltd ("PCI") and Nexant, Inc. ("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 in consultants' reports and industry publications is not guaranteed. We have not independently verified this market data. 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.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. It is not complete and may not contain all the information that you should consider before investing in the notes. You should read the entire offering memorandum, including the more detailed information in the financial statements and the related notes included elsewhere in this offering memorandum, before making an investment decision. See "Risk Factors" for factors that you should consider before investing in the notes and "Forward-Looking Statements" for information relating to the statements contained in this offering memorandum that are not historical facts.

The Combined Business

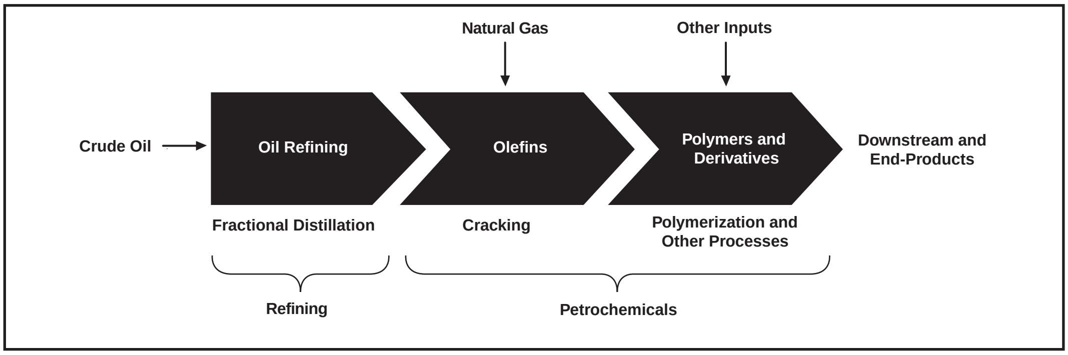
Overview

We are the world's third largest chemical company measured by turnover. Our combined business operates 30 petrochemical manufacturing sites in eight countries in North America and Europe and 13 specialty chemical manufacturing sites in eight countries throughout the world, as well as two refineries in Europe which are fully integrated with our co-located petrochemical facilities. As of September 30, 2005, our pro forma total chemical production capacity would have been approximately 23,800 kilotonnes per year (of which 65% would have been in Europe and 34% in North America) and our refineries had a combined crude oil distillation capacity of more than 410,000 barrels per day. We have a global reach and leading market positions with respect to our key products, which enable us to manage our business on a worldwide basis. Our business benefits from the cost advantages of operating large-scale, highly integrated facilities strategically located near major transportation facilities and customer locations. After giving effect to the Innovene Acquisition and the other Transactions, for the twelve months ended September 30, 2005, our pro forma turnover would have been €21.9 billion and our Adjusted Pro Forma EBITDA before exceptionals would have been €2.0 billion.

Our combined business results from the combination of Ineos, a low-cost manufacturer of petrochemicals and specialty chemicals, and Innovene, the olefins, polymers and derivatives business of BP and two of BP's European refineries. Since April 1998, when it acquired Ineos Oxide from Inspec, Ineos has significantly expanded through a series of strategic acquisitions of businesses and assets from major chemical companies as well as organic growth. Ineos invested more than €318 million in capital expenditures from January 1, 2001 through September 30, 2005, and BP invested over $2.0 billion in capital expenditures in Innovene from January 1, 2002 through September 30, 2005. The combination of Ineos and Innovene represents a transformational acquisition for our company, providing global scale and further upstream integration. We believe that Innovene's businesses will benefit from the proven track record of Ineos's management team in increasing productivity and reducing costs.

The refining and petrochemicals markets comprise all products derived from crude oil and natural gas, and include refined products, olefins, polymers and various petrochemical products directly or indirectly derived from olefins. We are a participant in the majority of these market segments, with a significant proportion of our Adjusted Pro Forma EBITDA before exceptionals derived from refining and the production of olefins and polymers, including polyethylene and polypropylene.

We operate along the entirety of the refining and petrochemicals value chain.



Products

We are initially reporting the results of the combined business on a divisional basis based on the historical primary lines of business of Ineos and Innovene. The table below sets forth turnover for the twelve months ended September 30, 2005 and key products for our historical primary lines of business. We are presently evaluating the basis for the segment reporting of the combined business.

	Refining	Petrochemicals				Specialty Chemicals
	Innovene				Ineos	
Segment	Refining	O&P North America(2)	O&P Europe(2)	Global Derivatives	Phenol, Oxide, Styrenics	Fluor, Silicas, Melamines
September 30, 2005 LTM Turnover(1)	Turnover: €7.2 billion	Turnover: €3.3 billion	Turnover: (3) €6.9 billion	Turnover: €1.9 billion	Turnover: €3.5 billion	Turnover: €0.5 billion
Key Products	LPG, naphtha, gasoline, jet fuel/ kerosene, diesel, gas oil/heating oil, fuel oil, asphalt	Ethylene, propylene, butadiene, styrene, high-density polyethylene ("HDPE"), polypropylene		Acrylonitrile, other nitriles, LAOs, PAOs, others (including PIB)	Ethylene oxide, ethylene glycol, EO derivatives, phenol, acetone, polystyrene	HFC 134a, HFC 125, melamines, other specialty resin products, silicas, zeolites
		NGLs	Benzene, low-density polyethylene ("LDPE"), linear low-density polyethylene ("LLDPE"), polystyrene, solvents & industrial chemicals			
Key End-Uses	Petro-chemical feedstock, transport fuels, heating fuels	Petrochemical feedstock, flexible rigid packaging, injection molded plastics, films, acrylic fibers, nylons, coatings, solvents, adhesives, detergents and general consumer and industrial applications			Packaging, resins, fibers, films, surfactants, general consumer and industrial	Resins, agrochemicals, surfactants, coolants, general consumer and industrial

(1) Turnover for the twelve months ended September 30, 2005 is presented on a UK GAAP basis. Turnover for historical Innovene segments is presented before any intersegmental eliminations, corporate and discontinued operations and is translated using an exchange rate of $1.27 = €1.00.

(2) "O&P" refers to "Olefins and Polymers".

(3) Includes the Dormagen EOG Business, our acquisition of which is subject to review by the European Commission competition authorities. The estimated revenues associated with these assets were €253 million for the twelve months ended September 30, 2005.

Refining

In our refining business, we operate two large refineries in Europe. Each of our refineries has a crude oil distillation capacity of over 200,000 barrels per day. Our principal refining products are transport fuels (particularly diesel fuel and gasoline), LPG, naphtha, and heating and fuel oils. Our refineries are physically integrated with our petrochemical plants located at the same sites, and our Grangemouth refinery is integrated with its feedstock sources through a direct connection with the Forties Pipeline System ("FPS"), a pipeline that carries crude oil from a variety of oil fields in the North Sea. Most of the naphtha output of our refineries is used as inputs by these petrochemical plants. BP has agreed to continue to purchase from us the refinery output that we do not use. Our arrangements with BP may be terminated in certain circumstances.

Both of our refineries meet current EU clean fuel specifications, and our Grangemouth facility also meets the stricter US specifications, as well as the more stringent EU specifications expected to become effective in 2009. Improvements are underway at our Lavéra refinery, which we expect will bring that facility into compliance with these more stringent EU specifications by the end of 2006.

Petrochemicals

In our petrochemical business, we produce olefins and related products, a broad range of polymers and various other petrochemical products directly or indirectly derived from olefins. We are among the largest volume manufacturers of olefins, polymers and derivatives in the world. The focus of our olefins business is on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers and derivatives. The olefins we make are primarily used as feedstock for our polymers and derivatives businesses. In addition, we sell olefins to third party customers for a variety of industrial and consumer applications, including plastics, rubber and fiber. In our polymers business, we focus on polyethylene and polypropylene. The largest volume product of our global derivatives business is acrylonitrile.

Specialty Chemicals

Specialty chemicals are high-value-added chemical products used as key components in a wide variety of consumer and industrial products. In our specialty chemical business, we produce a wide range of hydrofluorocarbons, specialty fluorochemicals, silicates, zeolites, silicas and melamines. We are an international manufacturer of fluorine-based chemical products which are principally used in air conditioning, refrigeration, foam blowing and pharmaceutical applications. We are also a manufacturer of specialty chemicals derived from sand (impure silica) and alumina. Our main products are silicates, zeolites and silicas, which are principally used in consumer laundry and dishwasher detergents, water treatment, paper and coatings. In addition, we also manufacture melamine resins for coating, wood finishing, textile, rubber and tire applications.

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

Key products	Full-year capacity as of September 30, 2005 (kilotonnes)	Global market position[1]	Selected regional market positions[1]
Ethylene	4,019[2]	#5	#1 in Western Europe[5]
Propylene	1,737[2]	#3	#3 in Western Europe[5]
HDPE	2,168[2]	#3	#2 in Europe #4 in North America
Polypropylene	2,576[2]	#3	#3 in Western Europe #2 in North America
EO	817[3]	#6[6]	#1 in Western Europe[6]
Phenol	1,600[4]	#1	#1 in Europe #3 in North America
Acetone	980[4]	#1	#1 in Europe #3 in North America
Acrylonitriles	912[2]	#1	#1 in Europe #1 in North America
HFC 134a	89[4]	#1	#1 in Europe[7] #1 in North America[7]

(1) Unless otherwise noted, according to Chemical Markets Associates, Inc. (“CMAI”) and PCI Xylenes & Polyesters Ltd (“PCI”) data.

(2) Represents capacity as calculated by Innovene. For information on how Innovene calculates capacity, see “Certain Definitions and Presentation of Financial and Other Information”.

(3) Represents capacity as estimated by PCI, including 254 kilotonnes of capacity associated with the Dormagen EOG Business.

(4) Represents capacity as calculated by Ineos. For information on how Ineos calculates capacity, see “Certain Definitions and Presentation of Financial and Other Information”.

(5) Production used internally as feedstocks.

(6) Excluding the Dormagen EOG Business, as of September 30, 2005 our global market position for EO would have been #9 and our Western Europe market position for EO would have been #2.

(7) According to internal estimates.

Industry Trends

According to Purvin & Gertz, Inc. (“PGI”) and CMAI, respectively, both the refining and petrochemical markets are currently experiencing favorable supply and demand environments, as a result of robust demand from end-use sectors and limited capacity growth. The global petrochemicals market has experienced strong levels of growth over recent years and is currently valued by CMAI at approximately $500 billion of annual demand. Overall growth in the global demand for petrochemical products is forecast to continue to outstrip growth in global gross domestic product (“GDP”) over the medium term.

Industry experts expect current market conditions in the refining and petrochemical industries to continue over the short term. Assuming the successful completion of capacity expansion projects in the Middle East and Asia, CMAI expects petrochemical margins to peak in 2006-2007, trending downwards thereafter to reach a cyclical trough in 2009-2010. However, CMAI expects the petrochemicals industry to maintain higher levels of profitability in the next downturn compared to the downturn experienced by the industry in 2001-2002. With regards to the refining industry, PGI expects margins to start trending downwards from current record levels post 2006, stabilizing above long-term historical average levels from 2012 onwards.

Although the specialty chemicals industry is not cyclical, demand for specialty chemical products is generally affected by trends in demand in the various industries that are end users of such products.

Our Competitive Strengths

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

- ***Demonstrated Record of Shareholders and Management.*** Our shareholders and management team have a demonstrated record of achieving profitable growth in the chemical industry, successfully integrating large acquisitions and deleveraging the business following such acquisitions. James A. Ratcliffe, our chairman and controlling shareholder, and the other directors of Ineos Capital, each of whom serves on our board, have a successful record of investing in the chemical industry. Ineos has completed 10 significant acquisitions since 1998 and has been able to achieve significant cost-savings in the acquired businesses. Our present 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. The cash flow generated from these measures has enabled Ineos to significantly delever the company in respect of the debt incurred in connection with the acquisitions of Ineos Phenol, Ineos Fluor and Ineos Silicas. As of December 31, 2000, Ineos's ratio of net debt to EBITDA before exceptionals, calculated on a pro forma basis to take account of its July 2001 senior notes offering, was 4.6x compared to 1.8x as of December 31, 2004. During this period, Ineos reduced its debt by 32%.
- ***Global Reach and Leading Market Positions***. We are the world's third largest chemical company measured by turnover, with 43 manufacturing sites in 13 countries throughout the world, and a total chemical production capacity of approximately 23,800 kilotonnes per year. We serve approximately 5,700 customers who are located in many of the principal industrial regions of the world and use our products across a broad range of end-use applications. We believe our geographic diversification and broad customer base provide us with resilience to regional, sector and end-user industry downturns. Moreover, we believe our global manufacturing scale, wide range of chemical products and deep customer base has allowed us to achieve and hold leading market positions with respect to each of our key products. According to CMAI, as measured by expected average annual capacity for 2005, we are the largest global producer of acrylonitrile, phenol, acetone and HFC 134a, and according to PCI, we are the largest producer of ethylene glycol and ethylene oxide in Western Europe. We are also among the three largest producers globally of HDPE, polypropylene and certain EO derivatives.
- ***Vertically Integrated, Large Scale Producer***. We have eight large-scale petrochemical sites, accounting for 69% of our total petrochemical production volumes. Five of these large-scale sites are integrated with major crackers and/or polymers and derivatives units, giving us the ability to capture margins across the value chain, enjoy certainty of feedstock supply (particularly for ethylene), reduce logistical costs, improve energy management and adjust the product slate to capture greater value (by selling olefins or, alternatively, by using them internally in the production of polymers or derivatives). Two of our sites are also integrated with onsite refineries owned and operated by us, which differentiates us from many of our competitors. Our other sites are typically located near raw materials, refineries, and

associated pipeline infrastructure. We believe that the vertical integration and scale of our global operations resulting from the Innovene Acquisition will provide synergies across a broad spectrum of costs and functions and will deliver lower per unit costs. Our upstream integration should also help reduce our exposure to margin volatility as a result of changes in raw material prices.

- ***Integrated Refining Platform.*** We own and operate two refineries focused on serving their respective markets with the product slate, feedstock flexibility and clean fuels capabilities necessary to be competitive. Each of our Grangemouth, United Kingdom and Lavéra, France refineries has a crude oil distillation capacity exceeding 200,000 barrels per day, which is higher than the average European refinery capacity. Each of our refineries is equipped with a hydrocracker (“HC”) and a fluid catalytic cracker (“FCC”), which provide them with significant flexibility in processing not only low sulfur crude oils, but also heavy, sour crude oils into light, sweet middle distillates (such as road diesel, light gas oils and heavy gas oils). The product slates of our refineries are geared towards their respective markets, with Lavéra focusing on middle distillates and Grangemouth focusing on gasoline and gasoline blending components. Both refineries are able to produce clean fuels meeting current EU regulatory requirements. Furthermore, Grangemouth already complies with the more stringent EU clean fuels specifications expected to come into force in 2009, and we expect that Lavéra will achieve compliance with these more stringent EU specifications by the end of 2006.

- ***Extensive Portfolio of Leading Proprietary Technologies.*** We believe that our technology portfolio enables us to be a low-cost producer of key products and provides us with a competitive advantage in terms of product quality. Our technologies, including our gas phase polyethylene, gas phase polypropylene, slurry HDPE, acrylonitrile and phenol and acetone technologies, are positioned around our key products. Our patented HFC 134a and A24 zeolite technologies also help us to maintain our leading positions in these product areas. In addition, our Innovene technologies are widely licensed to external customers in the industry. For example, according to Nexant, Inc. (“Nexant”), our acrylonitrile technology is used in more than 90% of the world acrylonitrile production, and our gas phase polyethylene technology is used in 10% of worldwide LLDPE/HDPE capacity. We believe that our existing technology licensing will allow us to generate a stable and recurring income stream, and we believe there is significant potential for additional licensing arrangements.

- ***Well-Invested and Low-Cost Production Facilities.*** Our large, well-invested plants benefit from economies of scale and favorable locations. We focus on acquiring businesses with well-invested physical assets from major chemical companies, and we have continued this trend with the Innovene Acquisition. From January 1, 2002 through September 30, 2005, BP invested over $2.0 billion in Innovene’s facilities. From January 1, 2001 through September 30, 2005, Ineos invested over €318 million in its facilities. In addition, each year we continue to invest in improving and expanding our facilities. We operate large plants that permit us to spread fixed costs over large volumes of production, thereby reducing unit costs. For example, we operate the largest single-site EO/EG plant in Europe and the two largest phenol plants in Europe, one of which is the largest in the world. We operate two of the three largest HFC 134a plants in the world, the largest acrylonitrile facility in the world and one of the largest HDPE complexes in North America.

- ***Diversified Portfolio of Businesses.*** We have a diversified portfolio of refining, petrochemicals and specialty chemicals businesses, which we believe reduces the impact of industry cyclicality on our results. The refining industry cycle and petrochemical industry cycle are independent cycles. The petrochemical industry is currently experiencing favorable conditions that CMAI expects will continue until at least early 2007. The refining industry has traditionally been characterized by steady growth in demand, and the current outlook for the industry is positive due to strong demand and limited supply. PGI expects margins to start trending downwards from current record levels post 2006, stabilizing above long-term historical average levels from 2012 onwards. The specialty chemical industry is non-cyclical, and a number of petrochemical products, including certain non-commodity ethylene-based products manufactured by Ineos Oxide, are also non-cyclical. For the twelve months ended September 30, 2005, we believe we generated approximately half of our pro forma turnover from commodity petrochemicals, approximately one quarter of our pro forma turnover from refining and approximately one quarter of our pro forma turnover from non-cyclical petrochemicals and specialty chemicals.

Our Strategy

Our primary objective is to consolidate and capitalize upon our position as a leading chemical company by successfully integrating the Ineos and Innovene businesses through focusing on the principal strategies set forth below:

- ***Achieve Cost Savings***. We have historically succeeded in reducing costs at our acquired businesses by making rapid reductions in underlying fixed costs and implementing an efficient corporate and management structure. We have achieved significant fixed cost reductions in businesses that we have acquired, delivering on average a reduction of 22% of inherited fixed costs in the four-year period post-acquisition. We intend to bring this focus to Innovene, which had a fixed cost base of $2.4 billion at the end of 2004, and continue the cost-saving efforts initiated by Innovene management prior to the Innovene Acquisition. We expect to achieve significant cost savings from the Innovene Acquisition and reduce overlapping expenses. We will also continue to control fixed costs at our existing business.

- ***Focus Capital Investments on Improving Returns***. Our capital expenditure plan is focused on delivering efficiency improvement projects with attractive payback economics. We believe that the technology, personnel and production facilities of the combined business will allow us to increase our profitability and cash flows without the need for significant additional investments. We will also continue to implement de-bottlenecking projects at our facilities to increase our production capacity, particularly when the incremental capacity can be achieved without significant additional fixed costs or capital expenditures.

- ***Maximize Utilization of Assets.*** 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. We have a strong track record of improving utilization rates of acquired assets. In 2001, the newly acquired Ineos Phenol assets had a utilization rate of 85% of nameplate capacity, which we increased to 103% by 2004. In 2004, Innovene's petrochemical facilities had an average utilization rate of 88% of nameplate capacity. We believe that there is a significant opportunity to achieve production volume growth for the Innovene businesses without incurring additional capital expenditure through improving upon historical availability and utilization rates.

- ***Maintain Lean Corporate Structure and Incentivize Employees***. We intend to operate the combined business consistent with the Ineos Capital philosophy and implement 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, Ineos has granted its employees tracking shares with respect to each of its businesses and regions. Management and employee bonuses are also linked to the EBITDA-based performance of the business and region in which they work. We intend to implement similar equity and bonus incentive schemes for our recently acquired businesses.

- ***Leverage Portfolio of Leading Proprietary Technologies***. We plan to leverage our portfolio of leading proprietary technologies through both our own organic operations and highly selective licensing arrangements. For example, we are planning to contribute certain Innovene-based technology to a collaboration arrangement in Saudi Arabia with Delta, a leading private Saudi-owned development company, in order to obtain access to low-cost feedstocks. In June 2005, we entered into a non-binding memorandum of understanding with Delta to construct a world-scale cracker and associated derivative complex. In addition, we recently formed a Technology business unit in order to improve the focus of our research and development initiatives and more efficiently exploit our technologies to expand our businesses.
- ***Generate Strong Cash Flow to Reduce Leverage***. We intend to focus on improving cash flow generation by maximizing the utilization of assets, leveraging existing resources and following focused capital expenditure and cost reduction plans. We will apply the strong cash flows generated from these initiatives during the current favorable phases of the refining and petrochemical industry cycles to substantially reduce our debt.

The Transactions

Acquisition of Innovene

On December 16, 2005, we acquired the Innovene business other than the Dormagen EOG Business, our acquisition of which is subject to review by the European Commission competition authorities. The total purchase price for the Innovene Acquisition was approximately $9.0 billion (including the repayment of Innovene's existing indebtedness owed to BP and amounts allocated to the Dormagen EOG Business), subject to certain purchase price adjustments. If we are unable to consummate the acquisition of the Dormagen EOG Business, BP will use its reasonable efforts to sell the Dormagen EOG Business to a third party, and we have agreed to indemnify BP against any shortfall or expenses incurred in connection with such a third-party sale or a decommissioning of this business. A $130 million subtranche under the Senior Secured Credit Facilities has been used to support a letter of credit issued to BP in connection with our obligations in respect of the Dormagen EOG Business.

In connection with the Innovene Acquisition, we entered into a series of arrangements with BP, including a number of commercial and transitional support agreements, and agreed under a credit support deed that our obligations to BP under various trading, commercial interface and other agreements would be guaranteed by each of the guarantors under the Senior Facilities Agreement and share in the benefit of the security package granted from time to time to our lenders under the Senior Secured Credit Facilities and the Term D Facility on a *pari passu*, first priority basis with the lenders under the Senior Secured Credit Facilities. For a description of the Innovene Acquisition and the related arrangements with BP, see "The Acquisition". See also "Risk Factors—Risks Relating to Business Operations—BP support services" and "—BP Credit Support Deed".

Related Financing Transactions

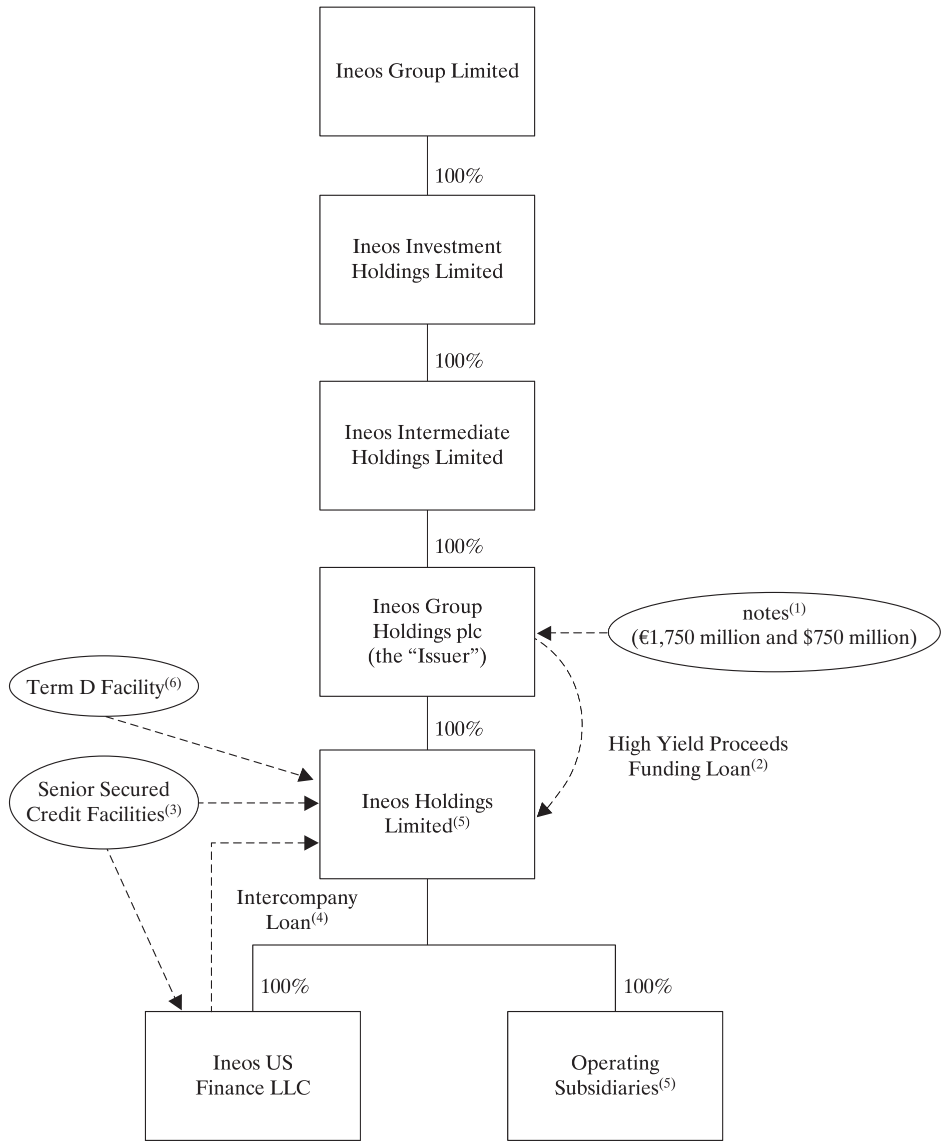
The Innovene Acquisition, the repayment of certain of Ineos's and Innovene's existing indebtedness, the payment of a distribution to the shareholders of our parent company, Ineos Group Limited, and the payment of estimated fees and expenses were financed with the proceeds of loans drawn under the Bridge Facility and the Senior Secured Credit Facilities. See "Use of Proceeds" for information on the sources and uses of funds in respect of the Transactions.

In connection with the Innovene Acquisition, Barclays Capital, Merrill Lynch International and Morgan Stanley Bank International Limited, as joint mandated lead arrangers and bookrunners, and a syndicate of banks and other financial institutions, as lenders, arranged and syndicated the Bridge Facility and the Senior Secured Credit Facilities. Total funded debt under the Bridge Facility and the Senior Secured Credit Facilities was drawn at the completion of the Innovene Acquisition in an amount equal to €8.9 billion. We also used the $130 million subtranche of the term loan A facility to support a letter of credit issued to BP in connection with our obligations in respect of the Dormagen EOG Business. In addition, €390 million under the Revolving Facility has been or will be used to support letters of credit, surety bonds and bank guarantees. On the Issue Date for the notes, we will increase the aggregate principal amount of senior secured term loans under the Senior Secured Credit Facilities, increase the commitments under the Revolving Credit Facility and add a new tranche of second secured term loans, the Term D Facility. The proceeds of this offering of notes, together with the proceeds from additional drawings of certain term loans under the Senior Secured Credit Facilities and the drawing under the Term D Facility, will be used to repay the Bridge Facility.

For a description of the Senior Facilities Agreement and our other financing arrangements, see "Description of Other Indebtedness".

Summary Corporate and Financing Structure

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving effect to the offering of the notes and the other Transactions. For a summary of the debt obligations referenced in this diagram, see "Description of Other Indebtedness" and "Description of the Notes".



(1) The notes will be secured by junior pledges of the High Yield Proceeds Funding Loan and 100% of the shares of Ineos Holdings Limited. These pledges rank junior to the pledges on these assets securing the Senior Secured Credit Facilities and the Term D Facility.

(2) The gross proceeds of this offering will be loaned to Ineos Holdings Limited through the High Yield Proceeds Funding Loan, which will have the same principal amount as the notes. Ineos Holdings Limited will in turn use the proceeds of the High Yield Proceeds Funding Loan, together with the proceeds from additional drawings of certain senior secured term loans under the Senior Secured Credit Facilities and the drawing under the Term D Facility, to repay amounts owed by it under the Bridge Facility and the intercompany loan from Ineos US Finance LLC. Ineos US Finance LLC

will use the proceeds from the repayment of its intercompany loan to Ineos Holdings Limited to repay amounts owed by it under the Bridge Facility.

(3) The Senior Secured Credit Facilities of €5.1 billion and $2.5 billion include a Revolving Credit Facility of €800 million and Borrowing Base Facilities of €830 million and $564 million. At completion of the Innovene Acquisition, €705 million and $564 million were drawn under the Borrowing Base Facilities. No amounts were drawn under the Revolving Credit Facility, but €390 million was (or will be) used to support letters of credit, surety bonds and bank guarantees. The Senior Secured Credit Facilities are secured by first-priority pledges of the High Yield Proceeds Funding Loan and of 100% of the shares of Ineos Holdings Limited, and are guaranteed and secured by substantially all of the assets of Ineos Holdings Limited and certain of its subsidiaries. See "Description of Other Indebtedness".

(4) Ineos US Finance LLC borrowed the majority of the dollar-denominated amounts under the Senior Secured Credit Facilities. Ineos US Finance LLC subsequently loaned the proceeds from these loans to Ineos Holdings Limited.

(5) Ineos Holdings Limited, the principal borrower under the Senior Secured Credit Facilities and the Term D Facility, and certain of the Ineos operating subsidiaries will guarantee the notes on the Issue Date (the "Initial Guarantors"). The Initial Guarantors represent approximately 93.8% of the EBITDA before exceptionals of Ineos for the year ended December 31, 2004. Pursuant to the indenture governing the notes (the "Indenture"), we will agree to use our commercially reasonable efforts to procure that within three months of the issue date of the notes, the notes will be guaranteed by certain of our other subsidiaries, including subsidiaries acquired in the Innovene Acquisition, that, together with the Initial Guarantors, account for at least 85% of our consolidated EBITDA (as defined in the Senior Facilities Agreement for the year ended December 31, 2004. We expect that the notes will be guaranteed by the same subsidiaries that guarantee the Senior Secured Credit Facilities and the Term D Facility. See "Description of the Notes—Certain Covenants—Additional Subsidiary Guarantees".

(6) The €400 million Term D Facility is secured by second-priority pledges of the assets securing the Senior Secured Credit Facilities and guaranteed on a senior subordinated basis by the guarantors guaranteeing the Senior Secured Credit Facilities. The pledges securing the Term D Facility and the guarantees on such facility rank behind the pledges and guarantees in respect of the Senior Secured Credit Facilities but senior to the pledges and guarantees in respect of the notes.

Ineos Capital

The directors of Ineos Capital, including James A. Ratcliffe, our chairman, own a controlling interest in the capital stock of Ineos Group Limited, our ultimate parent company. In addition, the directors of Ineos Capital own controlling interests in other businesses, including Ineos Chlor, a manufacturer of chlorine-based chemicals, Ineos Vinyls Group Limited, a manufacturer of polyvinyl chloride ("PVC") and Ineos Paraform, a manufacturer of formaldehyde-based chemicals. We have entered into a number of significant transactions and arrangements with Ineos Capital, Ineos Chlor and Ineos Vinyls in the past, and the Indenture will permit us to continue to do so in the future. See "Principal Shareholders" and "Certain Relationships and Related Party Transactions".

The Offering

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the notes, see "Description of the Notes".

Issuer	Ineos Group Holdings plc (the "Issuer").
Notes offered	€1,750,000,000 aggregate principal amount of 7⅞% senior notes due 2016 (the "Euro Notes"). $750,000,000 aggregate principal amount of 8½% senior notes due 2016 (the "Dollar Notes" and, together with the Euro Notes, the "notes").
Issue date	February 7, 2006 (the "Issue Date").
Maturity	The notes will mature on February 15, 2016.
Interest rates and payment dates	We will pay interest on the notes on February 15 and August 15, beginning August 15, 2006. We will pay interest on the Euro Notes at a rate of 7⅞% per annum. We will pay interest on the Dollar Notes at a rate of 8½% per annum. Interest will accrue from the Issue Date of the notes.
Guarantees	The notes will be jointly and severally guaranteed on an unsecured senior subordinated basis by Ineos Holdings Limited, Ineos US Finance LLC, Ineos Belgium NV, Ineos N.V., Ineos Fluor Holdings Limited, Ineos Fluor Limited, Ineos Holdings (Fluor & Silicas) Limited, Ineos Intermediate Holdings (Fluor & Silicas) Limited, Ineos Investment Holdings (Fluor & Silicas) Limited, Ineos Overseas Company I Limited, Ineos Overseas Company II Limited, Ineos Oxide Limited, Ineos Phenol Limited, Ineos Silicas Holdings Limited, Ineos Silicas Limited, Ineos Phenol GmbH & Co KG, Ineos Phenol Verwaltungsgesellschaft mbH, Ineos Silicas Netherlands BV, Ineos Americas LLC, Ineos Fluor Americas LLC, Ineos US Holding Company II LLC, Ineos US Intermediate Holding Company LLC, Ineos Partners (the "Initial Guarantors"). We have agreed to use our commercially reasonable efforts to procure that, within three months of the Issue Date, the notes will be guaranteed by certain of our other subsidiaries, including subsidiaries acquired in the Innovene Acquisition, that, together with the Initial Guarantors (collectively, the "Subsidiary Guarantors"), account for at least 85% of our consolidated EBITDA (as defined in the Senior Facilities Agreement) for the year ended December 31, 2004. See "Description of the Notes—Certain Covenants—Additional Subsidiary Guarantees". We expect that each of the Subsidiary Guarantors will also be borrowers and/or guarantors under our Senior Secured Credit Facilities and our Term D Facility. So long as the

notes may be listed on the Official List of the Luxembourg Stock Exchange and may be 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 change in the Guarantors and will publish a notice regarding such change in a leading newspaper having a general circulation in Luxembourg (which is expected to be *d'Wort*) or on the Luxembourg Stock Exchange's website, *www.bourse.lu*.

Security . . . . Upon issuance, the notes will be secured by a junior pledge of the High Yield Proceeds Funding Loan and of 100% of the shares of Ineos Holdings Limited. These pledges will rank junior to pledges of these assets securing certain senior indebtedness, including the Senior Secured Credit Facilities and the BP Credit Support Deed, as well as pledges securing certain second secured liabilities, including the Term D Facility.

Ranking . . . . The notes will be our general unsubordinated obligations and will:

- rank equally with our existing and future senior indebtedness;
- rank senior to all of our existing and future subordinated indebtedness; and
- be effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness (including, with respect to the Senior Secured Credit Facilities and the Term D Facility, the first priority pledge and second priority pledge, respectively, of the High Yield Proceeds Funding Loan and 100% of the shares of Ineos Holdings Limited), unless such assets also secure the notes on an equal and ratable basis.

In addition, the notes will be effectively subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries.

The guarantees by our subsidiaries will be their senior subordinated obligations and will:

- rank junior to all of the existing and future senior indebtedness of such subsidiaries, which will include the subsidiary guarantees under our Senior Secured Credit Facilities and the subsidiary guarantees under our Term D Facility;
- rank equally with the existing and future senior subordinated indebtedness of such subsidiaries but rank junior to any second secured liabilities, including the subsidiary guarantees of our Term D Facility;

- rank senior to all of the existing and future subordinated indebtedness of such subsidiaries other than indebtedness of such subsidiaries that is secured by liens on the assets of such subsidiaries; and
- be effectively subordinated to all of the existing and future secured indebtedness of such subsidiaries to the extent of the value of the assets securing such indebtedness.

Optional redemption . . . . We may redeem some or all of the notes prior to February 15, 2011 by paying 100% of the principal amount of such notes plus a make-whole premium. At any time on or after February 15, 2011, we may redeem some or all of the notes at the redemption prices set forth in this offering memorandum. See "Description of the Notes—Optional Redemption".

Equity offering optional redemption . . . . At any time on or prior to February 15, 2009, we may redeem up to 35% of the aggregate principal amount of each of the Euro Notes and the Dollar Notes with the net cash proceeds of certain public equity offerings at 107.875% of the principal amount of the Euro Notes and 108.500% of the principal amount of the Dollar Notes, in each case, plus accrued interest, if at least 65% of the originally issued aggregate principal amount of each of the Euro Notes and the Dollar Notes remains outstanding.

Change of control . . . . Upon the occurrence of certain change of control events, each holder of notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest.

Asset sales . . . . If we sell assets under certain circumstances, we will be required to make an offer to purchase the notes with excess proceeds from the sale of the assets. See "Description of the Notes—Certain Covenants—Limitation on Sale of Assets".

Covenants . . . . The Indenture will contain covenants that, among other things, will 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.

When the notes are issued, all of our subsidiaries will be restricted subsidiaries, as defined in the Indenture. These covenants are subject to important exceptions and qualifications. See "Risk Factors—Risks Relating to the Notes and Our Capital Structure" and "Description of the Notes—Certain Covenants".

Additional amounts . . . . Any payments made by us with respect to the notes will be made without withholding or deduction for taxes imposed by any Relevant Taxing Jurisdiction unless required by law. If we are required by law to withhold or deduct for such taxes with respect to a payment to the holders of notes, we will pay the additional amounts necessary so that the net amount received by the holders of notes after the withholding is not less than the amount that they would have received in the absence of the withholding. See "Description of the Notes—Payment of Additional Amounts".

Redemption for taxation reasons . . . . . . In the event that we become obligated to pay additional amounts (as described above) to holders of the notes as a result of changes affecting withholding taxes applicable to payments on the notes, we may redeem the notes in whole but not in part at any time at 100% of the principal amount of the notes plus accrued interest to the date of redemption. See "Description of the Notes—Redemption Upon Changes in Withholding Taxes".

Use of proceeds . . . . We will use the net proceeds from the offering of the notes, together with the net proceeds from certain term loan borrowings under the Senior Secured Credit Facilities and the Term D Facility, to repay all of the loans outstanding under the Bridge Facility. See "Use of Proceeds".

Transfer restrictions . . . . The notes have not been registered under the Securities Act or any state securities laws. Accordingly, unless the notes are registered, they 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 and applicable state securities laws.

No established market for the notes . . . The notes are new issues of securities, and currently there is no market for them. We expect the Dollar Notes to be eligible for trading in The Portal Market. 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. Merrill Lynch International, Barclays Capital and Morgan Stanley & Co. International Limited (collectively, the "Joint Book-Running Managers") have advised us that they intend to make a market for the notes, but they are not obligated to do so. The Joint Book-Running Managers may discontinue any market-making in the notes at any time in their sole discretion. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained.
Tax consequences	For a discussion of the possible US federal income tax and UK tax consequences of an investment in the notes, see "Certain Tax Considerations". You should consult your own tax advisor to determine the US federal, state, local, UK and other tax consequences of an investment in the notes.
Governing law	The notes, the Indenture and the guarantees are governed by New York law. The Intercreditor Agreement and the security agreements in respect of the High Yield Proceeds Funding Loan and the shares of Ineos Holdings Limited are governed by English law.

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 in this offering memorandum before making a decision whether to invest in the notes.

Summary Historical and Pro Forma Condensed Combined Financial Information

The following tables set forth summary historical consolidated financial information for Ineos Group Holdings and summary historical combined financial information for Innovene, as well as summary unaudited pro forma condensed combined financial information of Ineos Group Holdings for the twelve months ended September 30, 2005, giving effect to the Transactions and Innovene's acquisition of the remaining interests in the BP Solvay joint venture (the "BP Solvay Acquisition"). The Transactions given effect to include (i) the Innovene Acquisition and (ii) the borrowings under the Senior Secured Credit Facilities and the Term D Facility and this offering of the notes and the use of the proceeds from the borrowings and this offering to fund the Innovene Acquisition, to repay certain of Ineos's and Innovene's existing debt, to pay a distribution to the shareholders of our parent company, Ineos Group Limited, and to pay estimated fees and expenses. The summary historical combined financial information of Innovene and the summary unaudited pro forma condensed combined financial information of Ineos Group Holdings includes the Dormagen EOG Business, our acquisition of which is subject to review by the European Commission competition authorities. The summary unaudited pro forma condensed combined financial information is presented based on historical financial information of Ineos and Innovene prepared in accordance with UK GAAP.

The summary historical consolidated financial information of Ineos Group Holdings as of December 31, 2003 and 2004 and for each of the three years in the period ended December 31, 2004 has been derived from the audited consolidated financial statements and notes thereto of Ineos Group Holdings prepared in accordance with UK GAAP, and included elsewhere in this offering memorandum. Such financial statements were audited by PricewaterhouseCoopers LLP, London, independent auditors. The summary historical consolidated financial information as of September 30, 2005, and for the nine months ended September 30, 2004 and 2005, has been derived from the unaudited consolidated financial statements and notes thereto of Ineos Group Holdings prepared in accordance with UK GAAP, and included elsewhere in this offering memorandum. The profit and loss account information for the twelve months ended September 30, 2005 has been derived by adding the relevant profit and loss account information for the year ended December 31, 2004 to the relevant profit and loss account information for the nine months ended September 30, 2005 and subtracting the relevant profit and loss account information for the nine months ended September 30, 2004.

The summary historical US GAAP combined financial information of Innovene as of December 31, 2003 and 2004 and for each of the three years in the period ended December 31, 2004 has been derived from the audited combined financial statements of Innovene prepared in accordance with US GAAP, and included elsewhere in this offering memorandum. Such financial statements were audited by Ernst & Young LLP, London, independent auditors. The summary historical US GAAP combined financial information as of September 30, 2005, and for the nine months ended September 30, 2004 and 2005, has been derived from the unaudited historical combined financial statements of Innovene, prepared in accordance with US GAAP, and included elsewhere in this offering memorandum. The statement of combined operations information for the twelve months ended September 30, 2005 has been derived by adding the relevant statement of combined operations information for the year ended December 31, 2004 to the relevant statement of combined operations information for the nine months ended September 30, 2005 and subtracting the relevant statement of combined operations information for the nine months ended September 30, 2004.

The summary pro forma profit and loss account information, summary pro forma balance sheet information and other pro forma financial information shown below have been derived from the unaudited pro forma condensed combined financial information included elsewhere in this offering memorandum. See "Unaudited Pro Forma Condensed Combined Financial Information". The pro forma profit and loss account information has been prepared to give pro forma effect to the Transactions and the BP Solvay Acquisition, including the offering of the notes and the use of proceeds therefrom, as if they had occurred on January 1, 2004. The pro forma condensed combined profit and loss account information for the twelve months ended September 30, 2005 has been derived by adding the relevant unaudited pro forma condensed combined profit and loss account information for the year ended December 31, 2004 to the unaudited pro forma condensed combined profit and loss account information for the nine months ended September 30, 2005 and subtracting the unaudited pro forma condensed combined profit and loss account information for the nine months ended September 30, 2004. The pro forma balance sheet information has been prepared to give pro forma effect to the Transactions, including the offering of the notes and the use of proceeds therefrom, as if they had occurred on September 30, 2005.

Our summary pro forma condensed combined financial information reflects adjustments to give effect to the Transactions, including our preliminary estimates of the fair market value of the Innovene business as of the date of the Innovene Acquisition. In addition, in the case of Innovene, the pro forma financial information reflects adjustments to Innovene's historically reported financial information to reconcile it to UK GAAP and to reclassify items to conform to our accounting policies. The adjustments are based on available information and certain assumptions that we believe are reasonable and have been applied to the historical financial statements of Ineos Group Holdings and Innovene. In addition, the interest rate on the notes and other borrowings and actual fees and expenses may differ from the assumptions set forth therein. There can be no assurance that the actual results will not differ significantly from the pro forma adjustments reflected in the pro forma financial information. Accounting policies used in the preparation of this pro forma condensed combined financial information are those disclosed in note 2 to the audited consolidated financial statements of Ineos Group Holdings included elsewhere in this offering memorandum.

The summary unaudited pro forma condensed combined financial information is being furnished solely for information purposes and is not necessarily indicative of the results of operations or financial position that we might have achieved for the periods or as of the dates indicated had the Transactions and the BP Solvay Acquisition been completed as of the assumed dates, and should not be taken as representative of our future results of operations or financial condition following the completion of such events. While the pro forma condensed combined financial information has been derived from historical financial information prepared in accordance with UK GAAP, the pro forma condensed combined financial information contains financial measures other than those in accordance with UK GAAP and should not be considered in isolation from or as a substitute for the historical financial statements of Ineos Group Holdings and Innovene. The unaudited pro forma condensed combined financial information for Innovene has been prepared in accordance with UK GAAP, which differs in certain significant respects from Innovene's US GAAP financial information as described in the supplemental notes to the unaudited pro forma condensed combined financial information. You should read the information summarized below in conjunction with the information contained in "Use of Proceeds", "Operating and Financial Review and Prospects", "Unaudited Pro Forma Condensed Combined Financial Information" and the historical financial statements of each of Ineos Group Holdings and Innovene included elsewhere in this offering memorandum.

Summary Historical Ineos Group Holdings Consolidated Financial Information

	Year ended December 31,			Nine months ended September 30,		Twelve months ended September 30,
	2002	2003	2004	2004	2005	2005
	restated[(1)]	restated[(1)]	restated[(1)]			
	(€ in millions)					
Profit and Loss Account Data:						
Amounts in accordance with UK GAAP:						
Turnover	2,236	2,530	3,396	2,397	3,058	4,057
Cost of sales	(1,834)	(2,131)	(2,928)	(2,076)	(2,620)	(3,472)
Gross profit	402	399	468	321	438	585
Distribution costs	(162)	(152)	(150)	(111)	(124)	(163)
Administrative expenses	(87)	(47)	(49)	(28)	(48)	(69)
Other operating income	—	18	—	—	—	—
Operating profit	153	218	269	182	266	353
Net finance charges	(74)	(66)	(49)	(44)	(74)	(79)
Profit on ordinary activities before taxation	82	154	221	138	192	275
Taxation on profit/(loss) on ordinary activities	(44)	(9)	(44)	2	(66)	(112)
Profit on ordinary activities after taxation	38	145	177	140	126	163
Statement of Cash Flows Data:						
Amounts in accordance with UK GAAP:						
Net cash flow from operating activities	211	268	214	183	258	
Returns on investment and servicing of finance	(61)	(61)	(50)	(50)	(75)	
Taxation paid	(11)	(12)	(25)	(15)	(60)	
Capital expenditure and financial investments	(48)	(55)	(95)	(54)	(286)	
Acquisitions and disposals	(5)	1	—	—	(159)	
Equity dividends paid	—	(10)	(40)	(40)	—	
Financing	(91)	(81)	(76)	(70)	351	
Balance Sheet Data (at period end):						
Amounts in accordance with UK GAAP:						
Cash		153	80		114	
Working capital[(2)]		222	286		33	
Tangible fixed assets		856	791		914	
Total assets		1,394	1,587		1,336	
Total debt[(3)]		(778)	(693)		(1,058)	
Net debt[(4)]		(625)	(613)		(944)	
Other liabilities[(5)]		(496)	(671)		(664)	
Shareholders' equity		137	235		408	
Other Financial Data:						
Amounts in accordance with UK GAAP:						
EBITDA before exceptionals[(6)]	260	296	348	238	327	
Depreciation and amortization	(82)	(77)	(79)	(56)	(61)	
Capital expenditures[(7)]	(51)	(58)	(62)	(41)	(104)	

(1) The consolidated financial statements have been restated to reflect the adoption of Financial Reporting Standard No. 17, "Retirement Benefits".

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

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

(4) Net debt represents total debt less cash at bank and in hand.

(5) Other liabilities represents current liabilities plus long-term liabilities less total debt and unamortized debt issue costs.

(6) EBITDA before exceptionals represents operating profit plus depreciation of tangible fixed assets, amortization of intangible assets and goodwill and negative goodwill plus exceptional charges. Although EBITDA before exceptionals should not be considered a substitute measure for trading profit and net cash flow from operating activities, we believe that it provides 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.

The reconciliation of Ineos Group Holdings' operating profit to EBITDA before exceptionals is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2002	**2003**	**2004**	**2004**	**2005**
			(€ in millions)		
Operating profit and share of operating profit of associate	154	219	269	182	266
Depreciation	115	114	119	86	77
Amortization	(33)	(37)	(40)	(30)	(16)
Exceptional administrative expenses	25	—	—	—	—
EBITDA before exceptionals	260	296	348	238	327

(7) Capital expenditures represents payments to acquire tangible fixed assets as recorded on the consolidated cash flow statements.

Summary Historical Innovene Combined Financial Information

	Year ended December 31, 2002	Year ended December 31, 2003	Year ended December 31, 2004	Nine months ended September 30, 2004	Nine months ended September 30, 2005	Twelve months ended September 30, 2005
	($ in millions)					
Statement of Operations Data:						
Amounts in accordance with US GAAP:						
Revenues	11,776	13,422	17,937	12,355	16,964	22,546
Cost of sales	(10,775)	(12,586)	(16,765)	(11,432)	(15,412)	(20,745)
Gross margin	1,001	836	1,172	923	1,552	1,801
Selling, general, and administrative expenses	(734)	(616)	(630)	(522)	(504)	(612)
Research and development expenses	(120)	(115)	(137)	(104)	(81)	(114)
Restructuring and asset impairment charges	(93)	(72)	(345)	(13)	(36)	(368)
Operating profit	54	33	60	284	931	707
Equity (loss) income from investments in affiliates	(2)	9	8	6	7	9
Interest expense	(35)	(44)	(49)	(39)	(35)	(45)
Other income (expense), net	(65)	(123)	(24)	19	(41)	(84)
Income (loss) from continuing operations before income taxes	(48)	(125)	(5)	270	862	587
Provisions for income taxes for continuing operations	(118)	(90)	(128)	(159)	(269)	(238)
Net income (loss) from continuing operations	(166)	(215)	(133)	111	593	349
Loss from discontinued operations, net of income tax	(29)	(25)	(128)	(16)	(3)	(115)
Net income (loss)	(195)	(240)	(261)	95	590	234
Statement of Cash Flows Data:						
Amounts in accordance with US GAAP:						
Net cash provided by (used in):						
Operating activities	156	678	373	635	1,019	
Investing activities	(582)	(563)	(568)	(414)	(356)	
Financing activities	446	(121)	216	(212)	(708)	
Balance Sheet Data (at period end):						
Amounts in accordance with US GAAP:						
Cash		24	45		—	
Working capital[1]		1,435	2,188		644	
Property, plant, & equipment		7,172	7,257		6,849	
Total assets		11,656	12,413		12,788	
Total debt[2]		1,585	1,729		—	
Other liabilities (excl. total debt)[3]		3,352	3,472		5,364	
Total owner's equity		5,477	7,212		7,424	
Other Financial Data:						
Amounts in accordance with US GAAP:						
Adjusted EBITDA[4]	442	472	869	740	1,327	
Depreciation and amortization	(423)	(517)	(545)	(431)	(415)	
Capital expenditures[5]	614	556	567	414	376	

	Year ended December 31, 2004	Nine months ended September 30, 2004	Nine months ended September 30, 2005
	(€ in millions)		
Other Financial Data:			
Amounts in accordance with UK GAAP (€ in millions):			
EBITDA before exceptionals[6]	861	685	1,152

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

(2) Total debt represents long-term debt plus short-term debt, including capital lease obligations. Under US GAAP, debt issuance costs are included in prepayments for the purposes of balance sheet presentation and are amortized over the life of the debt.

(3) Other liabilities represents current liabilities plus long-term liabilities less total debt and unamortized debt issue costs.

(4) Adjusted EBITDA from continuing operations represents operating profit plus depreciation of tangible fixed assets, amortization of definite-lived intangible assets and asset impairments from continuing operations, income from investments in affiliate and other operating income. Although Adjusted EBITDA from continuing operations should not be considered a substitute measure for trading profit and net cash flow from operating activities, we believe that it provides 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.

The reconciliation of Innovene's operating profit to Adjusted EBITDA from continuing operations for each period indicated:

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Amounts in accordance with US GAAP from continuing operations:					
Operating profit	54	33	60	284	931
Equity (loss) income from investments in affiliates	(2)	9	8	6	7
Depreciation and amortization	423	517	545	431	415
Asset impairment from continuing operations	32	36	280[a]	—	15
Other income (expense), net	(65)	(123)	(24)	19	(41)
Adjusted EBITDA	442	472	869	740	1,327

(a) Includes charge related to the anticipated closure of the LAO facility in Pasadena, Texas.

(5) Represents capital expenditures as recorded on the combined statements of cash flows.

(6) EBITDA before exceptionals represents operating profit plus depreciation of tangible fixed assets, amortization of intangible assets and goodwill and negative goodwill, plus exceptional charges. Although EBITDA before exceptionals should not be considered a substitute measure for trading profit and net cash flow from operating activities, we believe that it provides 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.

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

	Year ended December 31,	Nine months ended September 30,	
	2004	2004	2005
	(€ in millions)		
Amounts in accordance with UK GAAP:			
Operating profit (loss)	(378)	360	768
Share of operating profit (loss) of associate	(3)	(4)	6
Depreciation	384	314	356
Amortization	14	11	11
Exceptional administrative expenses[a]	844[a]	4	11
EBITDA before exceptionals	861	685	1,152

(a) Includes charge related to the anticipated closure of the LAO facility in Pasadena, Texas.

Summary Unaudited Pro Forma Condensed Combined Financial Information

	Pro forma twelve months ended September 30, 2005
	(€ in millions, except ratios)
Profit and Loss Account Data:	
Amounts in accordance with UK GAAP:	
Turnover	21,861
Cost of sales	(19,860)
Gross profit	2,001
Distribution costs	(242)
Administrative expenses	(436)
Restructuring and asset impairment charges	(334)
Operating profit	989
Share of operating profit of associate	7
Net interest payable	(595)
Other income	(27)
Profit on ordinary activities before taxation	374
Balance Sheet Data (at period end):	
Amounts in accordance with UK GAAP:	
Adjusted cash at bank and in hand(1)	75
Working capital(2)	3,094
Tangible fixed assets	6,891
Total assets	12,725
Total debt(3)	(9,076)
Other liabilities(4)	(3,641)
Shareholders' equity	241
Other Financial Data:	
Amounts in accordance with UK GAAP:	
Pro Forma EBITDA before exceptionals(5)	1,853
Adjusted Pro Forma EBITDA before exceptionals(6)	1,991
Net debt(7)	(9,001)
Cash interest expense(8)	(563)
Ratio of net debt to Adjusted Pro Forma EBITDA before exceptionals(9)	4.5x
Ratio of Adjusted Pro Forma EBITDA before exceptionals to cash interest expense(10)	3.5x

(1) Represents pro forma cash at bank and in hand of €396 million at September 30, 2005 adjusted to exclude €296 million equivalent of cash required to settle tax liabilities assumed on the closing date of the Innovene Acquisition and an increase of €25 million in pre-existing Ineos debt relating to additional bank debt, foreign currency movements and accrued interest from October 1, 2005 to the closing date of the Innovene Acquisition. Actual cash on the closing date of the Innovene Acquisition may vary due to other movements in working capital from September 30, 2005 to the closing date of the Innovene Acquisition, as well as movements in exchange rates.

(2) Pro forma working capital represents pro forma net current assets (pro forma current assets less pro forma current liabilities).

(3) Pro forma total debt represents pro forma long-term debt plus pro forma short-term debt, including pro forma finance lease obligations before deduction of pro forma unamortized debt issuance costs. Under UK GAAP, debt issuance costs are deducted from the related debt amounts for the purposes of balance sheet presentation and are amortized over the life of the debt.

(4) Pro forma other liabilities represents pro forma current liabilities plus pro forma long-term liabilities less pro forma total debt and pro forma unamortized debt issue costs.

(5) Pro Forma EBITDA before exceptionals represents pro forma operating profit plus pro forma depreciation of tangible fixed assets, pro forma amortization of intangible assets and goodwill and negative goodwill plus exceptional charges. Although Pro Forma EBITDA before exceptionals should not be considered a substitute measure for trading profit and

net cash flow from operating activities, we believe that it provides 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.

The reconciliation of pro forma operating profit to Pro Forma EBITDA before exceptionals is as follows:

	Pro forma Twelve months ended September 30, 2005
	(€ in millions)
Operating profit	989
Share of operating profit of associate	7
Depreciation	563
Amortization	(40)
Exceptional administrative expenses[a]	334
Pro Forma EBITDA before exceptionals	1,853

(a) Includes charge related to the anticipated closure of the LAO facility in Pasadena, Texas.

(6) Adjusted Pro Forma EBITDA before exceptionals represents Pro Forma EBITDA before exceptionals as adjusted to add back the following specified cash and non-cash amounts deemed to be non-recurring.

The calculation of Adjusted Pro Forma EBITDA before exceptionals is as follows:

	Pro forma Twelve months ended September 30, 2005
	(€ in millions)
Pro Forma EBITDA before exceptionals	1,853
One-off bonuses[a]	70
BP Corporate overhead allocation[b]	47
Ineos Melamines and Ineos Styrenics[c]	21
Adjusted Pro Forma EBITDA before exceptionals	1,991

(a) Represents the elimination of €70 million of accrued incremental bonuses that Ineos believes are of a non-recurring nature payable to Innovene's employees in 2005 (for the achievement of Innovene EBITDA targets).

(b) Represents the elimination of €47 million of BP corporate overhead costs that are recorded in Innovene's statement of operations, which will not be required to operate the on-going business.

(c) Represents the estimated contribution of €21 million to EBITDA on a combined basis for the Ineos Melamines and Ineos Styrenics businesses for the periods prior to their acquisition by Ineos during the second and third quarters of 2005, respectively. These amounts were derived from the unaudited management accounts of the businesses and certain unaudited carve-out financial information provided by the respective sellers (Cytec Industries Inc. and BASF AG) in connection with the acquisitions and have not been subject to verification by Ineos or its auditors.

(7) Pro forma net debt comprises pro forma total debt less pro forma adjusted cash at bank and in hand.

(8) Pro forma cash interest expense represents interest paid or accrued on pro forma debt balances.

(9) For the purposes of computing the ratio of pro forma net debt to Adjusted Pro Forma EBITDA before exceptionals, we have divided pro forma net debt by Adjusted Pro Forma EBITDA before exceptionals.

(10) For the purposes of computing the ratio of Adjusted Pro Forma EBITDA before exceptionals to pro forma cash interest expense, we have divided Adjusted Pro Forma EBITDA before exceptionals by pro forma cash interest expense.

RISK FACTORS

Risks Relating to Business Operations

The Innovene integration—If we are unable to integrate the Innovene businesses successfully with the historical Ineos businesses, we may incur unanticipated costs, our operations may be disrupted and our ability to make payments on the notes may be impaired.

We have recently been formed by the combination of two separate businesses. The process of effectively integrating these businesses into one company will require significant managerial and financial resources. The costs and time required to integrate these businesses into one organization could cause the interruption of, or a loss of momentum in, the activities of any one, or several, of the operations of the constituent entities. Furthermore, the Innovene Acquisition has significantly increased the size of our company and significantly diversified the business lines in which we operate. The Innovene Acquisition has also substantially increased the scope and complexity of our operations. We cannot assure you that we will be able to effectively manage this newly enlarged operation, or achieve the desired profitability from the Innovene Acquisition. The failure to successfully integrate Innovene with Ineos Group Holdings' existing business operations within the expected time frame could adversely affect our business, financial condition and results of operations. The Innovene Acquisition may expose us to certain additional risks, including:

- difficulties arising from operating a significantly larger and more complex organization and adding operations to our existing operations;
- difficulties in the assimilation of the assets and operations of the Innovene businesses with the assets and operations of Ineos, especially when the assets acquired are in a new business segment or involve new joint venture partners;
- the loss of Innovene customers, including BP, or key employees;
- the diversion of management's attention from other business concerns;
- the failure to realize expected profitability or growth;
- the failure to realize expected synergies and cost savings;
- difficulties arising from coordinating geographically disparate organizations, systems and facilities;
- difficulties arising from coordinating and consolidating corporate and administrative functions, including integration of internal controls and procedures;
- unforeseen legal, regulatory, contractual, labor or other issues; and
- difficulties in integrating Innovene's employees into our company or in consolidating the workforces of Innovene and Ineos.

Further, unexpected costs and challenges may arise whenever businesses with different operations or management are combined, and we may experience unanticipated delays in realizing the benefits of the Innovene Acquisition.

Synergies—We may not realize anticipated revenue and cost synergies, benefit from anticipated business opportunities or experience anticipated growth from the Innovene Acquisition.

We expect that the Innovene Acquisition will result in various revenue and cost synergies, business opportunities and growth. Our ability to realize these synergies, benefit from these opportunities and grow our business is dependent on business conditions in future periods that we cannot predict or measure with certainty. We cannot assure you that we will achieve the expected levels of revenue and cost synergies, or benefits from anticipated business opportunities or growth levels. Our assumptions underlying estimates of expected cost savings and anticipated synergies may be inaccurate, and future business conditions and events may reduce or eliminate our ability to realize them. In addition, we may experience increased competition that limits our ability to grow our business. General industry and business conditions may deteriorate, which also may limit our ability to grow our business or to exploit business opportunities. Finally, our growth and operating strategies for the combined businesses may not be successful or the costs of integration may be higher than expected. The inability to realize anticipated synergies, benefit from business opportunities or experience growth from the Innovene Acquisition may materially adversely affect our business, financial condition, results of operations and cash flows and impair our ability to make payments on the notes.

The petrochemical and refining industries are cyclical—Changing market demands and prices may negatively affect our operating margins and impair our cash flow which, in turn, could affect our ability to make payments on our debt or to make further investments in the business.

Cyclicality and volatility in supply and demand in the petrochemical industry may affect our prices and may negatively impact our operating margins and cash flows and cause us to incur losses, for example, if industry margins in the petrochemical industry were to return to their 2001 levels or decline more significantly than they have in the past. Although cycles in the refining industry are longer and do not correspond to petrochemical industry cycles, nonetheless they 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 both 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 experienced alternating periods of tight 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. According to PGI and CMAI, respectively, both the refining and petrochemical markets are currently experiencing favorable supply and demand environments. However, we do not know whether prices will remain firm or whether the recent economic recovery will continue. The duration of the current upturn depends on a number of factors, including the extent of growth in key regions, such as China, and the amount of capacity that will be built over the coming years. Any slowdown in growth for any reason could have a disproportionately negative effect on industry margins for our petrochemical products.

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

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

In addition, we and other petrochemical companies with large asset bases in Europe face pressures due to the fact that many of our key customers in Europe are subject to competition from low-cost producers in Asia. If our European customers are unable to successfully compete with Asian manufacturers, they could reduce their purchases from us or cease making such purchases altogether. To a lesser extent, this danger also exists in North America. 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 again from 2002 through 2004. 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 market conditions. There may be periods of time in 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. In addition, 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. Furthermore, 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, increases 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.

International operations and currency fluctuations—We are exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect our profitability.

Our businesses are subject to risks normally associated with international operations, including currency fluctuation risks and local business risks. 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 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 US 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 local currencies, a substantial proportion of our turnover is denominated in or linked to the US dollar. Therefore, our financial results in any given period are materially affected by fluctuations in the value of the euro relative to the US dollar and the British pound. Despite its recent recovery, the decline in the value of the US dollar relative to the euro and the British pound that started in 2002 has adversely affected our results. If the value of the US dollar declines, our results of operations and financial condition could be materially adversely affected. We are also exposed to other risks of international operations, including trade barriers, tariffs, exchange controls, national and regional labor strikes, social and political risks, general economic risks, required compliance with a variety of foreign laws, including tax laws and the difficulty of enforcing agreements and collecting receivables through foreign legal systems.

Competition—Significant competition in our industries, whether through efforts of new and current competitors or through consolidation of existing customers, 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. 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 their profits, such as investing in the economies of their respective countries and providing local employment. As the markets for our products expand, we expect that existing competitors may commit more resources to the markets in which we operate. We may not be able to compete effectively in these various areas 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 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 for China could be redirected to Europe and North America, potentially resulting in greater supply to these markets.

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.

Our principal competitors vary from business to business and range from large global petrochemical companies to a large number of smaller regional companies.

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. In particular, 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. For example, the Grangemouth refinery experienced significant reliability problems during 2000 and 2001, which adversely impacted Innovene's results of operations. Any failure to achieve the production volume growth for the Innovene business in accordance with our plans may have a material adverse effect on our results of operations and financial condition.

Joint ventures—Several of Innovene's 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 Innovene's petrochemical facilities are owned and operated by joint ventures between Innovene and one or more third parties. These facilities include the facility in Lavéra, France, various units of which are operated by joint ventures between Innovene and 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 between us and Chevron Phillips. In addition, Innovene has recently agreed to contribute its European polystyrene and expandable polystyrene (EPS) businesses to a 50/50 joint venture with NOVA Chemicals Corporation (“NOVA”). While Innovene has a certain amount of influence over each of these joint ventures, we do not control them and are therefore dependent on Innovene’s 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 respective joint venture or Innovene’s respective 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 the relevant joint venture or our company as a whole. Any such actions could materially adversely affect our business, results of operations and financial condition.

Environmental matters—We will have ongoing costs and may have additional obligations and liabilities arising from environmental, health and safety laws and regulations applicable to our operations.

Our chemicals and refining businesses are highly regulated in all of the jurisdictions in which we operate. Increasingly stringent environmental laws and regulations govern our facilities and manufacturing processes, including the storage, handling and treatment of hazardous materials, transportation and disposal of wastes, water discharges and air emissions, health and safety and the clean-up of contaminated sites. Many of our operations require environmental permits and controls to prevent and reduce air, soil, water and groundwater pollution, and these permits are subject to modification, renewal and revocation by issuing authorities. Violations of environmental laws and regulations may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, clean-up costs, claims for personal injury or property damages or other costs, or restrictions on, suspension or termination of our operating activities. In addition, significant expenditures could be necessary in order to comply with future environmental requirements, or the more stringent enforcement of existing ones.

We incur, and expect to continue to incur, material capital and operating costs in our efforts to comply with these requirements. In addition, at several of our sites, most of which have an extended history of industrial chemical processing, we are required to undertake the investigation and remediation of contamination. We may also be liable for the costs of investigating and cleaning up environmental contamination (1) migrating from our properties, (2) existing at off-site locations where we disposed of or arranged for the disposal or treatment of hazardous wastes or (3) at our formerly occupied properties. Under some environmental laws, liability can be imposed retroactively, without regard to fault, and on a joint and several basis. Such laws may permit governmental authorities, individuals and other third parties to seek damages for personal injury or property damage due to exposure to or contamination by chemicals at, on or from our facilities or to chemicals otherwise produced, owned, controlled or sold by us.

Some of our sites have significant known soil and groundwater contamination, and the investigations that have taken place at other sites may not be sufficient to ascertain that they are free from contamination requiring significant clean-up. While we are not currently aware of any sites as to which material claims or clean-up obligations exist, the discovery of additional contamination or imposition of clean-up obligations could result in significant liability. In addition, our operations involve the intensive use of hazardous materials and we have been subject to claims made for damage to property or injury, including adverse health effects, to employees and other persons, resulting from the environmental, health or safety impacts of our operations. While we are not presently the subject of any material claims in this regard, there can be no assurance that such claims will not be made in the future or that, if made, they will not have a material adverse effect on our business, financial condition or results of operations.

We expect that our operations will be subject to increasingly stringent environmental, health and safety laws and regulations. We anticipate that these laws and regulations will continue to require increased costs and impose additional liabilities. We have budgeted capital expenditures for environmental improvement and compliance projects. We also have established provisions for environmental remediation or decommissioning activities with known clean-up requirements that we can reliably estimate. If we do not predict accurately the amount or timing of costs of any future compliance, remediation requirements or private claims, our environmental provisions and preemptive remediation activities may be inadequate. In addition, emerging standards for establishing environmental provisions may require us to establish substantial additional provisions for environmental matters.

From time to time, our facilities may experience operational problems or malfunctions, fires and explosions, storms, earthquakes or floods or other unplanned events, each of which could result in emissions or discharges in violation of environmental laws or permit limits. Any failure by us to comply with such laws or permit limits or to obtain permits could lead to, among other things, the imposition on us of civil and criminal penalties and in certain circumstances, the temporary or permanent curtailment or shutdown of a part of our operations. Moreover, such events, operational problems or malfunctions have resulted in and could in the future result in bodily injury or loss of life, severe damage to, or destruction of, property and equipment or environmental damage. The costs associated with such unanticipated events 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".

We may be exposed to liability, and our financial results may be adversely affected if liability arises for any environmental matter for which we are not adequately indemnified. As part of the acquisitions of the Ineos Phenol, Ineos Fluor and Ineos Silicas and Innovene businesses, the respective sellers agreed to indemnify us for certain environmental matters existing or occurring before the acquisitions. Although we believe that the indemnities given by the respective sellers will help defray the costs associated with pre-acquisition environmental liabilities, our financial results may still be adversely affected by these matters 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,
- we breach our obligations to mitigate associated losses, 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.

We are not fully insured against all potential hazards inherent in our businesses and the occurrence of any of these events could result in significant liability to us. Our operations are subject to the hazards associated with chemical manufacturing and the related storage, transportation and disposal of raw materials, products and wastes. These hazards include explosions, fires, severe weather and natural disasters, mechanical failure, chemical spills, discharges or releases of toxic or hazardous substances or gases, transportation interruptions, human error, storage tank leaks and other environmental risks. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations and the imposition of civil and criminal liabilities, including penalties and damage claims.

Health and safety regulation—Our business could be adversely affected by regulation of our products.

Our products, including the raw materials we handle, are subject to rigorous industrial hygiene regulations and investigation. There is a risk that a key raw material, chemical or substance or one of our products may be recharacterized as having a toxicological or health related impact on the environment or on our customers or employees. Industrial hygiene regulations are continually strengthened and if such recharacterization occurred, the relevant raw material, chemical or product may be banned or we may incur increased costs in order to comply with new requirements. Change in industrial hygiene regulations also affect the marketability of certain of our products, which may have a material adverse effect on our business. For additional related disclosure, see "Business—Health, Safety, Security and the Environment".

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

Because many of our products provide critical performance attributes to our customers' applications and products, the sale of these products involves the risk of product liability claims arising out of the use of, or exposure to, our products. 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 financial condition or results of operations. 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.

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 Messrs. James A. Ratcliffe, Andrew Currie, Antoine Verrijckt, 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. 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.

We employ approximately 10,800 people, the majority of whom are unionized. In connection with the Innovene Acquisition, we have committed to maintaining equivalent terms and conditions of employment for Innovene's employees for at least one year following the date of the consummation of the Innovene Acquisition. If we were to materially change the terms and conditions of employment for the Innovene employees after the one-year period expires or make any other changes to the terms of employment for any of our employees and such employees were to react adversely to any such changes, we could experience significant labor disputes and work stoppages at one or more of our sites. A labor disturbance or work stoppage at any of our facilities as a result of any changes to our employment terms and conditions or for any other reason could have a material adverse effect on that facility's operations and, potentially, on our business, results of operations and financial condition.

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

Proprietary protection of our processes, apparatuses and other technology is important to our business. 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 Germany, The Netherlands, the United States or 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, trade secrets 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,
- they 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, with or without 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 invention and our business, financial condition and operating results could be adversely affected if any such products are material to our business.

Feedstock supply from BP and sales of refined products to BP—BP provides us with a substantial proportion of Innovene's feedstock requirements, and several of Innovene's sites depend entirely on BP for their supply of raw materials. BP is also a major (and in some cases, our only) customer for certain of our refined products.

BP accounts for a substantial proportion of Innovene's refining and petrochemical feedstock requirements. While the substantial majority of these feedstocks are secured by long-term contracts, 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 temporary 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, Innovene's 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 shut the affected facilities, either temporarily or permanently. If any of these risks materializes, our business, results of operations and financial condition could be materially adversely affected.

In addition, substantially all of our refinery production that is not used by us internally is sold to BP. Although certain of our sales contracts with BP have terms of several years, many can be terminated on 12 months' notice and all of the arrangements can be terminated for cause. If we were to lose BP as a customer or lose access to BP's distribution network, we would become subject to competitive pressures in the refined products market, to which our refineries segment has been largely immune in the past. We may be unable to sell our excess refined products to third parties on similar terms or at all, and as a result, our business, results of operations and financial condition could be materially adversely affected.

BP support services—Following consummation of the Transactions, we will rely on BP for a variety of transitional support services. We cannot assure you that these transitional services will be sufficient for our needs or that we will be able to adequately replace these services after the transitional period.

Innovene has historically relied on BP for assistance with the optimization of purchases and sales of refinery and petrochemical feedstocks on the international commodity markets, the off-take of refinery products and related commodity trading and hedging activities. In addition, BP in the past has provided Innovene with operational assistance, including in the areas of technical support, shipping and transportation. BP has agreed to continue to provide us with these services, other than trading and hedging assistance, for a limited period of time through a series of arrangements with BP's supply and trading operations. While the term and termination provisions of the relevant agreements vary based on the service being provided, several of these agreements may be terminated during 2006. In addition, BP has agreed to provide certain transitional support services to us, including services related to information technology systems, marketing, trading and hedging activities, treasury functions, human resources management and financial, tax and accounting services. Most of these services are provided under agreements which terminate no later than December 31, 2006.

We intend to develop capabilities to provide many of the services for which we will initially rely on BP during the term of the relevant agreements. If we fail to adequately replace the functions for which we will initially rely on BP, or are unable to enter into alternative arrangements with third parties on commercially viable terms, our business, results of operations and financial condition could be materially adversely affected.

BP Credit Support Deed—Upon a default under the Credit Support Deed, BP would be entitled to vote on taking enforcement action under the Senior Secured Credit Facilities.

In connection with the Innovene Acquisition, we entered into a series of arrangements with BP, including a number of commercial and transitional support agreements, among them, the Credit Support Deed.

Under the amended and restated 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 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 agreement between such parties. In addition, our obligations to BP are guaranteed by each of the guarantors under the Senior Secured Credit Facilities. As of September 30, 2005, the aggregate principal amount of Innovene's net trade obligations to BP were $308 million. This number could increase significantly because it will vary in accordance with the amount of feedstock and refined products purchased or sold between the parties.

We also agreed that BP will share in the benefit of the security package granted from time to time to our lenders under the Senior Secured Credit Facilities on a first-priority, *pari passu* basis with such lenders and would be entitled to vote with the lenders under the Senior Secured Credit Facilities on any security enforcement action on the same basis as such secured lenders. BP would only share in any enforcement recoveries to the extent of its actual net exposure and has agreed to net off its exposure to ours whenever practicable. BP has agreed to release this security interest (but not the guarantees) if, following the date that is two years after the closing date of the Innovene Acquisition, the full amount of the credit support (in the form of cash, government obligations or additional letters of credit) required under the Credit Support Deed has been provided to BP. 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 and exercise its rights as a secured creditor with respect to the credit support provided under the Credit Support Deed. BP also would, upon a default, be entitled to request a vote on taking enforcement action under the Senior Secured Credit Facilities.

Limited relevance of financial information—Innovene historical financial results as part of BP may not be representative of Innovene's actual results as a stand-alone company and of our future results.

The Innovene combined financial statements and historical financial information included in this offering memorandum have been derived from BP's consolidated financial statements and accounting records and present the Innovene business as if Innovene had been a separate stand-alone enterprise despite the fact that, during the periods presented in this offering memorandum, Innovene was part of BP. Therefore, this information may not be necessarily reflect (1) what the financial position, results of operations and cash flows would have been if this business actually had been a separate, stand-alone entity during the periods presented or (2) what the financial position, results of operations and cash flows of this business may be in the future. For more information on our results of operations, financial condition and cash flows, see "Selected Combined Historical Financial Information of Innovene", "Selected Consolidated Historical Financial Information of Ineos Group Holdings", "Unaudited Pro Forma Condensed Combined Financial Information", "Operating and Financial Review and Prospects" and the financial statements for Innovene and Ineos and the accompanying notes thereto included elsewhere in this offering memorandum.

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

Ineos has a record of making acquisitions and in the future we may acquire companies or assets engaged in similar or complementary businesses to our own if we identify appropriate acquisition targets. However, restrictions in the Senior Facilities Agreement and the Indenture may limit or preclude our ability to make certain acquisitions or capital expenditures. Further, for acquisitions that are not precluded we may need to borrow money which will increase our debt service requirements and could impact our ability to make payments on the notes. 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 the risks associated with the Innovene Acquisition.

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, completing and financing potential acquisitions on favorable terms, or integrating acquired operations with our existing businesses.

Risks Relating to the Notes and Our Capital Structure

Substantial leverage—Our substantial debt could adversely affect our financial health and prevent us from fulfilling our debt obligations.

As of September 30, 2005, on a pro forma basis after giving effect to the Transactions, our total consolidated debt would have been €9,076 million as compared to shareholder's equity of €241 million. In addition, we would have had €410 million available for future borrowings under the unused portion of our Revolving Credit Facility and €125 million presently available for future borrowings under the unused portion of our Borrowing Base Facilities.

Our substantial debt could have important consequences. For example, it could, among other things:

- require us to dedicate a substantial portion of our operating cash flow to making periodic principal and interest payments on our debt, thereby limiting our ability to take advantage of significant business opportunities and placing us at a competitive disadvantage compared to our competitors that have less debt;
- make it more difficult for us to satisfy our obligations with respect to our debt;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to borrow money or to sell or transfer assets in order to fund future working capital, capital expenditures, any future acquisitions, research, development and technology process costs and other general business requirements; or
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate.

In addition, a portion of our debt (including all of our 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 plus certain additional costs. Although we are required to hedge a portion of our interest rate exposure under the Senior Secured Credit Facilities, fluctuations in EURIBOR or LIBOR, as applicable, may nevertheless increase our overall debt obligation and could have a material adverse effect on our ability to service our debt obligations.

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".

Additional borrowings available—Despite current debt levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described above.

We may be able to incur substantial additional debt in the future. The terms of the Indenture and the terms of 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 or all of the debt we may incur in the future could be structurally senior to the notes and/or may be secured on a first priority basis by some or substantially all of our assets.

Restrictive covenants in our debt instruments—We are subject to restrictive debt covenants. If we default under these covenants, we will not be able to meet our payment obligations.

The Senior Facilities Agreement contains a number of significant covenants that restrict some of our and our subsidiaries' corporate activities, including our and their ability to:

- 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 our business;
- enter into transactions other than at arm's length; and
- modify certain acquisition documents and other agreements, including agreements governing other indebtedness.

In addition, the Senior Facilities Agreement requires us to comply with certain affirmative covenants and certain specified financial covenants and ratios. See "Description of Other Indebtedness—Senior Facilities Agreement".

The Indenture contains a number of significant covenants that restrict some of our and our subsidiaries' corporate activities, including our and their ability to:

- incur additional debt;
- 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.

Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Senior Secured Credit Facilities and the Term D Facility. This would permit the lending banks to take certain actions, including declaring all amounts that we have borrowed under the Senior Secured Credit Facilities and the Term D Facility to be due and payable, together with accrued and unpaid interest. This would also result in an event of default under the Indenture. The lending banks could also refuse to extend further credit under the Senior Secured Credit Facilities. 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 Secured Credit Facilities and the Term D Facility. If the debt under our Senior Secured Credit Facilities, the Term D Facility or the notes or any other material financing arrangement that we enter into were to be accelerated, our assets may be insufficient to repay in full our notes and our other debt.

Ability to service debt—To service our debt, we will require a significant amount of 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. This, to an extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond our and our subsidiaries' control, as well as other factors discussed in this "Risk Factors" section or elsewhere in this offering memorandum.

If our subsidiaries are unable to generate sufficient cash flow to meet their payment obligations, they 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 their debt on or before maturity. We cannot assure you that they would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our debt, including the Senior Secured Credit Facilities, the Term D Facility and the Indenture, will limit their ability to pursue any of these alternatives. If they are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

Limited guarantees—The notes will only benefit from limited guarantees at the time of issuance.

When issued the notes will be guaranteed by the subsidiaries that are identified in the "Description of the Notes" section in this offering memorandum (the "Initial Guarantors"), which represent approximately 93.8% of the EBITDA before exceptionals of Ineos for the year ended December 31, 2004. We have also agreed in the Indenture to use our commercially reasonable efforts to procure that within three months of the Issue Date, the notes will be guaranteed by certain of our other subsidiaries, including subsidiaries acquired in the Innovene Acquisition, that, together with the Initial Guarantors, account for at least 85% of our consolidated EBITDA (as defined in the Senior Facilities Agreement) for the year ended December 31, 2004. However, if we fail to procure such guarantees it will not constitute a default or event of default under the notes. There can be no assurance that we will be successful in procuring any additional guarantees within the time period specified or at all. Any additional guarantees will be limited to the same extent as those under the Senior Secured Credit Facilities and Term D Facility and otherwise as set forth under "Description of the Notes—Certain Covenants—Additional Subsidiary Guarantees".

Effective subordination—If the Issuer's operating subsidiaries are unable to make distributions and other payments to it, the Issuer may be unable to pay you amounts due on the notes.

The notes will be obligations of the Issuer and the guarantors of the notes only, and not of any of our other subsidiaries. The Issuer is a holding company that does not directly conduct any business operations. The Issuer's only assets are the stock of Ineos Holdings Limited ("IHL"), which is itself a holding company and whose only assets are the stock of our operating subsidiaries and certain intercompany claims, and the Issuer's rights under the subordinated funding loan (the "High Yield Proceeds Funding Loan") made by the Issuer to IHL. Because all of the Issuer's operations are conducted solely by its subsidiaries, the Issuer expects to obtain the money to pay the principal and interest on the notes through cash dividends, distributions or other transfers from its operating subsidiaries, including through payments on the High Yield Proceeds Funding Loan. Therefore, the Issuer's ability to make payments of principal or interest on the notes will be contingent upon its operating subsidiaries generating sufficient cash to make payments to it. These subsidiaries may not be able to make distributions to the Issuer. The terms of the Senior Facilities Agreement, our other outstanding debt and the Indenture contain a number of significant covenants that restrict the Issuer's ability, and the ability of its subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditures and incur additional debt and grant guarantees. In addition, any payment of interest, dividends, distributions, loans or advances by the Issuer's operating subsidiaries to the Issuer could be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate.

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. Any right that we or the guarantors have to receive any assets of any of our operating subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent right of holders of notes to realize proceeds from the sale of their assets, may be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors and holders of debt issued by that subsidiary.

In addition, the Issuer's obligations under the notes and the guarantors' obligations under the guarantees will also rank effectively junior to any other debt that we or any of our subsidiaries may secure by charging or pledging any of our assets to secure such debt, including with respect to debt that we and IHL are permitted by the Indenture to incur that is secured by liens on all or substantially all of the assets securing certain senior debt, including the Senior Secured Credit Facilities, as well as pledges securing certain second secured liabilities, including the Term D Facility, which benefits from the same pledge that secures the Senior Secured Credit Facilities, but which is subordinated to a second-priority position under the Intercreditor Agreement.

As a result, upon any distribution to our creditors or any of our subsidiaries' creditors in a bankruptcy, liquidation, reorganization or similar proceeding, the holders of our senior debt will be entitled to be paid in full in cash before any payment may be made with respect to the notes.

Junior security interests—The notes are secured only by junior pledges of certain of our assets and are not secured by any assets of our guarantors, and the lenders under the Senior Secured Credit Facilities and the Term D Facility and BP are entitled to remedies available to a secured lender, which gives them priority over you to collect amounts due to them.

The notes are secured only by junior pledges of the High Yield Proceeds Funding Loan and 100% of the shares of IHL, which currently constitute all of the Issuer's assets, and the guarantees are not secured by any of the assets of the guarantors. Our obligations under the Senior Secured Credit Facilities and the BP credit support deed are secured by, among other things, a first-priority pledge of substantially all our assets (including intellectual property rights) and substantially all the assets of certain of the guarantors, and our obligations under the Term D Facility are secured by the same pledge which is subordinated to a second-priority position under the Intercreditor Agreement. Furthermore, the Indenture permits us to incur additional debt that can be secured by liens on the collateral securing the notes that rank senior to, or equally with, the liens on collateral that secure the notes. If we become insolvent or are liquidated, or if payment under the Senior Secured Credit Facilities or the Term D Facility or in respect of any other secured indebtedness is accelerated, the lenders under the Senior Secured Credit Facilities or the Term D Facility or holders of other secured indebtedness will be entitled to exercise the remedies available to a secured lender under applicable law (in addition to any remedies that may be available under documents pertaining to the Senior Secured Credit Facilities, the Term D Facility or other senior debt).

Upon the occurrence of any default under the Senior Facilities Agreement (and even without accelerating the indebtedness under the Senior Secured Credit Facilities and the Term D Facility), the lenders may be able to prohibit the payment of the notes and guarantees either by limiting our ability to access our cash flow or under the subordination provisions contained in the Intercreditor Agreement. In addition, the junior pledges on the assets securing the notes may be released in certain circumstances without any action by the Trustee or the holders of the Notes. See "Description of Other Indebtedness" and "Description of the Notes".

Contractual subordination—Your right to receive payments on the guarantees will be junior to the guarantors' obligations under the Senior Secured Credit Facilities, their obligations under the BP credit support deed and their obligations under the Term D Facility.

The notes are guaranteed by Ineos Holdings Limited and certain of our other subsidiaries. These guarantees rank behind, and are subordinated to, all of the guarantors' existing and future obligations under the Senior Secured Credit Facilities, the related hedging arrangements, the BP credit support deed, the Term D Facility and any other Designated Senior Indebtedness (as defined in the Indenture) of the guarantors. See "The Acquisition—Related Agreements—The Credit Support Deed". These guarantees will also rank behind any guarantees of debt that we or Ineos Holdings Limited are permitted by the Indenture to incur in the future that is secured by liens on all or substantially all of the assets securing the Senior Secured Credit Facilities and the Term D Facility and guaranteed by all or substantially all of our subsidiaries that guarantee the Senior Secured Credit Facilities and the Term D Facility. The guarantees provide that they will not become due until 179 days after an event of default under the notes has occurred or earlier, in limited circumstances. In addition, the guarantees may be released in certain circumstances without any action by the Trustee or the holders of the notes.

All payments on the guarantees and the High Yield Proceeds Funding Loan are also effectively prohibited by the terms of the guarantees and the Intercreditor Agreement, respectively, if a specified payment event of default occurs under the Senior Secured Credit Facilities, the BP credit support deed or the Term D Facility until the default has been remedied and for 179 days from the date notice is served on Ineos Group Holdings and Ineos Group Limited by the facility agent under the Senior Facilities Agreement in the event that certain other events of default occur. See "Description of Other Indebtedness—Intercreditor Agreement".

As of September 30, 2005, assuming that we had completed this offering on that date and applied the proceeds as intended and assuming we had completed the Transactions on such date:

- Ineos Group Holdings would have had no debt other than debt under the notes;
- the total debt of our consolidated subsidiaries would have been €9,076 million; and
- €925 million would have been available for additional borrowings under the Senior Secured Credit Facilities (of which €390 million would have been used to support letters of credit, surety bonds and bank guarantees), all of which, if it had been borrowed would have been effectively senior to the notes and contractually senior to the guarantees.

Control by directors of Ineos Capital—The interests of our principal investors may conflict with your interests.

The directors of Ineos Capital own a controlling interest in Ineos Group Limited, the holding company which indirectly owns Ineos Group Holdings plc and ultimately controls the voting stock of all the companies that together conduct our business. James A. Ratcliffe is the Chairman of both Ineos Capital and Ineos Group Limited, and controls 56.7% of the total share capital of Ineos Group Limited. The directors of Ineos Capital provide ongoing strategic support and direction to Ineos Group Limited. These ownership and management relationships give Mr. Ratcliffe and the directors of Ineos Capital significant control over our operations. Furthermore, the directors of Ineos Capital have 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 mergers. As a result, the actions of our principal investors can affect our strategic decisions, our legal and capital structure and our day-to-day operations. In addition, our principal investors 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. We warn you that in the event of a conflict of interest between you and our principal investors, their actions could affect our ability to meet our payment obligations to you.

Pro forma information—The historical financial information for Ineos Group Holdings and Innovene and our pro forma financial information may not be representative of our results as a combined company.

The historical financial information included in this offering memorandum is derived from the separate financial statements of Ineos Group Holdings and Innovene for periods prior to the Innovene Acquisition. Our unaudited pro forma financial information presented in this offering memorandum is based in part on certain assumptions regarding the Transactions that we believe are reasonable. We cannot assure you that our assumptions will prove to be accurate over time. Accordingly, the historical, pro forma and other financial information included in this offering memorandum may not reflect what our results of operations and financial condition would have been had we been a combined entity during the periods presented, or what our results of operations and financial condition will be in the future.

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, we are required to offer to repurchase the notes if a change of control occurs. However, our obligations under the Senior Secured Credit Facilities and the Term D Facility could be accelerated upon the occurrence of a change of control offer, and we would have to satisfy those obligations prior to purchasing the notes. Therefore, it is possible that we may not have sufficient funds at the time of a change of control to repurchase the notes or that the restrictions in the Senior Facilities Agreement will prohibit repurchases of the notes. Our failure to repurchase the notes would be an event of default under the Indenture. You should read the section titled "Description of the Notes—Purchase of Notes upon a Change of Control" for further information regarding of the change of control provisions.

The change of control provisions contained in the Indenture may not protect holders of notes in the event of highly leveraged transactions, including reorganizations, restructurings or mergers, 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.

Fraudulent transfer—Fraudulent transfer and other laws may permit a court to void the guarantees, and if that occurs, you may not receive any payments on the guarantees.

The issuance of guarantees by the guarantors may be subject to limitation or invalidation under applicable fraudulent transfer and conveyance statutes if a bankruptcy, liquidation or reorganization case or a lawsuit, including circumstances in which bankruptcy is not involved, were commenced at some future date by, or on behalf of, our unpaid creditors or unpaid creditors of our guarantors. While the relevant laws vary, under such laws the issuance of the guarantees will be a fraudulent conveyance if (i) we issued the guarantees with the intent of hindering, delaying or defrauding creditors or (ii) any of the guarantors received less than reasonably equivalent value or fair consideration in return for issuing a guarantee, and, in the case of (ii) only, one of the following is true:

- any of the guarantors was insolvent, or rendered insolvent, by reason of such transactions;
- any of the guarantors was engaged in a business or transaction for which our or the applicable guarantor's assets constituted unreasonably small capital; or
- any of the guarantors intended to, or believes that we or it would, be unable to pay debts as they matured.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the 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.

A court would likely find that a subsidiary guarantor did not receive reasonably equivalent value or fair consideration for its subsidiary guarantee if the subsidiary guarantor did not substantially benefit directly or indirectly from the issuance of the notes. Each guarantee contains a provision intended to limit the subsidiary guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer. This provision may not be effective to protect the subsidiary guarantees from being voided under fraudulent transfer law.

If a court were to find that the issuance of the notes or a guarantee of the notes was a fraudulent conveyance, 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 not receive any repayment on the notes or the guarantees of the notes.

Enforceability of German guarantees—You may not be able to enforce, or recover any amounts under, the guarantees of the German subsidiaries due to restrictions on enforcement reflecting German corporate law.

The enforcement of the guarantees provided by the German subsidiaries of the Issuer will be limited by language reflecting the capital maintenance rules imposed by German corporate law, which prohibit the direct or indirect repayment of a German limited liability company's stated share capital to its direct or indirect shareholders (including payments pursuant to guarantees in favour of the debts of such shareholders). Payments under the guarantees will be limited if, and to the extent, such payments would cause a German subsidiary's net worth to fall below the amount of its stated share capital.

The net worth of each of the German subsidiaries of the Issuer is measured at the time of enforcement of the guarantee after taking into account, among other things, the direct debt and other obligations of the relevant German subsidiary. Because the German subsidiaries of the Issuer are also guarantors of all obligations under the Senior Secured Credit Facilities and the Term D Facility and will also owe other obligations, there is no assurance that the excess of the net worth of each German subsidiary over its stated share capital will be adequate to cover any or all of the amounts outstanding under any guarantee provided by the relevant German subsidiary.

In addition, the respective direct or indirect shareholders of the German subsidiaries of the Issuer must not jeopardize the existence of a German subsidiary, including, in particular, that such shareholders must not deprive the German subsidiaries of the assets necessary to meet the German subsidiaries' payment obligations. For this reason, there can be no assurance that the respective shareholders of the German subsidiaries will have the assets available to cover any or all of the amounts owed by them under the guarantees.

German capital maintenance rules are subject to ongoing court decisions. We can not 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 or of the subsidiaries to make payments on the guarantees.

Insolvency laws—Relevant insolvency laws in England and other jurisdictions may provide you with less protection than US 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 are incorporated in the United States, Belgium, Germany and The Netherlands. The procedural and substantive provisions of English, Belgian, German and Dutch insolvency laws generally are more favorable to secured creditors than comparable provisions of US law and afford debtors and unsecured creditors only limited protection from secured creditors. Due to the nature of such insolvency laws and the unsecured nature of the claims of holders of the notes against the guarantors, the ability of holders of the notes to protect their interests will be more limited than would be the case under US bankruptcy laws. The lenders under the Senior Secured Credit Facilities and the lenders under the Term D Facility have first ranking security and second ranking security, respectively, on all of the assets of Ineos Holdings Limited and substantially all of the assets of the guarantors. As a result, after the enforcement of the assets securing the Senior Secured Credit Facilities or the Term D Facility, the security agent under the Senior Facilities Agreement will have effective control of and the right to direct the disposition of the assets of Ineos Holdings Limited and those subsidiaries.

See "Certain Insolvency Law Considerations" for a description of the insolvency laws in England and Wales, Belgium, Germany and The Netherlands, 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 summarized 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 substantially favor secured creditors, such as the lenders under our Senior Secured Credit Facilities and the Term D Facility, 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 US 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 US 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 US 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 US federal securities laws. See "Service of Process and Enforcement of Judgments".

Lack of public market—You may not be able to sell your notes.

There is no existing 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. 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. 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.

Transfer of notes—The transfer of notes is restricted.

The notes 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".

USE OF PROCEEDS

The gross proceeds from the sale of the notes will be €2,355 million. The Issuer will lend the net proceeds and cash on hand in an aggregate amount equal to the gross proceeds from the sale of the notes to Ineos Holdings Limited pursuant to the High Yield Proceeds Funding Loan. We expect to use the proceeds from the High Yield Proceeds Funding Loan (including the net proceeds from the sale of the notes), together with the proceeds from borrowings under the Senior Secured Credit Facilities and the Term D Facility, to repay all of the loans outstanding under the Bridge Facility. Funds borrowed on the closing date of the Innovene Acquisition under the Bridge Facility and the Senior Secured Credit Facilities were used to finance the Transactions and to pay related fees and expenses.

The following table sets forth the sources and uses of funds in connection with the Transactions as if completion of the Transactions occurred on September 30, 2005:

Sources	€ in millions(1)	Uses	€ in millions(1)
Cash on hand(2)	114	Purchase consideration(7)	7,168
Senior Secured Credit Facilities(3)(4)	6,295	Refinancing of existing Ineos debt(8)	1,080
Term D Facility(4)(5)	400	Intercompany loan receivable(9)	79
Notes offered hereby(4)(6)	2,355	Estimated transaction fees and expenses and other payments(10)	466
		Assumed tax liability(11)	296
		Excess cash(12)	75
Total Sources	€9,164	Total Uses	€9,164

(1) Unless otherwise indicated, euro equivalents of US dollar amounts are translated at an exchange rate of \$1.20 = €1.00. The noon buying rate of the euro on September 30, 2005 was \$1.2058 = €1.00.

(2) Represents cash at bank and in hand of Ineos as of September 30, 2005.

(3) The loans drawn under the Senior Secured Credit Facilities on the closing date of the Innovene Acquisition were comprised of €3,865 million of euro-denominated loans and \$2,494 million of U.S. dollar-denominated loans. On the Issue Date for the notes, we will increase the aggregate principal amount of senior secured term loans under the Senior Secured Credit Facilities by €350 million. For a description of the Senior Secured Credit Facilities, see "Description of Other Indebtedness—Senior Facilities Agreement".

(4) The proceeds from the issuance of the notes offered hereby, together with the proceeds from borrowings under the Senior Secured Credit Facilities and the Term D Facility, will be used to repay all of the loans outstanding under the Bridge Facility. This table gives pro forma effect to the refinancing of the Bridge Facility, which was the actual source of approximately €3.1 billion of the funds used on the closing date for the Innovene Acquisition.

(5) Represents amounts drawn under the Term D Facility under the Senior Facilities Agreement. For a description of the Term D Facility, see "Description of Other Indebtedness—Senior Facilities Agreement".

(6) Represents €1,750 million principal amount of Euro Notes and \$750 million principal amount of Dollar Notes, translated at an exchange rate of \$1.24 = €1.00.

(7) Cash consideration paid to BP in accordance with the Acquisition Agreement. See "The Acquisition—Acquisition Consideration".

(8) Includes repayments of all amounts outstanding under our prior senior credit facility and our prior interim finance facilities, representing the balance of all existing debt on the closing date of the Innovene Acquisition. Pre-existing debt refinanced is comprised of €1,055 million principal amount and accrued interest through September 30, 2005, and an increase of €25 million in pre-existing Ineos debt relating to additional bank debt, foreign currency movements and accrued interest from October 1, 2005 to the closing date of the Innovene Acquisition.

(9) Represents intercompany loan to Ineos Investment Holdings Limited, which used the proceeds to repay a vendor loan note to Degussa AG.

(10) Transaction fees and expenses represents our estimates of fees and expenses associated with the Transactions, such as placement and other financing fees, breakage costs associated with the repayment of debt, advisory fees and other transaction costs and professional fees, including the payment of €60 million of advisory fees and transaction costs to Ineos Capital. This amount also includes a distribution of €100 million to the shareholders of our parent company, Ineos Group Limited, that we intend to make.

(11) Represents certain tax liabilities assumed at the time of the completion of the Innovene Acquisition, amounting to \$355 million. Ineos expects to discharge the majority of these tax liabilities during the first quarter of 2006.

(12) This amount is provided for illustrative purposes only. Actual cash available on the closing date of the Innovene Acquisition may vary from this amount due to other movements in working capital from September 30, 2005 to the closing date of the acquisition, as well as movements in exchange rates.

CAPITALIZATION

The following table sets forth the cash and consolidated capitalization as of September 30, 2005 of Ineos Group Holdings, on a pro forma basis after giving effect to the Transactions. This table should be read in conjunction with "Summary-The Transactions", "Unaudited Pro Forma Condensed Combined Financial Information", "Use of Proceeds", "Operating and Financial Review and Prospects", the consolidated financial statements of Ineos Group Holdings, the combined financial statements of Innovene and "Description of Other Indebtedness" included elsewhere in this offering memorandum.

	Adjusted Consolidated Pro Forma as of September 30, 2005
	(€ in millions)[(1)]
Cash at bank and in hand[(2)]	75
Senior Secured Credit Facilities[(3)]	
Term loan A	1,570
Term loan B	1,775
Term loan C	1,775
Borrowing Base Facilities	1,175
Revolving Credit Facility	—
Total	6,295
Term D Facility	400
Notes offered hereby[(4)]	2,355
Other long-term indebtedness[(5)]	26
Total debt	9,076
Total equity	241
Total capitalization	9,317

Except as disclosed herein, there has been no material adverse change in our consolidated financial position since September 30, 2005. The issued share capital of Ineos Group Holdings plc is composed of 11,500,231 ordinary shares whose aggregate nominal value is equal to £11,500,231.00.

(1) Unless otherwise indicated, euro equivalents of US dollar amounts are translated at exchange rate of $1.20 = €1.00. The noon buying rate of the euro on September 30, 2005 was $1.2058 = €1.00.

(2) Represents pro forma cash of €396 million at September 30, 2005 adjusted to exclude €296 million of cash required to settle tax liabilities assumed on the closing date of the Innovene Acquisition and an increase of €25 million in pre-existing Ineos debt relating to additional bank debt, foreign currency movements and accrued interest from October 1, 2005 to the closing date of the Innovene Acquisition. Actual cash on the closing date of the Innovene Acquisition may vary due to other movements in working capital from September 30, 2005 to the closing date of the Innovene Acquisition, as well as movements in exchange rates.

(3) The Senior Secured Credit Facilities include receivables Borrowing Base Facilities comprised of €830 million and $564 million subtranches and a multi-currency €800 million Revolving Credit Facility. As of the closing date of the Innovene Acquisition, €700 million and $564 million were drawn under the borrowing base facilities and no amounts were drawn under the Revolving Credit Facility, however €390 million has been or will be used to support letters of credit, surety bonds and bank guarantees.

(4) Represents €1,750 million principal amount of Euro Notes and $750 million principal amount of Dollar Notes, translated at an exchange rate of $1.24 = €1.00.

(5) Relates to finance leases and other non-interest bearing long-term loans.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF INEOS GROUP HOLDINGS

The selected historical financial information of Ineos Group Holdings for the years ended and as of December 31, 2002, 2003 and 2004 is derived from the audited consolidated financial statements of Ineos Group Holdings prepared in accordance with UK GAAP, and included elsewhere in this offering memorandum. These financial statements have been audited by PricewaterhouseCoopers LLP, London, independent auditors. The selected historical consolidated financial data presented below as of September 30, 2005 and for the nine months ended September 30, 2004 and 2005 have been derived from Ineos Group Holdings' unaudited financial statements prepared in accordance with UK GAAP, and included elsewhere in this offering memorandum. Results of operations for these interim periods are not necessarily indicative of the results that might be expected for any other interim period or for an entire year. Ineos Group Holdings's financial statements have been prepared in accordance with UK GAAP, which differs in certain respects from US GAAP. See note 36 to Ineos Group Holdings' audited consolidated financial statements for a summary of the main differences between UK GAAP and US GAAP as they relate to Ineos Group Holdings. As discussed in note 2 to Ineos Group Holdings' audited consolidated financial statements, the audited consolidated financial statements have been restated to reflect the adoption of Financial Reporting Standard No. 17, "Retirement Benefits". You should read the data below in conjunction with "Operating and Financial Review and Prospects" and the Ineos Group Holdings consolidated financial statements included elsewhere in this offering memorandum.

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
	restated	restated	restated		
	(€ in millions)				
Profit and Loss Account Data:					
Amounts in accordance with UK GAAP:					
Turnover	2,236	2,530	3,396	2,397	3,058
Cost of sales	(1,834)	(2,131)	(2,928)	(2,076)	(2,620)
Gross profit	402	399	468	321	438
Distribution costs	(162)	(152)	(150)	(111)	(124)
Administrative expenses	(87)	(47)	(49)	(28)	(48)
Other operating income	—	18	—	—	—
Operating profit	153	218	269	182	266
Share of operating profit of associate	1	1	1	—	—
Profit on disposal of fixed assets	2	1	—	—	—
Net finance charges	(74)	(66)	(49)	(44)	(74)
Profit on ordinary activities before taxation	82	154	221	138	192
Taxation on profit/(loss) on ordinary activities	(44)	(9)	(44)	2	(66)
Profit on ordinary activities after taxation	38	145	177	140	126
Statement of Cash Flows Data:					
Amounts in accordance with UK GAAP:					
Net cash flow from operating activities	211	268	214	183	258
Returns on investment and servicing of finance	(61)	(61)	(50)	(50)	(75)
Taxation paid	(11)	(12)	(25)	(15)	(60)
Capital expenditure and financial investments	(48)	(55)	(95)	(54)	(286)
Acquisitions and disposals	(5)	1	—	—	(159)
Equity dividends paid	—	(10)	(40)	(40)	—
Financing	(91)	(81)	(76)	(70)	351

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
	restated	restated	restated (€ in millions)		
Balance Sheet Data (at period end):					
Amounts in accordance with UK GAAP:					
Cash		153	80		114
Working capital[(1)]		222	286		33
Tangible fixed assets		856	791		914
Total assets		1,394	1,587		1,336
Total debt[(2)]		(778)	(693)		(1,058)
Net debt[(3)]		(625)	(613)		(944)
Other liabilities[(4)]		(496)	(671)		(664)
Shareholders' equity		137	235		408
Other Financial Data:					
Amounts in accordance with UK GAAP:					
EBITDA before exceptionals[(5)]	260	296	348	238	327
Depreciation and amortization	(82)	(77)	(79)	(56)	(61)
Capital expenditures[(6)]	(51)	(58)	(62)	(41)	(104)
Ratio of earnings to fixed charges[(7),(8)]	2.1x	3.2x	5.1x		

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

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

(3) Net debt represents total debt less cash at bank and in hand.

(4) Other liabilities represents current liabilities plus long-term liabilities less total debt and unamortized debt issuance costs.

(5) EBITDA before exceptionals represents operating profit plus depreciation of tangible fixed assets, amortization of intangible assets and goodwill and negative goodwill plus exceptional charges. Although EBITDA before exceptionals should not be considered a substitute measure for trading profit and net cash flow from operating activities, we believe that it provides 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.

The reconciliation of Ineos Group Holdings's operating profit to EBITDA before exceptionals is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
	restated	restated	restated (€ in millions)		
Operating profit and share of operating profit of associate	154	219	269	182	266
Depreciation	115	114	119	86	77
Amortization	(33)	(37)	(40)	(30)	(16)
Exceptional administrative expenses	25	—	—	—	—
EBITDA before exceptionals	260	296	348	238	327

(6) Capital expenditures represents payments to acquire tangible fixed assets as recorded on the consolidated cash flow statements.

(7) For the purpose of calculating the ratio of earnings to fixed charges, earnings consist of profit on ordinary activities before taxation plus fixed charges and amortization of capitalized interest. Fixed charges consist of interest expense and amortization of deferred debt issuance costs. The interest element of operating leases is calculated as one-third of the related lease charges which is considered representative of the interest component of operating lease expense.

(8) For the twelve months ended September 30, 2005, after giving pro forma effect to the Transactions, the estimated pro forma ratio of earnings to fixed charges would have been 1.6x.

SELECTED COMBINED HISTORICAL FINANCIAL INFORMATION OF INNOVENE

The selected combined historical financial information of Innovene (including the Dormagen EOG Business) for the years ended December 31, 2002, 2003 and 2004 and as of December 31, 2003 and 2004 is derived from the audited combined financial statements and notes thereto of Innovene prepared in accordance with US GAAP, included elsewhere in this offering memorandum. These financial statements have been audited by Ernst & Young LLP, London, independent auditors. The selected combined historical financial data presented below for the nine months ended September 30, 2004 and 2005 and as of September 30, 2005, have been derived from the Innovene unaudited combined financial statements, which, in our opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results from the unaudited interim periods. Results of operations for these interim periods are not necessarily indicative of the results that might be expected for any other interim period or for an entire year. The selected combined historical financial information of Innovene includes the Dormagen EOG Business, our acquisition of which is subject to review by the European Commission competition authorities. The estimated revenues and Adjusted EBITDA associated with these assets were €253 million and €41 million, respectively, for the twelve months ended September 30, 2005. You should read the data below in conjunction with "Operating and Financial Review and Prospects", the combined financial statements included elsewhere in this offering memorandum and "Use of Non-GAAP Financial Measures".

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Statement of Operations					
Amounts in accordance with US GAAP:					
Revenues	11,776	13,422	17,937	12,355	16,964
Cost of sales	(10,775)	(12,586)	(16,765)	(11,432)	(15,412)
Gross margin	1,001	836	1,172	923	1,552
Selling, general, and administrative expenses	(734)	(616)	(630)	(522)	(504)
Research and development expenses	(120)	(115)	(137)	(104)	(81)
Restructuring and asset impairment charges	(93)	(72)	(345)	(13)	(36)
Operating profit	54	33	60	284	931
Equity (loss) income from investments in affiliates	(2)	9	8	6	7
Interest expense	(35)	(44)	(49)	(39)	(35)
Other income (expense), net	(65)	(123)	(24)	19	(41)
Income (loss) from continuing operations before income taxes	(48)	(125)	(5)	270	862
Provisions for income taxes for continuing operations	(118)	(90)	(128)	(159)	(269)
Net income (loss) from continuing operations	(166)	(215)	(133)	111	593
Loss from discontinued operations, net of income tax	(29)	(25)	(128)	(16)	(3)
Net income (loss)	(195)	(240)	(261)	95	590
Statement of Cash Flows Data:					
Amounts in accordance with US GAAP:					
Net cash provided by (used in):					
Operating activities	156	678	373	635	1,019
Investing activities	(582)	(563)	(568)	(414)	(356)
Financing activities	446	(121)	216	(212)	(708)

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Balance Sheet Data (at period end):					
Amounts in accordance with US GAAP:					
Cash		24	45		—
Working capital[1]		1,435	2,188		644
Property, plant, & equipment		7,172	7,257		6,849
Total assets		11,656	12,413		12,788
Total debt[2]		(1,585)	(1,729)		—
Other liabilities (excl. total debt)[3]		(3,352)	(3,472)		(5,364)
Total owner's equity		5,477	7,212		7,424
Other Financial Data:					
Amounts in accordance with US GAAP:					
Adjusted EBITDA from continuing operations[4]	442	472	869	740	1,327
Depreciation and amortization	(423)	(517)	(545)	(431)	(415)
Capital expenditures[5]	614	556	567	414	376

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

(2) Total debt represents long-term debt plus short-term debt, including capital lease obligations. Under US GAAP, debt issuance costs are included in prepayments for the purposes of balance sheet presentation and are amortized over the life of the debt.

(3) Other liabilities (excluding total debt) represents current liabilities plus long-term liabilities less total debt.

(4) Adjusted EBITDA from continuing operations represents operating profit plus depreciation of tangible fixed assets, amortization of definite-lived intangible assets and asset impairments from continuing operations, income from investments in affiliate and other operating income. Although Adjusted EBITDA from continuing operations should not be considered a substitute measure for trading profit and net cash flow from operating activities, we believe that it provides 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.

The reconciliation of Innovene's operating profit to Adjusted EBITDA from continuing operations for each period indicated:

	Year ended December 31,			Nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Amounts in accordance with US GAAP:					
Operating profit	54	33	60	284	931
Equity (loss) in income from investments in affiliates	(2)	9	8	6	7
Depreciation and amortization	423	517	545	431	415
Asset impairment from continuing operations	32	36	280[a]	—	15
Other income (expense), net	(65)	(123)	(24)	19	(41)
Adjusted EBITDA from continuing operations	442	472	869	740	1,327

(a) Includes charge related to the anticipated closure of the LAO facility in Pasadena, Texas.

(5) Represents capital expenditures as recorded on the combined statements of cash flows.

USE OF NON-GAAP FINANCIAL MEASURES

The following are the primary EBITDA-based financial measures that are utilized in this offering memorandum:

- ***EBITDA before exceptionals,*** which represents operating profit plus depreciation of tangible fixed assets, amortization of tangible fixed assets, intangible assets and goodwill and negative goodwill plus exceptional charges. This measure is derived from profit and loss account items calculated in accordance with UK GAAP. Both Ineos and Innovene utilize this measure, and we plan to utilize this measure on a going-forward consolidated and segmental basis.

- ***Adjusted Pro Forma EBITDA before exceptionals,*** which represents EBITDA before exceptionals, after giving pro forma effect to the Transactions and the BP Solvay Acquisition and as further adjusted for certain specified cash and non-cash amounts deemed to be non-recurring. This measure is derived from profit and loss account items calculated in accordance with UK GAAP.

- ***Adjusted EBITDA,*** which represents operating profit plus depreciation of definitive-lived intangible assets and asset impairments from continuing operations, income from investments in affiliates and other operating income. This measure is derived from combined statement of operations items calculated in accordance with US GAAP. Prior to the Innovene Acquisition, Innovene utilized this measure on a combined and segmental basis.

These EBITDA-based measures are non-GAAP measures. We believe that the presentation of EBITDA-based measures enhances an investor's understanding of Ineos's and Innovene's financial performance. However, EBITDA-based measures should not be considered in isolation or viewed as a substitute for profit from ordinary activities, net income, net cash flow from operating activities, cash flow from operations or other measures of performance as defined by UK GAAP or US GAAP. 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. These EBITDA-based measures exclude items that management does not utilize 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. Nevertheless, management recognizes that there are limitations associated with the use of EBITDA-based measures as compared to profit from ordinary activities and net income, and therefore uses EBITDA-based measures in conjunction with traditional GAAP operating performance measures as part of its overall assessment of performance.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion is based upon the consolidated historical financial statements of Ineos prepared in accordance with UK GAAP, the combined historical financial statements of Innovene prepared in accordance with US GAAP and our unaudited pro forma condensed combined financial information prepared in accordance with UK GAAP and should be read in conjunction with the consolidated historical financial statements of Ineos, the combined historical financial statements of Innovene and the notes thereto and our condensed combined pro forma financial information included elsewhere in this offering memorandum. The consolidated historical financial statements of Ineos and our pro forma condensed combined financial information have been prepared in accordance with UK GAAP and include a reconciliation to US GAAP. For a discussion of the significant differences between UK GAAP and US GAAP, see note 36 to the Ineos audited financial statements included elsewhere in this offering memorandum. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, particularly in "Risk Factors" and "Forward-Looking Statements".

Overview

Combined Business

We are the world's third largest chemical company measured by turnover. After giving effect to the Innovene Acquisition, our pro forma turnover for the twelve months ended September 30, 2005, would have been €21.9 billion and our Adjusted Pro Forma EBITDA before exceptionals would have been €2.0 billion. Our combined business operates 30 petrochemical manufacturing sites in eight countries in North America and Europe, 13 specialty chemical sites in eight countries throughout the world as well as two refineries in Europe which are fully integrated with our co-located petrochemical facilities.

Our combined business results from the combination of Ineos, a low-cost manufacturer of petrochemicals and specialty chemicals, and Innovene, the olefins and derivatives business of BP and two of BP's European refineries. Since April 1998, when it acquired Ineos Oxide from Inspec, Ineos has significantly expanded through a series of strategic acquisitions of businesses and assets from major chemical companies as well as organic growth.

Key Factors Affecting Our Businesses

Our results of operations are driven by a combination of factors affecting the refining, petrochemical and specialty chemicals industries generally, including general economic conditions, prices of raw materials, global supply and demand for our products and environmental legislation and initiatives. Our results of operations are also impacted by company-specific structural and operational factors. The Innovene Acquisition and the other Transactions, including the financing, will also affect our results of operations in the future. Set forth below is an overview of the key drivers that have affected the historical results of operations of Ineos and Innovene, and are expected to affect our future results of operations.

The Innovene Acquisition

The following are expected to be some of the major effects of the Innovene Acquisition on our results of operations.

- ***The Financing.*** The Innovene Acquisition was financed with drawings under the Senior Secured Credit Facilities and the Bridge Facility (which is being refinanced with the offering of the notes, certain additional borrowings under the Senior Secured Credit Facilities and borrowings under the Term D Facility). As of September 30, 2005, after giving effect to the Innovene Acquisition and the other Transactions (including amounts used to support the letter of credit issued to BP in connection with our obligations in respect of the Dormagen EOG Business), we would have had €9,076 million of indebtedness, including €6,295 million under the Senior Secured Credit Facilities, €400 million under the Term D Facility and €2,355 million under the notes. Our future results of operations, and in particular our net finance charges, will be significantly affected by the increased 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.

- ***Integration of Innovene and Restructuring.*** We have initiated an extensive integration and restructuring program in connection with the Innovene Acquisition. As is the case with our prior significant acquisitions, we will focus 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 the acquired assets.

Apart from the initiatives being implemented in connection with the Innovene Acquisition, both Ineos and Innovene have undertaken significant cost-savings programs in the period under review, which have impacted their results of operations. Prior to the Innovene Acquisition, Innovene engaged in a program to restructure and simplify its asset portfolio to reduce its costs. This program included the sale of the butanediol (“BDO”) unit of its Lima, Ohio facility and the closure of its linear alpha olefins (“LAO”) facility in Pasadena, Texas. Innovene incurred restructuring and impairment charges of $93 million in 2002, $72 million in 2003, $345 million in 2004 and $36 million in the nine months ended September 30, 2005. In addition, earlier in 2005, Innovene began a comprehensive cost-savings program referred to as the “Accelerator program”, which included the renegotiation of customer contracts and the rationalization of inefficient product ranges. In 2002, Ineos incurred €24.6 million of exceptional administrative expenses, which mainly related to business restructuring and the provision for severance payments in connection with the acquisitions of the Ineos Silicas, Ineos Fluor and Ineos Phenol businesses.

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 over-capacity, 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 have led to improved utilization rates and rising contribution margins. The duration of the present upturn is difficult to predict and depends on a number of factors, including the extent of global economic growth and the amount of capacity that will be built over the coming years. According to CMAI, petrochemical margins are expected to peak in 2006-2007, trending downwards thereafter to reach a cyclical trough in 2009-2010.

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).

Supply and demand in the European refining industry

The refinery industry in Europe historically has been characterized by steady growth in demand for refinery products, cyclical margins due to periodic over-capacity and supply shortages in various regional markets, and 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.

In aggregate, refining industry margins have experienced a sharp upturn since 2002 to reach record levels in 2005. With growth in product demand exceeding capacity additions, and crude oil supply shifting towards heavier and higher sulfur crudes, refineries with more sophisticated technical configurations have been able to capture greater margins. As a consequence of the significant increase in oil prices and higher cash margins across the industry, our refining business reported substantial improvement in revenues and Adjusted EBITDA during 2004 and 2005 and compared to prior periods. According to PGI, refining industry margins are expected to start trending downwards from current record levels post-2006, stabilizing above long-term historical average levels from 2012 onwards.

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 ten days. Likewise, unplanned outages, such as the fire at the Chocolate Bayou facility in August 2005, the mechanical breakdown in the ethylene oxide ("EO") unit of our Antwerp facility in 2003 or the explosion and fire at the cleavage unit of our Mobile facility in 2002, 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.

In periods prior to the Innovene Acquisition, the availability and the utilization of certain of the Innovene assets was adversely impacted by reliability issues. Innovene has undertaken a number of initiatives, including significant investments, since 2001 in order to achieve improvements in the reliability of its assets. We believe that significant opportunities remain to achieve further production volume growth in respect of the acquired Innovene assets by improving availability and utilization rates.

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 $19.42 per barrel in January 2002 to approximately $62.91 per barrel in September 2005, while the U.S. natural gas wellhead price increased from $2.43 per one million British thermal units ("mmbtu") in January 2002 to $9.22 per mmbtu in September 2005. The petrochemical-related turnover of the combined business increased significantly over this period. The increase in turnover 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. However, our ability to do so 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 or, in the case of olefins contracts in Europe, quarterly. 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.

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 turnover is generated in, or linked to, the US dollar and euro. In our refining business, the prices of finished products and of the underlying raw materials are primarily denominated in US dollars, while our costs are largely denominated in euros and British pounds. In our European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and British pounds. In our US petrochemical and specialty chemicals businesses, product prices, raw material costs and most other costs are primarily denominated in US dollars. 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 US dollar and the British pound. The euro strengthened against the US dollar by approximately 53% from January 1, 2002 to December 31, 2004. The euro has weakened against the US dollar during 2005.

Environmental considerations

Our results of operations are affected by environmental regulation and environmental considerations generally. We invest a significant amount of resources in order to ensure that our facilities comply with environmental requirements. We also incur remediation and decommissioning costs in connection with our production facilities and other locations. Environmental considerations can also impact the markets in which we operate. For example, we believe that the cost to comply with increasingly strict environmental standards is one of the key factors that explains why no new crude oil distillation capacity is expected to be built in the European refinery market in the foreseeable future. Moreover, the expected new stringent EU specifications on the sulfur content of transport fuels such as gasoline and diesel could require some existing refineries to invest significant capital in technology upgrades. Similarly, we believe that environmental considerations have resulted in demand shifting from ozone-depleting gases towards ozone-benign gases, such as the HFC products Ineos Fluor manufactures. The shift away from ozone-depleting gases, and thus growth in demand for Ineos Fluor's products, such as HFC 134a, will continue until full phase-out of both CFCs and HCFCs in non-feedstock uses is achieved. Environmental concerns, including legislation in many countries limiting or banning phosphate usage, have also resulted in an on-going shift in demand from phosphates to zeolites, such as the zeolites Ineos Silicas produces, for use in detergents. In addition, some important detergent manufacturers are seeking to standardize product formulations across geographical regions, by using zeolites as detergent builders, even in countries where phosphate use is not yet prohibited.

Recent Developments

As a result of the August 10, 2005 fire at Innovene's Chocolate Bayou facility, there was a $40.2 million favorable adjustment to the purchase price paid at the closing of the Innovene Acquisition. Additionally, on March 31, 2006, BP will pay us $40 million in connection with the fire at that facility, and if the Chocolate Bayou cracker is not restored to 99% reliability by June 30, 2006, BP will pay us an additional $20 million.

Results of Operations

Ineos Results of Operations

Ineos Basis of Presentation and Historical Segments

The consolidated historical financial statements of Ineos, which are prepared in accordance with UK GAAP, include the results of operations of Ineos Oxide, Ineos Fluor, Ineos Silicas and Ineos Phenol for all of the periods presented. Also included with effect from March 1, 2002 are the results of the acetate esters business acquired by Ineos Oxide from BP Belgium on such date and with effect from June 30, 2005, and August 31, 2005, the results of Ineos Styrenics and Ineos Melamines, respectively.

Prior to the completion of the Innovene Acquisition, Ineos's petrochemical and specialty chemicals business was comprised of six business segments: Ineos Oxide, Ineos Phenol, Ineos Fluor, Ineos Silicas, Ineos Styrenics and Ineos Melamines.

In light of their relative size and recent acquisition, a separate segmental discussion is not presented for Ineos Styrenics and Ineos Melamines.

Description of Key Line Items of Ineos

Profit and Loss Account

Set forth below is a brief description of the composition of the key lines items of Ineos's consolidated profit and loss accounts:

- ***Turnover.*** Turnover represents the invoiced value of products sold or services provided to third parties net of sales discounts and value added taxes. 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. 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.

- ***Operating Costs***. Operating costs have been allocated to specific categories in accordance with the requirements of UK GAAP. The main categories are cost of sales, distribution costs and administrative expenses:
  - *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.* 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, and the amortization of intangible fixed assets such as goodwill. The amortization of negative goodwill, which arises when the purchase price of acquired assets is less than the fair market value attributed to the net assets acquired, is recorded as a credit to administrative expenses. Negative goodwill was created in connection with the acquisitions of Ineos Fluor, Ineos Silicas and Ineos Phenol.
  - *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, which were only recorded in 2002, are mainly related to business restructuring and the provision for severance payments.
- ***Share of Operating Profit of Associate.*** Share of operating profit of associate relates to the results from the investment in a 49% ownership interest in Quaker Chemical South Africa (Pty.), a producer of specialized lubricants.

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

	Ineos Consolidated			
	For the nine months ended September 30,			
	2004		2005	
	€	%	€	%
	(€ in millions)			
Amounts in UK GAAP				
Turnover	2,397.2	100.0	3,057.9	100.0
Cost of sales	(2,076.2)	(86.6)	(2,619.9)	(85.7)
Gross profit	321.0	13.4	438.0	14.3
Distribution costs	(111.0)	(4.6)	(124.2)	(4.0)
Administrative expenses	(28.5)	(1.2)	(48.3)	(1.6)
Operating profit	181.5	7.6	265.5	8.7
Share of operating profit of associate	0.3	—	0.3	—
Net finance charges	(43.8)	(1.8)	(73.5)	(2.4)
Profit on ordinary activities before taxation	138.0	5.8	192.3	6.3
Taxation on profit on ordinary activities	1.8	—	(66.6)	(2.2)
Profit on ordinary activities after taxation	139.8	5.8	125.7	4.1

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Ineos Consolidated

Turnover. Turnover increased by €660.7 million, or 27.6%, to €3,057.9 million for the nine-month period ended September 30, 2005, as compared to €2,397.2 million in the same period in 2004. The increase is primarily attributable to Ineos Phenol, which was able to pass through significantly higher prices for phenol and acetone in line with the increased prices for the raw materials (benzene and propylene) used in their production, and was also able to achieve volume growth due to higher capacity. The increase is also partly due to higher prices and volumes achieved by Ineos Oxide for EO and ethylene glycol ("EG") due to higher feedstock prices and increased prices and volumes for its non-commodity ethylene-based products. Ineos Fluor also achieved significant price and volume increases for HFC 134a in a tight global market. The acquisition of the Ineos Melamines and Ineos Styrenics businesses in the second and third quarters of 2005, respectively, positively impacted turnover by €117.0 million in the nine month period ended September 30, 2005.

Cost of sales. Cost of sales increased by €543.7 million, or 26.2%, to €2,619.9 million for the nine-month period ended September 30, 2005, as compared to €2,076.2 million in the same period in 2004. The increase is largely attributable to higher raw material prices, particularly due to increased market prices of benzene and propylene, and, to a lesser extent, increased raw material consumption due to higher production volumes for both Ineos Phenol and Ineos Oxide, particularly due to higher volumes of EG and non-commodity ethylene products. The acquisitions of the Ineos Melamines and Ineos Styrenics businesses during the second half of 2005 contributed €105.2 million of costs during the nine-month period ended September 30, 2005. Cost of sales in the 2005 period also benefited from no depreciation charges being recorded in respect of Ineos Fluor's HFC 134a production facility in Runcorn, United Kingdom, which was closed in September 2004 in order to be converted to a HFC 125 facility. During the nine months ended September 30, 2004, €13.4 million of depreciation charges (including accelerated depreciation charges due to the reduction of its useful life), were recorded in respect of such facility.

Gross profit. Gross profit increased by €117.0 million, or 36.4%, to €438.0 million for the nine-month period ended September 30, 2005, as compared to €321.0 million in the same period in 2004. The growth in gross profit is primarily attributable to higher margins for HFC 134a, due to the positive price effects from strong demand in a tight global market for the product, and the absence in the 2005 period of the one-time effects of the accelerated depreciation charges for the HFC 134a facility in the 2004 period. Gross profit also benefited from the increased prices and volumes achieved by Ineos Phenol and Ineos Oxide, and the effects of the inclusion of the Ineos Melamines and Ineos Styrenics businesses in the third quarter of 2005.

Distribution costs. Distribution costs increased by €13.2 million, or 11.9%, to €124.2 million for the nine-month period ended September 30, 2005, as compared to €111.0 million in the same period in 2004. The increase is primarily due to the inclusion of the Ineos Melamines and Ineos Styrenics businesses in the third quarter of 2005. Higher sales volumes of Ineos Phenol also contributed to the increase.

Administrative expenses. Administrative expenses increased by €19.8 million, or 69.5%, to €48.3 million for the nine-month period ended September 30, 2005, as compared to €28.5 million in the same period in 2004. This increase is partly due to the one-time credit to administrative expenses in the nine-month period ended September 30, 2004 resulting from the amortization of negative goodwill in respect of the HFC 134a production facility. The facility was closed in September 2004 to be converted to a HFC 125 facility and €13.4 million of negative goodwill amortization was recorded as a credit to administrative expenses in the 2004 period (including on an accelerated basis due to the reduction of its useful life). The effects of the inclusion of the Ineos Melamines and Ineos Styrenics businesses in the third quarter of 2005 also contributed to the increase.

Operating profit. Operating profit increased by €84.0 million, or 46.3%, to €265.5 million for the nine-month period ended September 30, 2005, as compared to €181.5 million in the same period in 2004.

Net finance charges. Net finance charges increased by €29.7 million, or 67.8%, to €73.5 million for the nine-month period ended September 30, 2005 from €43.8 million in the same period in 2004. The increase in net finance charges primarily reflects the one-time effects of the early redemption on August 8, 2005 of €260 million principal amount of the 10.5% Senior Notes due 2010 at a redemption price of 107.788% and the related write-off of unamortized debt issue costs. The increase also reflects the interest expense associated with the Interim Finance Facility initially entered into in February 2005, of which €31.0 million was drawn as of March 31, 2005 and €601.0 million was drawn as of September 30, 2005, and increased foreign exchange losses on short-term intra-group loan funding (in currencies other than the functional currency of the relevant subsidiary). These increases were partly offset by lower margins on the senior credit facility and lower senior debt levels during the nine-month period ended September 30, 2005 as compared to the 2004 period as a result of scheduled amortization and voluntary prepayments of the senior credit facility.

Profit on ordinary activities before taxation. Profit on ordinary activities increased by €54.3 million, or 39.3%, to €192.3 million for the nine-month period ended September 30, 2005, as compared to €138.0 million in the same period in 2004.

Taxation. Taxation increased by €68.4 million to a charge of €66.6 million for the nine-month period ended September 30, 2005 from a credit of €1.8 million in the same period 2004. The increase for the nine-month period ended September 30, 2005 as compared to the prior period is based on an anticipated effective tax rate for the full year of 2005 of 34.6%, as compared to an actual effective tax rate of 19.7% for 2004.

Profit on ordinary activities after taxation. As a result of the foregoing, profit on ordinary activities after taxation decreased by €14.1 million, or 10.1%, to €125.7 million for the nine-month period ended September 30, 2005, as compared to €139.8 million in the same period in 2004.

Ineos Business Segments

The following table provides an overview of the historical turnover and EBITDA before exceptionals of each of Ineos's segments for the periods indicated:

	Ineos	
	For the nine months ended September 30,	
	2004	**2005**
	(unaudited) (€ in millions)	
Amounts in UK GAAP		
Turnover		
Ineos Oxide	425.3	529.3
Ineos Phenol	1,596.2	1,989.4
Ineos Fluor	215.2	262.3
Ineos Silicas	160.5	159.9
Ineos Styrenics	—	106.2
Ineos Melamines	—	10.8
Total	2,397.2	3,057.9
EBITDA before exceptionals(1)		
Ineos Oxide	72.0	96.3
Ineos Phenol	94.6	116.2
Ineos Fluor	43.2	90.1
Ineos Silicas	28.0	18.7
Ineos Styrenics	—	4.9
Ineos Melamines	—	0.7
Total	237.8	326.9

(1) For more information on how Ineos calculates EBITDA before exceptionals, see "Use of Non-GAAP Financial Measures".

Ineos Oxide

Turnover. Turnover increased by €104.0 million, or 24.5%, to €529.3 million for the nine-month period ended September 30, 2005, as compared to €425.3 million for the same period in 2004. The increase is largely due to higher prices and volumes achieved for EO and EG due to higher feedstock prices and increased prices and volumes for non-commodity ethylene products, such as EOA, GasSpec™ gas treating amines, alkoxyalates and acetate esters.

EBITDA before exceptionals. EBITDA before exceptionals increased by € 24.3 million, or 33.8%, to €96.3 million for the nine-month period ended September 30, 2005, as compared to €72.0 million for the same period in 2004. Almost all of the growth in EBITDA before exceptionals is attributable to the higher gross profit achieved from increased turnover.

Ineos Phenol

Turnover. Turnover increased by €393.2 million, or 24.6%, to €1,989.4 million for the nine-month period ended September 30, 2005, as compared to €1,596.2 million for the same period in 2004. The increase is primarily attributable to the passing through of significantly higher prices for phenol and acetone in line with the increased prices for the raw materials (benzene and propylene) used in their production and volume growth due to the utilization of higher capacity.

According to CMAI, phenol and acetone prices in Western Europe increased to €1,007 per tonne and €702 per tonne, respectively, for the nine month period ended September 30, 2005, as compared to €960 per tonne and €623 per tonne, respectively, for the same period in 2004. According to CMAI, Phenol and acetone prices in the United States increased to $1,313 per tonne and $838 per tonne, respectively, for the nine month period ended September 30, 2005, as compared to $1,015 per tonne and $716 per tonne, respectively, for the same period in 2004.

EBITDA before exceptionals. EBITDA before exceptionals increased by €21.6 million, or 22.8%, to €116.2 million for the nine-month period ended September 30, 2005, as compared to €94.6 million for the same period in 2004. This increase reflects the increase in prices and sales volume, partially offset by increased raw material prices and higher raw material consumption due to increased plant utilization. Distribution costs were higher in the nine-month period ended September 30, 2005 compared to same period in 2004 as a result of the increased volumes. Administrative expenses were slightly lower in the 2005 period as compared to the prior year period.

Ineos Fluor

Turnover. Turnover increased by €47.1 million, or 21.9%, to €262.3 million for the nine-month period ended September 30, 2005, as compared to €215.2 million for the same period in 2004. The increase reflects increased prices and volumes of HFC 134a and, to a lesser extent, HCFC 22. Significant price and volume increases were achieved for HFC 134a in a tight global market, due in part to the unplanned outage of a competitor's production facility in 2005.

EBITDA before exceptionals. EBITDA before exceptionals increased by €46.9 million, or 108.6%, to €90.1 million for the nine-month period ended September 30, 2005, as compared to €43.2 million for the same period in 2004. This increase is primarily due to price effects from the high demand for HFC 134a in a tight global market.

Ineos Silicas

Turnover. Turnover decreased by €0.6 million, or 0.4%, to €159.9 million for the nine-month period ended September 30, 2005, as compared to €160.5 million for the same period in 2004. The decrease reflects lower sales volumes of silicates and zeolites, with part of the decrease due to the decision to discontinue production of detergent zeolites in the United States as well as lower sales of metal silicates. This decrease was partly offset by higher prices for silicates and higher sales volumes for silicas.

EBITDA before exceptionals. EBITDA before exceptionals decreased by €9.3 million, or 33.2%, to €18.7 million for the nine-month period ended September 30, 2005, as compared to €28.0 million for the same period in 2004. This decrease is due to several factors, including higher raw material and utilities costs, stock write-off costs resulting from quality issues in the US and increased costs incurred in connection with a pharmaceutical development project.

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

	Ineos Consolidated					
	For the year ended December 31,					
	2002		2003		2004	
	€	%	€	%	€	%
	(€ in millions)					
Amounts in UK GAAP						
Turnover	2,235.8	100.0	2,530.4	100.0	3,396.1	100.0
Cost of sales	(1,834.1)	(82.0)	(2,131.5)	(84.2)	(2,928.6)	(86.2)
Gross profit	401.7	18.0	398.9	15.8	467.5	13.8
Distribution costs	(161.7)	(7.2)	(151.8)	(6.0)	(150.2)	(4.5)
Administrative expenses before exceptional items	(62.4)	(2.9)	(47.0)	(1.9)	(48.5)	(1.4)
Exceptional administrative expenses	(24.6)	(1.1)	—	—	—	—
Other operating income	—	—	18.1	0.7	—	—
Operating profit	153.0	6.8	218.2	8.6	268.8	7.9
Share of operating profit of associate	0.6	—	0.6	—	0.5	—
Profit on disposal of fixed assets	1.9	0.1	1.3	0.1	—	—
Profit on disposal of business	—	—	0.1	—	—	—
Net finance charges	(73.3)	(3.2)	(66.7)	(2.6)	(48.7)	(1.4)
Profit on ordinary activities before taxation	82.2	3.7	153.5	6.1	220.6	6.5
Taxation on profit on ordinary activities	(44.5)	(2.0)	(8.5)	(0.4)	(43.5)	(1.3)
Profit on ordinary activities after taxation	37.7	1.7	145.0	5.7	177.1	5.2

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Ineos Consolidated

Turnover. Turnover increased by €865.7 million, or 34.2%, to €3,396.1 million for the year ended December 31, 2004, as compared to €2,530.4 million for the same period in 2003. This increase largely reflects an increase in sales prices and sales volumes for phenol and acetone. Ineos Oxide also experienced increased volumes and sales prices compared to 2003.

Cost of sales. Cost of sales increased by €797.1 million, or 37.4%, to €2,928.6 million for the year ended December 31, 2004, as compared to €2,131.5 million for the same period in 2003. This increase mainly reflects increased raw material prices for Ineos Phenol and, to a lesser extent, Ineos Oxide, plus the increased volume sold in these segments.

Gross profit. Gross profit increased by €68.6 million, or 17.2%, to €467.5 million for the year ended December 31, 2004, as compared to €398.9 million for the same period in 2003.

Distribution costs. Distribution costs decreased by €1.6 million, or 1.1%, to €150.2 million for the year ended December 31, 2004, as compared to €151.8 million for the same period in 2003. The slight decrease was mainly due to lower airfreight costs and a higher proportion of ex works sales (sales where the customer pays the transportation costs) in Ineos Silicas in 2004. This was partly offset by increased distribution costs due to higher sales volumes in Ineos Phenol.

Administrative expenses. Administrative expenses increased by €1.5 million, or 3.2%, to €48.5 million for the year ended December 31, 2004, as compared to €47.0 million for the same period in 2003. The increase was largely attributable to the one-time effects in 2003 of income recorded by

Ineos Oxide from the sale of property and the receipt of a business interruption insurance settlement in respect of the 2002 accident at its ENB production facility, and decreased levels of currency retranslation gains by Ineos Phenol in 2004. There was also a reduction of negative goodwill amortization in 2004 due to exchange rate retranslation in Ineos Phenol. These decreases in administrative expenses were partly offset by increased negative goodwill amortization by Ineos Fluor in connection with the accelerated amortization of negative goodwill associated with the closure of the HFC 134a asset.

Other operating income. In 2003, we recorded other operating income of €18.1 million, which we received from our insurers in settlement of our claim resulting from the business interruption arising from an explosion and fire at the cleavage unit of the Ineos Phenol plant in Mobile, Alabama on September 9, 2002. The damaged part of the plant was subsequently rebuilt and became fully operational in January 2003.

Operating profit. Operating profit increased by €50.6 million, or 23.2%, to €268.8 million for the year ended December 31, 2004, as compared to €218.2 million for the same period in 2003.

Profit on disposal of fixed assets. We recorded €1.3 million in the year ended December 31, 2003 as profit on the disposal of fixed assets related to the explosion and fire at the cleavage unit of the Ineos Phenol plant in Mobile, Alabama on September 9, 2002. This represented the final settlement amount received from the insurers in 2003 in respect of property damage claims.

Profit on disposal of business. We received net proceeds of €1.4 million in connection with the sale of Ineos Silicas Italia srl and the associated silicate business to its management in May 2003. After taking into account the net assets disposed of and associated goodwill, the profit on disposal was €0.1 million in 2003.

Net finance charges. Net finance charges decreased by €18.0 million, or 27.0%, to €48.7 million for the year ended December 31, 2004 as compared to €66.7 million for the same period in 2003. This decrease is a result of exchange gains of €6.3 million in 2004 compared to exchange losses of €1.9 million in 2003 associated with short-term intra-group funding. In addition, interest expense decreased in the year ended December 31, 2001, due to overall lower debt levels during 2004 as compared to 2003 as a result of scheduled amortization and voluntary prepayments of the senior credit facility.

Profit on ordinary activities before taxation. Profit on ordinary activities increased by €67.1 million, or 43.7%, to €220.6 million for the year ended December 31, 2004, as compared to €153.5 million for the same period in 2003.

Taxation. Taxation increased by €35.0 million to €43.5 million for the year ended December 31, 2004, as compared to €8.5 million for the same period in 2003. The increase in taxation is due to the increase in profit in 2004, a decrease in the level of non-taxable credits, and an increase in deferred tax due to a reduction in the losses available for utilization. During 2004, we had an effective tax rate of 19.7% as compared to 5.5% in 2003.

Profit on ordinary activities after taxation. Profit on ordinary activities after taxation increased by €32.1 million, or 22.1%, to €177.1 million for the year ended December 31, 2004, as compared to €145.0 million for the same period in 2003.

Ineos Business Segments

The following table provides an overview of the historical turnover and EBITDA before exceptionals of each of Ineos's segments for the periods indicated:

	Ineos	
	For the year ended December 31,	
	2003	2004
	(€ in millions)	
Amounts in UK GAAP		
Turnover		
Ineos Oxide	500.1	590.6
Ineos Phenol	1,542.3	2,316.5
Ineos Fluor	273.8	275.5
Ineos Silicas	214.2	213.5
Total	2,530.4	3,396.1
EBITDA before exceptionals(1)		
Ineos Oxide	84.2	104.7
Ineos Phenol	130.0	158.9
Ineos Fluor	48.0	50.8
Ineos Silicas	34.2	33.9
Total	296.4	348.3

(1) For more information on how Ineos calculates EBITDA before exceptionals, see "Use of Non-GAAP Financial Measures".

Ineos Oxide

Turnover. Turnover increased by €90.5 million, or 18.1%, to €590.6 million for the year ended December 31, 2004, as compared to €500.1 million for the same period in 2003. This increase reflects growth in sales volumes in 2004 as compared to 2003. The increase in sales volumes in 2004 was attributable to the impact in 2003 of the mechanical breakdown of the Antwerp EO/EG unit and the need to deactivate the EO unit twice in 2003 (as compared to only once in 2004) for recatalyzation. In addition, sales volumes in 2004 benefited from the full year availability in 2004 of the additional EOA production capacity at the Plaquemine facility that became available in late 2003. Sales prices in 2004 were higher than the previous year, particularly for EG, where we benefited from the price effects of a global shortage driven by fast growing Chinese imports.

EBITDA before exceptionals. EBITDA before exceptionals increased by €20.5 million, or 24.3%, to €104.7 million for the year ended December 31, 2004, as compared to €84.2 million for the same period in 2003. The increase is a reflection of the additional volumes and stable margins achieved in 2004, the higher margins attained for EG and the continued efforts to control fixed operating costs. The increase is also attributable to the €5.0 million settlement in 2004 of a commercial dispute with a supplier.

Ineos Phenol

Turnover. Turnover increased by €774.2 million, or 50.2%, to €2,316.5 million for the year ended December 31, 2004, as compared to €1,542.3 million for the same period in 2003. This increase reflects higher sales prices for phenol and acetone and, to a lesser extent, increased sales volumes for both phenol and acetone linked with increased utilization levels at all three production facilities.

According to CMAI, phenol and acetone prices in Western Europe increased to €1,008 per tonne and to €655 per tonne, respectively, for the year ended December 31, 2004, as compared to €724 per tonne and €556 per tonne, respectively, for the same period in 2003. According to CMAI, phenol and acetone prices in the United States increased to $1,122 per tonne and $770 per tonne, respectively, for the year ended December 31, 2004, as compared to $901 per tonne and $548 per tonne, respectively, for the same period in 2003.

EBITDA before exceptionals. EBITDA before exceptionals increased by €28.9 million, or 22.2%, to €158.9 million for the year ended December 31, 2004, as compared to €130.0 million for the same period in 2003. This increase primarily reflects increased sales volumes and sales prices, combined with cost savings, partially offset by increased raw material and distribution costs. In addition, the results for 2003 include the one-time effects of other operating income of €18.1 million, which relates to the business interruption insurance proceeds recognized in 2003 following the explosion and fire at the Mobile plant in September 2002.

Ineos Fluor

Turnover. Turnover increased by €1.7 million, or 0.6%, to €275.5 million for the year ended December 31, 2004, as compared to €273.8 million for the same period in 2003. The increase reflects improved sales volumes of HFC 134a, HCFC 22 and HFC blends, which increase was largely offset by the retranslation effects of the appreciation of the euro against the US dollar.

EBITDA before exceptionals. EBITDA before exceptionals increased by €2.8 million, or 5.8%, to €50.8 million for the year ended December 31, 2004, as compared to €48.0 million for the same period in 2003. This increase is primarily due to the increased turnover and a reduction in fixed production costs in 2004 as compared to 2003.

Ineos Silicas

Turnover. Turnover decreased by €0.7 million, or 0.3%, to €213.5 million for the year ended December 31, 2004, as compared to €214.2 million for the same period in 2003. An increase in sales volume in all regions other than Europe was largely offset by negative exchange rate retranslation effects. In Europe, the sales decline was mostly isolated to a few key customers, including sales of zeolite to Unilever.

EBITDA before exceptionals. EBITDA before exceptionals decreased by €0.3 million, or 0.9%, to €33.9 million for the year ended December 31, 2004, as compared to €34.2 million for the same period in 2003. This decrease is largely due to higher raw material and utilities costs, particularly in the final quarter of 2004, which increases were partly offset by reduced distribution and administration costs.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Ineos Consolidated

Turnover. Turnover increased by €294.6 million, or 13.2%, to €2,530.4 million in 2003 as compared to €2,235.8 million in 2002. This increase largely reflects increased sales volumes of phenol and acetone by Ineos Phenol. The Ineos Phenol plant in Mobile, Alabama returned to full production (with expanded capacity) for all of 2003 following the September 2002 explosion and fire. Ineos Phenol also experienced price increases in line with the increases in market prices for its products. This growth was partially offset by reductions in turnover in Ineos Oxide, Ineos Fluor and Ineos Silicas due to the impact of exchange rate retranslation as a result of the appreciation of the euro against the US dollar and sterling, together with reduced sales volumes of Ineos Oxide.

Cost of sales. Cost of sales increased by €297.4 million, or 16.2%, to €2,131.5 million in 2003 as compared to €1,834.1 million in 2002. This increase largely reflects increased sales volumes in the intermediate business segment of Ineos Phenol. Ineos Phenol also experienced increased raw material prices in line with market prices increases. This was partially offset by reductions in cost of sales in Ineos Oxide and Ineos Silicas due to the impact of exchange rate retranslation as a result of the appreciation of the euro against the US dollar and sterling, together with reduced sales volumes of Ineos Oxide.

Gross profit. Gross profit decreased by €2.8 million, or 0.7%, to €398.9 million in 2003, as compared to €401.7 million in 2002. This decrease reflects the increase in sales volumes and improved margins in Ineos Phenol, especially in the United States, together with higher margins achieved on monoethylene glycol ("MEG") volumes sold by Ineos Oxide due to higher market prices, which increases were more than offset by the impact of appreciation of the euro against the US dollar across all four business segments.

Distribution costs. Distribution costs decreased by €9.9 million, or 6.1%, to €151.8 million in 2003, as compared to €161.7 million in 2002. This decrease was a combination of reduced distribution costs as a result of continuing cost saving projects together with the impact of exchange rate retranslation as a result of an appreciation of the euro against the US dollar and sterling.

Administrative expenses. Administrative expenses decreased by €15.4 million, or 24.7%, to €47.0 million in 2003, as compared to €62.4 million in 2002. This decrease is primarily due to the combined impact of lower costs incurred as a result of a number of cost saving projects, most notably in Ineos Silicas and Ineos Phenol, together with the impact of exchange rate retranslation as a result of the appreciation of the euro against the US dollar and sterling. In addition, there was an increase of €7.5 million of negative goodwill amortization in 2003 due to the accelerated amortization of the Ineos Fluor HFC 134a assets in connection with their planned closure.

Exceptional administrative expenses. We recorded €24.6 million of exceptional administrative expenses in 2002. These expenses primarily reflect severance costs incurred in 2002 in connection with the restructurings of Ineos Silicas and Ineos Phenol.

Other operating income. In 2003, we recorded other operating income of €18.1 million, which we received from our insurers in settlement of our claim resulting from the business interruption arising from an explosion and fire at the cleavage unit of the Ineos Phenol plant in Mobile, Alabama on September 9, 2002. The damaged part of the plant was subsequently rebuilt and became fully operational in January 2003.

Operating profit. Operating profit increased by €65.2 million, or 42.6%, to €218.2 million in 2003, compared to €153.0 million in 2002.

Profit on disposal of fixed assets. We recorded profit on disposal of fixed assets of €1.3 million in 2003 and €1.9 million in 2002. This profit on disposal of fixed assets comprised the impact of the incident at the Ineos Phenol plant in Mobile, Alabama. In addition to the amounts received on account in 2002, a final amount of €1.3 million was received from the insurers for property damage.

Profit on disposal of business. We received net proceeds of €1.4 million in connection with the sale of Ineos Silicas Italia srl and the associated silicate business to its management in May 2003. After taking into account the net assets disposed of and associated goodwill, the profit on disposal was €0.1 million in 2003.

Net finance charges. Net finance charges decreased by €6.6 million, or 9.0%, to €66.7 million in 2003 as compared to €73.3 million in 2002. This decrease primarily reflects the reduction in the margin on the senior credit facility together with lower debt levels in 2003 compared to 2002 as a result of scheduled amortization and voluntary debt repayments of the senior credit facility.

Profit on ordinary activities before taxation. Profit on ordinary activities increased by €71.3 million, or 86.7%, to €153.5 million in 2003, as compared to €82.2 million in 2002.

Taxation. Taxation decreased by €36.0 million, or 80.9%, to €8.5 million in 2003, as compared to €44.5 million in 2002. This decrease primarily reflects a decrease in the deferred tax charge from €28.0 million in 2002 to a credit of €13.7 million in 2003, reflecting the recognition for the first time in 2003 of deferred tax assets in respect of tax losses in the United States. During 2003, we had an effective tax rate of 5.5% as compared to 54.1% in 2002.

Profit on ordinary activities after taxation. As a result of the foregoing, profit on ordinary activities after taxation increased by €107.3 million to €145.0 million in 2003, as compared to €37.7 million in 2002.

Ineos Business Segments

The following table provides an overview of the historical turnover and EBITDA before exceptionals of each of Ineos's segments for the periods indicated:

	Ineos	
	For the year ended December 31,	
	2002	**2003**
	(€ in millions)	
Amounts in UK GAAP		
Turnover		
Ineos Oxide	507.4	500.1
Ineos Phenol	1,189.0	1,542.3
Ineos Fluor	304.8	273.8
Ineos Silicas	234.6	214.2
Total	2,235.8	2,530.4
EBITDA before exceptionals(1)		
Ineos Oxide	74.5	84.2
Ineos Phenol	81.5	130.0
Ineos Fluor	57.4	48.0
Ineos Silicas	46.2	34.2
Total	259.6	296.4

(1) For more information on how Ineos calculates EBITDA before exceptionals, see "Use of Non-GAAP Financial Measures".

Ineos Oxide

Turnover. Turnover decreased by €7.3 million, or 1.4%, to €500.1 million for the year ended December 31, 2003, as compared to €507.4 million for the same period in 2002. This decrease reflects a reduction in volume sold in 2003 compared to 2002, as a consequence of the mechanical breakdown of the Antwerp EO/EG unit and the need to deactivate the EO unit twice in 2003 (as compared to only once in 2002) for the scheduled replacement of the catalyst. This decrease in volume was partially offset by an increase in sales prices, especially MEG, due to a global shortage driven by rapidly growing Chinese imports.

EBITDA before exceptionals. EBITDA before exceptionals increased by €9.7 million, or 13.0%, to €84.2 million for the year ended December 31, 2003, as compared to €74.5 million for the same period in 2002. The lower sales volumes adversely impacted EBITDA before exceptionals in 2003 by €1.4 million. This decrease was more than offset by a reduction in administrative expenses due to a fixed cost savings program and the one-time effects in 2003 of the sale of land at the Antwerp facility and the receipt of a business interruption insurance settlement related to the accident at the Antwerp facility that affected ENB production in 2002.

Ineos Phenol

Turnover. Turnover increased by €353.3 million, or 29.7%, to €1,542.3 million for the year ended December 31, 2003, as compared to €1,189.0 million for the same period in 2002. This increase reflected increased sales volumes for both phenol and acetone resulting from the Mobile, Alabama plant returning to full production (with expanded capacity) for all of 2003 following the September 2002 explosion and fire, and increased sales prices, other than for acetone in Europe.

According to CMAI, phenol prices in Western Europe increased to €724 per tonne for the year ended December 31, 2003, as compared to €559 per tonne for the same period in 2002, and Western European acetone prices decreased to €556 per tonne for the year ended December 31, 2003, as compared to €565 per tonne for the same period in 2002. According to CMAI, phenol and acetone prices in the United States increased to $901 per tonne and $548 per tonne, respectively, for the year ended December 31, 2003, as compared to $737 per tonne and $374 per tonne, respectively, for the same period in 2002.

EBITDA before exceptionals. EBITDA before exceptionals increased by €48.5 million, or 59.5%, to €130.0 million for the year ended December 31, 2003, as compared to €81.5 million for the same period in 2002. This increase primarily reflected increased sales volumes and sales prices. In addition, the results for 2003 include recognition of business interruption insurance proceeds of €18.1 million following the fire and explosion at the Mobile, Alabama plant in September 2002.

Ineos Fluor

Turnover. Turnover decreased by €31.0 million, or 10.2%, to €273.8 million for the year ended December 31, 2003, as compared to €304.8 million for the same period in 2002. The decrease reflected lower prices and the retranslation effects of the appreciation of the euro against the US dollar offset by increased volumes of industrial grade HFC 134a and HCFC 22.

EBITDA before exceptionals. EBITDA before exceptionals decreased by €9.4 million, or 16.4%, to €48.0 million for the year ended December 31, 2003 as compared to €57.4 million for the same period in 2002. The decrease was primarily a result of the decline in turnover, offset by lower administrative expenses.

Ineos Silicas

Turnover. Turnover decreased by €20.4 million, or 8.7%, to €214.2 million for the year ended December 31, 2003, as compared to €234.6 million for the same period in 2002. Excluding the impact of exchange rate translation differences and the disposal of the silicate business in Italy in April 2003, turnover was flat in 2003 as compared to 2002.

EBITDA before exceptionals. EBITDA before exceptionals decreased by €12.0 million, or 26.0%, to €34.2 million for the year ended December 31, 2003, as compared to €46.2 million for the same period in 2002. Lower administrative and distribution costs offset most of the decrease in turnover.

Innovene Results of Operations

Innovene Basis of Presentation

On December 16, 2005, Ineos acquired from BP (a) all of BP's petrochemical operating units for olefins, polymers and other derivatives (including the assets attributable to the Dormagen EOG Business, our acquisition of which is subject to review by the European Commission competition authorities) but excluding BP's Pasadena LAO operations, the Gelsenkirchen naphtha-cracking operations, the Munchmunster olefins operations (collectively, "O&D"), (b) two integrated refinery plants in Grangemouth, United Kingdom and Lavéra, France, (c) a gas fractionator located in Hobbs, New Mexico and certain related pipelines, and (d) existing O&D strategic joint venture investments other than BP's joint ventures with SECCO and in Malaysia (collectively, "Innovene's Manufacturing Interests").

The combined financial statements have been prepared using the historical cost basis in the assets and liabilities and historical results of operations related to Innovene's Manufacturing Interests, and may not be indicative of the actual results of operations and financial position of Innovene had it operated as a separate entity.

Innovene Historical Segments

Innovene reports its results on the basis of five segments, O&P North America, O&P Europe, Global Derivatives, Refining and Corporate and Other. While Innovene's operating company for Europe is responsible for both its European olefins and polymers business and its refineries, management reviews the performance of these businesses separately and, accordingly, each of them is reported as a separate segment. The revenues of Innovene's O&P segments and Refining segment in any given period include substantial amounts of sales between segments, which are recorded at current market prices at the time of sale. All intersegmental revenues and related expenses are eliminated during consolidation. Revenues are recorded based on the source of the product sold. Accordingly, exports to Asia are recorded in the geographic segment from which the underlying products are sourced.

Description of Key Line Items of Innovene Combined Statements of Operations

Set forth below is a brief description of the composition of the key line items of Innovene's combined statements of operations:

- ***Revenues.*** Consolidated revenues comprise sales of petrochemical and refinery products to customers and are shown net of intersegmental transactions, discounts and rebates. Each segment includes the external revenues generated by the assets included in that segment. Segmental revenues also include intersegmental sales, primarily sales of naphtha by the Refining segment to the O&P Europe segment and sales of ethylene and propylene by the O&P segments to the Global Derivatives segment. All intersegmental revenues and related expenses are eliminated during consolidation.
- ***Gross margin.*** Gross margin is calculated by subtracting cost of sales from revenues. Cost of sales comprises:
  - feedstock costs;
  - variable manufacturing and transportation costs, including the costs of catalysts, other chemicals and energy; and
  - fixed manufacturing costs, including operating and maintenance costs, principally staff costs, and depreciation and amortization of property, plant and equipment.

- ***Selling, general and administrative expenses.*** Selling, general and administrative expenses comprise selling and various general administrative expenses, including accounting, IT and corporate overhead costs, as well as related depreciation and amortization.
- ***Research and development expenses.*** Research and development expenses include costs related to activities focused on short-term performance improvements as well as expenses incurred to support the long-term growth of the business. All research and development costs are expensed as incurred.
- ***Restructuring and asset impairment charges.*** Restructuring costs relate to charges incurred in connection with restructuring the business to improve its performance. Asset impairment charges relate to charges incurred to reduce the carrying value of an asset to its fair value where it has been determined that the asset's carrying value is greater than the future cash flows expected to be derived from the asset.
- ***Interest expense.*** Interest expense primarily comprises interest charges on long-term debt related to loans secured by petrochemical assets at the Grangemouth, United Kingdom site. The loans were repaid in March 2005 with the proceeds of an intergroup loan facility from BP.
- ***Other income (expense), net.*** Other income (expense), net primarily consists of non-trading income, foreign exchange gains and losses, gains and losses on the sale of assets and other miscellaneous items.
- ***Provision for income taxes for continuing operations.*** Innovene records deferred tax assets to account for deductible temporary differences between the carrying amount of its assets and liabilities and its tax base for these assets and liabilities, unused tax losses and unused tax credits. In addition, Innovene establishes valuation allowances when it determines that there is significant uncertainty that it will be able to realize all or a portion of a deferred tax asset. In determining the need for establishing a valuation allowance, Innovene considers many factors, including its expectations regarding its future taxable income in the period during which it expects the temporary differences to reverse and the loss carry-forward periods under the applicable tax laws, as well as its income tax strategies in the relevant jurisdictions. For periods prior to 2000, Innovene has not identified the amount of deferred tax assets in respect of operating loss carry-forwards and tax credits due to the fact that this is a carve out situation, and to the number of assumptions that would be required to quantify such assets. Effectively, Innovene has completely reserved these deferred tax assets. This accounting results in limiting the recognition of current period tax benefits after 2000 to the amount of any deferred tax expense incurred in such periods and the amount of net assets, if any, that is expected to be realizable in the future. Effective April 1, 2005, as a result of its separation from BP, Innovene's tax basis with respect to its assets changed. For periods after April 1, 2005, as a result of its formation as a separate legal entity within the BP group, Innovene has fully accounted for deferred taxes, including the recognition of deferred tax assets in respect of operating loss carry-forwards.

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

	Innovene Combined			
	For the nine months ended September 30,			
	2004		2005	
	$	%	$	%
	($ in millions) (unaudited)			
Amounts in US GAAP				
Revenues	12,355	100.0	16,964	100.0
Cost of sales	(11,432)	(92.5)	(15,412)	(90.9)
Gross margin	923	7.5	1,552	9.1
Selling, general and administrative expenses	(522)	(4.2)	(504)	(3.0)
Research and development expenses	(104)	(0.8)	(81)	(0.5)
Restructuring and asset impairment charges	(13)	(0.1)	(36)	(0.2)
Operating profit	284	2.4	931	5.4
Equity income (loss) from investments in affiliates	6	—	7	—
Interest expense	(39)	(0.3)	(35)	(0.2)
Other income (expense), net	19	0.1	(41)	(0.2)
Income (loss) from continuing operations before income taxes	270	2.2	862	5.0
Provision for income taxes for continuing operations	(159)	(1.3)	(269)	(1.6)
Net income (loss) from continuing operations	111	0.9	593	3.4
Loss from discontinued operations, net of income tax expense (benefit)	(16)	(0.1)	(3)	—
Net income (loss)	95	0.8	590	3.4

Nine Months Ended September 30, 2005 Compared with Nine Months Ended September 30, 2004

Consolidated

Revenues. Revenues increased by $4,609 million, or 37.3%, to $16,964 million for the nine-month period ended September 30, 2005, as compared to $12,355 million for the same period in 2004. This increase primarily reflects market-wide increases in sales prices as a result of higher raw material costs in a market environment characterized by a tighter relationship between supply and demand in the petrochemical and refining industries in which Innovene operates.

Gross margin. Gross margin increased by $629 million, or 68.1%, to $1,552 million for the nine-month period ended September 30, 2005, as compared to $923 million for the same period in 2004. As a percentage of revenues, gross margin rose from 7.5% to 9.1% over the same period. This improvement primarily reflects a more favorable market environment in the nine months ended September 30, 2005, particularly during the first six months of the year, which allowed Innovene to increase the prices for its products at a greater rate than the increase in its feedstock costs. To a lesser extent, the improvement of Innovene's gross margin reflects benefits derived from its Accelerator program.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by $18 million, or 3.4%, to $504 million for the nine-month period ended September 30, 2005, as compared to $522 million for the same period in 2004. The composition of Innovene's selling, general and administrative expenses changed significantly as of the beginning of 2005, as a result of its separation from BP. In 2004, selling, general and administrative expenses included significant costs allocated to Innovene by BP for corporate activities, in addition to the Innovene-specific costs. As a result of this change, Innovene has seen a reduced cost level. Offsetting these savings were certain cost increases as a result of Innovene's standalone operation, including insurance ($35 million) and additional employee incentive compensation related to certain staff as a result of improved financial performance ($9 million). The streamlining of business processes in connection with Innovene's separation from BP also resulted in decreased selling, general and administrative expenses in the first nine months of 2005.

Research and development expenses. Research and development expenses decreased by $23 million, or 22.1%, to $81 million for the nine-month period ended September 30, 2005, as compared to $104 million for the same period in 2004. In addition to the timing of research and development costs for certain projects, this decrease reflects the fact that Innovene's formation as a separate legal entity within the BP group and the integration of Solvay's HDPE-related research projects in its own R&D program allowed Innovene to integrate R&D teams in Europe that had previously worked separately and to rationalize its R&D activities with respect to polymers in North America.

Restructuring and asset impairment charges. Restructuring and asset impairment charges increased by $23 million to $36 million for the nine-month period ended September 30, 2005, as compared to $13 million for the same period in 2004. Restructuring charges in the nine months ended September 30, 2004 reflect carryover charges from earlier years related to various workforce reduction programs. Restructuring charges in the nine-month period ended September 30, 2005 reflect charges associated with workforce reductions which were initiated in late 2004 in connection with Innovene's separation from BP and continued into 2005 ($12 million). During the nine-month period ended September 30, 2005, Innovene incurred asset impairment charges ($15 million) that resulted from the August 10, 2005 fire at Chocolate Bayou.

Interest expense. Interest expense decreased by $4 million, or 10.3%, to $35 million for the nine-month period ended September 30, 2005, as compared to $39 million for the same period in 2004. This decrease reflects the replacement of debt related to loans secured by petrochemical assets of Innovene's Grangemouth, United Kingdom site with an inter-group loan facility from BP.

Other income (expense), net. Other income (expense), net decreased by $60 million to an expense of $41 million in the nine-month period ended September 30, 2005, as compared to income of $19 million for the same period in 2004. This decrease primarily reflects redemption costs of $45 million incurred in 2005 in conjunction with the early repayment of the long-term debt secured by the petrochemical assets of Innovene's site in Grangemouth, United Kingdom. Another contributing factor was that in the nine months ended September 30, 2004, the foreign exchange derivative contracts associated with this debt had generated gains of $21 million (net of gains/losses from foreign exchange revaluation).

Provision for income taxes for continuing operations. Provision for income taxes for continuing operations increased by $110 million, or 69.2%, to $269 million in the nine-month period ended September 30, 2005, as compared to $159 million for the same period in 2004, primarily reflecting an increase in income from continuing operations. Innovene's effective tax rate for the nine months ended September 30, 2005 was 31.2%. Innovene's effective tax rate was impacted primarily by increased earnings in jurisdictions with statutory tax rates lower than the U.S. federal tax rate. The effective tax rate for the nine months ended September 30, 2004 of 58.9% is higher than the statutory tax rates due principally to Innovene being unable to recognize losses from foreign currency transactions in certain jurisdictions and the non-deductibility of the change in fair value of the Solvay put liabilities and losses. As described in note 9 of the Innovene combined financial statements, these put liabilities arose due to a put instrument held by Solvay giving Solvay the right to require Innovene to purchase Solvay's interests in the joint ventures at certain dates and prices. Solvay exercised this right on November 2, 2004. In addition, Innovene's inability to recognize its deferred tax asset balances in respect of losses brought forward limited its recognition of tax benefits to the amount of deferred tax expense in loss-making jurisdictions.

Loss from discontinued operations, net of income tax expense (benefit). Loss from discontinued operations decreased by $13 million, or 81.3%, to $3 million for the nine-month period ended September 30, 2005, as compared to $16 million for the same period in 2004. This improvement was due to lower depreciation because of the write-down of the book value of Innovene's BDO business unit at its Lima, Ohio facility at the end of 2004 and the sale of this business unit at the end of March 2005.

Net income. Net income increased by $495 million, to $590 million in the nine-month period ended September 30, 2005, as compared to $95 million for the same period in 2004 reflecting the factors discussed above.

Innovene Business Segments

The following table provides an overview of the historical revenues and Adjusted EBITDA of each of Innovene's segments for the periods indicated:

	Innovene	
	For the nine months ended September 30,	
	2004	2005
	(unaudited) ($ in millions)	(unaudited) ($ in millions)
Amounts in US GAAP		
Revenues[1]		
O&P North America	2,618	3,100
O&P Europe	4,983	6,450
Global Derivatives	1,526	1,881
Refining	4,566	7,149
Corporate and Other	35	91
Intersegmental eliminations	(1,373)	(1,707)
Total	12,355	16,964
Adjusted EBITDA[2]		
O&P North America	166	293
O&P Europe	319	441
Global Derivatives	50	239
Refining	320	698
Corporate and Other	(115)	(344)
Total	740	1,327

(1) Revenues exclude revenues from discontinued operations. Revenues from discontinued operations for the nine months ended September 30, 2004 and 2005 were $47 million and $11 million, respectively. Revenues for individual segments include sales between segment under transfer pricing agreements, which are intended to reflect prevailing market prices. Intersegmental revenues are eliminated in consolidated results.

(2) Adjusted EBITDA excludes adjusted EBITDA from discontinued operations. Adjusted EBITDA from discontinued operations for the nine months ended September 30, 2004 and 2005 was $(3) million and $3 million, respectively. For more information on how Innovene calculates Adjusted EBITDA, see "Use of Non-GAAP Financial Measures".

O&P North America

Revenues. Revenues at Innovene's O&P North America segment increased by $482 million, or 18.4%, to $3,100 million for the nine-month period ended September 30, 2005, as compared to $2,618 million for the same period in 2004. Revenues included intersegmental sales (primarily sales of ethylene and propylene to Innovene's Global Derivatives segment) of $374 million in the nine months ended September 30, 2004 and $445 million in the nine months ended September 30, 2005. Increased market sales prices, primarily for olefins, accounted for all of the increase in revenues, as volumes decreased slightly. The increase in sales prices reflects higher feedstock costs and tightening market conditions. The decrease in volumes is primarily due to the impact of an August 10, 2005 fire at one of the crackers at Innovene's Chocolate Bayou, Texas facility and a scheduled turnaround at the same facility earlier in the year.

Adjusted EBITDA. Adjusted EBITDA at Innovene's O&P North America segment increased by $127 million, or 76.5%, to $293 million, as compared to $166 million for the same period in 2004. The majority of this increase reflects increased margins for ethylene, polyethylene and polypropylene due to tightening supply and demand conditions. An unscheduled outage at a facility of one of Innovene's major ethylene competitors in the first three months of 2005 further tightened supply and resulted in increased margins. In addition, Innovene started to benefit from its ongoing Accelerator program, including the renegotiation of its polyethylene and polypropylene customer contracts to include more responsive pricing provisions. Accelerator program initiatives also resulted in lower fixed manufacturing and selling, general and administrative costs. These improvements were partially offset by the lost production due to the August 10, 2005 fire at Chocolate Bayou, which we believe resulted in a decrease of approximately $40 million in Adjusted EBITDA.

O&P Europe

Revenues. Revenues at Innovene's O&P Europe segment increased by $1,467 million, or 29.4%, to $6,450 million for the nine-month period ended September 30, 2005, as compared to $4,983 million for the same period in 2004. Revenues included intersegmental sales (primarily sales of ethylene and propylene to Innovene's Global Derivatives segment) of $413 million in the nine months ended September 30, 2004 and $447 million in the nine months ended September 30, 2005. The increase in revenues reflects the effect of higher sales prices as a result of higher feedstock costs and tightening market conditions.

Adjusted EBITDA. Adjusted EBITDA at Innovene's O&P Europe segment increased by $122 million, or 38.2%, to $441 million, as compared to $319 million for the same period in 2004. The majority of this increase was caused by higher margins due to improved market conditions, which led to a more than proportionate increase in Innovene's sales prices compared with Innovene's feedstock costs. However, over the three months ended September 30, 2005, feedstock prices continued to rise but sales prices did not rise as quickly, resulting in compressed margins in the third quarter of 2005. The increase in Adjusted EBITDA was also driven by performance improvements as part of Innovene's Accelerator program. For example, Innovene put in place new arrangements to import propane feedstock for the gas cracker at its site in Grangemouth, United Kingdom, to supplement the locally available feedstock and to improve utilization. Furthermore, Innovene changed the catalyst of its ethylene oxide (EO) unit at its Lavéra, France, and Cologne, Germany, sites, which resulted in better reliability and significant capacity improvements. In addition, Innovene rationalized its LDPE product range at its Cologne, Germany, site, which reduced complexity and led to efficiency gains.

Global Derivatives

Revenues. Revenues at Innovene's Global Derivatives segment increased by $355 million, or 23.3%, to $1,881 million for the nine-month period ended September 30, 2005, as compared to

$1,526 million for the same period in 2004. Increased sales prices resulted in a 22% increase in revenues while increased volumes accounted for the balance. The increase in prices was principally caused by improved market conditions, as sales prices rose faster than feedstock costs. The increase in volumes was mainly a result of strong demand for alpha olefins from co-monomer and oilfield applications.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Global Derivatives segment increased by $189 million to $239 million for the nine-month period ended September 30, 2005, as compared to $50 million for the same period in 2004. The substantial rise in Adjusted EBITDA was due for the most part to higher margins achieved in a stronger market environment. To a lesser extent, results also benefited from Innovene's ongoing Accelerator cost-savings program, including renegotiation of customer contracts for both acrylonitrile and alpha olefins and more spot sales. The segment's results also benefited from higher utilization rates due to the absence of turnarounds and a slight reduction in fixed costs as a result of efficiency gains following the combination of the LAOs/PAOs and nitrites business units which were previously managed separately.

Refining

Revenues. Revenues at Innovene's Refining segment increased by $2,583 million, or 56.6%, to $7,149 million for the nine-month period ended September 30, 2005, as compared to $4,566 million for the same period in 2004. Revenues included intersegmental sales (primarily sales of naphtha to Innovene's O&P Europe segment) of $586 million in 2004 and $815 million in 2005. Increased selling prices resulted in a 54% increase in revenues. Sales volumes increased by just under 13,000 barrels per day in the first nine months of 2005 relative to the first nine months of 2004, resulting in a 3% increase in revenues.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Refining segment increased by $378 million to $698 million for the nine-month period ended September 30, 2005, as compared to $320 million for the same period in 2004. This increase reflects the fact that both refineries achieved higher cash margins on a per-unit basis. Cash margins in Innovene's refineries are calculated as gross margin without depreciation, per barrel of crude oil. The weighted average cash margin of Innovene's refineries increased by $3.87 per barrel in the nine months ended September 30, 2005 relative to the nine months ended September 30, 2004. Inventory gains as a result of higher prices for refined products and application of the "first-in, first-out" method of valuing inventory also contributed to the improved performance. Inventory gains were $241 million in the nine months ended September 30, 2005, compared to $96 million in the nine months ended September 30, 2004. Innovene's Lavéra refinery's performance showed a strong improvement because of its ability to refine higher-margin, heavier sour crudes, which was particularly beneficial early in 2005. These higher margins were driven by a general improvement in the market environment and a widening light to heavy oil price differential. In the case of Grangemouth, margins benefited from a tightening supply and demand balance in the market for distillates.

Corporate and Other

Revenues. Revenues at Innovene's Corporate and Other segment increased by $56 million to $91 million for the nine-month period ended September 30, 2005, as compared to $35 million for the same period in 2004, reflecting increased sales of acrylonitrile and polypropylene catalysts and licensing.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Corporate and Other segment decreased by $229 million to a loss of $344 million for the nine-month period ended September 30, 2004, as compared to a loss of $115 million for the same period in 2004. This increased loss reflects a number of factors, principally redemption costs of $45 million which Innovene incurred as a result of the early repayment of the loans secured by the petrochemical assets of Innovene's site in Grangemouth, United Kingdom, which was partially offset by a gain of $3 million on foreign exchange derivative contracts associated with this debt. This compares with a foreign exchange derivative contract gain of $21 million in 2004. The increased loss also reflects approximately $87 million of additional costs for employee incentive compensation, reflecting the improved results of the business, costs of $20 million in the first nine months of 2005 related to foreign currency options contracts put in place to manage some of Innovene's currency exposure and $35 million of costs related to Innovene's stand-alone insurance programs, which were put in place at the beginning of 2005 with BP's captive insurance company. Previously Innovene was part of BP's self-insurance program.

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

	Innovene Combined					
	For the year ended December 31,					
	2002		2003		2004	
	$	%	$ ($ in millions)	%	$	%
Amounts in US GAAP						
Revenue	11,776	100.0	13,422	100.0	17,937	100.0
Cost of sales	(10,775)	(91.5)	(12,586)	(93.8)	(16,765)	(93.5)
Gross margin	1,001	8.5	836	6.2	1,172	6.5
Selling, general and administrative expenses	(734)	(6.2)	(616)	(4.6)	(630)	(3.5)
Research and development expenses	(120)	(1.0)	(115)	(0.9)	(137)	(0.7)
Restructuring and asset impairment charges	(93)	(0.8)	(72)	(0.5)	(345)	(2.0)
Operating profit	54	0.5	33	0.2	60	0.3
Equity income (loss) from investments in affiliates	(2)	(0.0)	9	0.1	8	0.0
Interest expense	(35)	(0.3)	(44)	(0.3)	(49)	(0.2)
Other income (expense), net	(65)	(0.6)	(123)	(0.9)	(24)	(0.1)
Income (loss from continuing operations before income taxes)	(48)	(0.4)	(125)	(0.9)	(5)	(0.0)
Provision for income taxes for continuing operations	(118)	(1.0)	(90)	(0.7)	(128)	(0.7)
Net income (loss) from continuing operations	(166)	(1.4)	(215)	(1.6)	(133)	(0.7)
Loss from discontinued operations, net of income tax expense (benefit)	(29)	(0.3)	(25)	(0.2)	(128)	(0.7)
Net income (loss)	(195)	(1.7)	(240)	(1.8)	(261)	(1.4)

Year Ended December 31, 2004 Compared with Year Ended December 31, 2003

Consolidated

Revenues. Revenues increased by $4,515 million, or 33.6%, to $17,937 million for the year ended December 31, 2004, as compared to $13,422 million for the same period in 2003, reflecting higher market prices for products in Innovene's petrochemical and refining businesses.

Gross margin. Gross margin increased by $336 million, or 40.2%, to $1,172 million for the year ended December 31, 2004, as compared to $836 million for the same period in 2003. As a percentage of revenues, gross margin improved slightly from 6.2% to 6.5%. The improvement in gross margin was driven by increasingly favorable market conditions for refining and olefins products due to tight supply relative to strong demand, which increased market sales prices in excess of the increase in feedstock costs. The effects of this improvement were partially offset by revenues lost to turnarounds at Innovene's sites in 2004 in Grangemouth, United Kingdom, Cologne, Germany, and Lavéra, France, and the impact of the weakening of the US dollar relative to the euro and the British pound, which resulted in higher fixed and variable manufacturing costs in Europe.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by $14 million, or 2.2%, to $630 million for the year ended December 31, 2004, as compared to $616 million for the same period in 2003. The higher costs were primarily due to the impact of the decline in the value of the US dollar relative to the euro and the British pound. Costs also increased because of expenses in connection with Innovene's formation as a separate legal entity within the BP group and the establishment of its own corporate functions. These cost increases were partially offset by early benefits from the streamlining of business processes in connection with Innovene's separation from BP.

Research and development expenses. Research and development expenses increased by $22 million, or 19.1%, to $137 million for the year ended December 31, 2004, as compared to $115 million for the same period in 2003. Activity levels across the two years were similar, with the main contributing factor being the weakening of the US dollar relative to the euro and the British pound.

Restructuring and asset impairment charges. In 2004, Innovene incurred restructuring and asset impairment charges in the amount of $345 million relating to various events, including:

- a $228 million charge related to the anticipated closure of the LAO facility in Pasadena, Texas, operated for Innovene by BP under a toll manufacturing agreement, which occurred in late 2005, consisting of an impairment charge of $185 million and costs to close and decommission the facility in the amount of $43 million;
- a $69 million charge related to the closure of an HDPE line at the Grangemouth site; and
- a $19 million write-down of assets related to the maleic catalyst business.

In 2003, restructuring and asset impairment charges in the amount of $72 million relating to various events, including:

- a $36 million charge related to write-off of alkylations and sulfur units located at the Grangemouth site, and of a part of the facility damaged by a fire;
- a $20 million charge related to employee severance and transition costs at the Grangemouth site; and
- an $11 million charge related to restructuring activities at the facilities in Geel, Belgium and Grangemouth and a reorganization of the alpha olefins businesses.

Interest expense. Interest expense increased by $5 million, or 11.4%, to $49 million for the year ended December 31, 2004, as compared to $44 million for the same period in 2003. This increase primarily reflects higher interest payments on the loans secured by the petrochemical assets of the site in Grangemouth as a result of the weakness of the US dollar relative to the British pound.

Other income (expense), net. Other income (expense), net improved by $99 million, or 80.5%, to a loss of $24 million for the year ended December 31, 2004, as compared to a loss of $123 million for the same period in 2003. This decrease in the loss was primarily the result of a $63 million decrease in losses associated with the put liability under the former joint ventures with Solvay and approximately $29 million of gains associated with foreign exchange derivative contracts. These contracts were put in place to help manage certain foreign exchange exposures.

Provision for income taxes for continuing operations. Provision for income taxes for continuing operations increased by $38 million, or 42.2%, to $128 million for the year ended December 31, 2004, as compared to $90 million for the same period in 2003. Innovene's effective tax rates for 2003 and 2004 were higher than the statutory tax rates due principally to Innovene's inability to recognize losses from foreign currency transactions in certain jurisdictions and the non-deductibility of the change in fair value of the Solvay put liabilities and losses. In addition, Innovene's inability to recognize deferred tax asset balances in respect of losses brought forward limited the amount of tax benefits it was able to recognize to the amount of deferred tax expense in loss-making jurisdictions. The provision for income taxes for continuing operations in 2004 increased from 2003 in line with a lower loss from continuing operations before income taxes.

Loss from discontinued operations, net of income tax expense (benefit). Loss from discontinued operations, net of income tax expense (benefit), increased by $103 million to $128 million for the year ended December 31, 2004, as compared to $25 million for the same period in 2003. This increase was caused primarily by an asset impairment charge of $148 million (before tax) in 2004, which related to the write-down of assets associated with the BDO business unit at Innovene's Lima, Ohio facility prior to its disposal in March 2005.

Net loss. Net loss increased by $21 million, or 8.8%, to $261 million for the year ended December 31, 2004, as compared to $240 million for the same period in 2003, reflecting the factors described above.

Innovene Business Segments

The following table provides an overview of the historical revenues and Adjusted EBITDA of each of Innovene's segments for the periods indicated:

	Innovene	
	For the year ended December 31,	
	2003	2004
	($ in millions)	
Amounts in US GAAP		
Revenues[1]		
O&P North America	2,698	3,680
O&P Europe	5,609	7,424
Global Derivatives	1,769	2,090
Refining	4,779	6,555
Corporate and Other	69	97
Intersegmental eliminations	(1,502)	(1,909)
Total	13,422	17,937
Adjusted EBITDA[2]		
O&P North America	171	181
O&P Europe	54	410
Global Derivatives	74	5
Refining	199	410
Corporate and Other	(26)	(137)
Total	472	869

(1) Revenues exclude revenues from discontinued operations. Revenues from discontinued operations for the year ended December 31, 2003 and 2004 were $52 million and $59 million, respectively. Revenues for individual segments include sales between segment under transfer pricing agreements, which are intended to reflect prevailing market prices. Intersegmental revenues are eliminated in consolidated results.

(2) Adjusted EBITDA excludes adjusted EBITDA from discontinued operations. Adjusted EBITDA from discontinued operations for the years ended December 31, 2003 and 2004 was $(16) million and $(21) million, respectively. For more information on how Innovene calculates Adjusted EBITDA, see "Use of Non-GAAP Financial Measures".

O&P North America

Revenues. Revenues at Innovene's O&P North America segment increased by $982 million, or 36.4%, to $3,680 million for the year ended December 31, 2004, as compared to $2,698 million for the same period in 2003. Revenues included intersegmental sales of $389 million in 2003 and $500 million in 2004. The increase in intersegmental sales was due to increased market prices driven by higher feedstock prices, the effect of which was partially offset by decreased volumes due to a turnaround at a facility in the Global Derivatives segment. The increase in total revenues primarily reflected higher market prices across all products as a result of higher feedstock prices.

Adjusted EBITDA. Adjusted EBITDA at Innovene's O&P North America segment increased by $10 million, or 5.8%, to $181 million in 2004, as compared to $171 million in 2003. Higher margins for the olefins products due to favorable market conditions were offset by lower margins for polymer products. The segment's Adjusted EBITDA also benefited from lower fixed manufacturing costs, primarily as a result of the fact that there were no turnarounds at Innovene's site in Chocolate Bayou, Texas in 2004. Another factor contributing to the improved Adjusted EBITDA figure was the first full year of operations of Innovene's HDPE joint venture with Chevron Phillips.

O&P Europe

Revenues. Revenues at Innovene's O&P Europe segment increased by $1,815 million, or 32.4%, to $7,424 million for the year ended December 31, 2004, as compared to $5,609 million for the same period in 2003. Revenues included intersegmental sales of $500 million in 2003 and $550 million in 2004. The overall increase in revenues primarily reflects higher market prices for Europe O&P's products as a result of higher feedstock costs, which increased revenues by $1,385 million. The remainder of the increase reflects the impact of higher sales volumes.

Adjusted EBITDA. Adjusted EBITDA at Innovene's O&P Europe segment increased by $356 million to $410 million in 2004, as compared to $54 million in 2003. The increase in Adjusted EBITDA primarily reflects the fact that O&P Europe was able to achieve higher unit margins due to favorable market conditions. In the first half of 2004, O&P Europe was not always able to pass on increases in feedstock costs to customers, who were under pressure due to lower economic growth rates in Europe and mounting competitive pressures from imports as the euro and the British pound continued to strengthen against the US dollar. In the second half, feedstock costs peaked and product markets tightened allowing O&P Europe to raise product prices higher than the proportional increases in feedstock prices and achieve higher margins.

Reliability issues at the polymers units at the site in Grangemouth, United Kingdom in the first half of 2004 resulted in reduced utilization of these units. In the second half of the year, O&P Europe began to benefit from capital expenditures made in prior periods and reliability improved. Following a series of unplanned shutdowns at its competitors' crackers, supply tightened and margins increased and O&P Europe was well-positioned to take advantage of these attractive margins as a result of the increased reliability for the polymers units at its Grangemouth facility. In addition, O&P Europe started to benefit from more responsive pricing provisions in its customer contracts. Further benefits resulted from the elimination of certain product grades in the LDPE business and efficiency gains realized in the polypropylene business. The effect of these factors was partially offset by higher levels of fixed manufacturing costs and selling, general and administrative expenses due to increased turnaround activity and the continued weakening of the US dollar relative to the euro and the British pound.

Another factor contributing to the higher Adjusted EBITDA figure was the fact that O&P Europe incurred lower losses associated with the joint venture put liability under the former joint ventures with Solvay. Losses associated with the European joint venture were $99 million in 2004 compared to $162 million in 2003.

Global Derivatives

Revenues. Revenues at Innovene's Global Derivatives segment increased by $321 million, or 18.1%, to $2,090 million for the year ended December 31, 2004, as compared to $1,769 million for the same period in 2003. This increase reflects a 23% increase due to higher prices of acrylonitrile and, to a lesser extent, LAOs and PAOs, and a 5% decrease in volumes primarily within the Global Derivatives nitrites business. Acrylonitrile prices received a boost from record propylene feedstock prices, which were passed through to customers. Acrylonitrile volumes declined as a result of price increases and scheduled turnarounds at the Lima, Ohio facility and the larger acrylonitrile unit at the site in Cologne, Germany. LAO and PAO revenues were driven by increased prices and volumes, reflecting improved market conditions. This improvement was partially offset by weaker volumes of the heavier LAOs.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Global Derivatives segment decreased by $69 million to $5 million in 2004, as compared to $74 million in 2003. This decrease was due primarily to restructuring costs incurred in connection with the decision to cease production at Innovene's Pasadena, Texas, facility which was operated for Innovene by BP under a toll manufacturing agreement, due to over-capacity in the LAO industry, the age of the facility, its product mix/quality and its relatively high fixed costs. Adjusted EBITDA was also negatively impacted by operational problems at the ammonia unit of the site in Cologne, Germany, which led to higher manufacturing costs and lower efficiency at that facility. These issues were addressed in connection with a scheduled turnaround at that facility in the second half of the year. Further reductions of Adjusted EBITDA resulted from the continued weakening of the US dollar relative to the euro. These factors more than offset margin improvements due to increasingly favorable market conditions for the acrylonitrile, LAO and PAO product lines.

Refining

Revenues. Revenues at Innovene's Refining segment increased by $1,776 million, or 37.2%, to $6,555 million for the year ended December 31, 2004, as compared to $4,779 million for the same period in 2003. Revenues included intersegmental sales of $613 million in 2003 and $859 million in 2004. The intersegmental and overall increases in revenues were driven by higher sales prices, especially for diesel and gasoline. Volumes were slightly lower in 2004 primarily as a result of a turnaround at Lavéra.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Refining segment increased by $211 million, or 106.0%, to $410 million in 2004, as compared to $199 million in 2003. Both refineries contributed to this increase, reflecting significantly higher cash margins per barrel, as improved sales prices outpaced rising feedstock costs due to favorable market conditions as a result of strong global demand for refined products, low industry inventory levels and high refinery utilization. The weighted average cash margin of the refineries increased by $1.65 per barrel in 2004 relative to 2003. The effect of these factors was partially offset by higher fixed manufacturing costs resulting from a turnaround at Innovene's Lavéra refinery, higher maintenance charges, pension costs and expenses incurred at the Grangemouth refinery in preparation for recommissioning the refinery's FCC. Another offsetting factor was the continued weakening of the US dollar against the euro and the British pound.

Corporate and Other

Revenues. Revenues at Innovene's Corporate and Other segment increased by $28 million, or 40.6%, to $97 million for the year ended December 31, 2004, as compared to $69 million for the same period in 2003, primarily reflecting increased polymer catalyst sales.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Corporate and Other segment decreased by $111 million, or 426.9%, to a loss of $137 million in 2004, as compared to a loss of $26 million in 2003. This increased loss reflects several factors, including an increase in the provision for intercompany profit in inventory of $37 million and a net charge of $15 million due to the effect of the weaker US dollar relative to the British pound on the loans secured by the petrochemical assets of Innovene's site in Grangemouth, United Kingdom, and foreign exchange derivative contracts associated with this debt. Property management and separation costs contributed a further $14 million and $8 million, respectively, to the increase in the loss.

Year Ended December 31, 2003 Compared with Year Ended December 31, 2002

Consolidated

Revenues. Revenues increased by $1,646 million, or 14.0%, to $13,422 million for the year ended December 31, 2003, as compared to $11,776 million for the same period in 2002. This increase was driven by higher market prices for products in both Innovene's petrochemical and refining businesses.

Gross margin. Gross margin decreased by $165 million, or 16.5%, to $836 million for the year ended December 31, 2003, as compared to $1,001 million for the same period in 2002. As a percentage of revenues, gross margin declined from 8.5% to 6.2%. The decrease in gross margin in both absolute and relative terms reflects an increase in fixed manufacturing costs and higher levels of depreciation. The rise in fixed manufacturing costs was caused by turnarounds at Innovene's Chocolate Bayou, Texas, Grangemouth, United Kingdom and Cologne, Germany facilities. In addition, both fixed manufacturing costs and depreciation increased as a result of the weakening of the US dollar against the euro and the British pound. The effect of these factors was partially offset by more favorable market conditions for olefins and refining products, which allowed Innovene to increase product prices in excess of the increase in feedstock costs.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by $118 million, or 16.1%, to $616 million for the year ended December 31, 2003, as compared to $734 million for the same period in 2002. The decrease in selling, general and administrative expenses was due primarily to cost reduction programs, particularly in the administrative functions of the businesses and in the corporate area. The effect of the cost reduction programs was partially offset by the impact of the weaker US dollar relative to the euro and, to a lesser extent, the British pound.

Research and development expenses. Research and development expenses decreased by $5 million, or 4.2%, to $115 million for the year ended December 31, 2003, as compared to $120 million for the same period in 2002, reflecting consolidation of research facilities in Europe. The effect of this decrease was partially offset by weakening of the US dollar relative to the euro and the British pound.

Restructuring and asset impairment charges. In 2003, Innovene incurred restructuring and asset impairment charges in the amount of $72 million relating to various events, including:

- a $36 million charge related to the write-off of the alkylation and sulfur units located at the Grangemouth, United Kingdom site, as well as a part of the facility damaged by a fire;
- a $20 million charge related to employee severance and transition costs at the Grangemouth site; and
- an $11 million charge related to restructuring activities at the facilities in Geel, Belgium and Grangemouth, and a reorganization of the alpha olefins businesses.

In 2002, Innovene incurred restructuring and asset impairment charges in the amount of $93 million relating to various events, including:

- a $28 million charge primarily related to employee severance and asset impairments in connection with the polypropylene business acquired from Solvay in 2001 and former joint ventures with Solvay;
- a $21 million charge related to the restructuring of the technology function, consisting of employee severance and relocation costs as well as asset impairments;
- a $20 million charge related to the closure of a polypropylene line at the site in Chocolate Bayou;
- a $12 million charge related to asset impairments recorded in connection with a redundant pipeline at the Grangemouth site; and
- an $8 million charge related to various other activities, including restructuring activities at the site in Lavéra, France.

Interest expense. Interest expense increased by $9 million, or 25.7%, to $44 million for the year ended December 31, 2003, as compared to $35 million for the same period in 2002. This increase reflects the strengthening of the British pound relative to the US dollar and the resulting impact on the interest payments on the loans secured by the petrochemical assets of the Grangemouth site.

Other income (expense), net. Other income (expense), net increased by $58 million, or 89.2%, to an expense of $123 million in 2003, as compared to an expense of $65 million for the same period in 2002. This change primarily reflects:

- a gain of $25 million related to the disposal of a partial interest in the Aethylen Rohrleitungs Gesellschaft mbH & Co. KG (ARG) pipeline in 2002, compared with a loss of $7 million related to an adjustment in the level of the gain on this disposal in 2003;
- the expense related to the change in value of put liabilities related to the former joint ventures with Solvay increased from $128 million in 2002 to $168 million in 2003; and
- the remaining change was due to gains associated with foreign exchange derivatives in 2003.

Provision for income taxes for continuing operations. Provision for income taxes for continuing operations decreased by $28 million, or 23.7%, to $90 million for the year ended December 31, 2003, as compared to $118 million for the same period in 2002. This decrease was due to an increase in loss from continuing operations before income taxes. In each of 2002 and 2003, the effective tax rate exceeded the statutory tax rate due principally to Innovene's inability to recognize losses from foreign currency transactions in certain jurisdictions and the non-deductibility of the change in fair value of put liabilities and losses related to former joint ventures with Solvay. In addition, Innovene's inability to recognize deferred tax asset balances in respect of losses brought forward limited the amount of tax benefits it was able to recognize to the amount of deferred tax expense in loss-making jurisdictions.

Loss from discontinued operations, net of income tax expense (benefit). Loss from discontinued operations decreased by $4 million, or 13.8%, to $25 million for the year ended December 31, 2003, as compared to $29 million for the same period in 2002, but the continued losses reflect the difficult business environment of the BDO unit at the Lima, Ohio facility, which was sold in March 2005.

Net loss. Net loss increased by $45 million, or 23.1%, to $240 million for the year ended December 31, 2003, as compared to $195 million for the same period in 2002, reflecting the effect of the factors described above.

Innovene Business Segments

The following table provides an overview of the historical revenues and Adjusted EBITDA of each of Innovene's segments for the periods indicated:

	Innovene	
	For the year ended December 31,	
	2002	2003
	($ in millions)	
Amounts in US GAAP		
Revenues(1)		
O&P North America	2,341	2,698
O&P Europe	4,863	5,609
Global Derivatives	1,749	1,769
Refining	3,876	4,779
Corporate and Other	112	69
Intersegmental eliminations	(1,165)	(1,502)
Total	11,776	13,422
Adjusted EBITDA(2)		
O&P North America	91	171
O&P Europe	148	54
Global Derivatives	211	74
Refining	44	199
Corporate and Other	(52)	(26)
Total	442	472

(1) Revenues exclude revenues from discontinued operations. Revenues from discontinued operations for the year ended December 31, 2002 and 2003 were $39 million and $52 million, respectively. Revenues for individual segments include sales between segment under transfer pricing agreements, which are intended to reflect prevailing market prices. Intersegmental revenues are eliminated in consolidated results.

(2) Adjusted EBITDA excludes adjusted EBITDA from discontinued operations. Adjusted EBITDA from discontinued operations for the years ended December 31, 2002 and 2003 was $(23) million and $(16) million, respectively. For more information on how Innovene calculates Adjusted EBITDA, see "Use of Non-GAAP Financial Measures".

O&P North America

Revenues. Revenues at Innovene's O&P North America segment increased by $357 million, or 15.2%, to $2,698 million for the year ended December 31, 2003, as compared to $2,341 million for the same period in 2002. Revenues included intersegmental sales of $300 million in 2002 and $389 million in 2003. The increase in revenues was due mainly to an increase in average sales prices driven by higher feedstock prices. In addition, the consolidation of Innovene's facility in Carson, California, following the acquisition of a joint venture partner's share in 2003, contributed $86 million to revenues.

Adjusted EBITDA. Adjusted EBITDA at Innovene's O&P North America segment increased by $80 million, or 87.9%, to $171 million in 2003, as compared to $91 million in 2002. This increase was mainly driven by polypropylene, resulting from a beneficial time lag in contracts with customers that allowed O&P North America to achieve higher polypropylene prices in the second half of 2003 at a time when the price for propylene was declining. Higher ethylene margins were offset by a rise in fixed costs and lower volumes due to a turnaround of the crackers at Innovene's Chocolate Bayou, Texas site. The higher ethylene margins were driven by sales price increases that outstripped the increases in feedstock costs, coupled with O&P North America's purchase of ethylene from another manufacturer at a time when gas prices temporarily spiked relative to feedstocks whose prices are linked to crude oil prices, enabling O&P North America to purchase ethylene at a price below its internal ethylene production cost.

O&P Europe

Revenues. Revenues at Innovene's O&P Europe segment increased by $746 million, or 15.3%, to $5,609 million for the year ended December 31, 2003, as compared to $4,863 million for the same period in 2002. Revenues included intersegmental sales of $400 million in 2002 and $500 million in 2003. The overall increase in revenues was due to higher selling prices, which increased revenues by $357 million with the remainder due to higher sales volumes. For the most part, the increase in sales volumes was driven by olefins and polyethylene. The main contributing factors were higher cracker utilization rates and the commencement of operations of the expanded cracker at Innovene's Cologne, Germany site, which increased ethylene capacity at that site by around 10%. Volumes also benefited from the first full-year contribution of the new HDPE production unit at the Lillo, Belgium, facility which had been commissioned in the second half of 2002. However, the effect of this addition was partially offset by competitive pressures in the polyethylene markets due to increased competition from commodity producers with manufacturing operations in the Middle East, which limited O&P Europe's volume growth.

Adjusted EBITDA. Adjusted EBITDA at Innovene's O&P Europe segment decreased by $94 million, or 63.5%, to $54 million in 2003, as compared to $148 million in 2002. This decrease was driven by pressure on margins, which were squeezed by increasing feedstock prices and a general inability to pass on these increases to customers due to a lack of market growth. The pressure was particularly strong in the polyethylene markets, which were characterized by intense competition from Middle East commodity imports. In addition, manufacturing, distribution and overhead costs increased in US dollar terms due to the weakening of the US dollar relative to the euro and the British pound. Also contributing to the decrease in Adjusted EBITDA were higher expenses of $40 million related to the change in the value of the put liability in relation to Innovene's former joint ventures with Solvay. Expense related to the change in value of this obligation was $128 million in 2002 compared to $168 million in 2003. In addition, 2002 included a $25 million gain on the disposal of a partial interest in the ARG pipeline whereas 2003 reflected a loss of $7 million because of an adjustment of the gain on this disposal.

Global Derivatives

Revenues. Revenues at Innovene's Global Derivatives segment increased by $20 million, or 1.1%, to $1,769 million for the year ended December 31, 2003, as compared to $1,749 million for the same period in 2002. The slight increase in revenues was driven by a 4% increase in prices, which was offset by a 4% decrease in volumes. In both cases, the development was primarily driven by acrylonitrile and, to a lesser extent, LAOs and PAOs. In the case of acrylonitrile, the decline in volumes was caused by scheduled turnarounds, whereas in the case of LAOs and PAOs the decline reflects an attempt to preserve prices by cutting volumes.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Global Derivatives segment decreased by $137 million, or 64.9%, to $74 million in 2003, as compared to $211 million in 2002, driven by acrylonitrile, LAOs and PAOs. The decrease in Adjusted EBITDA for acrylonitrile and LAOs and PAOs was due primarily to higher feedstock and energy costs, which rose faster than both market prices and the sales prices Global Derivatives was able to charge to its customers. LAO margins also suffered from industry over-capacity, which put additional pressure on margins. Adjusted EBITDA also suffered from turnarounds at Innovene's Green Lake, Texas, and Cologne, Germany, facilities and reliability issues at the ammonia unit of the Cologne facility, which forced the purchase of ammonia on the market, leading to an increase in feedstock costs and higher maintenance expenses. The weakening of the US dollar relative to the euro and the British pound further contributed to the decline in Adjusted EBITDA. The effect of these factors was partially offset by headcount reductions in the alpha olefins business in connection with a restructuring of that business.

Refining

Revenues. Revenues at Innovene's Refining segment increased by $903 million, or 23.3%, to $4,779 million for the year ended December 31, 2003, as compared to $3,876 million for the same period in 2002. Revenues included intersegmental sales of $465 million in 2002 and $613 million in 2003. The intersegmental and overall increases in revenues were driven by higher prices, while volumes were 4% lower than in 2002 as a result of a turnaround at Innovene's Grangemouth, United Kingdom facility. Revenues increased for both refineries across all products, with diesel, gasoline and naphtha experiencing the strongest increases.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Refining segment increased by $155 million to $199 million in 2003, as compared to $44 million in 2002, reflecting improved cash margins at both refineries. The weighted average cash margin of the refineries increased by $1.20 per barrel in 2003 relative to 2002. This development was driven by more favorable market conditions, the effects of which were partially offset by the continued weakening of the US dollar against the euro and the British pound.

Corporate and Other

Revenues. Revenues at Innovene's Corporate and Other segment decreased by $43 million, or 38.4%, to $69 million for the year ended December 31, 2003, as compared to $112 million for the same period in 2002. This decrease reflects a decline in licensing revenues, as 2002 included revenues from certain major projects which were not repeated in 2003.

Adjusted EBITDA. Adjusted EBITDA at Innovene's Corporate and Other segment increased by $26 million, or 50.0%, to a loss of $26 million in 2003, as compared to a loss of $52 million in 2002. This reduction reflects lower administration expenses and gains associated with foreign exchange derivatives contracts.

Liquidity and Capital Resources

Combined Business Liquidity and Capital Resources

Capital Resources

Our primary sources of liquidity will be cash flows from operations of subsidiaries and borrowings under the Revolving Credit Facility and Borrowing Base Facilities. 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, as well as the other factors, discussed in the section entitled "Risk Factors".

The Issuer of the notes, Ineos Group Holdings plc, is a holding company with no source of operating income. It is therefore dependent on capital raising abilities, dividend payments from subsidiaries and payment on intercompany loans to generate funds. Therefore, the ability of the Issuer to make payments of principal or interest on the notes will be contingent upon its operating subsidiaries generating sufficient cash to make payments to the Issuer. The terms of the Senior Secured Credit Facilities, the Term D Facility, our other outstanding debt and the Indenture contain a number of significant covenants that restrict our ability, and the ability of our subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditures, incur additional debt and grant guarantees. See "Risk Factors—Risks Relating to the Notes and Our Capital Structure", "Description of Other Indebtedness" and "Description of the Notes". Furthermore, the ability of the Issuer's subsidiaries to pay dividends and make other payments to the Issuer may be restricted by, among other things, other agreements and legal prohibitions on such payments.

We believe that our operating cash flows, together with future borrowings under the Revolving Credit Facility and the Borrowing Base Facilities 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 and the Borrowing Base Facilities will only be available if, among other things, we meet the financial covenants included in the Senior Secured Credit Facilities and the Term D Facility.

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility and the Borrowing Base Facilities under the Senior Secured Credit Facilities) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities, capital expenditures and research and development;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the notes, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing debt, including the notes and the Senior Secured Credit Facilities and the Term D Facility, limit, and any future debt may limit, our ability to pursue any of these alternatives.

As a result of the consummation of the Innovene Acquisition and the other Transactions (including the offering of the notes), we are highly leveraged and have significant debt service obligations. As of September 30, 2005, after giving pro forma effect to the Innovene Acquisition and the other Transactions, we would have had €9,076 million of indebtedness, of which €6,295 million would have been outstanding indebtedness under the Senior Secured Credit Facilities, €400 million would have been outstanding under the Term D Facility and €2,355 million would have been indebtedness represented by the notes. We also have €800 million available under the Revolving Credit Facility (of which €390 million has been or will be used to support letters of credit, surety bonds and bank guarantees) and €125 million currently available under the Borrowing Base Facilities, each of which is a part of the Senior Secured Credit Facilities. We anticipate that our high leverage will continue for the foreseeable future. Our high level of debt may have important negative consequences for you. For more information, please see "Risk Factors—Risks Relating to the Notes and Our Capital Structure".

Financing Arrangements

Our Senior Secured Credit Facilities consist of €3,510 million and $1,930 million of senior secured term loans, a Revolving Credit Facility of €800 million (or its equivalent in optional currencies) and Borrowing Base Facilities of €830 million (or its equivalent in sterling) and $564 million (or its equivalent in sterling). We are presently considering refinancing the Borrowing Base Facilities under the Senior Secured Credit Facilities with a receivables securitization program. Our Term D Facility (which is documented under the same credit agreement as our Senior Secured Credit Facilities) consists of €400 million of second secured term loans.

The Senior Secured Credit Facilities and Term D Facility contain financial covenants relating to:

- a maximum ratio of Total Net Debt to EBITDA, which maximum ratio decreases over time;
- a minimum net cash interest coverage ratio (defined as EBITDA to Consolidated Net Finance Charges), which minimum ratio increases over time;
- a minimum debt service cover ratio (defined as Cash Flow to Net Debt Service); and
- a limitation on total Capital Expenditure,

in each case, as such terms are defined in the Senior Facilities Agreement. The calculation of EBITDA under our Senior Secured Credit Facilities and Term D Facility is different from the calculation of EBITDA before exceptionals, Adjusted Pro Forma EBITDA before exceptionals and Adjusted EBITDA presented in this offering memorandum. For more information, please see "Description of Other Indebtedness—Senior Facilities Agreement".

Our Senior Secured Credit Facilities and Term D Facility also contain customary affirmative and negative covenants, including restrictions on additional indebtedness, dividend payments, intercompany and other loans, acquisitions, disposals, liens and pledges, transactions with affiliates and amendments to and material agreements. Our Senior Secured Credit Facilities and Term D Facility also contain certain customary events of default, being certain events relating to the business and assets of us, our parent entities or our subsidiaries which, if any such event were to occur, might result in the acceleration of the loans under the Senior Secured Credit Facilities and Term D Facility. In addition, after the first anniversary of the completion of the Innovene Acquisition the margin payable on certain loans under the Senior Secured Credit Facilities is dependent upon our leverage, meaning that our cash flow requirements may vary if our leverage increases or decreases between certain specified ratios. See "Description of Other Indebtedness—Senior Facilities Agreement".

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, which benefits from more than $2.0 billion of BP capital investment from January 1, 2002 through September 30, 2005 and €318 million of Ineos investment from January 1, 2001 through September 30, 2005. Our board of directors is reviewing all existing, and will review and approve all future, capital expenditure programs.

We expect that our aggregate capital expenditure for the fourth quarter of 2005 and for 2006 will be approximately €150 million and €420 million, respectively. We may also make additional investments of approximately €125 million in 2006 in respect of the proposed joint venture with Delta to develop access to low-cost feedstocks in Saudi Arabia. Our capital expenditure program will focus on general maintenance and delivering efficiency improvements with attractive payback economics. The main capital expenditure programs during 2006 are expected to be the continuation of the expansion program at the Ineos Phenol site in Antwerp and the proposed joint venture with Delta.

Working Capital

We anticipate that our working capital requirements will vary due to changes in raw material costs, which affect inventory and account receivables levels, and sales volumes. Working capital levels typically develop in line with raw material prices, although timing factors can affect flows of capital. We expect to fund our working capital requirements with cash generated from operations and drawings under our Revolving Credit Facility and Borrowing Base Facilities. We are presently considering refinancing the Borrowing Base Facilities with a receivables securitization program.

Ineos Historical Liquidity and Capital Resources

Ineos's historical liquidity requirements have arisen primarily from the need for Ineos to meet its debt service requirements, to fund capital expenditures for the general maintenance and expansion of its production facilities and for new facilities, and to fund growth in its working capital. Ineos's principal sources of funds have been cash flows from operating activities and amounts available under its senior credit facilities.

In connection with the acquisitions of Ineos Fluor, Ineos Silicas, Ineos Phenol, Ineos Melamines and Ineos Styrenics, Ineos incurred substantial debt.

On February 2, 2005, Ineos entered into short-term, unsecured, subordinated Interim Finance Facility to provide short term funding for expansion plans. As of September 30, 2005, €601.0 million was drawn under the Interim Finance Facility. The proceeds from the drawings were used to redeem the 10.5% Senior Notes due 2010, to fund the acquisitions of Ineos Styrenics and Ineos Melamines and to make loans to Ineos Chlor, a related party. Concurrently with the completion of the Innovene Acquisition, we repaid all of the outstanding loans under the Interim Finance Facility with the proceeds of loans drawn under the Senior Secured Credit Facilities and terminated the outstanding commitments thereunder.

During the years ended December 31, 2003 and 2004 and the nine months ended September 30, 2004 and 2005, capital expenditures in Ineos's businesses were as follows:

	For the year ended December 31,		For the nine months ended September 30,	
	2003	2004	2004	2005
	(€ in millions)			
Ineos Oxide	13.8	15.9	8.6	12.9
Ineos Phenol	17.8	25.7	13.4	41.5
Ineos Fluor	7.3	21.5	10.3	26.4
Ineos Silicas	17.7	13.7	6.9	15.1
Ineos Styrenics	—	—	—	0.1
Ineos Melamines	—	—	—	1.1
	56.6	76.8	39.2	97.1

Our principal expansion-related capital investments made in 2005 were to expand ethylene oxide (EO) capacity in Antwerp, phenol capacity in Antwerp and Mobile, Alabama, and to convert the HFC 134a plant in Runcorn, United Kingdom to HFC 125 production.

Ineos has agreed to participate in the revised funding package to construct new cellrooms at Ineos Chlor's site at Runcorn, England. Ineos has made available facilities to Ineos Chlor of up to £150.0 million (€211.2 million) in the form of interest bearing loans with final maturity in 2010. It is anticipated that most of the undrawn amount of this facility will be drawn down in 2006 as the project progresses. At September 30, 2005, loans totaling £127.5 million (€186.9 million) were owed to Ineos by Ineos Chlor Limited.

In connection with Ineos Vinyls Group Limited's purchase of the minority interest in EVC International NV ("EVC"), we have made available a €37 million facility to Hawkslease Finance Company Limited, a subsidiary of Ineos Vinyls Group Limited, of which €10.7 million was drawn at September 30, 2005. Ineos Vinyls Group Limited is a related party. In addition, in connection with the acquisition by Ineos Films, a division of EVC, of an Italian PVC film manufacturer, we have made available a €26 million facility to Ineos Vinyls Group Limited, of which €18.5 million was drawn at September 30, 2005. Each of the loans is interest bearing and matures in 2010.

Ineos Historical Cash Flows

During the years ended December 31, 2003 and 2004 and the nine months ended September 30, 2004 and 2005, cash flows from operating activities in each of Ineos's businesses were as follows:

	Year ended December 31,		Nine months ended September 30,	
	2003	2004	2004	2005
	(€ in millions)			
Ineos Oxide	90.0	83.8	66.6	80.2
Ineos Phenol	92.6	65.1	67.3	98.0
Ineos Fluor	52.0	41.1	32.6	84.2
Ineos Silicas	33.6	24.0	16.5	11.9
Ineos Styrenics	—	—	—	(17.6)
Ineos Melamines	—	—	—	1.3
	268.2	214.0	183.0	258.0

The cash flow for Ineos Phenol in 2003 includes the benefit of the receipt of €18.1 million in insurance settlement proceeds from the explosion and fire at the Ineos Phenol plant in Mobile, Alabama. Ineos Phenol also experienced a significant increase in working capital during 2004 as a result of significant increases in raw material prices in the year, which reduced the segment's operating cash flows.

Ineos's working capital requirements have historically fluctuated due to changes in raw material costs, resulting in higher inventory and accounts receivable, as well as due to growth in sales.

Ineos repaid a total of €103.9 million of indebtedness under its senior credit agreement in the year ended December 31, 2004. On August 8, 2005, Ineos redeemed the €260 million principal amount of the 10.5% Senior Notes due 2010 at a redemption price of 107.788%. The redemption was funded by a drawing under the Interim Finance Facility.

Innovene Historical Liquidity and Capital Resources

The primary source of liquidity for Innovene's business has been cash generated from operations. In periods during which Innovene experienced shortfalls in cash generated from operations, BP historically provided it with additional funds. In the past, Innovene primarily used cash for capital expenditures, working capital and pension contributions.

Innovene Historical Cash Flows

Net Cash Provided by Operating Activities of Continuing Operations

Cash flow from operating activities of continuing operations increased by $399 million, from $638 million in the nine months ended September 30, 2004 to $1,037 million for the nine months ended September 30, 2005. This increase primarily reflects improved operating results, mainly as a result of a better margin environment for all of Innovene's businesses in the nine months ended September 30, 2005.

Net cash provided by operating activities from continuing operations was $177 million, $695 million, and $383 million for each of 2002, 2003 and 2004, respectively. The primary reason for the significant changes in net cash provided by operating activities was changes in working capital and other operating assets and liabilities. Working capital balances typically develop in line with feedstock prices, although timing factors can affect flows of capital in any individual year. Over the three years, operating working capital and other operating assets and liabilities increased by $934 million, reflecting the impact of higher oil and gas prices on inventories and higher product prices, which increased net accounts receivable. In 2002, Innovene experienced a cash outflow in the amount of $411 million associated with working capital and other operating assets and liabilities. In 2004, this outflow amounted to $545 million. In both cases, the outflow was caused by increasing feedstock prices. The cash impact in 2003 was not as significant because of lower inventory levels, offsetting some of the effect of higher prices.

Historically, BP has used a worldwide, centralized approach to cash management. Cash accounts were reduced to zero on a daily basis and the financing of Innovene's operations and all related activities between it and BP were reflected as business equity transactions in the parent net investment line of Innovene's combined balance sheets.

Net Cash Used in Investing Activities of Continuing Operations

Net cash used in investing activities of continuing operations decreased from $414 million in the nine months ended September 30, 2004 to $376 million in the nine months ended September 30, 2005, reflecting lower levels of capital expenditure. The lower level of capital expenditure is due to the completion of major projects in 2005, including the Distinctive Compliance Project at the facility in Chocolate Bayou, Texas.

Net cash used in investing activities of continuing operations was $579 million, $561 million and $565 million for each of 2002, 2003 and 2004, respectively. The consistent level of cash requirements for investing activities reflects the steady level of capital investment over the three-year period.

Net Cash Provided by (Used in) Financing Activities of Continuing Operations

Net cash used in financing activities of continuing operations increased from $218 million in the nine months ended September 30, 2004 to $706 million in the nine months ended September 30, 2005. In both periods, Innovene's net cash provided by operating activities was transferred to BP, thereby reducing owner's equity. The increase in cash available to BP reflects the improvement in net cash provided by operating activities. Innovene repaid the debt that was secured by the Grangemouth, United Kingdom petrochemical assets on March 22, 2005. The repayment was financed through a loan granted by BP, which had a maturity date of March 30, 2006, and was repaid by us on December 16, 2005 in connection with the Innovene Acquisition.

Net cash provided by (used in) financing activities of continuing operations was $422 million, $(140) million and $203 million in 2002, 2003 and 2004, respectively. During 2004, Innovene acquired the outstanding minority interests in its former joint ventures with Solvay in Europe and North America, which required an expenditure of $1,538 million. This expenditure was funded by BP through an increase in owner's equity. Innovene's 2003 cash flow from financing activities reflects the excess of operating cash over cash required for its investing activities. In 2002, Innovene issued $290 million of additional debt and made cash calls of $100 million in the Solvay joint ventures in order to fund the joint ventures.

Innovene Historical Debt

Debt Due to BP

As of April 1, 2005, Innovene had $1,700 million of intercompany debt outstanding to BP under an intra-group loan facility. The interest rate on the loan is LIBOR plus five basis points, with interest payable every three months. LIBOR has been calculated based on the April 1, 2005 three-month LIBOR rate, which was 3.12%. This loan replaced the debt secured by the petrochemical assets of the site in Grangemouth, United Kingdom. The loan was repaid in connection with the Innovene Acquisition.

Other Long-Term Debt

Innovene's combined balance sheets included long-term debt of $1,585 million and $1,729 million at December 31, 2003, and 2004, respectively, related to loans secured by the petrochemical assets of the Grangemouth, United Kingdom site.

The loans had terms of between 20 and 30 years and would have matured between 2018 to 2022. The average interest rate was 3.14%, 3.16% and 3.58% for the years ended December 31, 2002, 2003 and 2004, respectively, and Innovene incurred interest charges of $37 million, $45 million and $58 million in 2002, 2003 and 2004, respectively.

In connection with Innovene's separation from BP, the loans were repaid on March 22, 2005. The termination payment was $1,755 million, which exceeded the book value of the loans and resulted in a loss of $45 million, which is included in other income (expense), net.

Post-Employment Benefit Obligations

Certain of Innovene's employees participate in benefit plans provided by (and, to the extent the plan is funded, funded by) Innovene. These "standalone" plans, most of which are unfunded, were generally transferred from BP to Innovene on April 1, 2005. At March 31, 2005, the actuarially-determined projected benefit obligations under these plans was $367 million.

In addition, certain of Innovene's employees participate in BP group-wide plans. Upon or after the closing of the Innovene Acquisition and subject to the receipt of certain consents from regulatory authorities and the plan trustees or managers, the net assets and benefit obligations of the relevant BP group-wide plans, to the extent they relate to Innovene employees, will be assumed by separate standalone plans established by us. At December 31, 2004, it was estimated that the aggregate amount of benefit obligations that would transfer to us was $615 million. If the net assets transferred to us differ from the actuarially-determined benefit obligations, we or BP, as the case may be, will make a balancing payment to compensate the other party for the difference. We intend to contribute any balancing payments we may receive from BP to the relevant plans, subject to local laws and other considerations. With respect to certain funded BP retirement plans relating to Innovene's employees in the United Kingdom and Belgium, such employees may continue to participate in such plans for up to six months following the closing of the Innovene Acquisition, after which time the retirement arrangements in respect of such employees will be assumed by us. Based on actuarial valuations, at December 31, 2004, our annualized pension and other post-retirement benefit expenses for group-wide and standalone plans was estimated to be between $100 million and $120 million. Based on the projected level of funding, our initial annual funding requirements for these plans were estimated to be $20 million to $30 million lower than this pension and post-retirement benefit expense. We will fund our plans in accordance with applicable local regulations and practice, and will provide additional funding as management deems appropriate from time to time.

Innovene Historical Capital Expenditures

Innovene's total capital expenditures for the nine months ended September 30, 2005 were $376 million, including capital expenditures of $43 million related to the Distinctive Compliance Project ("DCP") at its site in Chocolate Bayou, Texas, which was initiated in 2002 to improve compliance with environmental laws and regulations, expand the facility's ethylene capacity and improve process efficiency. With the exception of the DCP, there were no individually significant projects in the period. The remainder of the expenditure was primarily for health, safety, security and environmental

("HSSE") projects and normal sustaining capital expenditures at the Innovene sites in addition to certain expenditures relating to Innovene's establishment as a standalone operation.

Innovene's capital expenditures were $567 million for the year ended December 31, 2004. The most significant of these capital expenditures include:

- $129 million related to the DCP at the Chocolate Bayou site;
- $83 million related to the replacement of the reformer tubes in the ammonia plant and the first phase of an expansion to de-bottleneck the acrylonitrile plant of the Cologne, Germany site; and
- $48 million related to the FCC rebuild at the refinery in Grangemouth, United Kingdom.

Innovene's capital expenditures were $556 million for the year ended December 31, 2003. The most significant of these capital expenditures include:

- $97 million related to the DCP at the Chocolate Bayou site;
- $48 million related to various projects at the Cologne site; and
- $32 million related to the FCC rebuild at the Grangemouth refinery.

Innovene's capital expenditures were $614 million for the year ended December 31, 2002. The most significant of these capital expenditures include:

- $57 million related to the DCP at the Chocolate Bayou site;
- $49 million related to the closure of the alcohols production line and reconfiguration of the LAO unit of the Pasadena, Texas, facility, which is operated for Innovene by BP under a toll manufacturing agreement;
- $49 million related to the construction of an HDPE plant in Lillo, Belgium;
- $36 million related to the construction of the Cedar Bayou, Texas, facility, which is operated by Chevron Phillips in a 50/50 joint venture between Innovene and Chevron Phillips; and
- $26 million related to an expansion of the cracker of the Cologne site to enable it to recycle ethane by-products.

The following table provides a breakdown of Innovene's capital expenditures by segments for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
O&P North America	153	174	191	124	102
O&P Europe	261	209	164	139	138
Global Derivatives	88	45	66	50	18
Refining	58	110	117	99	77
Corporate and Other	54	18	29	2	41
Total	614	556	567	414	376

Contractual Obligations

While we own most of our major facilities, we lease certain office, factory and warehouse space and land, as well as data processing and other equipment, principally under non-cancelable operating leases.

The following table provides a maturity analysis of our material contractual obligations as of December 31, 2004, after giving pro forma effect to the Transactions.

	Expected cash payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(€ in millions)		
Contractual obligations					
Senior Secured Credit Facilities	6,295.0	—	192.5	463.5	5,639.0
Term D Facility	400.0	—	—	—	400.0
Notes	2,355.0	—	—	—	2,355.0
Finance lease obligations(1)	20.0	2.3	4.8	3.7	9.3
Operating lease commitments	472.1	69.6	80.2	68.7	253.6
Non-cancelable purchase contracts(2)	8,869.4	3,301.6	3,352.7	1,360.7	854.4
Capital expenditure	29.9	29.9	—	—	—
Other long-term liabilities(3)	390.0	22.2	48.0	51.7	268.1
Total	18,831.4	3,425.6	3,678.2	1,948.3	9,779.4

(1) Finance lease payments are stated gross of interest payable.

(2) Future non-cancelable purchase contracts include raw material purchases where we have entered into purchase commitments to purchase a minimum volume at contracted rates at the time of purchase, including supplies of feedstock used in our facilities in the ordinary course of business. Raw material prices as of December 31, 2004 have been used.

(3) Other long-term liabilities include liabilities for pensions and other post-employment benefits.

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, the prices of finished products and of the underlying raw materials are primarily denominated in US 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.

As required under the Senior Secured Credit Facilities, we intend to hedge up to 50% of the principal amounts outstanding under the term loans drawn under such Facilities for a duration of three years following the funding of such loans.

For additional information about our past hedging transactions and derivative financial instruments, see note 34 to the Ineos audited consolidated financial statements and note 21 to the Innovene audited consolidated financial statements.

Critical Accounting Estimates

Ineos Critical Accounting Estimates

Ineos has reviewed its selection and application of principal accounting policies and related financial disclosures. The preceding discussion of past performance is based upon Ineos's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United Kingdom. Ineos's significant accounting policies are described in note 2 to the Ineos audited consolidated financial statements. 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 Ineos's financial results. We have chosen to highlight certain policies that we consider critical to the operations of our business and understanding our consolidated financial statements. These policies have been discussed and agreed with our audit committee. We believe the following estimates affect the application of our most critical accounting policies and require our most significant judgments.

Depreciation of Tangible Fixed Assets

It is our policy to depreciate tangible fixed assets, with the exception of land, on a straight line basis over the life of the asset. A key assumption in this policy is the life applied to and assets in the course of construction each class of fixed asset, which will in turn determine the annual depreciation charge. In deciding the appropriate lives to be applied to the assets, management takes into account various factors including, amongst other things, the accumulated experience of the effective asset lives from historical business operations. Variations in the asset lives used could impact the earnings of the business through an increase or decrease in depreciation charge.

Employee Benefit Programs

The amounts recognized in the financial statements related to pension and other post-retirement benefits are determined from actuarial valuations. Inherent in these valuations are assumptions including expected return on plan assets, discount rates at which the liabilities could be settled at December 31, 2004, the rate of increase in future compensation levels and health care cost trend rates. These assumptions are updated annually and are disclosed in note 30 to the financial statements. These assumptions have been discussed with the actuaries and we believe that based on our mix of equities and bonds and the inflation assumptions used that the rates applied are appropriate. Future actuarial pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the population of participants in the pension plans.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful trade accounts receivable for estimated losses resulting from the inability of our customers to make required payments. In determining the adequacy of the allowance for doubtful accounts, we consider historical bad debt experience, customer credit worthiness, market conditions, and economic conditions. While we perform ongoing evaluations of our allowance for doubtful accounts, if the financial condition of our customers deteriorates more than expected, an increase in the allowance may be required.

Allowance for Inventory Obsolescence

We establish allowances for obsolescence of inventory equal to the difference between the cost of inventory and the estimated market value, based on assumptions about future demand, market conditions or estimates of costs to dispose. Changes in economic and market conditions or estimates of costs to dispose could result in actual inventory obsolescence being materially different from the amounts provided for in our consolidated financial statements.

Asset Impairment and Exit Costs

We record asset impairment charges, employee termination benefits and other exit costs when management having the appropriate level of authority approves and commits to the exit plan, and when the amounts are estimable. Management uses estimated cash flows, appraisals or sales contracts in determining asset impairment charges. Severance benefits are determined pursuant to established company severance policies or government labor regulations. We regularly review and reevaluate the assumptions used for accrual of exit costs and adjust the remaining accrual balance as necessary.

Treatment of Environmental Obligations

We provide for environmental remediation liabilities when they are probable and reasonably estimable based on current domestic law and existing technologies. The provisions are adjusted as further information develops or circumstances change. Costs of future expenditures do not reflect any claims for recoveries and are not discounted to their present value.

Income Taxes

Deferred tax assets are recognized to the extent that they are expected to arise from short-term timing differences between the financial statements and the tax base of the group's assets and liabilities. The extent to which we would recognize deferred tax on losses would be dependent on the assumptions concerning the future taxable profits of the business against which the losses can be relieved. We have not recognized losses where we do not believe that we will relieve them within a reasonable time horizon.

Innovene Critical Accounting Estimates

The preparation of financial statements and related disclosures in accordance with US GAAP requires Innovene's management to make judgments, assumptions and estimates that affect the amounts reported in Innovene's combined financial statements and the accompanying notes. Innovene's management bases its estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. If actual results differ significantly from management's estimates, there could be a material adverse effect on Innovene's results of operations, financial condition and liquidity.

Innovene's significant accounting policies are summarized in note 3 to its combined financial statements. Summarized below are certain of Innovene's accounting policies where the nature of the estimates or assumptions involved is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and the impact of the estimates and assumptions on financial condition or results of operations is material.

Revenue Recognition

Innovene generates substantially all of its revenues through sales of products in the open market. Innovene recognizes revenue when it has been earned. Revenue for product sales is recognized when risk and title to the product transfer to the customer, collectibility is reasonably assured and pricing is fixed or determinable. Generally, revenue is recognized at the time of shipment or delivery of a product, depending on contractual terms. Revenue is recognized net of discounts and other price adjustments.

Inventory Valuation

Innovene's inventories are valued at the lower of cost or market value. Elements of cost in inventories include raw materials, direct labor, and manufacturing overhead. The majority of Innovene's inventories in the United States are valued at cost using the "last-in, first-out" method ("LIFO"). The balance of Innovene's inventories are valued using the "first-in, first-out" method ("FIFO"). Innovene's management adjusts the carrying value of US inventories using a LIFO reserve account, requiring estimates of the impact of inflation on existing LIFO inventory pools as of each reporting date. LIFO inventories comprised approximately 10% and 7% of total inventories at December 31, 2004 and 2003, respectively. Innovene establishes reserves for excess or obsolete inventory based on experience.

Property, Plant and Equipment

Innovene's business is capital-intensive and has required, and will continue to require, significant investments in property, plant and equipment. The average of the estimated useful lives of Innovene's refineries and petrochemical plants is 20 years. Depreciation for property, plant and equipment is recorded on the straight-line method.

Innovene estimates the useful lives of its property, plant and equipment based on its historical experience, engineering estimates and industry information. Such lives are reviewed when economic events indicate that Innovene may not be able to recover the carrying value of the assets. Innovene's management's estimates of Innovene's assets' useful lives assume periodic maintenance and an appropriate level of annual capital expenditures. Without ongoing capital improvements and maintenance, the productivity and cost efficiency of Innovene's machinery and equipment would decline and the useful lives of its assets would be shorter.

Accounting for Business Combinations

Innovene allocates the purchase price paid for assets acquired and liabilities assumed based on their relative fair value at the date of acquisition pursuant to SFAS No. 141, "*Business Combinations*." In estimating the fair value of tangible and intangible assets acquired and liabilities assumed, Innovene considers information obtained during the underlying due diligence process and utilizes various valuation methods and measures, including market prices, where available, appraisals, comparisons to transactions for similar assets and liabilities and the net present value of estimated future cash flows.

Recoverability of Long-Lived Assets

Innovene reviews the carrying value of its long-lived assets, including property, plant and equipment and definite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. An impairment loss may be recognized when the undiscounted future cash flows expected to result from the use of the asset, including disposition proceeds, are less than the carrying value of the asset. The amount of the impairment loss to be recognized is based on the difference between the estimated fair value and the carrying amounts of the assets. Fair value is generally determined based on a discounted cash flow analysis.

The determination of both undiscounted and discounted cash flows requires Innovene to make significant estimates and considers expected future development as of the balance sheet date. Subsequent changes in estimated undiscounted and discounted cash flows arising from changes in anticipated developments could impact the determination of whether an impairment exists, the amount of the impairment charge recorded and whether the effects could materially impact our net income.

Goodwill

Goodwill represents the excess of the purchase price paid for an asset and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Innovene assesses the recoverability of the carrying value of goodwill at least annually or whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. Recoverability of goodwill is measured at the reporting unit level based on a two-step approach. First, the carrying amount of the reporting unit is compared to its fair value as estimated using a discounted cash flow analysis and terminal value model for expected future cash flows. To the extent that the carrying value of the reporting unit exceeds the fair value of the reporting unit, a second step is performed, whereby the reporting unit's assets and liabilities are fair valued. The implied fair value of goodwill is calculated as the fair value of the reporting unit in excess of the fair value of all non-goodwill assets and liabilities allocated to the reporting unit. To the extent that the reporting unit's carrying value of goodwill exceeds its implied fair value, impairment exists and must be recognized. The annual goodwill impairment test requires Innovene to make a number of assumptions and estimates concerning future levels of earnings and cash flow, which are based upon Innovene's strategic plans. While Innovene uses available information to prepare estimates and to perform the impairment evaluation, actual results could differ significantly resulting in future impairment and losses related to recorded goodwill balances.

Restructuring and Plant Closure Costs

Restructuring and plant closure costs represent charges related to the closure of plant locations, work force reductions and other cost savings programs. These charges are recorded when management has committed to a plan to implement the relevant measures and incurred a liability related to the plan. Estimates for plant closure costs include write-offs of the carrying value of the relevant plant, any costs incurred for necessary environmental and/or regulatory measures, contract termination costs and demolition costs. Amounts provided for work force reductions and other cost savings programs are based upon estimates of the number of positions to be terminated, termination benefits to be paid and other relevant information. While management evaluates the relevant estimates as of the end of each reporting period and adjusts the reserve when information indicates that the estimate is above or below the initial estimate, management's estimates on a project-by-project basis historically have not varied to a material degree. See note 15 to Innovene's combined financial statements for a further discussion of its restructuring activities.

Treatment of Environmental Obligations

Environmental restoration remediation, and decommissioning costs are recorded as liabilities and expensed when such obligations are either known or considered probable and the amount can be reasonably estimated. Environmental accruals are measured based on an evaluation of currently available information with respect to each site, considering factors such as existing technology, currently applicable laws and regulations and Innovene's prior experience in the remediation of contaminated sites. The measurement of environmental liabilities is based on a range of estimates of costs required to carry out the remediation efforts. Innovene uses its best estimate within this range to establish its environmental accruals. For environmental accruals, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology.

Income Taxes

Innovene recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases and operating losses of its assets and liabilities. Innovene regularly reviews its deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and the implementation of tax-planning strategies when it determines that it is more likely than not that it will not be able to realize all or a portion of a deferred tax asset. If it continues to operate at a loss or is unable to generate sufficient future taxable income in the relevant tax jurisdictions or if there is a material change in the applicable effective tax rates or time period within which the underlying temporary differences become taxable or deductible, Innovene could be required to increase its valuation allowance against its deferred tax assets, resulting in an increase in its effective tax rate and a reduction of its net income.

Historically, Innovene's operating results have been included as a part of BP's consolidated group for tax purposes. Following completion of the Innovene Acquisition, Innovene's operating results will be included as part of Ineos's consolidated group for tax purposes.

Employee Benefit Programs

Innovene provided (and, to the extent the plan is funded, funded) pension and other post-retirement benefit plans for some of its employees in France and Germany. These plans cover most of Innovene's employees in these countries and provide for pension payments to eligible employees upon retirement. Pension benefits for employees generally are based on years of service. Some of Innovene's pension plans are unfunded while others are partially funded, consistent with local practice in the relevant jurisdictions. The amounts shown in Innovene's combined financial statements as net periodic pension costs are determined on an actuarial basis. Innovene uses various assumptions in calculating the actuarial valuation of pensions, including weighted average discount rates, rates of increases in compensation levels, and plan withdrawal, turnover and mortality rates.

Additionally, Innovene has other post-retirement benefit plans that provide for lump sum benefits depending on an employee's length of service and earnings at, or near, retirement, and post-retirement healthcare benefits in the form of healthcare cost reimbursements for retirees and dependents. These post-retirement benefit plans are also unfunded, in line with local practice in the relevant jurisdictions.

The amounts recognized in Innovene's combined financial statements as other post-retirement benefit costs are determined on an actuarial basis. Innovene uses various assumptions in calculating the actuarial valuation of other post- retirement benefit costs, including the weighted average discount rate, health care cost trend rates, and plan withdrawal, turnover and mortality rates.

See note 16 to Innovene's combined financial statements for further information regarding its employee benefit programs.

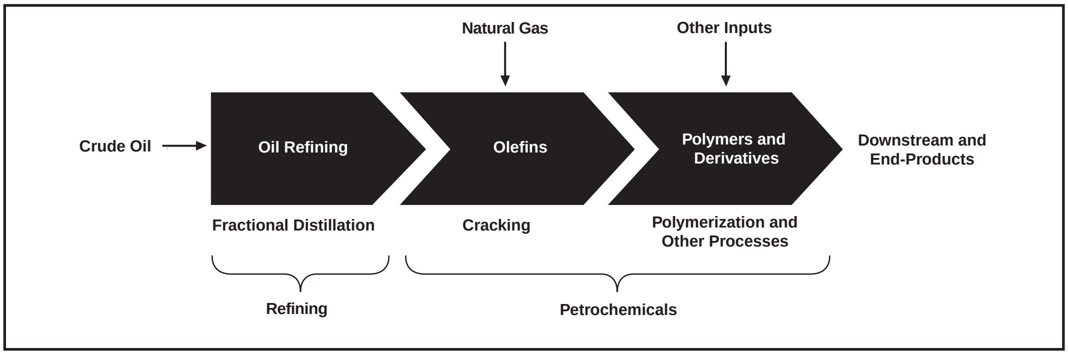
Recent Accounting Pronouncements

For information on recent accounting pronouncements, please see note 3 to the Ineos audited consolidated financial statements and note 3 to the Innovene combined financial statements.

INDUSTRY AND MARKET OVERVIEW

Overview

The refining and petrochemicals markets comprise all products derived from crude oil and natural gas, and include refined products, olefins, polymers and various petrochemical products directly or indirectly derived from olefins. We are a participant in the majority of these market segments, with a significant proportion of our Adjusted Pro Forma EBITDA before exceptionals derived from refining and the production of olefins and polymers, including polyethylene and polypropylene.



In the refining industry, crude oil is refined into a number of products including naphtha, liquid petroleum gas, jet fuel, kerosene, gasoline, diesel and heating and fuel oils. A significant portion of the naphtha and liquid petroleum gas produced in the refining process is used as feedstock for the production of olefins, particularly ethylene and propylene. A significant portion of olefins are in turn used as feedstock for the manufacture of polymers and petrochemical derivatives.

Petrochemicals are widely used in consumer and industrial applications ranging from textiles and cosmetics to plastic and packaging. 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.

Both the refining and petrochemicals markets are currently experiencing favorable supply and demand environments, as a result of robust demand from end-use sectors and limited capacity growth. The global petrochemicals market has experienced strong levels of growth over recent years and is currently valued by CMAI at approximately $500 billion of annual demand. Overall growth in the global demand for petrochemical products is forecast to continue to outstrip global GDP growth over the medium term.

Industry experts expect current market conditions in the refining and petrochemical industries to continue over the short term. Assuming the successful completion of capacity expansion projects in the Middle East and Asia, CMAI expects petrochemical margins to peak in 2006-2007, trending downwards thereafter to reach a cyclical trough in 2009-2010. However, CMAI expects the petrochemicals industry to maintain higher levels of profitability in the next downturn compared to the downturn experienced by the industry in 2001-2002. With regards to the refining industry, PGI expects margins to start trending downwards from current record levels post 2006, stabilizing above long-term historical average levels from 2012 onwards.

Specialty chemicals are high value-added chemical products used as key components in a wide variety of consumer and industrial products. Although the specialty chemicals industry is not cyclical, demand for specialty chemical products is generally 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 refining, petrochemical and specialty chemicals industries.

Refining in Europe

Market Environment

The refining process fractionally distills and then cracks crude oil into a variety of products such as liquefied petroleum gas ("LPG"), naphtha, gasoline, middle distillates (such as jet fuel and kerosene), and fuel oil. Middle distillates also include automotive diesel, heating/gas oil, and vacuum gas oil, which is used as a feedstock for other refined products. Fuel oil is used by marine vessels, power plants, commercial buildings and industrial facilities for heating, processing and, in some cases, transportation.

Cyclicality and Volatility

The refining industry in Europe historically has been characterized by steady growth in demand for refinery products, cyclical margins due to periodic over-capacity and supply shortages in various regional markets. The industry in Europe 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.

In aggregate, refining industry margins have experienced a sharp upturn since 2002 and reached record levels in 2005. With growth in product demand exceeding capacity additions, and crude oil supply shifting towards heavier and higher sulfur crudes, refineries with more sophisticated technical configurations have been able to capture greater margins. According to PGI, the average refining cash margin for a hydrocracking refinery in northwest Europe was $6.50 per barrel in the nine months ended September 30, 2005, compared with $2.73 per barrel in 2003 and $4.95 per barrel in the nine months ended September 30, 2004.

The current supply and demand fundamentals should continue to underpin average refining cash margins for the immediate future, and therefore average refining cash margins are expected to stay above the European historical average during the period from 1992 to 2002 of approximately $1.50 per barrel. Furthermore, with global inventories remaining relatively low, and tightening product specifications limiting the flexibility of the global supply system, the risk of supply disruptions remains high, with associated volatility in product prices and cash margins.

Crude oil distillation capacity in Europe has declined slightly over the past five years, decreasing from 15.4 million barrels per day in 1999 to 15.3 million barrels per day in 2004. The industry continues to have excess capacity; however, the amount of this excess capacity is declining as utilization rates rise. According to PGI, industry utilization rates in Europe have increased since 2002 and averaged 94.0% in the nine months ended September 30, 2005 as compared to an average of 92.5% in the nine months ended September 30, 2004 as a consequence of increased demand. No new crude oil distillation capacity is expected to be built in the foreseeable future, due principally to the high cost of entry into the European refining market and the cost of capital required to comply with increasingly strict environmental standards. Furthermore, the process of planning, obtaining permission to build and constructing a new refinery typically takes between three and four years, and therefore capacity forecasts may be made with a high degree of certainty for up to three years. Instead of building new refining capacity, refinery operators are expected to focus their investments on de-bottlenecking and upgrading existing production facilities to enable them to process higher volumes of heavy, sour crude oil and to manufacture higher volumes of more valuable products. These investments are expected to be driven by changes in consumption patterns and the introduction of stricter environmental laws and regulations, such as clean fuels legislation.

Refinery Feedstock

The quality of crude oil dictates the level of processing and conversion necessary to achieve the optimal mix of finished refinery products. For these purposes, crude oil may be classified by its density (ranging from light to heavy) and sulfur content (ranging from low-sulfur content sweet to higher-sulfur content sour). Light, sweet crude oils are more expensive than heavy, sour crude oils because they require less treatment and produce a slate of products with a greater proportion of high-value refinery products, such as gasoline, naphtha and kerosene. The heavy, sour crude oils typically sell at a discount to the lighter, sweet crude oils because they produce a greater proportion of lower-value products with simple distillation and require additional processing to produce the higher-value light products. We believe that increasing worldwide supplies of heavy, sour crude oil and tightening fuel product specifications will result in continuing cost advantages for refineries with complex configurations which are able to process these heavier, sour crude oils. The upgrading capability, or complexity, of a refinery is a measure of its ability to process less expensive feedstock, such as heavier and higher-sulfur content crude oils, into lighter, value-added products, such as gasoline, diesel and jet fuel. The greater a refinery's complexity and the more flexible its feedstock slate, the better positioned it is to take advantage of the more cost-effective crude oils, resulting in incremental cash margins. From 2002 to 2004, the price differential between light, sweet crude oil and heavy, sour crude oil widened substantially. According to PGI, this price differential (as measured by the Urals/Brent differential) averaged $4.54 per barrel in the nine months ended September 30, 2005, compared with $1.76 per barrel in 2003. In Europe, the average crude oil quality is expected to decline, as significant volumes of sour crude oils are expected to be imported from the countries of the former Soviet Union. In addition, with the introduction of the Buzzard oil field into the Forties blend, which is expected to occur in 2006, the crude oil supplied from the North Sea will become heavier and more sour.

Refinery Products

The main refinery products, apart from naphtha, which is used as a petrochemical feedstock, are gasoline, middle distillates (including jet fuel and kerosene), and fuel oil. Middle distillates, or gas oils, include road diesel, light gas oils, which are used as industrial and commercial fuels, and heavy gas oils, which are used as feedstock for other refined products. Fuel oil is used by marine vessels, power plants, commercial buildings and industrial facilities for heating, processing and, in some cases, transportation.

The most important transport fuels are gasoline and diesel. Refineries blend together various gasoline components to achieve specifications for regular and premium grades in both summer and winter formulations. Additives are often used to enhance the performance of gasoline and provide protection against oxidation and rust formation. According to PGI, there is an overall net gasoline surplus of approximately 30 million tonnes per year in Europe. Most of this surplus is exported to the United States but stringent quality specifications make it difficult for some refineries to comply with US requirements. Gasoline produced in European countries that are members of the Organization for Economic Cooperation and Development ("OECD Europe") is also exported to Eastern Europe, the countries of the former Soviet Union and Africa. In contrast, according to PGI, Europe is a large net importer of over 25 million tonnes of gas oil/diesel. According to PGI, transport diesel demand is expected to grow as economic growth results in increased use of commercial diesel and the number of diesel cars in use increases. Overall growth is expected to take European demand from around 305 million tonnes in 2004 to 385 million tonnes by 2020.

Specifications for fuel products are becoming increasingly stringent. By 2009, transport fuels such as gasoline and diesel are expected to be subject to a 10 parts per million ("ppm") maximum sulfur specification in the EU. This constitutes a significant reduction from the 50 ppm of sulfur currently permitted by EU diesel and gasoline specifications, as well as the 500 ppm of sulfur (which will be reduced to 15 ppm beginning June 1, 2006) and the 30 ppm of sulfur currently permitted by the more restrictive specifications for diesel and gasoline, respectively, in the United States. To comply with these more stringent specifications, some refineries will need to make technology upgrades that require significant capital expenditures.

Western Europe has a net deficit of middle distillates of approximately 148 million barrels per year. Most of this shortfall is imported from the countries of the former Soviet Union. These imports typically require further processing to reduce the sulfur content of the gas oils before they can be marketed.

The supply and demand for fuel oil is balanced in Northern Europe, with a small excess in high sulfur grades. Southern Europe has a deficit of fuel oil resulting in net imports, which come predominantly from Northern Europe and Africa. However, imports have significantly declined over the last ten years in line with declines in consumption.

Further details on the demand outlook for each major type of refinery product are provided below:

- *Naphtha.* According to PGI, demand for naphtha increased by 0.8% in 2004 in OECD Europe. Naphtha demand is primarily driven by the petrochemical industry. Northwest Europe has a growing deficit position in naphtha, which is met by imports from the Middle East and the Mediterranean. According to PGI, the demand for petrochemical naphtha in Europe is expected to grow at 1.9% per year between 2004 and 2020.

- *Gasoline.* Although gasoline demand is seasonal and peaks during the summer months, the long-term trend is towards a sustained decline, reflecting the continued replacement of gasoline-powered vehicles with vehicles powered by diesel and benefiting from greater engine efficiency. PGI reports a decline of 1.7% in gasoline demand in OECD Europe for 2004 and forecasts further declines of 2.5% and 2.0% for 2005 and 2006, respectively. The excess supply in Europe is expected to increase steadily as demand continues to decrease, while production remains broadly flat. By contrast, in North America, demand for gasoline is expected to continue to increase at faster rates than the increase in North American supply, which in turn should enable European manufacturers to export their surplus to North America.

- *Road diesel and heating gas oil/diesel.* According to PGI, in 2004, road diesel demand in Europe continued to grow strongly at 4.6%, led by the United Kingdom, which experienced growth at a rate of 7.9%. Road diesel is expected to show a consistent and significant uptrend for the foreseeable future. PGI forecasts heating gas oil/diesel demand growth rates of 1.8% and 1.6% for 2005 and 2006, respectively. In contrast to road diesel, which has its seasonal peak in the summer and is set for positive growth, demand for heating gas oil peaks in the winter and is expected to continue to decline.

- *Jet fuel and kerosene.* According to PGI, demand for jet fuel and kerosene in OECD Europe grew by 4.4% in 2004. Going forward, jet fuel demand in Europe is expected to grow faster than any other transportation fuel, driven by increasing air traffic. According to PGI, jet fuel demand in Europe is expected to grow at an average rate of 2.5% per year through 2020. According to PGI, kerosene consumption in OECD Europe will grow at a rate of 2.9% for each of 2005 and 2006. Given Northwest Europe's deficit position and flat capacity, this region is expected to increasingly rely on imports from the Middle East and the Mediterranean.

- *Fuel oil.* According to PGI, demand in OECD Europe for fuel oil, both high-sulfur content and low-sulfur content, declined by 0.9% in 2004. Fuel oil demand is expected to continue to decline as a result of emissions restrictions, including sulfurous and nitrous emissions, and a continuing shift to natural gas as a source of fuel. PGI forecasts a further decline of 2% for each of 2005 and 2006 in OECD Europe. However, the market for marine bunker fuel (lower quality residual fuel oil used in marine vessels) is expected to remain strong, particularly in the Mediterranean markets.

Petrochemicals

Market Environment

The petrochemical industry manufactures olefins, polymers and various petrochemical products directly or indirectly derived from olefins. Butadiene, benzene and other aromatics are co-products of olefins produced primarily from steam cracking naphtha. The olefins industry is primarily regional due to high transportation costs, but prices are indirectly arbitraged by the trade flows in olefin derivatives (principally polymers), the markets for which are becoming increasingly global. The petrochemical industry is highly commoditized. Some petrochemical products, mainly polymers and derivatives, have sub-grades which have properties enabling them to be differentiated from commodity grades but these products account for a small portion of the overall market and most products may become commodities at some point in their lifecycle.

Cyclicality and Volatility

The relationship between supply and demand in the petrochemical industry historically has been highly cyclical, with margins typically increasing 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.

Petrochemical 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, and in the past frequently have resulted, in over-capacity, which typically leads to a reduction of margins. In response to falling margins, producers typically reduce capacity 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.

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).

The petrochemical industry's profitability historically has been correlated with swings in utilization of the industry's capacity. The petrochemical cycle is often described by reference to the ethylene cycle as ethylene is the key feedstock for many petrochemical products. The bottom of the last ethylene cycle was reached in 2001 and continued through 2003 due to weak demand and substantial capacity additions.

Since 2004, stronger demand and limited capacity additions have led to improved utilization rates and rising profit margins. While a number of industry observers, including CMAI, have forecast that the current recovery of the ethylene cycle may last longer than in previous upturns, the duration of the present upturn is difficult to predict and depends on a number of factors, including the extent of global economic growth and the amount of capacity that will be built over the coming years. The prediction of an extended upturn in the ethylene cycle is based upon, among other things, the belief that the prevailing high energy prices and low growth in consumption of petrochemical products in

Europe and North America will lead to increased investment in de-bottlenecking existing facilities, rather than new capacity additions. Given that there are several recently completed world-scale petrochemical complexes which will be able to meet growth requirements over the coming years and the absence of recent announcements of large-scale construction projects, CMAI forecasts that there will likely not be a substantial increase in industry capacity in Europe and North America before 2010. CMAI also expects that the majority of new ethylene capacity will be built in the Middle East to take advantage of the low-cost gas feedstock available in the region. According to CMAI, the demand growth projected for China should absorb a significant proportion of the capacity expected to be added in the Middle East over the next several years. However, if demand in China fails to reach current projections, lower petrochemicals prices and operating margins could result and, in the long term, some expansions could be delayed or cancelled.

Petrochemical Feedstock

The principal feedstocks of our petrochemical business are naphtha (mainly obtained in the process of refining crude oil) and gas (obtained either from crude oil or directly from gas fields). Gas includes ethane, butane and propane. Butane and propane are transported and stored as liquids, referred to as LPG.

For most petrochemical processes, feedstock costs are the most significant cost item. The costs of the feedstocks required (naphtha, ethane, butane and propane) to make petrochemical products are principally driven by the price of oil and natural gas. Oil and gas prices are influenced by numerous factors, including the balance between supply and demand and geopolitical factors. Because gas is not as readily transportable between regions as oil, and the amount of interregional trade in gas is thus limited, gas prices tend to vary by geographic region. In the current environment of high oil prices, petrochemical facilities located in the Middle East enjoy the advantage of direct access to gas feedstocks which are priced at a significant advantage to naphtha. Petrochemical producers that are back-integrated to refineries have the ability to capture margins across the value chain and to optimize feedstock types. In addition, petrochemical producers with a more diversified product portfolio are less exposed to price movements in any single product category.

Petrochemical Products

According to CMAI, worldwide demand for petrochemical products has grown steadily over the past 15 years at a greater rate than the growth rate of GDP, reflecting in part the ongoing substitution of thermoplastics for other industrial materials, including glass, metal, wood and paper and the change in consumption patterns of developing nations. In the near future, CMAI projects demand growth for petrochemical products to moderate slightly from historical levels but nonetheless to grow slightly faster than GDP on a worldwide basis, despite petrochemical growth rates below GDP growth rates in North America and Western Europe. Between 2004 and 2009, CMAI projects GDP to grow at an annual rate of 3.5% in North America, 2.1% in Western Europe and 5.1% in North East Asia, excluding Japan. In North East Asia, China is expected to experience the strongest growth, with projected growth of 8.0% in the same period.

GDP and demand growth rates for petrochemical products vary by region and product type, as detailed in the table below:

Average annual GDP and demand growth rates(1)

	1999-2004				2004-2009			
	North America	Western Europe	Northeast Asia	Global	North America	Western Europe	Northeast Asia	Global
	(%)				(%)			
GDP	2.8	1.9	3.0	2.8	3.5	2.1	3.4	3.3
Ethylene	0.2	2.6	4.1	3.6	(1.0)	0.5	5.6	4.1
Propylene	3.0	2.7	6.1	5.2	1.5	1.0	5.2	4.8
Butadiene	0.6	3.5	4.8	3.2	0.0	1.5	3.4	2.4
Styrene	(0.8)	1.6	7.0	3.7	0.6	0.8	4.8	3.2
Polyethylene	0.8	2.2	6.0	4.0	2.3	2.4	7.1	4.7
HDPE	1.4	3.2	6.6	4.5	3.0	3.9	7.5	5.6
LDPE	(1.2)	(0.9)	3.7	1.2	0.7	(0.4)	5.2	2.4
LLDPE	1.4	6.1	7.4	6.4	2.1	3.3	8.2	5.6
Polypropylene	2.6	3.6	8.2	6.2	3.7	3.2	5.7	5.3
Polystyrene	(0.9)	(0.5)	1.8	1.0	0.8	1.0	3.8	2.8
Acrylonitrile	0.0	1.2	8.3	2.7	0.0	(0.4)	2.4	3.7
Alpha olefins	3.7	5.0	2.4	4.3	(0.5)	2.0	5.6	1.4
Ethylene oxide	(0.2)	3.4	6.8	4.8	(3.5)	(1.3)	6.1	5.1
Propylene oxide	4.3	7.2	11.3	6.6	2.9	1.0	4.7	2.7
Ethylene glycol	(0.6)	2.5	9.9	5.7	0.3	1.8	7.1	5.4
Phenol	(0.8)	2.4	9.8	4.5	1.1	2.3	9.0	4.0
Acetone	1.2	2.8	7.1	4.0	2.0	1.9	9.4	4.3

Source: CMAI, November 2005

(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.*** Ethylene is a flammable gas obtained in a process called cracking, in which hydrocarbons are briefly heated to 750-950°C, causing chemical reactions that split the carbon-hydrogen or carbon-carbon bonds of the feedstock. Because ethylene is a gas, it must be transported either by pipeline or in the form of highly pressurized or refrigerated liquids, which is expensive.

  According to CMAI, ethylene is the most widely consumed petrochemical product in the world. While ethylene itself has no consumer applications, global ethylene demand is primarily driven by the use of ethylene as a feedstock for the production of polyethylene. Other important demand drivers include the use of ethylene in the manufacture of EO, ethylene dichloride and ethylbenzene. According to CMAI, the global market for ethylene is growing steadily (forecast to grow at 4.1% per annum between 2004 and 2009), driven mainly by polyethylene applications such as HDPE and LLDPE.

- ***Propylene.*** Propylene is a flammable gas which is derived as a co-product either of the refinery fluid catalytic cracker ("FCC") process used to make gasoline or of the steam cracking process used to make ethylene. While propylene has virtually no independent end uses, it 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 propylene demand is primarily driven by the use of propylene as a feedstock for the production of polypropylene. Other important demand drivers include the use of propylene in the manufacture of acrylonitrile, propylene oxide (“PO”), oxo-alcohols, cumene and acrylic acid. According to CMAI, the global market for propylene is projected to grow 4.8% per annum through 2009, higher than GDP growth and is expected to be driven mainly 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, and can also be made from chemical transformations. Butadiene is used primarily in the production of polymers, principally synthetic rubbers such as styrene-butadiene rubber (“SBR”), which is used to make tires and other rubber products. Other polymers made from butadiene include acrylonitrile-butadiene styrene (“ABS”) and styrene-butadiene latex (“SBL”). Butadiene is also used to make ethylidene norbornene monomer (“ENB”).

  Butadiene demand is driven primarily by growth in consumption of synthetic rubber.

- ***Styrene.*** Styrene, a hydrocarbon which under normal conditions is a flammable liquid, is produced from ethylene and benzene, which are brought together in a reaction with a catalyst to form the intermediate ethylbenzene. Virtually all worldwide ethylbenzene production is consumed in the manufacture of styrene. The largest use of styrene is in the production of polystyrene. It is also used, in combination with acrylonitrile, in the manufacture of styrene-acrylonitrile (“SAN”). SAN has a variety of applications, including cosmetic containers, and other boxes where transparency is required. In combination with butadiene, styrene is also used in the manufacture of SBR and SBL, two common types of synthetic rubbers, and to make acrylonitrile-butadiene styrene (“ABS”), a plastic with a high degree of tensile strength and a variety of end uses.

  Styrene demand is mainly driven by the demand for polystyrene, with general purpose polystyrene and expandable polystyrene (“EPS”) accounting for approximately two thirds of global demand. According to CMAI, the global market for styrene is projected to grow at a 3.2% per annum through 2009, which growth is expected to be driven by polystyrene and EPS applications. According to CMAI, China will be the principal driver of demand growth for styrene in the future as industrial users of polystyrene, EPS and ABS are moving their operations to this region and underlying demand for products for domestic Chinese consumption is growing.

- ***Polyethylene.*** Polyethylene is the world’s most widely used thermoplastic. A thermoplastic is a plastic which softens when heated and hardens again when cooled. Polyethylene is made by the polymerization of ethylene. Polyethylene has a wide variety of applications, including soft plastics, such as those used in plastic films, hard plastics, such as those used in plastic bottles, and extremely hard plastics found, for example, in bulletproof vests.

  Polyethylene is often classified by its density, because the denser the polyethylene used in a material, the greater the material’s rigidity. The world’s largest volume polyethylene is high-density polyethylene (“HDPE”), which has a relatively high degree of tensile strength. The most common household use of HDPE is plastic containers. At the opposite end of the spectrum is low-density polyethylene (“LDPE”), which was the first type of polyethylene to be developed. The most common household use of LDPE is in plastic bags. Both HDPE and LDPE are also commonly used for molding applications. Linear low-density polyethylene (“LLDPE”), which was developed in the 1970s, can usually be manufactured at a slightly lower cost than LDPE and has basic properties similar to LDPE. While LDPE and LLDPE are to a certain extent substitutable for each other, one may be more suitable than the other for a specific application.

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. According to CMAI, the global demand for polyethylene is projected to grow at a rate in excess of 4.7% per annum through 2009.

- ***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 and competitively priced polymers, polypropylene is achieving a portion of its growth by displacing other polymers, such as polyethylene and polystyrene. 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. Polypropylene has a heat distortion temperature of 150°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 CMAI, the global polypropylene market is projected to grow at above 5% per annum through 2010. North America, Western Europe and North-east Asia will account for approximately 75% of global demand in 2005. CMAI 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.

- ***Polystyrene.*** General purpose, or "crystal", polystyrene and high impact polystyrene are rigid materials used for food serviceware, packaging, appliance and electrical housings and insulation. Polystyrene is a thermoplastic resin produced by the polymerization of styrene in combination with a number of other raw materials (mineral oil, peroxide, polybutadiene rubber and other additives). The addition of rubber in high impact polystyrene provides some flexibility in end-use applications. Both forms are also used in injection molding applications. Styrene is the main feedstock used to make polystyrene. EPS is used to manufacture lightweight foam for packaging and insulation applications.

  The largest demand driver for polystyrene is demand for food serviceware items, such as plastic bowls, cups and eating utensils and rigid durable products, such as televisions and appliances. Polystyrene is currently the largest styrene derivative, although it has lost market share gradually to polypropylene. Polystyrene demand growth is low in North America and Western Europe, primarily due to the migration of derivative businesses to lower labor cost countries. According to CMAI, global demand for polystyrene will be in line with GDP growth at a rate of 2.8% per annum through 2009, with the highest demand growth in the Chinese market.

- ***Solvents and industrial chemicals.*** Solvents are used to dissolve solids and keep them in liquid form. They serve a variety of industrial and consumer markets, including in the pharmaceuticals, cosmetics, inks, adhesives, detergents and coatings industries. One important solvent is ethanol. Important industrial chemicals include ethylene oxide ("EO"), ethylene glycols ("EG"), propylene oxide ("PO") and propylene glycols ("PG"). EO is used mainly to make EG and industrial detergents. EG is primarily used in the manufacture of polyesters and antifreeze/coolants. PO is used to make PG, which, in turn, is primarily used to produce polyesters, paints and coatings, aircraft de-icing chemicals, antifreeze and industrial coolants. EO derivatives are manufactured by reacting EO with a base such as glycol, ammonia and other alcohols.

  EO demand is driven by demand for EO derivatives, principally EG. As a result of increased consumption of polyester, EG has become the second largest application of ethylene after polyethylene. The lack of sufficient supplies of EG to satisfy demand for polyester has recently resulted in a favorable market environment for EG producers. Similarly, PO demand is driven by demand for PO derivatives, principally PG. Although EO demand is forecast to continue to grow, if all the new capacity that has been announced for the next five years is indeed constructed, this will result in supply exceeding demand, a gradual decline in operating rates, and ultimately EG margins declining through a cyclical trough in 2009.

- ***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, ABS and SAN. 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 special catalyst. Acrylonitrile is toxic and flammable and, unless chemical stabilizers are added for storage and shipment, can undergo an explosive chemical reaction.

  Historically, acrylonitrile demand has been driven by demand for acrylic fiber. More recently, ABS and SAN polymers have become the main drivers of demand for acrylonitrile, with annual growth rates of approximately 4% over the past four years. The growth in demand for ABS and SAN polymers has been driven by demand in Asia while demand in North America and Europe has declined or been flat. Currently, Asia is a net importer of acrylonitrile. Much of the Asian imports come from North America. As a mature product, global acrylonitrile demand is forecast by CMAI to grow in line with GDP growth at 3.7% per annum through 2009.

- ***Alpha olefins.*** Alpha olefins include linear alpha olefins ("LAOs") and poly alpha olefins ("PAOs"). LAOs 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 LAOs, and LAOs, in turn, are important feedstocks for the manufacture of certain types of polyethylene. In addition, LAOs have many applications in the petrochemical industry, including as surfactant intermediates, base oil for synthetic lubricants and drilling fluids. Demand for LAOs has increased substantially since they first became commercially available. PAOs, which are made by merging several LAOs together, are primarily used as synthetic lubricants. PAOs are value-added products as compared with LAOs, and, accordingly, command higher margins. However, PAOs account for only approximately 10% of the overall market for alpha olefins.

  Producers of LAOs may be divided into two groups: "full-range" producers, which manufacture entire range of LAOs and "on purpose" or "single product" producers, which specialize in those LAOs which historically have experienced the fastest growth. Demand for LAOs has experienced an increasing divergence between demand for LAOs with shorter carbon chains, which have grown more quickly, and demand for LAOs with higher carbon numbers, which on average have experienced slower growth. As a result, the industry has focused on developing single product technologies to target the fastest growing LAOs. Demand for PAOs is driven by the European automotive industry and lubricant substitutes. Following a period of flat demand for PAOs in North America, North American PAO demand has recently shown signs of improvement.

- ***PIB.*** Polyisobutylene ("PIB") 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. 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 inter-regional price differentials, set by freight costs. According to CMAI, global phenol demand is forecast to grow at 4.0% per annum through 2009 and global acetone demand is forecast to grow at 4.3% per annum over the same period.

Consolidation

Several major oil companies have recently restructured their petrochemical businesses. At the same time, there has been a trend in the North American and European petrochemical industry since the early 1980s towards consolidation, which trend accelerated during the 1990s. Although significant merger and acquisition activity in Europe in recent years has led to consolidation, much of the infrastructure is still local. Several projects to address this problem are underway, including connecting the principal ethylene pipeline networks in Europe and building a European propylene pipeline. At the global level, the industry is still relatively fragmented due to the ongoing emergence of new manufacturers, primarily in the Middle East but also in Asia. The top ten global ethylene and propylene producers account for less than 50% of global capacity for the relevant products.

Regional Outlook

It is expected that petrochemical companies will construct only a limited number of new production facilities in North America and Europe. Instead, they are expected to focus on upgrading and expanding existing facilities in these regions. A potential exception is Russia, which, although not currently a focus of foreign investment in the petrochemical industry, has low-cost gas feedstock reserves and thus may attract new projects in the future. In Asia and the Middle East, significant projects are currently underway. Petrochemical investments in Asia are primarily targeted at China and surrounding countries to take advantage of the strong growth of the Chinese manufacturing industry. The growth in Chinese exports, along with increased local consumption, are driving demand growth for petrochemical products, much of which is met through imports. While new capacity is expected to come on-stream in China over the next several years, it is expected that, for the foreseeable future, China's strong demand growth will exceed supply growth and China will remain a major importer of petrochemical products. The Middle East is attracting investment in petrochemical production capacity because of its significant reserves of low-cost gas feedstocks. There is governmental support in many Middle Eastern countries for building an export-oriented petrochemical industry that utilizes these gas reserves, and joint ventures with foreign companies providing technological expertise and market access are supported as a means of exploiting these reserves.

Specialty Chemicals

Specialty chemicals are high value-added chemical products used as key components and in a wide variety of consumer and industrial products. Specialty chemicals add performance, protection, color and strength to a range of products including textiles, plastics, paper, automobiles, buildings and home and personal care products. Our specialty chemicals business is focused on the production of fluorocarbons, silicates, zeolites and silicas and melamines.

Fluorocarbons

The mandatory phasing out of ozone-depleting chemicals such as chlorofluorocarbons ("CFCs") and hydrochlorofluorocarbons ("HCFCs") under the 1987 Montreal Protocol created an increasing demand for hydrofluorocarbons ("HFCs") beginning in the early 1990s. HFCs are ozone-benign replacements for CFCs and HCFCs.

Demand for fluorocarbons is closely tied to changing environmental regulations on substances that deplete the ozone layer, in particular the Montreal Protocol, which, following various revisions, required that all production of CFCs cease in developed countries by 1996, subject to certain exceptions for essential uses, and in developing countries by 2010. HCFCs, already widely used in air conditioning, emerged as temporary alternatives to CFCs, but are also controlled by the Montreal Protocol.

In 1999, the Montreal Protocol was amended to phase out the use of HCFCs for non-feedstock applications, such as foam blowing agents and refrigerants, beginning with a freeze on consumption in developed countries in 1996, and in developing countries in 2016. The EU approved the agreement in 2002 and has adopted its own accelerated HCFC phase-out schedule, which began in 2000 and will effectively be completed by 2010. The use of HCFC 22 as a feedstock is still permitted worldwide. The most common replacements for HCFC 22 are various HFC blends, some of which contain HFC 134a.

Although HFCs and HFC blends are not controlled by the Montreal Protocol, they are one of six types of gases included in the Kyoto Protocol to the United Nations Framework Convention on Climate Change ("Kyoto Protocol"), a 1997 international treaty aimed at reducing "emissions" of greenhouse gases; the treaty became effective in February 2005. The United States is not a party to the Kyoto Protocol, whereas the EU has agreed to cut its emissions of all global warming gases by a total of eight percent from their 1990 level in the commitment period of 2008 to 2010. Draft European legislation proposes to restrict the use of HFC 134a in automotive air conditioning beginning in 2011.

Market price trends are generally dictated by supply and demand and raw material costs. Although prices for the principal raw materials used in the production of HFCs and HCFCs, trichloroethylene and HF chlorotium, tend to be relatively stable, recently prices for these products have begun to rise due to the energy intensive manufacturing processes and escalating global oil and energy prices.

HFC 134a

HFC 134a is widely regarded as the only practical and cost effective substitute for CFC-12 in automobile air conditioning systems, due to its combined characteristics of energy efficiency, non-flammability and benign ozone effect. It is now widely used in automotive, commercial and industrial air conditioning. HFC 134a is produced by reacting trichloroethylene and HF over a zinc chromia catalyst.

The HFC 134a market is highly seasonal, with a significant increase in demand in the early summer months in the northern hemisphere. Consequently, utilization rates are maintained through seasonal increases in stock to manage periods when demand exceeds supply. Growth in HFC 134a is being driven by increased penetration in the Asian automobile industry, by increasing industrialization in Asia and the developing world, and by its use in low-temperature HFC blends. According to CMAI, the projected growth in demand for HFC 134a is 4% per annum through 2010.

Silicates, Zeolites and Silicas

While manufacturing capacity for silicates generally exceeds market demand, the relatively high distribution costs for silicates make it uneconomical to transport silicates more than approximately 300 kilometers. Accordingly, silicates markets tend to be regional, with manufacturers either being located in close proximity to their key customers or using silicates for internal production. Silicates may be produced using the furnace process, used for the manufacture of silicas to be used as silicas feedstock, or the hydrothermal process, used for the manufacture of silicas used as zeolites feedstock.

Zeolite demand is still driven by the detergent powders market, the primary market application for zeolite products. Growth in this market has been modest in recent times and European capacity has exceeded demand for some time. However, there has been some rationalization of production capacity in the European zeolite market. Zeolites are produced from the controlled crystallization of alkaline silicate liquor and an alkaline solution of aluminum trihydrate.

The global market for silicas is driven by many niche applications that primarily depend upon superior performance, rather than price. Since transportation costs comprise a relatively minor percentage of the overall selling price, the silicas market is global, rather than regional in nature. Silicas may be produced using the precipitation process or the gel process. In both processes, silicate liquor is reacted with sulphuric acid.

Melamines

The melamine coatings industry is driven by the demand for automotive parts manufacturers, can and coil coatings, general industrial and packaging product applications. The melamine specialties market consists of products used for a number of niche applications in the paper, woodworking, insulation, tire and textile industries. Products are custom tailored and growth is in line with the development in the end-use markets.

BUSINESS

Introduction

We are the world's third largest chemical company measured by turnover. Our combined business operates 30 petrochemical manufacturing sites in eight countries in North America and Europe and 13 specialty chemical manufacturing sites in eight countries throughout the world, as well as two refineries in Europe which are fully integrated with our co-located petrochemical facilities. As of September 30, 2005, our pro forma total chemical production capacity would have been approximately 23,800 kilotonnes per year (of which 65% would have been in Europe and 34% in North America) and our refineries had a combined crude oil distillation capacity of more than 410,000 barrels per day. We have a global reach and leading market positions with respect to our key products, which enable us to manage our business on a worldwide basis. Our business benefits from the cost advantages of operating large-scale, highly integrated facilities strategically located near major transportation facilities and customer locations. After giving effect to the Innovene Acquisition, for the twelve months ended September 30, 2005, our pro forma turnover would have been €21.9 billion and our Adjusted Pro Forma EBITDA before exceptionals would have been €2.0 billion.

Our combined business results from the combination of Ineos, a low-cost manufacturer of petrochemicals and specialty chemicals, and Innovene, the olefins, polymers and derivatives business of BP and two of BP's European refineries. Since April 1998, when it acquired Ineos Oxide from Inspec, Ineos has significantly expanded through a series of strategic acquisitions of businesses and assets from major chemical companies as well as organic growth. Ineos has invested more than €318 million in capital expenditures from January 1, 2001 through September 30, 2005, and BP has invested over $2.0 billion in capital expenditures in Innovene from January 1, 2002 through September 30, 2005. The combination of Ineos and Innovene represents a transformational acquisition for our company, providing global scale and further upstream integration. We believe that Innovene's core businesses will benefit from the proven track record of Ineos's management team in increasing productivity and reducing costs.

We are initially reporting the results of the combined business on a divisional basis based on the historical primary lines of business of Ineos and Innovene. Set forth in the table below is the turnover for the twelve months ended September 30, 2005 and key products for our historical primary lines of business. We are presently evaluating the basis for the segment reporting of the combined business.

	Refining	**Petrochemicals**				**Specialty Chemicals**
	Innovene				Ineos	
Segment	Refining	O&P North America(2)	O&P Europe(2)	Global Derivatives	Phenol, Oxide, Styrenics	Fluor, Silicas, Melamines
September 30, 2005 LTM Turnover(1)	Turnover: €7.2 billion	Turnover: €3.3 billion	Turnover: (3) €6.9 billion	Turnover: €1.9 billion	Turnover: €3.5 billion	Turnover: €0.5 billion
Key Products	LPG, naphtha, gasoline, jet fuel/kerosene, diesel, gas oil/heating oil, fuel oil, asphalt	Ethylene, propylene, butadiene, styrene, high-density polyethylene (“HDPE”), polypropylene NGLs	Ethylene, propylene, butadiene, styrene, high-density polyethylene (“HDPE”), polypropylene Benzene, low-density polyethylene (“LDPE”), linear low-density polyethylene (“LLDPE”), polystyrene, solvents & industrial chemicals	Acrylonitrile, other nitriles, LAOs, PAOs, others (including PIB)	Ethylene oxide, ethylene glycol, EO derivatives, phenol, acetone, polystyrene	HFC 134a, HFC 125, melamines, other specialty resin products, silicas, zeolites
Key End-Uses	Petro-chemical feedstock, transport fuels, heating fuels	Petrochemical feedstock, flexible rigid packaging, injection molded plastics, films, acrylic fibers, nylons, coatings, solvents, adhesives, detergents and general consumer and industrial applications			Packaging, resins, fibers, films, surfactants, general consumer and industrial	Resins, agrochemicals, surfactants, coolants, general consumer and industrial

(1) Turnover for the twelve months ended September 30, 2005 is presented on a UK GAAP basis. Turnover for historical Innovene segments is presented before any intersegmental eliminations, corporate and discontinued operations and is translated using an exchange rate of $1.27 = €1.00.

(2) “O&P” refers to “Olefins and Polymers”.

(3) Includes the Dormagen EOG Business, our acquisition of which is subject to review by the European Commission competition authorities. The estimated revenues associated with these assets were €253 million for the twelve months ended September 30, 2005.

Refining

In our refining business, we operate two large refineries in Europe. Each of our refineries has a crude oil distillation capacity of over 200,000 barrels per day. Our principal refining products are transport fuels (particularly diesel fuel and gasoline), LPG, naphtha, and heating and fuel oils. Our refineries are physically integrated with our petrochemical plants located at the same sites, and our Grangemouth refinery is integrated with its feedstock sources through a direct connection with the Forties Pipeline System (''FPS''), a pipeline that carries crude oil from a variety of oil fields in the North Sea. Most of the naphtha output of our refineries is used as inputs by these petrochemical plants. BP has agreed to continue to purchase from us the refinery output that we do not use. Our arrangements with BP may be terminated in certain circumstances.

Both of our refineries meet current EU clean fuel specifications, and our Grangemouth facility also meets the stricter US specifications, as well as the more stringent EU specifications expected to become effective in 2009. Improvements are underway at our Lavéra refinery, which we expect will bring that facility into compliance with these more stringent EU specifications by the end of 2006.

Petrochemicals

In our petrochemical business, we produce olefins and related products, a broad range of polymers and various other petrochemical products directly or indirectly derived from olefins. We are among the largest volume manufacturers of olefins, polymers and derivatives in the world. The focus of our olefins business is on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers and derivatives. The olefins we make are primarily used as feedstock for our polymers and derivatives businesses. In addition, we sell olefins to third party customers for a variety of industrial and consumer applications, including plastics, rubber and fiber. In our polymers business, we focus on polyethylene and polypropylene. The largest volume product of our global derivatives business is acrylonitrile.

Specialty Chemicals

Specialty chemicals are high-value-added chemical products used as key components in a wide variety of consumer and industrial products. In our specialty chemical business, we produce a wide range of hydrofluorocarbons, specialty fluorochemicals, silicates, zeolites, silicas and melamines. We are an international manufacturer of fluorine-based chemical products which are principally used in air conditioning, refrigeration, foam blowing and pharmaceutical applications. We are also a manufacturer of specialty chemicals derived from sand (impure silica) and alumina. Our main products are silicates, zeolites and silicas, which are principally used in consumer laundry and dishwasher detergents, water treatment, paper and coatings. In addition, we also manufacture melamine resins for coating, wood finishing, textile, rubber and tire applications.

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

Key products	Full-year capacity as of September 30, 2005 (kilotonnes)	Global market position[1]	Selected regional market positions[1]
Ethylene	4,019[2]	#5	#1 in Western Europe[5]
Propylene	1,737[2]	#3	#3 in Western Europe[5]
HDPE	2,168[2]	#3	#2 in Europe #4 in North America
Polypropylene	2,576[2]	#3	#3 in Western Europe #2 in North America
EO	817[3]	#6[6]	#1 in Western Europe[6]
Phenol	1,600[4]	#1	#1 in Europe #3 in North America
Acetone	980[4]	#1	#1 in Europe #3 in North America
Acrylonitriles	912[2]	#1	#1 in Europe #1 in North America
Hydrofluorocarbons	89[4]	#1	#1 in Europe[7] #1 in North America[7]

(1) Unless otherwise noted, according to CMAI and PCI data.

(2) Represents capacity as calculated by Innovene. For information on how Innovene calculates capacity, see "Certain Definitions and Presentation of Financial and Other Information".

(3) Represents capacity as estimated by PCI, including 254 kilotonnes of capacity associated with the Dormagen EOG Business.

(4) Represents capacity as calculated by Ineos. For information on how Ineos calculates capacity, see "Certain Definitions and Presentation of Financial and Other Information".

(5) Production used internally as feedstocks.

(6) Excluding the Dormagen EOG Business, as of September 30, 2005 our global market position for EO would have been #9 and our Western Europe market position for EO would have been #2.

(7) According to internal estimates.

Competitive Strengths

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

- ***Demonstrated Record of Shareholders and Management.*** Our shareholders and management team have a demonstrated record of achieving profitable growth in the chemical industry, successfully integrating large acquisitions and deleveraging the business following such acquisitions. James A. Ratcliffe, our chairman and controlling shareholder, and the other directors of Ineos Capital, each of whom serves on our board, have a successful record of investing in the chemical industry. Ineos has completed 10 significant acquisitions since 1998 and has been able to achieve significant cost-savings in the acquired businesses. Our present 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. The cash flow generated from these measures has enabled Ineos to significantly delever the company in respect of the debt incurred in connection with the acquisitions of Ineos Phenol, Ineos Fluor and Ineos Silicas. As of December 31, 2000, Ineos's ratio of net debt to EBITDA before exceptionals, calculated on a pro forma basis to take account of its July 2001 senior notes offering, was 4.6x compared to 1.8x as of December 31, 2004. During this period, Ineos reduced its debt by 32%.

- ***Global Reach and Leading Market Positions*.** We are the world's third largest chemical company measured by turnover, with 43 manufacturing sites in 13 countries throughout the world, and a total chemical production capacity of approximately 23,800 kilotonnes per year. We serve approximately 5,700 customers who are located in many of the principal industrial regions of the world and use our products across a broad range of end-use applications. We believe our geographic diversification and broad customer base provide us with resilience to regional, sector and end-user industry downturns. Moreover, we believe our global manufacturing scale, wide range of chemical products and deep customer base has allowed us to achieve and hold leading market positions with respect to each of our key products. According to CMAI, as measured by expected average annual capacity for 2005, we are the largest global producer of acrylonitrile, phenol, acetone and HFC 134a, and according to PCI, we are the largest producer of ethylene glycol and ethylene oxide in Western Europe. We are also among the three largest producers globally of HDPE, polypropylene and certain EO derivatives.
- ***Vertically Integrated, Large Scale Producer*.** We have eight large-scale petrochemical sites, accounting for 69% of our total petrochemical production volumes. Five of these large-scale sites are integrated with major crackers and/or polymers and derivatives units, giving us the ability to capture margins across the value chain, enjoy certainty of feedstock supply (particularly for ethylene), reduce logistical costs, improve energy management and adjust the product slate to capture greater value (by selling olefins or, alternatively, by using them internally in the production of polymers or derivatives). Two of our sites are also integrated with onsite refineries owned and operated by us, which differentiates us from many of our competitors. Our other sites are typically located near raw materials, refineries, and associated pipeline infrastructure. We believe that the vertical integration and scale of our global operations resulting from the Innovene Acquisition will provide synergies across a broad spectrum of costs and functions and will deliver lower per unit costs. Our upstream integration should also help reduce our exposure to margin volatility as a result of changes in raw material prices.
- ***Integrated Refining Platform*.** We own and operate two refineries focused on serving their respective markets with the product slate, feedstock flexibility and clean fuels capabilities necessary to be competitive. Each of our Grangemouth, United Kingdom and Lavéra, France refineries has a crude oil distillation capacity exceeding 200,000 barrels per day, which is higher than the average European refinery capacity. Each of our refineries is equipped with a hydrocracker ("HC") and a fluid catalytic cracker ("FCC"), which provide them with significant flexibility in processing not only low sulfur crude oils, but also heavy, sour crude oils into light, sweet middle distillates (such as road diesel, light gas oils and heavy gas oils). The product slates of our refineries are geared towards their respective markets, with Lavéra focusing on middle distillates and Grangemouth focusing on gasoline and gasoline blending components. Both refineries are able to produce clean fuels meeting current EU regulatory requirements. Furthermore, Grangemouth already complies with the more stringent EU clean fuels specifications expected to come into force in 2009, and we expect that Lavéra will achieve compliance with these more stringent EU specifications by the end of 2006.
- ***Extensive Portfolio of Leading Proprietary Technologies*.** We believe that our technology portfolio enables us to be a low-cost producer of key products and provides us with a

competitive advantage in terms of product quality. Our technologies, including our gas phase polyethylene, gas phase polypropylene, slurry HDPE, acrylonitrile and phenol and acetone technologies, are positioned around our key products. Our patented HFC 134a and A24 zeolite technologies also help us to maintain our leading positions in these product areas. In addition, our Innovene technologies are widely licensed to external customers in the industry. For example, according to Nexant, Inc. ("Nexant"), our acrylonitrile technology is used in more than 90% of the world acrylonitrile production, and our gas phase polyethylene technology is used in 15% of worldwide LLDPE/ HDPE capacity. We believe that our existing technology licensing will allow us to generate a stable and recurring income stream, and we believe there is significant potential for additional licensing arrangements.

- ***Well-Invested and Low-Cost Production Facilities***. Our large, well-invested plants benefit from economies of scale and favorable locations. We focus on acquiring businesses with well-invested physical assets from major chemical companies, and we have continued this trend with the Innovene Acquisition. From January 1, 2002 through September 30, 2005, BP invested over $2.0 billion in Innovene's facilities. From January 1, 2001 through September 30, 2005, Ineos invested over €318 million in its facilities. In addition, each year we continue to invest in improving and expanding our facilities. We operate large plants that permit us to spread fixed costs over large volumes of production, thereby reducing unit costs. For example, we operate the largest single-site EO/EG plant in Europe and the two largest phenol plants in Europe, one of which is the largest in the world. We operate two of the three largest HFC 134a plants in the world, the largest acrylonitrile facility in the world and one of the largest HDPE complexes in North America.

- ***Diversified Portfolio of Businesses***. We have a diversified portfolio of refining, petrochemicals and specialty chemicals businesses, which we believe reduces the impact of industry cyclicality on our results. The refining industry cycle and petrochemical industry cycle are independent cycles. The petrochemical industry is currently experiencing favorable conditions that CMAI expects will continue until at least early 2007. The refining industry has traditionally been characterized by steady growth in demand, and the current outlook for the industry is positive due to strong demand and limited supply. PGI expects margins to start trending downwards from current record levels post 2006, stabilizing above long-term historical average levels from 2012 onwards. The specialty chemical industry is non-cyclical, and a number of petrochemical products, including certain non-commodity ethylene-based products manufactured by Ineos Oxide, are also non-cyclical. For the twelve months ended September 30, 2005, we believe we generated approximately half of our pro forma turnover from commodity petrochemicals, approximately one quarter of our pro forma turnover from refining and approximately one quarter of our pro forma turnover from non-cyclical petrochemicals and specialty chemicals.

Our Strategy

Our primary objective is to consolidate and capitalize upon our position as a leading chemical company by successfully integrating the Ineos and Innovene businesses through focusing on the principal strategies set forth below:

- ***Achieve Cost Savings***. We have historically succeeded in reducing costs in our acquired businesses by making rapid reductions in underlying fixed costs and implementing an efficient corporate and management structure. We have achieved significant fixed cost reductions in businesses that we have acquired, delivering on average a reduction of 22% of inherited fixed costs in the four-year period post-acquisition. We intend to bring this focus to Innovene, which had a fixed cost base of $2.4 billion at the end of 2004, and continue the cost-saving efforts initiated by Innovene management prior to the Innovene Acquisition. We expect to achieve significant cost savings from the Innovene Acquisition and reduce overlapping expenses. We will also continue to control fixed costs in our existing business.

- ***Focus Capital Investments on Improving Returns***. Our capital expenditure plan is focused on delivering efficiency improvement projects with attractive payback economics. We believe that the technology, personnel and production facilities of the combined business will allow us to increase our profitability and cash flows without the need for significant additional investments. We will also continue to implement de-bottlenecking projects at our facilities to increase our production capacity, particularly when the incremental capacity can be achieved without significant additional fixed costs or capital expenditures.
- ***Maximize Utilization of Assets.*** As a low-cost producer, we believe in operating our facilities at full capacity. We believe this allows us to maintain positive margins and cashflows, 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. In 2001, the newly acquired Ineos Phenol assets had a utilization rate of 85% of nameplate capacity, which we increased to 103% by 2004. In 2004, Innovene's petrochemical facilities had an average utilization rate of 88% of nameplate capacity. We believe that there is a significant opportunity to achieve production volume growth for the Innovene businesses without incurring additional capital expenditure through improving upon historical availability and utilization rates.
- ***Maintain Lean Corporate Structure and Incentivize Employees***. We intend to operate the combined business consistent with the Ineos Capital philosophy and implement 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, Ineos has granted its employees tracking shares with respect to each of its businesses and regions. Management and employee bonuses are also linked to the EBITDA-based performance of the business and region in which they work. We intend to implement similar equity and bonus incentive schemes for our recently acquired businesses.
- ***Leverage Portfolio of Leading Proprietary Technologies***. We plan to leverage our portfolio of leading proprietary technologies through both our own organic operations and highly selective licensing arrangements. For example, we are planning to contribute certain Innovene-based technology to a collaboration arrangement in Saudi Arabia with Delta, a leading private Saudi-owned development company, in order to obtain access to low-cost feedstocks. In June 2005, we entered into a non-binding memorandum of understanding with Delta to construct a world-scale cracker and associated derivative complex. In addition, we recently formed a Technology business unit in order to improve the focus of our research and development initiatives and more efficiently exploit our technologies to expand our businesses.
- ***Generate Strong Cash Flow to Reduce Leverage***. We intend to focus on improving cash flow generation by maximizing the utilization of assets, leveraging existing resources and following focused capital expenditure and cost reduction plans. We will apply the strong cash flows generated from these initiatives during the current favorable phases of the refining and petrochemical industry cycles to substantially reduce our debt.

Set forth below is a discussion of our business along industry lines: refining, petrochemicals and specialty chemicals. As the integration of the Innovene businesses and our historical businesses is still in its early stages, we are providing separate disclosure for the historical Ineos and Innovene petrochemical segments in the following areas: manufacturing, raw materials and energy, transportation, research and intellectual property, customers and contracts and competition.

Our Products

Set forth below is a summary of our key products by industry: refining, petrochemicals and specialty chemicals. The petrochemicals discussion includes both historical Ineos and Innovene products.

Refining

The following table shows the sales volumes of our refined products for the period indicated:

	For the year ended December 31, 2004
	(barrels in thousands)
Liquefied petroleum gas ("LPG")	8,030
Naphtha	19,620
Gasoline	31,830
Jet fuel/kerosene	15,710
Diesel	33,160
Gas oil/heating oil	15,420
Fuel oil	16,150
Asphalt	1,190

In 2004, high-value transport fuels (gasoline, jet fuel and diesel) accounted for approximately 60% of our total refinery volumes. LPG is a mixture of gases, usually propane and butane, used as fuel in heating appliances and vehicles and also as a petrochemical feedstock. The naphtha output of Innovene's refineries is primarily used as a petrochemical feedstock by the co-located petrochemical facilities. Fuel oil is used by marine vessels, power plants, commercial buildings and industrial facilities for heating and processing.

Petrochemicals

The following table provides an overview of our key petrochemical products and their principal applications:

Key products	Principal applications
Olefins and related products	
Ethylene[(1)]	Polyethylene, polyvinyl chloride, ethylene oxide and styrene
Propylene[(1)]	Polypropylene, acrylonitrile and propylene oxide
Butadiene[(1)]	Synthetic rubbers and acrylonitrile butadiene styrene
Benzene[(1)]	Styrene, cumene and nylon
Styrene[(1)]	Polystyrene and acrylonitrile butadiene styrene, synthetic rubbers and certain polyesters
Polymers	
Polyethylene (HDPE, LDPE, LLDPE)[(1)]	Films for packaging, agricultural applications, molded products, pipes and coatings
Polypropylene[(1)]	Molded products, filaments, fibers and films
Polystyrene[(1)(2)]	
General Purpose Polystyrene (GPPS)	Foamed containers, cutlery, clear hinged containers, medical labware, CD jewel cases and cassette boxes
High-Impact Polystyrene (HIPS)	Refrigeration liners, plastic cups, lids, and containers, appliance components, cosmetic cases, toys and disposable razors
Expandable polystyrene (EPS)[(1)]	Insulation and consumer packaging
Solvents and industrial chemicals	
Synthetic ethanol[(1)]	Solvent used in personal care products, inks, household chemicals and industrial applications
Ethylene oxide and derivatives, including ethylene glycols, ethanolamines (EOA), alkoxylates, glycol ethers and GasSpec™ gas treating amines[(1)(2)]	Polyester resins, fibers, film, antifreeze/coolants, industrial detergents, agrochemicals, surfactants, cosmetics, construction chemicals, pharmaceuticals, synthetic lubricants and oil and gas processing
Acetate esters[(2)]	Surface coating, inks, paints, process solvents
Ethylidene norbornene monomer (ENB)[(2)]	EPDM rubber
Propylene oxide and derivatives, including propylene glycols[(1)]	Polyurethane foam and polyester resins
Antifreeze[(2)]	Automotive antifreeze/coolants
Acrylonitrile[(1)]	Acrylic fibers and acrylonitrile butadiene styrene and styrene acrylonitrile polymers
Linear alpha olefins[(1)]	Co-monomers for polyethylene, synthetic lubricants, detergents and oil drilling chemicals
Poly alpha olefins[(1)]	Synthetic lubricants
Phenol[(2)]	Bisphenol A for the production of polycarbonates and epoxy resins, acrylics, phenolic resins, pharmaceuticals and caprolactam for the production of nylons
Acetone[(2)]	MMA, PMMA, acrylate, bisphenol A for the production of polycarbonates and epoxy resins, acrylics, pharmaceuticals and acetone-based solvents
Polyisobutylene[(1)]	Additives, lubricants, sealants, shrink wrap, cables and adhesives

(1) Innovene historical products.

(2) Ineos historical products.

Olefins and related products

The petrochemical industry manufactures olefins, polymers and various petrochemical products directly or indirectly derived from olefins. Butadiene, benzene and other aromatics are co-products of olefins produced primarily from steam cracking naphtha.

According to CMAI, we are the fifth largest manufacturer of ethylene globally, as measured by expected average annual capacity for 2005. In Europe, we consume more ethylene than we produce, which allows us to operate our crackers in Europe at full capacity. By contrast, in North America the olefins 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, in the past we sold substantial amounts of the ethylene that we produce to customers in the Gulf Coast region of the United States, and we expect that we will continue to produce excess ethylene in North America in the future.

According to CMAI, measured by expected average annual capacity for 2005, we are the third largest propylene manufacturer in the world. In both North America and Europe, we consume more propylene than we produce. Our propylene consumption is primarily related to the production of polypropylene and acrylonitrile.

In addition, Ineos Oxide and Ineos Phenol consume approximately 800 kilotonnes per year and 600 kilotonnes per year, respectively, of ethylene and propylene, further emphasizing our short position in ethylene in Europe and propylene globally. This consolidates our ability to operate our crackers at full capacity providing an outlet for any additional capacity that is generated from de-bottlenecking projects.

According to CMAI, measured by expected average annual capacity for 2005, we are the seventh largest manufacturer of butadiene in the world.

In 2004, all of our benzene production volumes were manufactured in Europe and were primarily used to produce styrene, with the remainder sold externally. Prior to the Innovene Acquisition, Innovene did not have any polystyrene production operations in North America. As a result, all of Innovene's North American styrene volumes were sold to external customers. The Innovene Acquisition will provide us with an opportunity in the future to direct some of our North American styrene production to our polystyrene facility in Joliet, Illinois. In Europe, our entire styrene production is used in the manufacture of polystyrene. A portion of the styrene that we require to produce polystyrene in Europe is sourced from third parties pursuant to long-term supply agreements.

Polymers

Polymers are chemical compounds formed by the linking of monomers in long chains.

According to CMAI, measured by expected average annual capacity for 2005, we are the fifth largest manufacturer of polyethylene, the third largest manufacturer of HDPE and the sixth largest manufacturer of LLDPE. The only type of polyethylene we make in North America is HDPE. Our HDPE products in North America are targeted at three main markets: durables, which comprise industrial applications, such as pipes, consumer applications, automotive applications, including car fuel systems, and building and construction applications; packaging applications, such as organoleptic caps and closures (caps and closures that do not affect flavor or odor), organoleptic blow-molded long-life milk bottles and other blow-molded or injection-molded applications; and commodities, which are products for which there is little scope for differentiation, such as novelty toys, disposable shopping bags and pails. In Europe, we manufacture LDPE, LLDPE and HDPE. Our European LLDPE production is primarily sold to customers in the film sector, while our LDPE products are primarily marketed to customers in the coatings sector. We are a leader in a number of European markets for HDPE-based applications that permit a significant scope for product differentiation. The applications targeted by us include markets for premium products such as pressure pipes, organoleptic caps and closures, organoleptic blow-molded long-life milk bottles and car fuel systems. We also produce polyethylene products for other commodity blow-molded and injection-molded applications. We believe that our competitive position in the worldwide polyethylene market is strengthened by our proprietary swing technology for the production of HDPE and LLDPE, which allows both LLDPE and HDPE to be produced from a single reactor, permitting the manufacture of a broad range of products.

According to CMAI, measured by expected average annual capacity for 2005, we are the third largest polypropylene manufacturer in the world. In North America, we target our polypropylene products at similar markets as our HDPE products, including consumer and industrial durables, rigid and flexible packaging applications, and fiber and film applications. In Europe, our focus is on the fiber, film and rigid packaging sectors. In addition, we are a leading European supplier in the heat seal films market.

We participate in the polystyrene and EPS businesses in Europe through our joint venture with NOVA Chemicals, an international producer of commodity chemicals and plastics. Polystyrene is sold into intermediate and end-use products for a variety of industries, such as packaging, electronics and appliances, building and construction, medical, toys and office supplies. We focus on two types of polystyrene: general purpose polystyrene (GPPS/crystal) and high-impact polystyrene ("HIPS"). GPPS products are crystal-clear amorphous polystyrenes utilized in foamed containers, cutlery, medical labware, clear cups and containers, CD jewel cases and cassette boxes. HIPS products are used in refrigerator liners and parts, vending cups and lids, dairy containers, appliance components, cosmetic cases, toys and various consumer products.

Solvents and industrial chemicals

We make a variety of solvents and industrial chemicals, including EO, EG, PO, PG, acetate esters and ethylidene norbornene monomer ("ENB"). We believe, as measured by expected aggregate annual capacity for 2005, we are the largest producer of EO and EG in Western Europe and one of only two producers of ENB in the world.

EO is the principal feedstock in the production of a wide range of intermediate and specialty chemicals, including EG and EO derivatives such as EOA, alkoxylates, glycol ethers and other niche chemicals. EO is a highly reactive, flammable and toxic molecule. As a consequence, EO producers typically use a significant proportion of their EO for captive production or sell it to third parties located reasonably close to, or on, their EO production sites. The majority of EO produced in Western Europe is used for captive production and there are virtually no EO imports into, or exports from, Western Europe. Innovene's EO production has been primarily sold to third party manufacturers with the balance used to produce EG, glycol ethers and esters and EOA. In contrast, Ineos Oxide uses approximately 60% of its EO production for the captive production of EG, and uses the remainder for the captive production of EO derivatives and sales to third parties.

Our EO derivatives include EOA, a broad range of alkoxylates, glycol ethers and GasSpec™ gas treating amines. We own and operate one of the world's largest EOA units and produce a family of molecules which are used in applications such as agrochemicals, surfactants (used in personal care products and detergent formulations), cement additives, textile chemicals, metal working fluids, electronics and pigments. We have four alkoxylate reactors based in Antwerp which we use to make a broad range of alkoxylates 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, inks, and as jet fuel de-icers. GasSpec™ gas treating amines are high performance specialty chemical formulations (often patent protected) which are used in oil and gas processing to remove hydrogen sulphide and carbon dioxide from natural gas, gasoline and ammonia production streams.

Acetate esters are used as solvents in surface coatings, inks and pharmaceutical manufacturing.

We are one of only two suppliers of ENB globally and the only producer in Europe. ENB 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.

EG is used primarily as a feedstock to produce polyethylene terephthalate ("PET") for film, fiber and resin and in a variety of other industrial applications including antifreeze/coolants for automotive vehicles.

Another important solvent for us is synthetic ethanol. According to CMAI, measured by expected average annual capacity for 2005, we are the second 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.

Nitriles

Our main product in the nitriles sector is acrylonitrile. According to CMAI, measured by expected average annual capacity for 2005, we are the largest manufacturer of acrylonitrile in the world. The primary applications for acrylonitrile are acrylic fiber and ABS plastics. We employ safeguards to ensure the safe handling of nitriles, 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.

Alpha olefins

Measured by expected average annual capacity for 2005, we are among the largest suppliers of LAOs and PAOs worldwide. As a "full-range" LAO producer, we manufacture the whole range of LAOs and, accordingly, must sell our LAO production in the proportions yielded by our facilities. This exposure often creates commercial challenges, as different segments of the LAO market tend to grow at different rates. Our technology provides us with a certain amount of flexibility to adjust our yield slate, in order to emphasize certain LAO products and deemphasize others as demand fluctuates. LAOs are used in the production of certain polyethylenes. They are also used as surfactant intermediates, base oils for synthetic lubricants and drilling fluids. PAOs are used as synthetic lubricants.

Phenol

According to CMAI, measured by expected average annual capacity in 2005, 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 ("BPA"), 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, 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. Caprolactum is a precursor for polymide (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 the manufacturing of plywood for use in housing construction and furniture, as binders in the production of insulation materials and laminates for the construction industry, as molds in the foundry industry and as adhesives.

Acetone

According to CMAI, measured by expected average annual capacity in 2005, we are the largest producer of acetone in the world. The largest commercial use of acetone is the manufacture of methylmethacrylate ("MMA"). MMA is used to manufacture polymethylmethacrylate ("PMMA") 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 second largest 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 third major use of acetone is in the production of BPA.

Other

In Europe, we operate units that make nitrogen products such as ammonia and nitric acid. We also make PIB. According to CMAI, measured by expected average annual capacity for 2005, we are the largest supplier of PIB in the world.

At the Antwerp, Belgium and Plaquemine, Louisiana sites of Ineos Oxide, we also provide a range of management and operating services to third party chemical manufacturers, including the complete management and full operational responsibility of the third party assets, to the supply of raw materials, utilities, waste handling facilities and site infrastructure.

Specialty Chemicals

The following table provides an overview of our key specialty chemical products and their principal applications:

Key products	Principal applications
Industrial Hydrofluorocarbons	
HFC 134a	Commercial, industrial and automotive air conditioning and propellants
HCFC 22	Low-temperature refrigeration and air conditioning, foam blowing and feedstock
HFC Blends	Low-temperature replacement for CFCs and HCFCs for refrigeration and air conditioning
Specialty Fluorochemicals	Pharmaceuticals
Silicates	Consumer laundry and dishwasher detergents, water treatment, paper adhesives and civil engineering
Zeolites	Consumer laundry detergents, paper and coatings
Silicas	Specialty coatings, brewing, edible oils, polymerization catalysts and catalyst supports, desiccants, personal care products and plastics

Key products	Principal applications
Melamines	
Coatings	Automotive (OEM), coil and can coating, general industrial and packaging product applications
Specialties	Paper, woodworking, tire, filter, insulation and textile industries
Technicals	Laminate flooring and kitchen/bathroom and office furniture

Hydrofluorocarbons

According to CMAI, we are the world's largest producer of HFC 134a. HFC 134a, which accounted for the majority of Ineos Fluor's turnover in 2004, was developed in the late 1980s and introduced commercially in the early 1990s as a replacement for ozone-depleting CFCs. HFC 134a is currently widely regarded as the only practical substitute for CFC-12 in automobile air conditioning systems, due to its combined characteristics of energy efficiency, non-flammability and benign ozone effect. It is now widely used in automotive, commercial and industrial air conditioning. HCFC 22, which was the second largest contributor to Ineos Fluor's turnover in 2004, is used in low-temperature refrigeration and air conditioning, foam blowing, and as a feedstock in the production of fluoropolymers, such as polytetrafluoroethylene.

Specialty Fluorochemicals

Ineos Fluor produces several other specialty fluorochemicals, including medical grade HFC 134a, a propellant in medical inhalers. In addition, HFC blends are being developed to replace existing CFC and HCFC products for various refrigeration and air conditioning applications that require lower temperature characteristics than available with pure HFC 134a.

Silicates

Silicates are sold into a wide variety of end-use applications as well as being used as raw materials for zeolite and silica production. The main external markets for silicates are household and industrial detergents, where they are used for their binding and carrying properties with active cleaning ingredients. Silicates are also used in numerous industrial applications, including paper laminating adhesives, refractory cements, mineral processing, specialty grouts and soil consolidation. Ineos Silicas uses approximately 40% of its silicate production internally as a feedstock for the production of its zeolite and silica product ranges.

Zeolites

Zeolites are key components of household detergents and powders. Zeolites are used as a builder in detergent powders and as a carrier of liquid surfactants to soften water, provide alkalinity, assist with powder structuring and keep dirt in suspension. Ineos Silicas' principal European zeolite products are referred to as P type products. These are patented products sold at a premium price due to their technical advantages over the industry standard A type zeolites.

Silicas

Silicas are highly specialized inorganic chemicals used in a diverse range of products and applications across several different industries. The silica microstructure determines the performance, with products often being tailored to customer specifications. Consequently, these products often command significant price premiums and deliver high gross margins. Key applications for silicas include: thickeners and abrasives in personal care products such as toothpaste, shampoos and body wash products; clarifiers and stabilizers for beer, fruit juices and edible oils; and, matting agents for specialty surface coatings. Silicas are also used as catalyst supports, particularly in the production of polymers.

Melamines

Ineos Melamines's coatings product portfolio consists of melamine, urea and benzoguanamine resins that are used in coatings formulations in automotive, coil, general industrial and packaging products. Its specialties products have end-use applications in the paper and woodworking industry, such as edgebandings and high pressure laminates, as well as in the tire and textiles industries. Ineos Melamines's technicals products are used in applications in the woodworking industry such as laminate flooring and furniture for kitchens and bathrooms.

Refining

Set forth below is a discussion of manufacturing, raw materials and energy, transportation, customers, intellectual property and competition for our refining business.

Overview

We own and operate two refineries, one in Grangemouth, United Kingdom, and one in Lavéra, France. Both refineries are fully integrated with petrochemical plants located at the same sites. Grangemouth has direct access to crude oil from the North Sea, and Lavéra benefits from its ability to process a broad range of crude oil blends. Our principal refining products are transport fuels, naphtha, and heating and fuel oils. Most of the naphtha that we manufacture is used as feedstock by our olefins crackers in Europe. BP has agreed to continue to purchase from us the refinery output that we do not use.

The following table provides a breakdown of the revenues and Adjusted EBITDA of the refining business for the periods indicated:

	Innovene				
	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Amounts in US GAAP					
Revenues[(1)]	3,876	4,779	6,555	4,566	7,149
Adjusted EBITDA[(2)]	44	199	410	320	698

(1) Revenues exclude revenues from discontinued operations. See "Operating and Financial Review and Prospects—Results of Operations—Innovene Results of Operations" for more information on revenues from discontinued operations.

(2) For more information on how Innovene calculates Adjusted EBITDA, see "Use of Non-GAAP Financial Measures".

Our two refineries are strategically important because they benefit from extensive integration with the petrochemical plants located on their sites. This integration is beneficial because it allows us to maximize the value from hydrocarbon flows between refining and petrochemicals, as well as to leverage the sites' infrastructure, energy management and work force.

Manufacturing

We operate two large refineries in Europe, each of which has a crude oil distillation capacity of over 200,000 barrels per day. They are also unusual refineries by European standards in that both combine a hydrocracker ("HC") with a fluid cracker converter ("FCC"). The combination of these two units permits us to manufacture light, low sulfur middle distillates, principally diesel. Moreover, the hydrocracking technology that both refineries employ enables them to produce high quality diesel. This constitutes a competitive advantage because European refineries do not produce sufficient high quality diesel to meet demand. This situation is unlikely to change as the demand for middle distillates continues to grow. Middle distillates currently account for approximately 45% of the volumes manufactured by Grangemouth and approximately 50% of the volumes manufactured by Lavéra.

Each of our refineries is able to produce clean fuels meeting current EU specifications, which limit the sulfur content of these fuels to 50 ppm. The Grangemouth refinery manufactures clean fuels containing no more than 10 ppm of sulfur, which is expected to become the maximum allowable level in the EU in 2009. We are making further investments in the Lavéra refinery to achieve compliance with the 10 ppm sulfur specifications by the end of 2006.

Our refineries undergo periodic turnarounds in order to carry out necessary inspections and testing to comply with industry regulations. These planned outages also permit us to carry out any maintenance activities that may be necessary. Where possible, we seek to schedule the timing of turnarounds to coincide with periods of relatively low demand for the products of the relevant refinery. Refineries typically undergo major turnarounds every four to five years, with each turnaround lasting several weeks.

In light of BP's reduced capital expenditures in respect of both the Grangemouth and Lavéra refineries during the late 1990s, beginning in 2001, Innovene increased its investments at both refineries, and we intend to continue to make appropriate investments in the future to improve our refineries' reliability and to meet tightening regulatory requirements. We believe we will need to spend an additional $40 million in capital expenditures each year for the next three years to fully modernize the Grangemouth refinery. Our upgrading at the Lavéra refinery is substantially complete and capital expenditures in respect of this refinery going forward will be generally for ordinary course maintenance.

As is the case with other refineries that are integrated with petrochemical facilities, both of our refineries are slightly below industry average in terms of their complexity, but are at the top end of the range in terms of their upgrading complexity for fuels-focused refineries. This is primarily because the naphtha produced by integrated refineries is used as feedstock for the adjacent petrochemical plants, whereas the naphtha manufactured by non-integrated refineries is typically upgraded into gasoline. Another consequence of this is that our refineries have a higher than average fuel oil yield.

Grangemouth

Our Grangemouth refinery benefits from a direct connection with the FPS crude oil pipeline. Known as the Forties blend, this light, sweet crude oil accounts for the majority of the refinery's feedstock mix.

On the product side, Grangemouth is well-positioned due to the fact that it is the only refinery in mainland Scotland and has convenient access to the markets in Scotland, Ireland and northern England. The refinery produces more gasoline than its local markets can consume. Accordingly, it exports gasoline components to other markets. The refinery can access the US markets for gasoline and gasoline blending components by shipping from the west coast of Scotland via a pipeline owned by us which starts at the refinery, runs across Scotland and terminates at the deep-water Finnart terminal at Loch Long.

Grangemouth has a cogeneration unit operated by a third party, which provides steam and electricity at a lower cost than traditional generation facilities. Cogeneration enables us to have the flexibility to use various by-product fuels from our refining and petrochemical units in the generation of steam and electricity.

The Grangemouth refinery experienced significant reliability problems in 2000 and 2001. These problems, among other things, damaged the refinery's FCC and culminated in a government inspection and the imposition of fines. Significant investments were made at the Grangemouth site to address these issues. In 2004, the FCC was brought back online. The reliability of the Grangemouth refinery improved from 88% in 2001 to 94% in 2002, 94% in 2003 and 96% in 2004. The reliability rate at Grangemouth during nine months ended September 30, 2005 was 90% due, in part, to an unplanned shutdown at the crude distillation unit.

Lavéra

Our Lavéra refinery has easy port access and a high level of flexibility in processing a broad range of qualities of crude oil. Its ability to upgrade heavy, sour crude oil into light, low sulfur products enables it to take advantage of the wide variety of crude oils available primarily through the Mediterranean markets. This is especially beneficial in light of the increasing availability of more sulfurous, heavier crude oils from Russia and other countries of the former Soviet Union. The Lavéra refinery has a maximum crude oil distillation capacity of 207,000 barrels per day.

On the product side, Lavéra benefits from its ability to export both to continental Europe and the Mediterranean markets, including the Middle East and North Africa. In addition, Lavéra has a product slate rich in middle distillates, for which there is a shortage in the European market. The refinery also has the capability to manufacture asphalt which can be sold to customers in specialty markets in France, the Middle East, Africa and other regions. This capability gives us increased flexibility in the selection of crude oil and in the optimization of our operations at Lavéra. Furthermore, the bunker fuel market served by Lavéra is currently strong, and, unlike the market for domestic fuel oil, we do not expect it to become subject to further sulfur restrictions for the foreseeable future.

The reliability of the refinery at Lavéra site improved from 91% in 2001 and 2002 to 94% in 2003 and 96% in 2004. The reliability rate at Lavéra during the nine months ended September 30, 2005 was 99%.

Raw Materials and Energy

The primary feedstocks of our refineries are crude oil, condensates, atmospheric residues, hydrogen and a range of blend components such as pygas. Both of our refineries are able to process different qualities of crude oil. The main variables in the selection of a particular type of crude oil are price and quality. Heavy, high-sulfur, sour slates are cheaper than lighter, sweeter slates. However, because high-sulfur crude oils require more processing, refineries that purchase primarily lower cost, high-sulfur crude oils incur higher fixed costs. Processing high-sulfur crude oil also requires greater expenditures on energy and utilities. Overall, average refining cash margins from high-sulfur crude oil are higher than average refining cash margins from lighter, sweeter slates.

Our Grangemouth refinery has a primarily light, sweet crude oil slate, reflecting the dominance of the Forties blend in its crude slate, which accounts for more than three quarters of the refinery's total feedstock requirements. The balance comprises heavier crude oils from the North Sea, Russia and Africa. The composition of the refinery's crude slate will change and become heavier and more sour with the entry of the Buzzard oil field into the Forties blend, which is currently expected to occur in 2006. Our refinery in Lavéra, France has a heavier, more sour crude slate than Grangemouth, comprising various blends, principally from Russia and the countries of the former Soviet Union, the Middle East and North and West Africa.

In connection with Innovene's separation from BP, Innovene entered into a two-year agreement with BP in April 2005 for the supply of Forties blend at market-related prices, after which we intend to have completed an $8 million investment in our infrastructure that will allow us to purchase Forties blend from any of the oil companies using the FPS.

Energy cost is the single largest operating expense of a refinery. The main sources of energy for our refineries are gas and fuel derived from the crude oil feedstock, supplemented by methane, electricity and steam. Our refineries and associated petrochemical units are fully integrated and use a single steam and power generation infrastructure at each refinery, consisting of power stations, long-term contracts with local utility companies and, at Grangemouth, a cogeneration unit operated by a third party.

Transportation

Grangemouth receives all of its crude oil requirements by both pipeline and ship, while Lavéra receives all of its oil requirements by ship. With the exception of the Finnart pipeline, which delivers crude oil to the Grangemouth refinery and refinery product to the deep-water Finnart terminal at Loch Long on the west coast of Scotland, we do not own any pipelines for crude oil or refinery products. The Grangemouth refinery serves its customers, the majority of which are located in the United Kingdom, by road, rail and ship and through a pipeline link to a nearby shipping terminal. The Lavéra refinery's customers are located in a broader geographic region, and therefore most of the refinery's off-take is shipped through pipelines.

Customers

Substantially all of the naphtha output of our refineries is used as feedstocks by our petrochemical plants located at the relevant sites. In addition, we have entered into an Inland Refined Products Sale and Purchase Agreement with BP, pursuant to which BP has agreed to purchase the balance of our refinery output. See "The Acquisition—Innovene Reorganization Agreements and Commercial Interface Agreements—Commercial Interface Agreements" for a description of these agreements.

Intellectual Property

BP has granted Innovene long-term access to certain intellectual property owned by BP that is desirable for our refining operations, such as refining process models used to optimize the performance of our units. We have also signed agreements with BP providing for the continuation of certain process support through to the end of 2006. The relevant process support includes assistance with the day-to-day operation of our refineries. We believe that we will be able to provide in-house process support at the end of these agreements. In addition, all existing licenses that have been granted to BP in order to operate the specific process units at Grangemouth and Lavéra have been or, subject to the receipt of any required third party consent, will be transferred to us.

Competition

The refining industry is highly competitive. The main competitive factors are feedstock prices, refinery configuration and operating costs. Grangemouth is the only refinery in mainland Scotland and one of eleven refineries in the United Kingdom. Lavéra is the largest of seven refineries in its region, which comprises southeastern France and Switzerland.

Our location in Grangemouth, United Kingdom will provide us with a strong basis for selling refinery products into the Scottish market once our agreements with BP expire. In contrast, in France there is open access to the transportation infrastructure which results in a very competitive market for suppliers. See "The Acquisition—Innovene Reorganization Agreements and Commercial Interface Agreements—Commercial Interface Agreements" for more information on our arrangements with BP.

Petrochemicals

We expanded our position in the petrochemical industry as a result of the Innovene Acquisition. As our integration of the Innovene businesses and our historical businesses has only just begun, we are providing separate presentations for the discussion of manufacturing, raw materials and energy, transportation, customers and contracts, research and intellectual property and competition for the Innovene petrochemical business and the Ineos petrochemical business.

Innovene Petrochemical Businesses

Summary

Innovene historically managed and reported the financial results of its petrochemical business in three segments: O&P (olefins and polymers) North America, O&P Europe and Global Derivatives. The following table provides a breakdown of the revenues and Adjusted EBITDA each of the three segments included in the Innovene petrochemical businesses for the periods and as of the dates indicated:

	Innovene				
	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Amounts in US GAAP					
Revenues[1]					
O&P North America	2,341	2,698	3,680	2,618	3,100
O&P Europe	4,863	5,609	7,424	4,983	6,450
Global Derivatives	1,749	1,769	2,090	1,526	1,881
Total	8,953	10,076	13,194	9,127	11,431
Adjusted EBITDA[2]					
O&P North America	91	171	181	166	293
O&P Europe	148	54	410	319	441
Global Derivatives	211	74	5	50	239
Total	450	299	596	535	973

(1) Revenues exclude revenues from discontinued operations. See "Operating and Financial Review and Prospects—Innovene—Results of Operations" for more information on revenues from discontinued operations.

(2) For more information on how Innovene calculates Adjusted EBITDA, see "Use of Non-GAAP Financial Measures".

Manufacturing

Overview

Innovene's petrochemical facilities are located in North America and Europe. The key assets include the following:

- *North America*. The Chocolate Bayou, Texas facility, one of the largest cracker installations in North America, and Battleground, Texas, facility, one of the largest North American HDPE facilities and integrated with the Chocolate Bayou site through a company-owned pipeline system; and
- *Europe*. Three large petrochemical facilities in Cologne, Germany, Grangemouth, United Kingdom, and Lavéra, France, of which the latter two are fully integrated with our onsite

refineries, plus a number of market-facing facilities which are located in close proximity to customers.

All of Innovene's olefins crackers are either co-located with, or connected by pipeline to, polymers and derivatives units, enabling it to realize economies of scale, improve its facilities' energy management and minimize logistics costs. In addition, our Grangemouth and Lavéra sites are fully integrated with our refineries on these sites, allowing further hydrocarbon optimization both on the supply side and in terms of ability to capture margins across the value chain.

As with refineries, 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 and derivatives units are subject to more frequent maintenance shutdowns, typically one turnaround every one or two years, but each turnaround lasts only seven to ten days.

North America

In North America, Innovene's petrochemical business comprises eleven sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas. In 2004, these facilities had total production volumes of 5,520 kilotonnes.

Chocolate Bayou is the largest site in North America. In 2001, several furnaces of one of the facility's crackers were destroyed due to an offsite power surge combined with the failure of certain control technologies. Following this incident, Innovene rebuilt the destroyed furnaces and initiated a program to modernize the facility to improve the cracker's availability and reliability. As a result, the facility's reliability increased from 83% in 2001 to 98% in 2002 and remained relatively constant in 2003 and 2004. On August 10, 2005, we experienced a fire at one of the crackers of Chocolate Bayou. The affected unit primarily produces ethylene and represents approximately 50% of the facility's total ethylene capacity. The unit is expected to return to 75% capacity in the first half of 2006 and to reach full capacity in the second half of 2006. As a result of the August 10, 2005 fire at the Chocolate Bayou facility, there was a $40.2 million favorable adjustment to the purchase price paid at the closing of the Innovene Acquisition. Additionally, on March 31, 2006, BP will pay us $40 million in connection with that facility, and if the Chocolate Bayou cracker is not restored to 99% reliability by June 30, 2006, BP will pay us an additional $20 million.

In May 2005, Innovene completed the Distinctive Compliance Program ("DCP"), a program involving investments of $337 million over a period of several years, to increase the Chocolate Bayou facility's ethylene capacity by approximately 295 kilotonnes, or 11.6%, and improve its efficiency and to improve compliance with environmental laws and regulations. As a result, Chocolate Bayou now has one of the largest cracker installations in the region. Its central location in the Gulf Coast area of the United States and access to pipeline and storage facilities permit the site to place its surplus ethylene 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 work force. Another key strength of the facility is the crackers' flexible design. While their main feedstock is gas, which is obtained from various sources, including our gas 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 Innovene's polymers and derivatives 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 Innovene has feedstock arrangements.

Among Innovene's North American polymers and derivatives units, its key facility is the site at Battleground, Texas, which is one of the largest HDPE complexes in North America. Battleground is integrated with Chocolate Bayou by way of a pipeline system owned by Innovene. Innovene's manufacturing assets in this region also include several major global derivatives facilities, principally Green Lake, Texas, Joffre, Canada, and Lima, Ohio. Measured by capacity, Green Lake is the largest facility for acrylonitrile and related products in the world. Joffre is one of the newest LAO units in the world and has access to low-cost third party ethylene feedstock derived from Canadian gas. Lima 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. Innovene's facilities in Carson, California, Texas City, Texas, and Whiting, Indiana, are operated by its onsite management teams in cooperation with employees from the respective adjacent BP refineries. The facility in Cedar Bayou, Texas, is operated by Chevron Phillips in a 50/50 joint venture between Innovene and Chevron Phillips.

Europe

In Europe, Innovene owns and operates three major cracker complexes, two that are integrated with our refineries in Grangemouth, United Kingdom and Lavéra, France and an additional one in Cologne, Germany. Each of these sites includes polymers and derivatives units. The Lavéra facility consists of a combination of units fully owned by Innovene and various 50/50 joint ventures between Innovene and Total. These joint ventures operate their respective units within the Lavéra facility. Innovene also owns and operates several standalone polyethylene and polypropylene plants at its sites in Lillo, Belgium, Geel, Belgium, Sarralbe, France, and Rosignano, Italy. In addition, Innovene owns and operates a standalone styrene, polystyrene and EPS plant at its Marl, Germany, facility and a polystyrene and EPS plant at its Trelleborg, Sweden, facility. In 2004, its European facilities had production volumes of 9,852 kilotonnes. The Dormagen EOG Business at the Cologne, Germany site has been retained by BP pending review of our acquisition of such business by the European Commission competition authorities.

The key strength of Innovene's operations in Europe is the high degree of upstream infrastructure integration between its 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' infrastructure, energy management and work force. For example, each of the refineries provides the associated petrochemical plant with naphtha, LPG, butanes and propylene and in return receives pygas, which is a gasoline blending component, and hydrogen. Moreover, because each of these crackers and the respective refineries share a single site, Innovene incurs minimal transportation costs in moving petrochemical feedstock from the refinery into the cracker complex. Grangemouth is connected with the FPS crude oil pipeline, and BP's oil and gas processing complex at Kinneil, Scotland, which separates the associated gas from the oil carried through the FPS and delivers it directly into the petrochemical facility. Although Innovene's cracker complex in Cologne, Germany is not co-located with a refinery, it is located in the center of one of the key industrial regions of Germany and has access by pipeline and ship to the Rotterdam area in The Netherlands, one of the world most competitive naphtha supply regions. It also benefits from a balanced polymers and derivatives portfolio behind a large and reliable olefins cracker. The Cologne facility also has the ability to sell its excess ethylene to buyers in the merchant market through the ethylene pipeline owned by Aethylen Rohrleitungs Gesellschaft mbH & Co. KG ("ARG"), a company owned by BP and five other European petrochemical companies. BP is in the process of transferring its stake in the ARG ethylene pipeline to us. In the future, the Cologne facility will also have access to the propylene pipeline owned by the European Pipeline Development Company, in which Innovene owns a stake.

The Grangemouth and Lavéra sites have historically suffered from reliability issues. In 2000 and 2001, both sites experienced mechanical breakdowns, utility failures and fires, although these issues primarily affected Grangemouth. In the case of Grangemouth, these incidents culminated in a government inspection and the imposition of fines. Significant investments have subsequently been made in both sites. The reliability of the petrochemical units at Grangemouth was 81% in 2001, 91% in 2002, 90% in 2003 and 90% in 2004, while the reliability of the petrochemical units at its Lavéra site was 90% in 2001, 94% in 2002, 93% in 2003 and 94% in 2004. The reliability of the petrochemical units at Grangemouth and Lavéra during the nine months ended September 30, 2005 was 86% and 94%, respectively. Innovene's Cologne site has consistently achieved significantly higher reliability rates during this period.

While our four large standalone polyethylene and polypropylene sites in Lillo, Geel, Sarralbe and Rosignano are not integrated with crackers, Lillo, Geel and Sarralbe are connected to olefins pipelines and Rosignano imports ethylene by ship, providing each of these facilities with flexibility in sourcing their feedstock. Moreover, all of these sites are located in close proximity to their customers.

Innovene has also made significant investments in its facilities, particularly at its Grangemouth site. In 2000, it commissioned a new polypropylene unit and a new LLDPE unit and converted one of the existing LLDPE units into an HDPE unit. In 2001, Innovene expanded the capacity of the gas cracker. In 2002, it commissioned a new synthetic ethanol plant. In addition, Innovene commissioned a new HDPE unit at its facility in Lillo in 2002. At its Lavéra site, Innovene focused mainly on de-bottlenecking its existing units. Since these investments were made, Innovene has continued to upgrade its facilities. In 2004, it improved the reliability of the LLDPE unit it commissioned at Grangemouth in 2000 by upgrading its catalyst. Innovene has also taken a series of steps to rationalize its European polymers and derivatives units, including by closing two inefficient HDPE lines at Grangemouth in 2003 and 2005.

In October 2005, NOVA Innovene, a 50/50 joint venture which combines Innovene's and NOVA Chemical Corporation's European polystyrene and EPS businesses, commenced operations. The joint venture is headquartered in Switzerland, and includes six manufacturing facilities in France, Germany, The Netherlands, Sweden and the United Kingdom. Innovene contributed its polystyrene and EPS production facilities in Marl, Germany and its polystyrene production facilities in Trelleborg, Sweden. BP's polystyrene and EPS facility in Wingles, France, may be transferred to the joint venture in 2007 if put or call options provided for in the agreements relating to the formation of the joint venture are exercised. The joint venture entered into a commercial agreement with BP under which the joint venture will supply feedstock to, and purchase and distribute all of the production of, the Wingles facility. Innovene has retained full ownership of its styrene operations. NOVA contributed four polystyrene and EPS production facilities in The Netherlands, France, and the United Kingdom to the joint venture.

Raw Materials and Energy

The primary raw materials of Innovene's petrochemical business are naphtha and natural gas, the basic feedstocks of its olefins crackers. The majority of Innovene's European cracker naphtha requirements is sourced from its refineries in Grangemouth, United Kingdom, and Lavéra, France.

BP is Innovene's single most important external supplier of naphtha and gas. Although most external feedstock supplies of the business are available from a variety of third parties, some of its sites are substantially dependant on BP refineries. For example, its facilities in Carson, California and Texas City, Texas depend on raw materials from the respective BP refineries located on the same sites and have no convenient access to alternative supply channels. Most of the petrochemical feedstocks purchased from BP are pursuant to Hydrocarbon Sale and Purchase Agreements with varying durations.

Innovene also obtains a substantial proportion of its feedstock requirements on the commodity markets. BP assists Innovene and will continue to assist Innovene in making and optimizing feedstock purchases of naphtha and gas on the commodity markets under various Master Services Agreements, which may be terminated by either party with notice periods ranging from three to twelve months. Under Innovene's current arrangements with BP, Innovene determines the terms of a purchase (amount, timing and price) and BP executes the transaction. In the future, we may decide to take on the execution function or outsource it to another third party.

The costs of the feedstocks Innovene requires to make its petrochemical products (naphtha, ethane, butane and propane) are principally driven by the price of oil and natural gas. In the current environment of relatively high oil prices, crackers located in the Middle East enjoy the advantage of access to low-cost gas feedstock.

The vast majority of Innovene's crackers' production is consumed as feedstock by its polymers and derivatives units. Although its US ethylene production exceeds its US consumption, while its European ethylene production is lower than its European consumption. Propylene production is lower than consumption in both Europe and the United States. To address its olefins shortage, Innovene purchases ethylene and propylene on the merchant market through supply contracts and swaps with other petrochemical and refining companies, including BP.

Although energy is generated at several of Innovene's sites, including as part of petrochemical manufacturing processes, Innovene is a significant net purchaser of both electricity and gas. Typically Innovene procures its requirements from local producers or utilities at local market prices.

Transportation

Innovene has 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 Innovene to move feedstocks and products at competitive rates and provides Innovene with access to the merchant market, enabling Innovene 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. Innovene owns some of the pipelines it uses, while others are consortium-owned pipelines in which Innovene holds a stake or are provided to Innovene 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 Innovene is reliant on access to shipping channels, it either owns or holds stakes in the relevant terminals and storage facilities or has secured access to them through long-term contracts. However, it does not own any of the ships it uses and instead relies on an extensive network of third party shipping companies which make capacity available to Innovene on a spot or term contract basis. BP will for a limited period provide Innovene with shipping and global assurance services under various agreements. We expect that, when these agreements expire, we will have built sufficient in-house capability to carry out the relevant services.

Customers and Contracts

Innovene has approximately 2,700 petrochemical customers worldwide. Its industrial customers include a large number of companies in a variety of downstream industries involving rigid packaging, fibers, flexible packaging and chemical intermediates. No single customer accounts for more than 5% of Innovene's petrochemical revenues.

Most sales are to customers in the merchant market and are made 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.

Research and Intellectual Property

Overview

The market position of our petrochemical business is supported by a range of technologies. Among them are the following four highly competitive proprietary process technologies that we believe together form one of the most comprehensive technology packages available in the petrochemical industry:

- *Gas phase polyethylene technology*. Gas phase polyethylene technology is designed to serve the LLDPE and HDPE 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 25 petrochemical companies in more than 15 countries. According to Nexant, in 2004 the technology was used in 10% of the worldwide LLDPE/HDPE capacity.
- *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 eight companies. According to Nexant, this technology accounted for 8% of the worldwide polypropylene capacity in 2004.
- *HDPE technology*. We own specialized technology for the manufacture of HDPE 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 HDPE market.
- *Acrylonitrile technology*. Our main technology in the derivatives area are proprietary fluid bed acrylonitrile process and related catalysts. We believe that this technology is the leading nitriles manufacturing technology and, according to Nexant, it is used in more than 90% of the world acrylonitrile production.

In 2002, 2003, 2004 and the nine months ended September 30, 2005, Innovene recorded research and development expenses of approximately $120 million, $115 million, $137 million and $81 million, respectively.

Intellectual property

As a result of the Innovene Acquisition, we own, or have rights to, approximately 5,600 Innovene patents, divided into 640 patent families, in the United States, Europe and various other regions.

In connection with the Innovene Acquisition, BP has transferred to Innovene certain intellectual property rights and assets relating exclusively to Innovene's petrochemical business and its gas fractionator near Hobbs, New Mexico, pursuant to an Intellectual Property and Information Technology Separation Agreement. There are also certain technologies and associated intellectual property in which both Innovene and BP have a common interest following the Innovene Acquisition. In these cases, Innovene or BP, as the case may be, has granted the other party licenses in a series of Common Interest Intellectual Property Agreements to ensure that both parties have specified access to such intellectual property and technology.

Competition

We face intense competition in all the petrochemical markets in which our Innovene petrochemical business competes. Given that most of the products are commodities, the main competitive criterion is price. In certain segments of the HDPE 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.

We compete against a large number of companies, many of which have access to greater resources or higher levels of integration than we do, are fully or partially state-owned and could have broader goals than maximizing their profits, such as investing in the economies of their respective countries and providing local employment. Most of our competitors market their products in North America, Europe and Asia.

Ineos Petrochemical Businesses

The following table provides a breakdown of the turnover and EBITDA before exceptionals of each of the three segments included in the historical Ineos petrochemical business for the periods and as of the dates indicated:

	Ineos				
	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	(€ in millions)				
Amounts in UK GAAP					
Turnover					
Ineos Oxide	507.4	500.1	590.6	425.3	529.3
Ineos Phenol	1,189.0	1,542.3	2,316.5	1,596.2	1,989.4
Ineos Styrenics	—	—	—	—	106.2
Total	1,696.4	2,042.4	2,907.1	2,021.5	2,624.9
EBITDA before exceptionals(1)					
Ineos Oxide	74.5	84.2	104.7	72.0	96.3
Ineos Phenol	81.5	130.0	158.9	94.6	116.2
Ineos Styrenics	—	—	—	—	4.9
Total	156.0	214.2	263.6	166.6	217.4

(1) For more information on how Ineos calculates EBITDA before exceptionals, see "Use of Non-GAAP Financial Measures".

Manufacturing and Transportation

Ineos Oxide

Ineos Oxide manufactures its products in Antwerp, Belgium, Plaquemine, Louisiana and a small facility in Freeport, Texas.

Antwerp. Ineos Oxide's largest production facility is at the Antwerp complex on the coast of Belgium. Ineos Oxide's Antwerp site has direct or indirect connections to four major ethylene pipelines linking it to most ethylene crackers in North West 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 ARA and rail and road tanker loading facilities. At the Antwerp site, Ineos Oxide operates Europe's largest EG plant.

Plaquemine. Ineos Oxide produces EOA at its 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 raw materials and direct access to sea jetties and close proximity to its customer base.

Ineos Phenol

Ineos Phenol manufactures phenol and acetone at sites in Gladbeck, Germany, Antwerp, Belgium and Mobile, Alabama. We recently acquired a cumene plant in Port Arthur, Texas.

Gladbeck. Ineos Phenol's Gladbeck site has an annual capacity of 630 kilotonnes of phenol and 390 kilotonnes of acetone. Pipelines to Innovene's cumene plant and the canal port in Marl and BPRP's cumene plant in Scholven supply the Gladbeck site with cumene.

Antwerp. Ineos Phenol's site is within the Antwerp complex with direct deep-water access. The Ineos Phenol Antwerp plant has a capacity of 470 kilotonnes per annum for phenol and 290 kilotonnes per annum for acetone. A capacity expansion to 680 and 420 kilotonnes per annum for phenol and acetone, respectively, is being planned with an expected start-up in the third quarter of 2006. All of the cumene reaches the site via ship. About 90% of the site's end-products are transported to its customers by ship, with the balance being transported by road.

Mobile. Ineos Phenol's Mobile, Alabama plant began production in April 2000. It has recently been expanded to a current annual production capacity of 500 kilotonnes of phenol and 300 kilotonnes of acetone. The site 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 are transported via ship, and the balance by rail and road.

Port Arthur. On October 31, 2005, Ineos Phenol completed its acquisition of Chevron Phillips's cumene plant in Port Arthur, Texas. The plant has an annual capacity of 585 kilotonnes. We intend to utilize all of the cumene produced at this facility as feedstock for our Mobile facility. The cumene can also be shipped to Ineos Phenol's European facilities.

Ineos Styrenics

Ineos Styrenics has a manufacturing facility in Joliet, Illinois, with established transportation access to the Des Plaines River, the interstate road system and on site access to the BNSF railroad. The plant is the second largest single site polystyrene facility in North America, with a total nameplate capacity for GPPS and HIPS of 400 kilotonnes per annum.

Styrene monomer is primarily delivered in 500,000-gallon barges. Other raw materials are delivered by railcar or truck to the Joliet facility.

Raw Materials and Energy

Ineos Oxide

Ineos Oxide's principal raw material is ethylene. Ineos's Antwerp complex is the largest chemical site in Europe and the largest ethylene consumer in Europe, and Ineos Oxide benefits from this. This supply flexibility is further bolstered by access to or ownership of major ethylene deep sea terminals in the ARA region. Ineos Oxide has short- and medium-term contracts of one to five years that generally specify minimum and maximum volumes with several different suppliers. The cost of its ethylene supply is based on a discount to the current North Western European contract price.

Ineos Phenol

Raw materials are Ineos Phenol's most significant cost category. Cumene, which is made from the combination of benzene and propylene, is Ineos Phenol's main raw material, accounting for approximately 70% of its cost of sales in 2004, while the costs of Ineos Phenol's other raw materials and utilities accounted for only 3% of cost of sales in 2004.

Ineos Phenol acquires cumene from three suppliers in the United States and four suppliers in Europe (including Innovene, which accounted for approximately 15% of its annual consumption for the year ended December 31, 2004) pursuant to four different types of contractual arrangements. Under a toll contract, Ineos Phenol supplies the benzene and propylene required for the production of cumene to its suppliers, who convert these inputs into cumene. For this service, Ineos Phenol is charged a conversion fee reflecting the supplier's costs and a margin. Under the second type of contractual arrangement, the suppliers charge Ineos Phenol 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 Ineos Phenol and receive, in exchange for a toll fee, corresponding phenol and acetone outputs in fixed proportions. Finally, Ineos Phenol also makes some incidental purchases of cumene in the open market. As a result of these arrangements, Ineos Phenol is exposed to changes in the market contract and spot rates for benzene and propylene. Ineos Phenol believes that its use of toll contracts with customers and formula-based contracts can reduce its exposure to raw material price fluctuations. In addition, the production of the 585 kilotonne cumene plant in Port Arthur, Texas is used internally as feedstock.

Ineos Styrenics

Styrene monomer is Ineos Styrenics's primary raw material and is a global commodity product. There are approximately 10 producers of styrene monomer in North America and prices are typically a function of worldwide supply and demand but are also influenced by prevailing crude oil, natural gas, benzene and ethylene prices (styrene is composed primarily of benzene and ethylene).

Customers and Contracts

Ineos Oxide

Ineos Oxide sells most of its products to leading chemical manufacturers, including Dow, Cognis, Monsanto, DSM, Bayer, Voridian and DuPont. No single customer accounted for more than ten percent of Ineos Oxide's turnover in the first nine months of 2005 except for Dow due to the long-term EO for EG swap associated with the EOA acquisition. Its five largest customers (including Dow) represented approximately 26% of its total turnover.

The majority of Ineos Oxide's 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 EOA and GasSpec™ gas treating amines acquisition in February 2001, Ineos Oxide swaps a significant proportion of its EG production from its Antwerp facilities for an equivalent volume of EO production from Dow Chemical's EO plant in Plaquemine.

Ineos Oxide generally determines the prices for its chemicals on a monthly or quarterly basis based on current market conditions, including raw material costs. Other than EO prices, which are based on the European market price, Ineos Oxide's prices are generally based on the international market price.

Ineos Phenol

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. Customers in Europe and North America include Bayer, GE Plastics and DSM. Following completion of its production facility in Mobile, Alabama in 2000, Ineos Phenol is increasing sales volumes to many of its existing customers and is attracting new customers in the United States.

Ineos Phenol generates approximately 60% of its total sales from its ten largest customers. Bayer accounted for approximately 16% of Ineos Phenol's total sales by volume in 2004, while no other customer accounted for more than 10%. Ineos Phenol has developed strong relationships with these customers.

Most of Ineos Phenol's sales are made under either long-term contracts or long-standing informal arrangements with its customers. These arrangements include toll, formula and market contracts and arrangements.

Under toll contracts, which typically vary in term from five to ten years, customers pay for or provide raw materials to Ineos Phenol and receive, in return for a "toll" fee, corresponding phenol and/or acetone outputs in fixed proportions. In 2004, 45% of Ineos Phenol's European phenol production and the corresponding acetone production was sold under such contracts. There are currently no toll contract arrangements in the United States. Under formula contracts, which vary in term from three to ten years, the phenol selling price is linked by a formula to published benzene prices plus an agreed upon additional amount. In 2004, Ineos Phenol made 30% of its European and 20% of its US phenol sales under formula contracts. It also made 5% of its European acetone sales under such contracts. Market contracts and arrangements range from long-term agreements to incidental sales, and selling prices are based on published market prices. In 2004, Ineos Phenol made 25% of its European and 80% of its US phenol sales under market contracts and arrangements.

Ineos Styrenics

Ineos Styrenics currently serves about 75 customers on a direct basis and utilizes four distribution partners to cover the broad injection molding market and smaller consumers of polystyrene. Ineos Styrenics's customers include some of the largest consumers of polystyrene in the food serviceware and appliance markets.

Research and Intellectual Property

Ineos spent a total of €1.8 million, €2.8 million and €2.6 million and €2.2 million on research and development activities in its petrochemical segments in 2002, 2003 and 2004 and in the nine months ended September 30, 2005, respectively. Each Ineos petrochemicals business segment has a dedicated research and development team developing new products and improving processes to maximize operating efficiencies. 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.

Competition

The chemicals markets in which Ineos Oxide operates are highly competitive, with competition based primarily on price and reliability of supply. The main competitors of Ineos Oxide in the EG, antifreeze, EO and EO derivatives markets are BASF, Shell and Dow Chemical, whilst those in acetate esters include BASF and E-Oxo. Its only competitor in the ENB merchant market is Nippon Petrochemicals of Japan.

The markets for phenol and acetone in which Ineos Phenol operates 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 to regional demand. In each region, Ineos Phenol's products compete on the basis of price, product quality, security of supply and customer service. In Europe, the three leading manufacturers, Ineos Phenol, Polimeri Europa and Ertisa, together account for approximately 80% of total European production capacity (both captive and merchant). In North America, the three leading manufacturers, Sunoco, Shell and Ineos Phenol, together account for approximately 79% of total North American production capacity.

The polystyrene market production capacity is split among five large producers which include Ineos Styrenics, and four smaller regional players. Polystyrene is generally manufactured close to its end-use market. Our key competitors are located in North America as the costs of transportation and logistics of supply typically make it uneconomic to import polystyrene from outside North America.

Ineos Specialty Chemicals Businesses

The following table provides a breakdown of the turnover and EBITDA before exceptionals of each of the three segments included in our historical specialty chemicals business for the periods and as of the dates indicated:

	Ineos				
	For the year ended December 31,			For the nine months ended September 30	
	2002	2003	2004	2004	2005
	(€ in millions)				
Amounts in UK GAAP					
Turnover					
Ineos Fluor	304.8	273.8	275.5	215.2	262.3
Ineos Silicas	234.6	214.2	213.5	160.5	159.9
Ineos Melamines	—	—	—	—	10.8
Total	539.4	488.0	489.0	375.7	433.0
EBITDA before exceptionals(1)					
Ineos Fluor	57.4	48.0	50.8	43.2	90.1
Ineos Silicas	46.2	34.2	33.9	28.0	18.7
Ineos Melamines	—	—	—	—	0.7
Total	103.6	82.2	84.7	71.2	110.5

(1) For more information on how Ineos calculates EBITDA before exceptionals, see "Use of Non-GAAP Financial Measurers".

Manufacturing and Transportation

Ineos Fluor

Ineos Fluor has production sites in Runcorn, United Kingdom, St. Gabriel, Louisiana, and Mihara, Japan. Since 1990, over €400 million has been invested to build and expand Ineos Fluor's production facilities.

Ineos Fluor's industrial fluorocarbon products are liquefied gases and are transported globally in bulk iso-containers and regionally in both bulk and returnable package formats.

Ineos Silicas

Ineos Silicas has eight production sites in six countries (United Kingdom, The Netherlands, South Africa, the United States, Brazil and Indonesia). There has been substantial capital investment in the business by Ineos, following its acquisition in 2001 and under previous owners Unilever and ICI.

Silicate liquors are transported by bulk road tankers. Similarly, zeolites are also largely transported in bulk road tankers, with a modest volume shipped in one-tonne big bags or smaller paper sacks. This is consistent with the regional nature of both the silicate and zeolite markets. Silica is transported in bulk road tankers where customers have bulk storage silos. However, the majority of silica product is shipped in paper sacks or fiber drums. The supply chain for a number of geographic and applications markets includes specialized distributors, usually engaged on a long term, mutually exclusive basis.

Ineos Melamines

Ineos Melamines has manufacturing facilities in Fechenheim, Germany, and Indian Orchard, Massachusetts. We own the assets and oversee production at the Indian Orchard facility, and Solutia owns the land and operates the facility under an operating agreement.

Ineos Melamines products are sold in all regions of the world. Transportation of these products is performed exclusively by third party service providers, as products are transported in bulk via rail facilities and tank trucks, and, in the case of packaged goods, in drums and intermediate bulk containers via rail, truck, and ocean container vessels.

Raw Materials and Energy

Ineos Fluor

Ineos Fluor's key raw materials are trichloroethylene, HF and chloroform. Ineos Fluor purchases trichloroethylene in the United States from third parties, as well as Ineos Chlor, and in Japan from third parties. It manufactures its own HF in the United Kingdom and purchases HF in the United States and Japan from several third party suppliers. Ineos Fluor purchases all its requirements for chloroform from Ineos Chlor. The new HFC 125 plant will be supplied with perchloroethylene from Ineos Chlor. Ineos Fluor purchases its raw materials under contractual arrangements with terms of one to five years.

Ineos Silicas

Ineos Silicas's key raw materials are caustic soda, aluminum trihydrate ("ATH"), soda ash, natural gas, electricity and sand. These raw materials accounted for 65% of Ineos Silicas's variable product costs in 2004. Ineos Silicas purchases all of its caustic soda requirements in the United Kingdom and a portion of its caustic soda requirements in The Netherlands from Ineos Chlor. The remainder of its caustic soda requirements are bought from a number of suppliers, predominantly under agreed contracts. ATH is only used in the production of zeolites and movements in cost are largely passed on to customers.

Ineos Melamines

Ineos Melamines's key raw materials are melamine, formaldehyde, methanol and butanol (N-butanol and iso-butanol). Ineos Melamines has contracts in place with its key suppliers for melamine, and it purchases formaldehyde under a long term contract with a local producer in the United States. In Europe, Ineos Melamines produces formaldehyde in its plant and purchases additional volumes from another Ineos business. Butanols are purchased locally from various suppliers.

Customers and Contracts

Ineos Fluor

Ineos Fluor sells its fluorine-based chemicals to a broad range of customers in over 70 countries, including some of the largest consumers in the automotive and pharmaceutical industries such as Ford, General Motors, Toyota, Asahi Glass and GlaxoSmithKline. Most of Ineos Fluor's sales are made under contracts of one to five years.

Ineos Silicas

Ineos Silicas sells to over 1,500 customers in more than 100 countries. Ineos Silicas derived approximately 34% of its turnover in 2004 from Unilever, with whom we believe we have a strong relationship in the fields of detergent powders and personal care products globally.

In 2004, Ineos Silicas sold approximately 90% of its zeolites and 25% of its silicates pursuant to written sales contracts. Its zeolite and silicates contracts with other customers are generally for a duration of one to two years, with Unilever zeolite contract expiring in 2010. Ineos Silicas currently sells a majority of its silicas pursuant to purchase orders, rather than on a contracted basis, but use of contractual arrangements, generally with terms of one to four years, is increasing.

Ineos Melamines

Five key accounts represent 56% of sales volumes in Ineos Melamines's coating business, 10 customers represent 59% of total sales volumes in its specialties business, and 10 customers represent almost 100% of sales volumes in Ineos Melamines's technicals business.

Ineos Melamines conducts business under long-term contracts, letter agreements, and on a spot basis, depending on the market segment, customer, and application.

Research and Intellectual Property

Ineos spent a total of €7.9 million, €7.0 million and €7.2 million and €4.8 million on research and development activities in its specialty chemicals segments in 2002, 2003, 2004 and the nine months ended September 30, 2005, respectively. Each Ineos specialty chemicals business segment has a dedicated research and development team. Ineos Fluor's research and development team developed the first HFC 134a production process, which is the process used for most of the HFC 134a production world-wide and serves as a platform for Ineos Fluor's growth and diversification into innovative new products and markets. This core technology is protected by fundamental catalyst patents and a range of process patent, which generally expire in 2011 or 2012. Ineos Silicas research and development activities are principally focused on developing new products and new applications for its silicas portfolio and its proprietary zeolites. Ineos Silicas has extensive patent protection currently maintaining in excess of 50 patent families. For its key P type zeolite manufacturing process, the key patent expires in 2009, but expiry dates on supplementary patents extend into 2016. Ineos Melamines holds currently 12 patents for new products and applications.

Competition

The specialty chemicals markets in which we operate are characterized by a high degree of competition among the major suppliers of each product.

The markets in which Ineos Fluor operates are highly competitive, even if the total number of participants in any given product market may be quite small. The high capital cost, technical complexity and long lead times required to manufacture HFC 134a and HFC 125 act as significant barriers for potential new entrants to the market. Ineos Fluor competes in the HFC 134a market on the basis of overall supply capability, which is particularly important to original equipment manufacturers, price and quality. The leading competitors of Ineos Fluor are DuPont and Arkema. Our competitors in the medical grade HFC 134a market are DuPont and Solvay. Our competitors in the emerging market for HFC blends are the same as in the HFC 134a market.

In many of the niche markets in which it competes, Ineos Silicas is either the exclusive producer, with patent protection, or one of only a few producers. Our main competitors are W.R. Grace and PQ.

Three global competitors serve the melamine resins coating market: Ineos, Cytec, and BASF. All three have a manufacturing presence in the Americas and Europe, while two also have facilities in Asia. Regional producers also have smaller market shares.

Facilities

The following discussion presents our businesses on a combined basis and gives effect to the Innovene Acquisition.

Facilities

We currently lease the office space for our principal executive offices, which are located in Lyndhurst, Hampshire, England. Additionally, we also lease administrative, technical and sales office space in various locations in the countries in which we operate. Some of Innovene's facilities are located on wholly-owned sites, while others are located at sites which Innovene shares with other parties, including BP. As part of the Innovene Acquisition, Innovene has entered into agreements to establish rules and procedures to facilitate operations at shared sites.

Our production network is comprised of 43 manufacturing facilities in 13 countries throughout the world, as well as two refineries in Europe. The following chart provides information regarding our facilities:

Property/location[(1)]	Principal products manufactured	Capacity[(2)] (in kilotonnes per year, except refineries)	Approximate area (square meters)
Refining			
Innovene			
Grangemouth, United Kingdom	Diesel, gasoline, naphtha, fuel oil, jet fuel/kerosene, gas oil/heating oil	205,000 barrels per day	1,700,000
Lavéra, France	Diesel, gasoline, naphtha, fuel oil, jet fuel/kerosene, gas oil/heating oil	207,000 barrels per day	3,000,000
Petrochemicals			
Innovene			
Battleground, TX, US	HDPE, polypropylene	1,161	1,150,000
Chocolate Bayou, TX, US[(3)]	Ethylene, propylene, butadiene, polypropylene	2,849	21,980,000

Property/location[1]	Principal products manufactured	Capacity[2] (in kilotonnes per year, except refineries)	Approximate area (square meters)
Cologne, Germany[4]	Ethylene, propylene, butadiene, benzene, LDPE, LLDPE, ammonia, acrylonitrile and related products, PO and derivatives, other solvents and industrial chemicals	4,341	2,000,000
Geel, Belgium	Polypropylene	490	254,000
Grangemouth, United Kingdom	Ethylene, propylene, butadiene, benzene, ethanol, HDPE, LLDPE, polypropylene	2,540	1,700,000
Green Lake, TX, US	Acrylonitrile and related products	603	16,920,000
Lavéra, France[5]	Ethylene, propylene, butadiene, benzene, PIB, HDPE, polypropylene, EO and derivatives, other solvents and industrial chemicals	1,792	333,600
Lillo, Belgium	Polypropylene, HDPE	612	393,000
Marl, Germany[6]	Styrene, polystyrene, EPS	585	102,700
Sarralbe, France	Polypropylene, HDPE	476	406,000
Texas City, TX, US[7]	Styrene	485	89,000
Other facilities[8]		2,372	—
Ineos Oxide			
Antwerp, Belgium	EO, EG, EO derivatives, ENB	1,070	1,360,000
Plaquemine, LA, US	EOA and gas treating amines	160	40,000
Ineos Phenol			
Gladbeck, Germany	Phenol, acetone	1,020	330,000
Antwerp, Belgium[9]	Phenol, acetone	760	270,000
Mobile, AL, US	Phenol, acetone	800	486,000
Port Arthur, TX, US	Cumene	585	51,500
Ineos Styrenics			
Joliet, IL, US	Polystyrene	400	413,000
Specialty Chemicals			
Ineos Fluor			
Rocksavage, United Kingdom	HCFC 22, HF	63	300,000
St. Gabriel, LA, US	HFC 134a	36	330,000
Mihara, Japan[10]	HFC 134a	19	18,000
Ineos Silicas			
Warrington, United Kingdom	Silicas, silicates, zeolites	262	223,000
Eijsden, The Netherlands	Silicates, zeolites	330	85,000
Joliet, IL, US	Silicas, silicates, zeolites	131	162,000
Pasuran, Indonesia	Silicas	11	20,000
Jacana, Brazil	Silicates	175	12,000

Property/location[1]	Principal products manufactured	Capacity[2] (in kilotonnes per year, except refineries)	Approximate area (square meters)
Rio Claro, Brazil	Silicas	7	85,000
Jacobs, South Africa	Silicates	46	12,000
Wadeville, South Africa	Silicates	70	28,000
Ineos Melamines[11]			
Fechenheim, Germany	Amino resins	86	18,000
Indian Orchard, MA, US	Amino resins	18	7,000

(1) We own all of our production facilities except where otherwise indicated.

(2) Ineos and Innovene measure capacity differently. See "Certain Definitions and Presentation of Financial and Other Information" for descriptions of the manner in which capacity is calculated for each of Ineos's facilities and Innovene's facilities.

(3) On August 10, 2005, Innovene experienced a fire at one of the crackers at its Chocolate Bayou facility, which will result in a loss of some of its olefins production volumes for 2005.

(4) The Cologne, Germany site also includes the Dormagen EOG Business, which has been retained by BP pending a decision by the European Commission competition regarding our acquisition thereof. The capacity and products included in this table include the capacity attributable to such business and its products.

(5) This facility consists of a combination of units fully owned by Innovene and various 50/50 joint ventures between Innovene and Total.

(6) Capacity figures include 100% of the capacity of the facilities Innovene agreed in May 2005 to contribute to its polystyrene and EPS joint venture with NOVA in May 2005.

(7) Capacity figures do not include the propylene capacity of the facility's propylene concentration unit.

(8) Capacity figures include the capacity of third-party facilities that provide Innovene with products under various commercial agreements.

(9) Ineos Phenol owns the production assets, but leases the land under a long-term lease that expires in 2040. See also "—Petrochemicals—Ineos Petrochemical Businesses—Manufacturing and Transportation" for a discussion of planned facility expansion.

(10) The Mihara facility is operated by Teijin Limited on behalf of Ineos Fluor. Ineos Fluor owns the production assets but leases the land under a long-term lease that expires in 2022.

(11) Ineos Melamines owns the production assets at the Fechenheim facility and has a long-term lease on the land. It also owns the production assets and oversees manufacturing at the Indian Orchard facility, but Solutia owns the land and operates the facility under an operating agreement.

Health, Safety, Security and the Environment

The following discussion presents our businesses on a combined basis after giving effect to the Innovene Acquisition.

See also "Risk Factors—Risks Relating to Business Operations—Environmental matters".

General

Our operations involve the manufacturing, storage and transportation of large volumes of hazardous materials. Health, safety, security and environmental ("HSSE") risks and regulations are inherent in our business.

We are subject to a wide range of HSSE requirements in all of the jurisdictions in which we operate. These requirements address, among other things, air emissions, wastewater discharges, accidental releases into the environment, human exposure to hazardous materials, the disposal of wastes, the clean-up of contamination, and the maintenance of safe conditions in the workplace. Other HSSE laws and regulations impose product restrictions. For example, silica products used in the production of foods and personal care products must meet minimum quality standards. In addition, it is possible that certain of our products or by-products in the future may be classified as hazardous and thus could involve costly remediation procedures not currently anticipated.

In the ordinary course of our business, we are subject to periodic governmental inspections and statutory monitoring. In some cases, these oversight activities have resulted in, and may in the future result in, fines or other expenditures for environmental or safety improvements. Also, our production facilities have multiple operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Any actual violations of HSSE laws, regulations or permit requirements, or failure to obtain any required permits, could result in restrictions or prohibitions on our operations, civil or criminal sanctions or damage claims. Changes in HSSE regulations have the potential to limit or interrupt our operations, or require us to modify our facilities or operations.

HSSE Compliance and Expenditures

We believe that our facilities and operations are in compliance in all material respects with applicable environmental, health and safety laws. We devote considerable attention to the health and safety of our employees and the protection of the public health and the environment in the regions where we operate. Advanced safety controls and materials handling practices at our facilities are designed to limit the environmental impact of our operations. We will continue to incur significant operating and capital costs to maintain compliance with applicable environmental, health and safety laws and regulations.

Ineos Group Holdings' combined worldwide expenditures, including those with respect to third party and divested sites, for compliance with environmental, health and safety laws and regulations and internal company initiatives, including capital expenditures, totaled €21 million for 2004 and approximately €18 million for 2005. Ineos Group Holdings expects to spend similar amounts for compliance costs and capital expenditures for the Ineos businesses in 2006.

Innovene incurred $96 million, $151 million, $172 million and approximately $194 million in HSSE-related capital expenditures for 2002, 2003, 2004 and 2005, respectively. Innovene expects to spend approximately $340-420 million for HSSE-related capital expenditures through 2010. Most of these costs will be incurred at Innovene's facilities in Europe to comply with the EU Directive for Integrated Pollution Prevention and Control ("IPPC"). Although we believe that these estimates, which are based on our consultant's assessments as well as our own experience in such matters, are reasonable estimates of Innovene's obligations, some uncertainty is inherent in the process of estimation and the actual environmental capital expenditures through 2010 could be more or less than the amounts currently estimated.

HSSE Related Liabilities

Environmental Remediation and Closure Liabilities

Environmental laws and regulations require us to remediate or otherwise address the effects on the environment of the prior disposal or release of hazardous substances at our current or former sites or at other properties used in connection with our business. Under some of these laws and regulations, a current or previous owner or operator of property may be held liable for the costs of clean-up of hazardous substances on that property 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. We presently have remediation and closure obligations at a number of sites, including refineries, chemical plants and waste disposal sites and will likely incur obligations at other sites in the future.

Some of our production sites with an extended history of industrial use have significant soil and groundwater contamination. In estimating the future costs of environmental investigation and remediation, we have to consider many uncertainties, including the possibility that additional contamination could occur or be identified in the future and future changes to laws and regulations. Based upon our experience regarding environmental clean-up matters and current information about the nature and extent of contamination, we believe that costs of environmental remediation will not have a material adverse effect on our competitive or financial position or our ongoing results of operations. However, there can be no assurance that we will not incur material liabilities and costs relating to environmental, safety and health matters in the future.

As part of the acquisitions of the Innovene, Ineos Phenol, Ineos Fluor and Ineos Silicas businesses, the respective sellers have agreed to indemnify us for certain pre-acquisition environmental matters related to these businesses. Although we believe that the indemnities are commercially reasonable, there can be no assurance that the sellers will be willing and able to honor these contractual obligations. In addition, we may have significant environmental liabilities not covered by these indemnities.

HSSE Provisions

At September 30, 2005, we had approximately €35 million in financial provisions relating to anticipated environmental related obligations, including €15 million for off-site waste disposal sites and contaminated land liabilities and €20 million for decommissioning and demolition obligations at certain sites. We have established provisions for environmental remediation or decommissioning activities with known requirements that we can reliably estimate. 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. In addition, emerging standards for establishing environmental provisions may require us to establish substantial additional provisions for environmental matters.

Major Environmental Regulatory Matters and Developments

North America

In the United States, new Clean Air Act requirements include, among other things, additional reductions of sulfur emissions and enhanced monitoring of specified pollutants. This law affects our facilities in the United States that produce, manufacture and distribute petrochemical and other products. Additional state controls on sulfur, nitrogen oxides, carbon monoxide and benzene emissions impact our activities and products in the United States.

By 2007, certain of Innovene's facilities in the United States must comply with new nitrogen oxide emission standards under the Clean Air Act. These new standards will require us to install additional control equipment and make modifications to existing equipment. We also may be able to purchase emissions allowances to partially meet these new standards. In order to meet these and other requirements under the Clean Air Act and state laws for Innovene's facilities, we expect that capital expenditures of approximately $40 million will be required through 2007.

In September 2005, the United States Environmental Protection Agency ("USEPA") issued a Finding of Violation ("FOV") against Innovene's facility in Lima, Ohio for alleged deficiencies identified during the agency's audit earlier that year of the facility's leak detection and repair program. Innovene and the USEPA are currently in discussions regarding this matter, and Innovene anticipates that resolution of this matter could involve implementing engineering or process changes at the facility and/or supplemental environmental projects, as well as payment of a fine greater than $100,000.

In addition, Innovene's Chocolate Bayou, Texas facility has received several Notices of Enforcement ("NOE") for alleged exceedances of certain air emissions limits as the result of mechanical upsets that have occurred from time to time at the facility. Although fines or penalties associated with any individual NOEs typically have not been significant, the total amount of fines paid by Innovene for such similar events could be, in the aggregate, greater than $100,000.

European Union

Directive for Integrated Pollution Prevention and Control ("IPPC")

The IPPC directive will significantly affect our operations in Europe over the next several years. The IPPC attempts to minimize pollution from various point sources at a single facility through an integrated permitting process and requires applicable facilities to obtain an IPPC operating permit from the relevant EU member states. The permits must be based on the concept of Best Available Technology ("BAT"), which in some cases involve environmental control improvements to prevent or minimize pollution from a facility. In addition, the IPPC permit process may require an assessment and potentially remediation of soil and groundwater contamination at a facility.

All plants in Europe affected by IPPC must obtain an IPPC operating permit by November 2007. The directive encompasses most activities and processes undertaken by the oil, chemical and petrochemical industry within the EU. All of our affected facilities in the EU have applied, or are in the process of preparing applications, for their IPPC permits as required by local EU member state legislation, but as the implementation deadline approaches, there may be amendments to permits and, in some cases, a requirement to apply for new permits. Innovene expects to incur approximately $250 million in capital expenditures, and Ineos expects to incur approximately $15 million in capital expenditures, to comply with these standards at their respective European facilities through 2010.

Large Combustion Plant Directive

Our European operations are also subject to the EU Large Combustion Plant Directive, which aims to reduce air pollution by controlling emission for sulfur dioxide, nitrogen oxides and particulates from combustion plants with a thermal output of greater than 50 megawatts. Implementation plans by the EU member states for the revised directive were required to be submitted to the EU by November 27, 2003 and large combustion plants must be in full compliance with the Directive by January 1, 2008. Our expected capital expenditures for complying with IPPC will also assist us in complying with the Large Combustion Plant Directive, but we will still need to incur, on a combined company basis, estimated capital expenditures of approximately $40-45 million through 2010 to comply with such regulations at several of our facilities in Europe.

European Union Emissions Trading Scheme

Some of our operations in Europe are subject to the European Union Emissions Trading Scheme ("EU ETS") regarding carbon dioxide emissions in an attempt to reduce the threat of global warming. By setting an overall cap on carbon dioxide emissions, the EU ETS authorizes emissions allowances to be issued to specified EU large stationary installations (emissions sources) and allows for the trading of such allowances across the EU. Each applicable installation achieves compliance by surrendering enough allowances to cover its emissions in each annual period. Each EU member state has a National Allocation Plan and has made allocations of carbon dioxide emissions allowances to each of its affected facilities. The European Commission has approved the National Allocation Plans and allowances have now been issued for each applicable installation. However, since carbon emissions can vary, we may be required to purchase additional allowances at the prevailing market price which may increase our operating costs.

Health and Safety Regulatory Matters and Major Developments

Product Stewardship

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. 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. We are also careful to ensure that transporters and customers have the appropriate information and processes to properly manage our products.

Registration, Evaluation, and Authorization of Chemicals ("REACH")

The EU is currently developing legislation requiring much greater control of the use of chemical products within the EU by imposing on affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. In 2003, the European Commission adopted a proposal for a future regulation on European chemical policy referred to as Registration, Evaluation and Authorization of Chemicals. The REACH regulations, when finalized, could require additional testing, documentation and risk assessments for products manufactured by the chemical industry. We are currently participating in a collaborative industry effort to comply with these regulations, which will affect many of our products, including, potentially, products imported into the EU. Also, the costs of registering and obtaining authorizations for certain products and the restrictions placed upon them may affect the demand for those products. Management's estimate of the cost for the combined company to comply with REACH is approximately $28 million over 5 years. This estimate is subject to substantial change as the EU continues to develop REACH's requirements as part of finalizing the regulations.

Major Accident Risk

Within the European Union, the EU directive on the control of major-accident hazards (Seveso II Directive) regulates facilities that present a risk of accidents involving hazardous materials and impose specific plans and procedures, particularly for the storage of such materials. The provisions provide for control measures aimed at the prevention and the limitation of consequences of major accidents. All operators under the scope of this directive must provide a safety plan and establish a major-accident prevention policy. Facilities holding quantities of substances above the upper threshold (upper tier establishments) must establish a safety reporting system, a safety management system and an emergency plan.

Our facilities within the United States are subject to the Occupational Safety and Health Administration Process Safety Management ("PSM") standard implemented in 1992, which requires management of major accident risk with fourteen elements of management controls. Included in the mandatory management controls are requirements for operator training, mechanical integrity, incident investigation, and process hazard analysis. All our facilities subject to the PSM standard undergo PSM compliance audits every three years.

Security and Crisis Management

The Department of Homeland Security Act, the Marine Transportation Security Act ("MTSA") and the Department of Transportation Hazardous Material security compliance regulations require many of our facilities in the United States to conduct security vulnerability assessments. These assessments include the preparation of security mitigation plans, implementation of upgrades to security measures, appointment and training of a designated security person and submission of plans for approval and inspection. Proposed EU legislation would require similar actions at certain of our European facilities. Our facilities are periodically assessed to ensure that they meet appropriate security standards and safeguards and have appropriate systems for emergency response and crisis management.

Employees

As of September 30, 2005, after giving effect to the Innovene Acquisition, we would have had approximately 10,800 employees in our operations around the world, not including the employees of our joint ventures. Approximately 75% of these employees would have been located in Europe, while approximately 22% and 3% would have been located in North America and the rest of the world, respectively.

Historically, Ineos has enjoyed good labor relations and we are committed to maintaining these relationships. There have been no work stoppages or strikes at any of the Ineos sites during the past five years. Other than management and professional personnel, the majority of the Ineos employees are represented by local trade unions and are covered by collective bargaining agreements.

During the last three years, Innovene has not experienced any material labor disputes resulting in work stoppages. A significant percentage of Innovene employees are covered by collective bargaining agreements. We believe that the historical relationship between Innovene and its employees is good.

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 and/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.

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 its business. We are not currently involved in any legal or arbitration proceedings that is expected to have a material adverse effect on our financial position, and, to our knowledge, no such legal or arbitration proceedings are currently threatened.

THE ACQUISITION

Following the consummation of the Innovene Acquisition, Ineos Group Holdings, through our wholly owned subsidiaries, acquired all of the outstanding Innovene assets other than the Dormagen EOG Business (our acquisition of which is subject to review by the European Commission competition authorities as described below).

Summary of the Acquisition Mechanics

On October 7, 2005, our subsidiaries, Ineos Holdings Limited, Ineos US Intermediate Holding Company LLC, (collectively, together with Ineos Belgium NV, the "Purchasers") and Ineos US Holding Company II LLC and Ineos Group Limited, our ultimate parent company, entered into a share sale and purchase agreement (as amended on December 8, 2005 and December 15, 2005, the "Acquisition Agreement") with BP International Limited and other BP subsidiaries (collectively, the "Sellers") to acquire Innovene.

Pursuant to the Acquisition Agreement, on December 16, 2005 (i) our wholly owned direct subsidiary, Ineos Holdings Limited, acquired all of the outstanding capital stock of Innovene Jersey Limited, Innovene Korea Limited and Innovene Singapore Pte. Limited, (ii) Ineos US Intermediate Holding Company LLC acquired all of the membership units of Innovene LLC and (iii) Ineos Holdings Limited and Ineos Belgium NV together acquired all of the outstanding capital stock of O&D Belgium Holdco NV and Innovene Solutions NV. By acquiring the capital stock of these entities, we now own all of the Innovene assets of BP and its affiliates other than the Dormagen EOG Business which is the subject of a separate option deed between Ineos Holdings Limited and Ineos Group Limited and BP. On December 21, 2005, Ineos exercised its option to acquire the Dormagen EOG Business, subject to review by the European Commission competition authorities.

Acquisition Consideration

The total purchase price for the Innovene Acquisition was approximately $9.0 billion (including the repayment of Innovene's existing indebtedness owed to BP and amounts allocated to the Dormagen EOG Business), subject to certain purchase price adjustments. The Innovene Acquisition consideration is subject to adjustment, inter alia, if any of the following amounts is less or more than the amounts estimated (or repaid, in the case of the closing balances of the Innovene internal financial accounts with BP) by the parties: (1) the amount of the outstanding loans or other financial liabilities or obligations owed by Innovene to BP or by BP to Innovene, (2) the aggregate amount of all outstanding loans, finance leases and other financial liabilities owed by Innovene to any third party or owed by any third party to Innovene, (3) the amount of Innovene's cash balances, (4) the working capital of Innovene, or (5) the amount of taxes (other than value added tax and other sales taxes which are included in working capital) owed by Innovene, in each case as at December 1, 2005.

Warranties

The Acquisition Agreement contains customary warranties. The warranties from BP to us cover, among other things:

- title to the shares in the capital of and membership interests in the Acquired Companies;
- the accuracy of specified financial statements;
- title to property and assets, including intellectual property;
- the absence of any material adverse change since June 30, 2005;
- the valid and binding obligations of certain material contracts;

- the absence of any liability material to the business for breach of any contract of employment or breach of a statutory employment right and the compliance with all applicable laws of the retirement benefit arrangements;
- the compliance with applicable laws;
- the absence of material litigation;
- compliance in relation to taxation registration, returns, notices and information; and
- the absence of environmental liabilities and the material compliance with environmental laws and regulations during the period commencing 18 months before closing and ending at closing.

The warranties are subject to customary qualifications and limitations on the Sellers' liability.

Dormagen EOG Business Carve Out and the Put and Call Option Deed

In order to accelerate the antitrust approval of the Innovene Acquisition by the European Commission under the Council Regulation (EC) 139/2004, Innovene and BP agreed to carve the Dormagen EOG Business out from the Innovene business. In connection with the carve-out of the Dormagen EOG Business, Ineos Holdings Limited and Ineos Group Limited entered into a put and call option deed with BP pursuant to which Ineos Holdings Limited had the option to purchase, and BP had the right to require Ineos Holdings Limited to purchase, the entire issued capital of entities comprising the Dormagen EOG Business. Ineos Holdings Limited exercised its call option over the Dormagen EOG Business on December 21, 2005. Completion of the purchase is subject to receipt of European Commission consent.

If we are unable to consummate the proposed acquisition of the Dormagen EOG Business, BP will use its reasonable efforts to sell the Dormagen EOG Business to a third party, and we have agreed to indemnify BP against any shortfall or expenses incurred in connection with such a third-party sale or a decommissioning of this business. A $130 million subtranche under the Senior Secured Credit Facilities has been used to support a letter of credit issued to BP at the closing of the Innovene Acquisition in connection with our obligations in respect of the Dormagen EOG Business.

Innovene Reorganization Agreements and Commercial Interface Agreements

In connection with the separation of the Innovene business from BP, Innovene and BP entered into numerous agreements. These agreements comprise:

- reorganization agreements under which BP has transferred substantially all of the assets and liabilities comprising the Innovene business activities to Innovene, subject to the retention by BP of certain historical liabilities; and
- commercial interface agreements which (1) establish commercial arrangements between Innovene and BP and (2) require BP to provide Innovene with support services for a limited period of time.

The reorganization agreements assume that the Innovene separation from BP and the transfer of all relevant assets and liabilities occurred on April 1, 2005, whereas the commercial interface agreements regulate the commercial relationships between Innovene and BP with effect from January 1, 2005.

Reorganization Agreements

Effective April 1, 2005, BP transferred to Innovene substantially all of the assets and liabilities relating to the former olefins and derivatives business of BP's Petrochemicals segment (but excluding its

Pasadena LAO operations, Gelsenkirchen naphtha-cracking operations and the Munchmunster olefins operations and BP's joint ventures with SECCO and in Malaysia), the refineries at Grangemouth, United Kingdom, and Lavéra, France, which formed part of BP's Refining and Marketing segment, and the gas fractionator located near Hobbs, New Mexico, which formed part of BP's Gas, Power and Renewables segment, in each case, together with associated infrastructure. As a result of these transfers, Innovene acquired BP's title or other interest in the relevant assets and, with limited exceptions, the unencumbered ability to operate and transfer these assets to third parties. However, given the scale and complexity of the Innovene business, some transfers were structured differently to facilitate the relevant transaction and to protect the interests of one or both parties. The most important examples of such transfers are:

- Grangemouth, United Kingdom. BP has retained ownership of certain assets of Innovene's Grangemouth, United Kingdom site, including the power station, two of the high voltage electricity substations and certain tankage and pipelines associated with the transportation of condensate from Grangemouth to other destinations, to ensure that the FPS remains in operation throughout the term of certain supply agreements between Innovene and BP at that site. BP has agreed to lease these assets to Innovene on a long-term basis (generally 100 years). Under the terms of the leasing arrangement, BP has reserved the right to temporarily step in as operator of the leased assets in the event this is necessary to protect itself against Innovene's failure to take off hydrocarbons from, or to provide utilities to, BP or otherwise fail to transport condensate through the relevant pipelines. BP is entitled to terminate the leasing arrangement if Innovene becomes insolvent or materially breaches its various Framework Interface Agreements ("FIAs") with BP with respect to that site.
- Pipelines in North America. Innovene has entered into a 50/50 joint venture with BP in relation to certain pipelines in Texas. This joint venture lasts until December 31, 2025. BP may terminate the agreement on 18 months' notice. In addition, certain other pipelines, wholly-owned by Innovene, are operated by BP on Innovene's behalf under arrangements which expire on December 31, 2006.
- RMR Pipeline Access. A significant portion of the annual naphtha supply required by the petrochemical cracker at our Cologne, 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 agreed with BP to use some 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 Cologne site. This agreement has an indefinite term.

In instances where a third party consent would have been necessary to transfer an asset from BP to us but has not been obtained, we and BP have agreed to alternative arrangements so that, to the maximum extent possible, we will receive the same benefits as if the consent had been obtained.

Commercial Interface Agreements

Innovene has entered into a series of commercial interface agreements with BP establishing short-, medium- and long-term arrangements for services, utilities and infrastructure access rights in situations where Innovene or BP depend on each other or where reasonable alternatives do exist but it is nevertheless more economical for Innovene and BP to continue preexisting arrangements. Innovene has also established agreements for the sale and purchase of refining and petrochemical feedstocks and refined products in situations where Innovene or BP have an interest in establishing a secure source of feedstock supply or ensure the off-take of products, with the term of these agreements in part depending on the availability of third-party alternatives. In addition, Innovene has entered into various agreements for the provision by BP to Innovene of short-term transitional services, such as information technology infrastructure, which Innovene expects to have the ability to provide in-house or outsource to a third party at the end of the initial term of these agreements.

The commercial interface agreements cover, among other things:

- the sale and purchase of petrochemical feedstocks at or between sites where Innovene 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);
- supply and trading agreements under which BP will, for a limited period of time, provide Innovene with certain supply, trading and optimization services (generally having evergreen terms, but terminable upon 12 months' notice at the end of a calendar quarter);
- inland refined product sale and purchase agreements for the domestic sale of certain refined products covering output from the Grangemouth (generally for fixed terms of three to seven years) and Lavéra (generally having evergreen terms, but terminable upon one to two years notice after December 31, 2006 or 2007) refineries (under each agreement, BP has agreed to purchase all of the refined products Innovene sells into the relevant domestic market at market-based prices); and
- framework interface agreements covering the provision by Innovene to BP and vice versa of services and utilities at certain Innovene sites (both standalone and shared) and in some cases between Innovene's respective sites (these agreements range from short-term, transitional arrangements generally terminable upon four to six months' notice by Innovene, but in any event no later than December 31, 2006 or, in some cases, December 31, 2007 to long-term arrangements in areas where Innovene and BP depend on each other 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)).

Related Agreements

In connection with our ongoing relationships with BP after the consummation of the Innovene Acquisition under the various trading agreements, reorganization agreements and commercial interface agreements, on December 16, 2005, we and BP (amongst others) entered into the agreements summarized below.

The Credit Support Deed

Under the amended and restated 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 agreement between such parties. In addition, our obligations to BP are guaranteed by each of the guarantors under the Senior Secured Credit Facilities and the Term D Facility. As of September 30, 2005, the aggregate principal amount of Innovene's net trade obligations to BP were $308 million. This number could increase 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 an initial credit support letter of credit to BP of $250 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. After the expiration of the period commencing on and including the date of closing of the Innovene Acquisition and ending on and excluding the date falling two years after the date of closing (the "Initial Period"), the threshold amounts will decrease.

We also agreed that BP will share in the benefit of the security package granted from time to time to our lenders under the Senior Secured Credit Facilities on a first-priority *pari passu* basis with such lenders and would be entitled to vote with the lenders under the Senior Secured Credit Facilities on any security enforcement action on the same basis as such secured lenders. BP would only share in any enforcement recoveries to the extent of its actual net exposure and has agreed to net off its exposure to ours whenever practicable. BP has agreed to release this security interest (but not the guarantees) if, following the expiration of the Initial Period, the full amount of the credit support (in the form of cash, government obligations or additional letters of credit) required under the Credit Support Deed has been provided to BP. 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 and exercise its rights as a secured creditor with respect to the credit support provided under the Credit Support Deed. BP also would, upon a default, be entitled to request a vote on the taking of enforcement action under the Senior Secured Credit Facilities.

The Master Bilateral Netting Deed

Under the amended and restated Master Bilateral Netting Deed, the parties agreed that in the event any of the various trading agreements, reorganization agreements and commercial interface agreements between the parties is automatically terminated or BP is entitled to terminate any such agreement, then BP may terminate all such agreements between the parties that have not otherwise been automatically terminated, netting or setting off any obligations it owes to us against amounts we owe to BP under such contracts.

The Security Assignment

Under the amended and restated Security Agreement, (1) certain of our Innovene 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 Innovene subsidiaries have pledged their interests under such agreements to secure their obligations to BP.

MANAGEMENT

The following table sets forth the name, age (as of October 31, 2005) and principal position of each of our directors:

Name	Age	Position
James A. Ratcliffe	53	Chairman
Andrew Currie	49	Director
Antoine Verrijckt	58	Director
John Reece	48	Director
Jim Dawson	61	Director

James A. Ratcliffe has been a director and the Chairman of Ineos Group Holdings and the Chairman of Ineos Capital since 1998. Mr. Ratcliffe, who has 32 years 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 serves as Chairman of Ineos Silicas. 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.

Antoine Verrijckt has been a director of Ineos Capital since 1999. He became a director of Ineos NV, the operating subsidiary of Ineos Oxide, in 1998. He served as Operations Director—Chemicals for Inspec Belgium from 1995 to 1998 and as Operations Manager—Chemicals for BP Chemicals Belgium from 1992 to 1995. Mr. Verrijckt is the Chairman of Ineos Oxide, Ineos Phenol and Ineos Chlor Vinyls. Mr. Verrijckt has a degree in chemistry from the University of Ghent, and has over 33 years experience in the chemical industry.

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 an FCA.

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 D. Phil from Oxford University.

All of our directors have their business address at our principal executive offices: Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

Compensation of Directors and Executive Officers

An aggregate of €0.9 million was paid to our executive officers and directors in their capacity as directors and officers of Ineos Group Holdings in 2004.

Board Practices

Our board meets on a regular basis to review performance and business plans of the group. In addition, the board has established policies for the conduct of the business within the group, including delegations of board authority to directors and members of senior management. In addition the board appoints committees to ensure appropriate oversight of the group companies' operations. None of the directors have service contracts that provide for benefits upon their 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, Antoine Verrijckt, 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, Antoine Verrijckt, 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

All of the issued share capital of Ineos Group Holdings plc is held directly by Ineos Intermediate Holdings Limited. Ineos Intermediate Holdings Limited is a wholly owned subsidiary of Ineos Investment Holdings Limited, which is a wholly owned subsidiary of Ineos Group Limited. Ineos Oxide, Ineos Phenol, Ineos Fluor, Ineos Silicas, Ineos Melamines and Ineos Styrenics are indirect subsidiaries of Ineos Group Holdings plc.

Ineos Group Limited has established four main categories of tracking shares to correlate to the economic benefit attributable to each of our four historical businesses. All shares of each class entitle their holders to vote for the election of directors, or on any other matter put to a vote of the shareholders, of Ineos Group Limited. We intend to introduce tracking shares for Ineos Melamines, Ineos Styrenics and the Innovene businesses.

The following table sets forth information regarding the ownership of our share capital, as of November 30, 2005, by the following:

- each person or group known by us to be the owner of 5% or more of the share capital of Ineos Group Limited; and
- all directors of Ineos Group Limited.

	Number of Oxide Tracking Shares	Number of Phenol Tracking Shares	Number of Fluor Tracking Shares	Number of Silicas Tracking Shares	Percentage of Total Ineos Group Limited Share Capital
James A. Ratcliffe	10,125,000(1)	7,972,500(2)	7,972,500(2)	7,972,500(2)	56.7%(3)
Antoine Verrijckt	300,000	914,980	914,980	914,980	5.1%
Andrew Currie	200,000	869,990	869,990	869,990	4.7%
John Reece	—	780,000	780,000	780,000	3.9%
Jim Dawson	—	75,000	75,000	75,000	0.4%
Other Shareholders	4,435,000(4)	4,387,530(5)	4,387,530(6)	4,387,530(7)	29.2%
TOTAL	15,060,000	15,000,000	15,000,000	15,000,000	100.0%

(1) Includes 750,000 Oxide tracking shares that are held 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.

(2) Includes 337,610 tracking shares that are held by Cannon Nominees Limited.

(3) Excluding the 69,640 Ineos Oxide tracking shares, 435,601 Ineos Phenol tracking shares, 539,754 Ineos Fluor tracking shares and 448,363 Ineos Silicas tracking shares which have been authorized but have not yet been issued, Mr. Ratcliffe owns 58.1% of Ineos Group Limited's share capital, the other directors of Ineos Group Limited own 14.4% and other shareholders own 27.5%.

(4) Includes (A) 1,449,000 Ineos Oxide tracking shares held by Ineos Trustees Limited, trustees of a trust established for the benefit of employees of Ineos Oxide's European business in 1999, (B) 110,190 shares held by Mourant & Co. Trustees Limited, a trust established for the benefit of employees of Ineos Group Limited, and (C) 69,640 shares which have been authorized but have not yet been issued.

(5) Includes 435,601 shares which have been authorized but have not yet been issued.

(6) Includes 539,754 shares which have been authorized but have not yet been issued.

(7) Includes 448,363 shares which have been authorized but have not yet been issued. Our share capital is held for record by two holders in the United States, who together hold in the aggregate approximately 0.11% of our total share capital.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Relationship with Ineos Capital and Ineos Group Limited

In July 2001, we entered into a nine-year management services agreement with Ineos Capital Partners pursuant to which we receive certain management services, as well as strategic support and direction, in exchange for an annual management fee of up to €8 million (index-linked). At December 31, 2004, amounts owed to Ineos Capital were €5.4 million (2003: €6.1 million) and at September 30, 2005 amounts owed to Ineos Capital were €5.4 million. In connection with the Transactions, the agreement is to be novated from Ineos Holdings Limited to Ineos Group Limited and amended and restated to provide for a €60 million (index-linked) annual management fee and to extend the term of the agreement until the repayment of all obligations under the Senior Facilities Agreement.

In connection with the Transactions, we paid a one-time fee for advisory services and transaction costs of €60 million to Ineos Capital.

In addition, in connection with the Transactions, we intend to make a distribution of €100 million to the shareholders of our parent company, Ineos Group Limited.

Ineos Group Holdings has entered into a service contract with Mr. Ratcliffe pursuant to which Mr. Ratcliffe will act as Chairman of Ineos Group Holdings for annual compensation of approximately €390,000. Certain of our subsidiaries have entered into several service contracts with Andrew Currie and Antoine Verrijckt who are also directors of Ineos Capital. The aggregate annual compensation paid under these service agreements is approximately €450,000.

We entered into a lease for office space with Ineos Capital Limited on terms no less favorable to us than what we would expect to negotiate with disinterested third parties. The office space is in the Ineos Group headquarters at Hawkslease, Chapel Lane, Lyndhurst, for which we currently pay market rent of approximately €90,000 per year.

The directors of Ineos Capital own a controlling interest in the capital stock of Ineos Group Limited, our ultimate parent company. In connection with the refinancing of the group in May 2001, we loaned an aggregate amount of €14 million to Ineos Group Limited. This loan is non-interest bearing and matures on May 23, 2012.

In 2000, Ineos Oxide made a loan in the amount of €15.3 million to Ineos Group Limited to enable Ineos Group Limited to repurchase all of the equity interests in Ineos Group Limited held by Murray Johnstone Limited. This loan is non-interest bearing. The outstanding balance of the loan as of December 31, 2004 and as of September 30, 2005 was €15.3 million.

Relationship with Ineos Chlor

In January 2001, the directors of Ineos Capital acquired Ineos Chlor, a manufacturer of chlorine-based chemicals. The directors of Ineos Capital own a controlling interest in Ineos Chlor. Ineos Fluor purchases trichloroethylene and chloroform for all of its requirements in the United Kingdom from Ineos Chlor. In addition, Ineos Fluor leases laboratory space from Ineos Chlor. Ineos Silicas purchases all of its caustic soda requirements in the United Kingdom and a significant position of its caustic soda requirements in The Netherlands from Ineos Chlor. These agreements with Ineos Chlor are on terms no less favorable to us than what we would expect to negotiate with disinterested third parties. Other than through these relationships and certain common directors, we are not affiliated with Ineos Chlor.

In 2004, we made sales to Ineos Chlor of €1.2 million (2003: €0.3 million), recovered costs of €2.7 million (2003: €4.6 million) and made purchases of €37.3 million (2003: €32.2 million) during the year. For the nine months ended September 30, 2005, we made €1.8 million of sales to Ineos Chlor, recovered costs of €1.7 million and made €30.7 million of purchases. At December 31, 2004, €2.9 million (2003: €6.6 million) was owed to and €0.7 million (2003: nil) was owed by Ineos Chlor. At September 30, 2005, €5.2 million was owed to and €3.4 million was owed by Ineos Chlor.

We have agreed to participate in the revised funding package to construct new cellrooms at Ineos Chlor's site at Runcorn, England. We have made available facilities to Ineos Chlor of £150.0 million (€211.2 million) in the form of interest bearing loans and notes with final maturity in 2010. At September 30, 2005, loans totaling £127.5 million (€186.9 million) were owed by Ineos Chlor.

Relationship with Ineos Vinyls

The partners of Ineos Capital own a controlling interest in Ineos Vinyls Group Limited. Ineos Vinyls Group Limited also has certain common directors with the Issuer. We have made sales to EVC, a subsidiary of Ineos Vinyls Group Limited, of €0.3 million (2003: nil), recovered costs of €0.9 million (2003: €nil million) and made purchases of €1.7 million (2003: nil) during the year ended December 31, 2004. For the nine months ended September 30, 2005, we made no sales to EVC, recovered costs of €5.4 million and made €0.1 million of purchases. At December 31, 2004 €0.2 million (2003: nil) was due from EVC, and September 30, 2005, €0.7 million was due from EVC.

In connection with Ineos Vinyls Group Limited's purchase of the minority interest in EVC, we have made available a €37 million facility to Hawkslease Finance Company Limited, a subsidiary of Ineos Vinyls Group Limited, of which €10.7 million was drawn at September 30, 2005. In addition, in connection with the acquisition by Ineos Films, a division of EVC, of an Italian PVC film manufacturer, we have made available a €26 million facility to Ineos Vinyls Group Limited, of which €18.5 million was drawn at September 30, 2005. Each of the loans is interest bearing and matures in 2010.

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

The following is a summary of the provisions of our Senior Facilities Agreement with Barclays Capital, Merrill Lynch International and Morgan Stanley Bank International Limited, as joint mandated lead arrangers and joint bookrunners, entered into on December 14, 2005, as amended on December 15, 2005 and December 23, 2005 and as subsequently amended and restated. Our wholly owned subsidiary, Ineos Holdings Limited, is the principal obligor and a borrower and a guarantor under the Senior Secured Credit Facilities and the borrower and a guarantor under the Term D Facility, and Ineos US Finance LLC is also a borrower and a guarantor under the Senior Secured Credit Facilities and a guarantor under the Term D Facility. In addition, certain of our subsidiaries are guarantors under the Senior Secured Credit Facilities and the Term D Facility, each guaranteeing, subject to certain limitations, the obligations of each other borrower and guarantor.

Structure

The Senior Facilities Agreement provides for facilities of €5,540 million and $2,494 million comprising the following:

(a) a term loan A facility, incorporating €500 million, $130 million, €680 million and $336 million subtranches;

(b) a term loan B facility, incorporating €990 million, $732 million and €175 million subtranches;

(c) a term loan C facility, incorporating €990 million, $732 million and €175 million subtranches;

(d) receivables borrowing base facilities, incorporating €830 million (or its equivalent in sterling) and $564 million (or its equivalent in sterling) subtranches;

(e) a revolving credit facility of €800 million (or its equivalent in optional currencies); and

(f) a €400 million second lien secured term loan D facility (the "Term D Facility").

Borrowings under the term loan facilities (other than the $130 million subtranche of the term loan A facility, the €175 million subtranche of the term loan B facility, the €175 million subtranche of the term loan C facility and the €400 million Term D Facility) have been or will be used, together with the borrowings from the Bridge Facility, to finance the Innovene Acquisition, repay certain of Innovene and Ineos outstanding indebtedness, pay transaction-related fees and expenses and pay a dividend (or other distribution) to the shareholders of our ultimate parent, Ineos Group Limited.

Borrowings under the $130 million subtranche of the term loan A facility will be used to satisfy any demand made on the issuing lender under the letter of credit issued to BP in connection with our obligation in respect of the Dormagen EOG Business, and borrowings under the receivables borrowing base facilities have been used to repay certain of Ineos's outstanding indebtedness and to finance the Innovene Acquisition and, going forward, will be available on a revolving basis to repay maturing advances and finance the working capital requirements of Ineos Group Limited and its subsidiaries (the "Group").

All of the borrowings under the €175 million subtranche of the term loan B facility, the €175 million subtranche of the term loan C facility and the €400 million Term D Facility will be used to repay a portion of the loans outstanding under the Bridge Facility.

€390 million of the Revolving Credit Facility under the Senior Secured Credit Facilities has been (or will be) used to replace or support letters of credit, surety bonds and bank guarantees issued by BP on behalf of Innovene, to issue letters of credit to BP in connection with our obligations to BP under the Reorganization Agreements and Commercial Interface Agreements, as described under the caption "The Acquisition" included elsewhere in this offering memorandum and to support bank guarantees issued by Barclays Bank PLC to support obligations of Ineos Chlor guaranteed by us. In addition to loans, the revolving credit facility may be used to issue bank guarantees and letters of credit. The Senior Facilities Agreement provides us the ability, from time to time, to designate part of the Revolving Credit Facility as ancillary facilities.

Interest and Fees

Loans under the Senior Secured Credit Facilities and the Term D Facility initially bear interest at rates per annum equal to LIBOR (or, for loans denominated in euro, EURIBOR) plus certain mandatory costs and the following applicable margins:

(a) 2.25% per annum for the term loan A facility;

(b) 2.50% per annum for loans denominated in euro and 2.25% per annum for loans denominated in dollars under the term loan B facility;

(c) 3.00% per annum for loans denominated in euro and 2.75% per annum for loans denominated in dollars under the term loan C facility;

(d) 2.25% per annum for Borrowing Base Facilities;

(e) 2.25% per annum for Revolving Credit Facility; and

(f) 3.75% per annum for the Term D Facility.

The margins for term loan A and B facilities (other than for the dollar-denominated subtranche of the term loan B facility) and the Revolving Credit Facility may be reduced to agreed levels at any time after the first anniversary of the date of completion of the Innovene Acquisition if no event of default thereunder is outstanding and the ratio of total net debt to EBITDA, in each case as defined in the Senior Facilities Agreement, falls within specified ranges. The margin for the receivables borrowing base facilities may be reduced (if no event of default thereunder is outstanding) or increased to agreed levels at any time after the first anniversary of the date of the completion of the Innovene Acquisition if the ratio of total net debt to EBITDA, in each case as defined in the Senior Facilities Agreement, respectively, falls within specified ranges.

In addition, the margin in relation to the Borrowing Base Facilities will, subject to any adjustments as described in the preceding paragraph, increase to 2.5% during the period from the date falling 12 months after the closing date of the Innovene Acquisition to the date falling 18 months after the closing date of the Innovene Acquisition, and to 2.75% thereafter.

We are also required to pay a commitment fee on available but unused commitments under the term loan facilities (other than the €175 million subtranche of the term loan B facility, the €175 million subtranche of the term loan C facility and the €400 million Term D Facility) and the receivables Borrowing Base Facilities at a rate of 0.50% per annum and under the revolving credit facility at a rate of 0.75% per annum. Such commitment fees are payable quarterly in arrear and (in the case of the term facilities) on the date of the first drawdown.

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 the 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 guarantee or letter of credit on the contingent liability of the issuing lender in respect of each such guarantee or letter of credit (less the amount of the issuing lender's contingent liability as a lender).

Security and Guarantees

The Senior Secured Credit Facilities and the Term D Facility are guaranteed irrevocably and unconditionally on a joint and several basis by each of our subsidiaries that is a guarantor of the notes (the "Original Guarantors"). By the three-month anniversary of the Completion Date, we are required to cause additional subsidiaries to accede to the Senior Facilities Agreement as guarantors such that the aggregate EBITDA (as defined therein) attributable to all such guarantors represents at least (i) 85% of EBITDA (as defined therein) for the year ended December 31, 2004 and (ii) 85% of the Group's consolidated total assets at December 31, 2004. The Senior Secured Credit Facilities are secured by a shared first-priority pledge (together with obligations owed to BP) and the Term D Facility is secured by the same pledge which is subordinated to a second-priority position under the Intercreditor Agreement of substantially all the assets of the guarantors under such facilities.

Covenants

The Senior Facilities Agreement contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of the Issuer (in certain cases), each borrower (including Ineos Holdings Limited) and each guarantor (and in many cases, the subsidiaries of such borrowers or guarantors) to, among other things:

(a) make acquisitions or investments;

(b) make loans or otherwise extend credit to others;

(c) incur indebtedness or issue guarantees;

(d) create security;

(e) sell, lease, transfer or dispose of assets;

(f) merge or consolidate with other companies;

(g) pay dividends, redeem share capital or redeem or reduce subordinated indebtedness;

(h) issue shares, options or warrants;

(i) enter into joint venture transactions;

(j) pay certain investors and creditors;

(k) make certain derivative transactions;

(l) make a substantial change to the general nature of its business;

(m) enter into transactions other than at arm's length;

(n) enter into sale and leaseback transactions; and

(o) modify certain acquisition documents and other agreements, including agreements governing other indebtedness.

The Senior Facilities Agreement also requires each borrower (including Ineos Holdings Limited) 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:

(a) maintenance of relevant authorizations;

(b) maintenance of insurance;

(c) compliance with laws, including environmental laws and regulations;

(d) payment of taxes;

(e) ensuring that its obligations under the Senior Secured Credit Facilities rank at least *pari passu* with the claims of other creditors;

(f) provision of financial and other information to the lenders;

(g) maintenance of pension schemes; and

(h) maintenance of intellectual property.

The Senior Facilities Agreement requires us to comply with the following financial covenants:

(a) a minimum ratio of cash flow to net debt service;

(b) a minimum ratio of EBITDA (as defined therein) to consolidated total net finance charges;

(c) a maximum ratio of total net financial indebtedness to EBITDA (as defined therein); and

(d) a maximum level of capital expenditure per year.

Repayment

The term loan A facility is to be repaid in semi-annual installments in the currencies drawn commencing on December 31, 2006 with the final installment payable on December 16, 2012. The term loan B facility is to be repaid in 9 installments in the currencies drawn with the final installment payable on December 16, 2013. The term loan C facility is to be repaid in 10 installments in the currencies drawn 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 re-borrowed.

Loans made under the Revolving Credit Facility and the receivables Borrowing Base Facilities must be repaid in full on the last day of the relevant interest period as defined in the Senior Facilities Agreement. All outstanding amounts under the Revolving Credit Facility and the receivables Borrowing Base Facilities will be repaid on December 17, 2012 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 and the receivables Borrowing Base Facilities may be re-borrowed, subject to certain conditions.

Prepayments

The Senior Secured Credit Facilities and the Term D Facility will be immediately cancelled, and all obligations under the Senior Secured Credit Facilities and the Term D Facility will be immediately payable in full, if, amongst other events, there is a Change of Control or Sale, in each case as defined in the Senior Facilities Agreement. In the event of a prepayment of the Term D Facility as a result of a Change of Control or Sale on or prior to December 16, 2008, such prepayment will be subject to a prepayment fee of 1% of the principal amount of the Term D Facility being prepaid.

Mandatory prepayments are required to be made out of, among others, the following funds:

(a) net cash proceeds from certain sales, transfers and other disposals, insurance claims, recovery claims in respect of the Acquisition and excess proceeds of certain debt refinancing, to the extent that such net cash proceeds exceed certain agreed thresholds and have not satisfied other conditions; and

(b) for each financial year, a percentage of excess cash flow, which percentage decreases over time and as the Group's leverage ratio decreases.

Subject to payment for break costs (if any) and as indicated below, the borrowers may voluntarily prepay amounts outstanding under the Senior Secured Credit Facilities (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.

Any prepayment in respect of the dollar tranches of the term loan B facility and the term loan C facility on or prior to December 16, 2006 with the proceeds of a substantially concurrent issuance or incurrence of new term loans under the Senior Facilities Agreement will be subject to a prepayment fee of 1% of the principal amount being repaid if the net yield (or similar interest rate spread) applicable to the new term loans is or could on the satisfaction of certain conditions be less than the net yield applicable on the Issue Date to the repaid term loans.

Any prepayment in respect of the Term D Facility (other than a prepayment as a result of a Change of Control or Sale) on or prior to December 16, 2006 shall be subject to a make-whole premium. Thereafter, any prepayment of the Term D Facility on or prior to December 16, 2007 will be subject to a prepayment fee equal to 2% of the principal amount being repaid. Any prepayment of the Term D Facility after December 16, 2007 but on or prior to December 16, 2008 will be subject to a prepayment fee equal to 1% of the principal amount being repaid.

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:

(a) non-payment of amounts due under the Senior Secured Credit Facilities and Term D Facility financing documents;

(b) breach of covenants;

(c) inaccuracy of representation or statement when made, deemed to be made or repeated;

(d) cross defaults and certain judgment defaults;

(e) invalidity or unlawfulness of the Senior Secured Credit Facilities and Term D Facility financing documents;

(f) insolvency;

(g) nationalization or expropriation of all or any material part of the assets of a material member of the Group without full market value consideration causing material adverse effect or curtailment;

(h) certain security interests becoming enforceable;

(i) the occurence of certain ERISA-related events;

(j) commencement of certain litigation;

(k) material adverse change;

(l) materially adverse audit qualification; and

(m) failure of any party (other than the lenders) to comply with material obligations under the intercreditor agreement causing material prejudice to the lenders or the intercreditor agreement to cease to be binding on any party.

In the event that in the reasonable opinion of the Senior Facility Agent or those lenders under the Term D Facility with aggregate commitments of more than 66⅔% of the total commitments under the Term D Facility (the "Majority Second Secured Creditors") a potential event of default under the Senior Facilities Agreement that would permit the Majority Senior Secured Creditors to exercise separate acceleration rights has occurred or is reasonably likely to occur, the Senior Facility Agent or the Majority Second Secured Creditors may appoint any person (subject to certain conditions) as agent to act on behalf of the lenders under the Term D Facility.

Hedging Arrangements

The borrowers are required to enter into hedging arrangements to provide protection in respect of interest rate risk exposure under the term loan facilities (other than the Term D Facility) arising because the financing thereunder is at floating interest rates. The hedging arrangements are required to cover interest payments in respect of at least 50% of the aggregate amount outstanding at any time under the term loan facilities (other than the Term D Facility) for a period of at least three years. Hedging banks have been granted security, guarantee and subordination rights that rank at least equally with the rights of the lenders under the Senior Secured Credit Facilities.

Intercreditor Agreement

In connection with entering into the Senior Secured Credit Facilities and the Bridge Facility, Ineos Holdings Limited and certain of its subsidiaries (the "Obligors"), Ineos Group Holdings Plc (the "Issuer"), certain affiliates of BP p.l.c. (the "BP Creditors") and Ineos Group Limited, Ineos Investment Holdings Limited and Ineos Intermediate Holdings Limited (together, the "Subordinated Creditors") became subject to an intercreditor deed (the "Intercreditor Agreement") with the lenders under the Senior Secured Credit Facilities (the "Lenders"), Barclays Bank PLC, as senior facility agent (the "Senior Facility Agent") and senior security agent (the "Senior Security Agent") for the Lenders and agent for the lenders under the Bridge Facility, and BP International Limited (the "BP Collateral Agent"). The assets of the Obligors that secure the Senior Secured Credit Facilities also secure our obligations under the BP credit support deed described in the section "The Acquisition" (the "Credit Support Deed"), certain guarantees and other documents entered into by us in connection with the Credit Support Deed and trading agreements entered into by members of the group with the BP Creditors (the "BP Creditor Documents") on a *pari passu* basis. BP has agreed to release this security interest (but not any guarantees provided to it) if, on the second anniversary after the closing of the Innovene Acquisition, the full amount of the credit support required under the Credit Support Deed has been provided to BP (the "BP Release Date").

In connection with the increases in the commitments under the Senior Facilities Agreement, the lenders under the Term D Facility (the "Second Secured Creditors") will become parties to the Intercreditor Agreement, and Barclays Bank PLC will serve as security agent for the Second Secured Creditors.

Upon issuance of the notes, the trustee and collateral agent with respect to the notes (the "Trustee"), on behalf of itself and the holders of the notes, will accede to the Intercreditor Agreement. By accepting a note, holders of notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement sets out:

- the relative ranking of certain debt of the Obligors;
- the relative ranking of security granted by the Obligors;
- when payments can be made in respect of debt of the Obligors;
- when enforcement action can be taken in respect of that debt;
- the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit an enforcement sale.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain of the rights of the holders of the notes.

Ranking and Priority

The Intercreditor Agreement provides, subject to the provisions in respect of permitted payments, that the liabilities of the Obligors in respect of the Senior Secured Credit Facilities, the Term D Facility, the notes and certain other liabilities will rank 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* amongst themselves, (i) the liabilities of the Obligors under the Senior Secured Credit Facilities (including certain hedging agreements entered into in connection therewith) and, prior to the BP Release Date, certain liabilities owed to the BP Creditors under the BP Creditor Documents (the "Senior Liabilities"), (ii) fees, costs and expenses of, and amounts incurred by or payable to, the Trustee and (iii) fees, costs and expenses incurred by the Senior Facility Agent or other agents for the Senior Secured Credit Facilities, the Term D Facility and the notes;
- second, any liabilities of the Obligors owed to the Second Secured Creditors (the "Second Secured Liabilities");
- third, the liabilities of the Obligors under the guarantees of the notes and the liabilities owed by Ineos Holdings Limited to the Issuer under the loan of the proceeds of the notes (the "High Yield Proceeds Funding Loan");
- fourth, the liabilities of the Obligors to the Subordinated Creditors (other than in respect of the High Yield Proceeds Funding Loan), any liabilities owed by the Issuer to any parent holding company under certain investor documents and any other liabilities due, owing or

payable by any Obligor to the Issuer or any parent holding company (other than in respect of the High Yield Proceeds Funding Loan) (together, the "Subordinated Liabilities"); and

- fifth, intra-group liabilities (being amounts owing under the terms of any loan agreement between any Obligor and any other Obligor) (together, the "Intra-Group Liabilities").

The Intercreditor Agreement also provides, subject to the provisions in respect of permitted payments, that the Subordinated Liabilities are postponed and subordinated until liabilities under the Senior Secured Credit Facilities, the Second Secured Liabilities and the notes have been discharged in full.

The parties to the Intercreditor Agreement agree in the Intercreditor Agreement that the security provided by the Issuer and the Obligors will rank in the following order:

(i) first, the liens provided in respect of the Senior Secured Credit Facilities (including certain hedging agreements entered into in connection therewith) and certain liabilities owed to the BP Creditors;

(ii) second, the liens provided in respect of the Second Secured Liabilities; and

(iii) third, the liens provided in respect of the Indenture and the notes.

Under the Intercreditor Agreement, all proceeds from enforcement of the security will be applied as provided below under "—Application of Proceeds".

The Intercreditor Agreement will not restrict the ability of the Issuer to make payments under the notes. Restrictions, however, are imposed upon Ineos Holdings Limited's ability to make payments to the Issuer. In addition, certain liens granted by the Obligors, such as BP's first-priority lien over the receivables it owes to us, are not governed by the Intercreditor Agreement.

Permitted Payments

The Intercreditor Agreement permits, *inter alia*, payments to be made by the Obligors to the Lenders under the Senior Secured Credit Facilities and does not in any way limit or restrict any payment due or to be made by any Obligor to BP p.l.c. or any of its subsidiaries under or in connection with certain agreements between the Obligors and BP p.l.c. and certain of its subsidiaries or otherwise in the ordinary course of business. The Intercreditor Agreement also permits payments to be made 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;

- to the Trustee or holders of the 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

Indenture and certain other documents entered into in connection with the Indenture, in each case so long as such payment is then due and not prohibited by any payment blockage as described below;

- to pay the principal amount of, or any other amount due and payable under, the notes (x) on or after the original stated maturity thereof or (y) at any time in connection with any provision of the notes specifying a mandatory repayment offer to purchase or redeem the notes or to redeem, acquire or defease the notes with (prior to the later of the date on which all Senior Liabilities have been unconditionally discharged in full (the "Senior Discharge Date") and the date on which all Second Secured Liabilities have been unconditionally discharged in full (the "Second Secured Discharge Date")) the prior written consent of those lenders with aggregate commmitments of more than 66⅔% of total commitments under the Senior Facilities Agreement (the "Majority Lenders"), in each case so long as not prohibited by any payment blockage described below;

- to the Issuer in respect of cash interest on the High Yield Proceeds Funding Loan to enable the Issuer to make a payment of scheduled interest and default interest in respect of the notes, which payment falls due within five (5) days of the date of payment of the interest to the Issuer, and other payments described above permitted by the Intercreditor Agreement, so long as such payment is not prohibited by any payment blockage as described below; and

- to lenders under any intra-group loan agreement either (i) with the prior consent of (prior to the later of the Senior Discharge Date and the Second Secured Discharge Date) the Majority Lenders or (ii) if at the time of the payment no Enforcement Action has occurred and is continuing in respect of the Senior Secured Credit Facilities, any Second Secured Liabilities or the notes.

No payments may be made on the Subordinated Liabilities unless the consent of (prior to the later of the Senior Discharge Date and the Second Secured Discharge Date) the Majority Lenders is obtained, except as permitted by the Senior Secured Credit Facilities, the Term D Facility and the notes.

Payment Blockage

If any Obligor fails to make any payment due under the Senior Facilities Agreement, the Obligors may not make payments (except in Permitted High Yield Note Junior Securities (as defined in the Intercreditor Agreement)) in respect of the guarantees of the notes or the High Yield Proceeds Funding Loan while that failure is continuing beyond any applicable grace period (other than an amount not constituting principal, interest or fees not in excess of €1,000,000 (or its equivalent in any other currency)). Payment on the notes may be resumed 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 that permits the holders or lenders of such indebtedness to accelerate its maturity, the Senior Facility Agent on the instructions of the Majority Lenders may issue a payment blockage notice (a "Stop Notice") to the Trustee and notify Ineos Holdings Limited and the Issuer. From the date of the issue of such notice, the Obligors may not make any payments on the guarantees of the notes or the High Yield Proceeds Funding Loan for a period of 179 days (the "High Yield Stop Period"), subject to certain exceptions.

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, no payments may be made that would otherwise be permitted by the Intercreditor Agreement in respect of the guarantees of the notes or the High Yield Proceeds Funding Loan unless:

(i) the event in respect of which the Stop Notice was issued has been cured or waived in writing or has ceased to exist;

(ii) the Majority Lenders instruct the Senior Facility Agent to cancel the Stop Notice or consent to such payment; or

(iii) the liabilities owing under the Senior Credit Facilities and to the BP Creditors have been repaid in full and all the commitments of the Senior Creditors cancelled and the Second Secured Liabilities have been repaid in full; or

(iv) 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 in reliance on a particular payment blockage event more than 75 days after the Senior Facility Agent 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 with respect to the same event or set of circumstances. No Stop Notice in relation to a payment blockage event may be served by the Senior Facility Agent unless (i) 365 days have elapsed since the delivery of any previous payment blockage notice in relation to a payment blockage event and (ii) all scheduled payments of interest on the notes that have become due have been paid in full in cash.

Any failure to make a payment due under the Indenture or the guarantees of the notes as a result of the foregoing will not prevent the occurrence of an event of default under the notes as a consequence of such nonpayment or the commencement of an enforcement action otherwise permitted by the Intercreditor Agreement.

Entitlement to Enforce

Prior to the Senior Discharge Date and the Second Secured Discharge Date, the holders of the notes and the Trustee may only take Enforcement Action with respect to the guarantees of the notes or the Collateral owned by the Obligors or the High Yield Proceeds Funding Loan if the prior written consent of (prior to the Senior Discharge Date) those lenders under the Senior Secured Credit Facilities and the BP Creditors with more than 66⅔% of the total Senior Credit Participations (as defined in the Intercreditor Agreement) (the "Majority Senior Creditors") and (prior to the Second Secured Discharge Date) the Majority Second Secured Creditors is obtained or:

(i) the Senior Creditors and/or the Second Secured Creditors have taken Enforcement Action against an Obligor in which case the holders of the notes and the Trustee 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 the expiration of a High Yield Standstill Period;

(ii) the Trustee or the holders of the notes, 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,

(iii) if certain insolvency events have occurred and are continuing, provided that such insolvency event is not the result of actions of a high yield creditor prohibited under the Intercreditor Agreement and provided Enforcement Action may only be taken against the entity in respect of which the insolvency event has occurred.

A "High Yield Standstill Period" is defined in the Intercreditor Agreement to mean a period of 179 days after written notice has been given by the Trustee to the Senior Facility Agent that an event of default on the 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 Agreement to mean:

(i) 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;

(ii) 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;

(iii) 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 Ineos Holdings Limited or any of its subsidiaries (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);

(iv) the enforcement of any Security Document (as defined in the Intercreditor Agreement) or any other security interest granted by any Obligor or the Issuer (including taking any action to crystallize any floating charge forming part of any Security Document);

(v) the exercise of any right of set-off against any Obligor in respect of any liabilities due and payable but unpaid;

(vi) the suing for, commencing or joining of any legal or arbitration proceedings against any Obligor to recover any liabilities; or

(vii) 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:

(a) the taking of any action falling within paragraph (vi) above necessary to preserve the validity and existence of claims, including the registration of such claims before any court or governmental authority;

(b) 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;

(c) 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 notes, the High Yield Proceeds Funding Loan, the Subordinated Liabilities, the Intra-Group Liabilities and certain other arrangements or for specific performance with no claim for damages, or

(d) demand being made for payment of any of the liabilities as a result of it being unlawful for any Senior Creditor, Second Secured Creditor or the Trustee or any holder of the notes to perform any obligation under the Senior Finance Documents or the Indenture respectively;

unless in the case of any of the actions listed above in paragraphs (a) to (d) above, such action will result in an insolvency event.

Subordination

Upon the occurrence of an insolvency event in relation to an Obligor, claims against that Obligor:

(i) in respect of any Second Secured Liabilities will be subordinate in right of payments to the claims against that Obligor in respect of Senior Liabilities;

(ii) in respect of the guarantees of the notes or the High Yield Proceeds Funding Loan will be subordinate in right of payment to the claims against that Obligor in respect of Senior Liabilities and Second Secured Liabilities; and

(iii) 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 notes and the High Yield Proceeds Funding Loan.

Turnover

If at any time on or before the Senior Discharge Date and the Second Secured Discharge Date, the Trustee, any holder of the notes or the Issuer:

(i) receives or recovers any payment or distribution of, or on account of or in relation to, any liability owed by Ineos Holdings Limited or the Obligors in respect of the High Yield Proceeds Funding Loan or the guarantees of the notes which is not a permitted payment under the Intercreditor Agreement;

(ii) receives or recovers any amount by way of set-off in respect of any liability owed by Ineos Holdings Limited or the Obligors in respect of the High Yield Proceeds Funding Loan or the guarantees of the notes which is not a permitted payment under the Intercreditor Agreement;

(iii) receives or recovers proceeds pursuant to any Enforcement Action in respect of any liability owed by Ineos Holdings Limited or the Obligors in respect of the High Yield Proceeds Funding Loan or the guarantees of the notes in contravention of the Intercreditor Agreement or receives or recovers proceeds pursuant to any Enforcement Action in respect of the Collateral;

(iv) receives any payment or distribution of any kind whatsoever in relation to the purchase or acquisition of any notes or guarantees by Ineos Holdings Limited or any of its subsidiaries;

(v) receives any distribution in cash or in kind in respect of any liability owed by Ineos Holdings Limited or the Obligors in respect of the High Yield Proceeds Funding Loan or the guarantees of the notes which is made as a result of the occurrence of an insolvency event of any Obligor; or

(vi) receives or recovers any payment or distribution of any liability in respect of the notes or the guarantees as a result of the Issuer receiving or recovering an amount in contravention of the Intercreditor Agreement,

the Trustee, that holder of the notes or the Issuer, 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 described in "—Application of Proceeds"; provided that this provision shall not apply to any amounts received or recovered by the Trustee if at the time it receives or recovers such payment it had no actual knowledge that such payment was so prohibited and has distributed such payment to the holders of the notes.

Application of Proceeds

Amounts received by the Senior Security Agent or the Trustee representing the proceeds of enforcement of any security or recoveries under any guarantee of the notes, and all amounts paid pursuant to the Intercreditor Agreement (excluding all recoveries under any senior lenders' guarantee and any BP Credit Document) 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 such Agent, any fees and expenses of, and amounts incurred by or payable to, the Trustee under the Indenture and any fees, costs and expenses incurred by the Senior Facility Agent, on a *pari passu* basis;
- in payment of all costs and expenses incurred by or on behalf of the Senior Creditors under the Senior Secured Credit Facilities in connection with the enforcement of their security;
- in payment to the Senior Facility Agent for itself and the senior lenders to discharge their liabilities in respect of the Senior Secured Credit Facilities and to hedging counterparties to discharge their liabilities, and prior to the BP Release Date, under certain circumstances, for application towards discharge of the BP Creditor Liabilities, on a pro rata basis;
- in payment to the Senior Facility Agent for application towards the discharge of the liabilities owed in respect of the Second Secured Liabilities, on a pro rata basis;
- in payment to the Trustee on behalf of the holders of the notes for application towards the discharge of the liabilities in respect of the Indenture and the notes, on a pro rata basis; and
- the balance in payment to any other person to which it is due or to the relevant Obligor.

Release of the Guarantees and the Security

The Intercreditor Agreement provides that 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 Ineos Holdings Limited or any of its subsidiaries) to release that subsidiary 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 or borrower of the whole or any part of its liabilities under the Senior Secured Credit Facilities, the Second Secured Liabilities, the notes and certain other liabilities and to release any security granted by that subsidiary or any of its direct or indirect subsidiaries over any asset under any security document if:

(i) 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

(ii) following an event of default under the Senior Finance Documents, Ineos Holdings Limited or any of its subsidiaries 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 notes, the holders of the Second Secured Liabilities and the notes 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 holders of the notes:

(i) in the case of the Second Secured Liabilities and any security in respect thereof, if the Majority Second Secured Creditors have approved the release; or

(ii) in the case of guarantees and security for the notes and the Indenture, if the Trustee confirms to the Senior Security Agent that the holders of the notes which it represents have approved the release; or

(iii) 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 cash equivalents and:

    (a) 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 notes and the Indenture are to be released), concurrently with the completion of such sale or disposal, the Indebtedness of such Obligor and any of its direct or indirect subsidiaries to (x) the lenders under the Senior Secured Credit Facilities and the BP Creditors and (y) the lenders of all Subordinated Debt (as defined in the Intercreditor Agreement) and Public Debt (as defined in the Indenture) that is Pari Passu Debt (as defined in the Intercreditor Agreement) 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; or

    (b) 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 either

        (x) the sale or disposal is made pursuant to a Public Auction; 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 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 Agreement 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), the holders of the notes will have a right to participate in such auction.

Option to Purchase Debt under the Senior Facilities Agreement

If the Senior Secured Parties under the Senior Secured Credit Facilities have taken an Enforcement Action, the Trustee may, at the direction of the holders of the notes, within 60 days after commencement of that Enforcement Action, on giving not less than fourteen business days' notice, and subject to satisfying certain conditions, purchase the debt under the Senior Secured Credit Facilities and the Term D Facility, 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. Upon such purchase, the purchasers will assume the rights and obligations of the lenders under the Senior Facilities Agreement, including hedging arrangements.

Amendment

The Intercreditor Agreement may only be amended with the written agreement of each of the Senior Security Agent, the Trustee and Ineos Holdings Limited 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 Ineos Holdings Limited, (ii) any amendments are made to meet the requirements of any person proposing to act as a high yield note trustee which are customary for persons acting in such capacity, which amendments may be made by the Senior Security Agent and Ineos Holdings Limited, (iii) any amendments only affecting 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 and which may be made by only Ineos Holdings Limited and the party or class of parties affected thereby, or (iv) any amendments 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 Ineos Holdings Limited. Subject to the previous sentence, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on any party to the Intercreditor Agreement or affect the rights or obligations of the Senior Facility Agent, the Senior Security Agent or the Trustee, in each case without their prior written consents. No amendment or waiver of the Intercreditor Agreement may adversely affect the rights of obligations of, or be made concerning any provision which is expressly for the benefit of, the BP Collateral Agent or the BP Creditors without the consent of the BP Creditors. In addition, prior to the later of the Senior Discharge Date and the Second Secured Discharge Date, if the Majority Lenders consent to any indebtedness being designated Designated Senior Debt under the Indenture, each of the Senior Security Agent, the Trustee and the Obligors will enter into such amendments under the Intercreditor Agreement as may be required to enable the holders of such Designated Senior Debt to become parties to the Intercreditor Agreement, with the rights in relation to the holders of the notes contemplated by the Indenture.

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 Agreement) acting on the instructions of the Majority Lenders. Any such amendment, waiver or consent will be deemed to be an amendment, waiver or consent of any equivalent Security Document granted in favor of the Trustee and the holders of the 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. No such amendment, waiver or consent will release any security (without prejudice to any other provision of the Intercreditor Agreement) for the Second Secured Creditors or the Trustee or holders of the notes except as permitted under the Second Secured Documents or the Indenture and the notes.

Unless expressly stated otherwise in the Intercreditor Agreement, the provisions of the Intercreditor Agreement override anything in any of the finance documents entered into in connection with the Transactions, including the Indenture, to the contrary.

The Intercreditor Agreement is governed by English law.

Agreements with BP

In connection with our ongoing relationships with BP, including trading relationships, we have entered into a Credit Support Deed, a Master Bilateral Netting Deed, Security Assignment and certain related stand-alone guarantees, which, among other things, provide credit support for our obligations to BP. See "The Acquisition—Innovene Reorganization Agreements and Commercial Interface Agreements—Related Agreements" for a description of our obligations thereunder.

DESCRIPTION OF THE NOTES

The Euro Notes and the Dollar Notes offered hereby will be issued under an indenture to be dated as of February 7, 2006 (the "Indenture"), among Ineos Group Holdings plc, as issuer (the "Issuer"), Ineos Holdings Limited and the Issuer's other subsidiaries that guarantee the Notes (the "Guarantors"), The Bank of New York, a New York banking corporation as trustee (the "Trustee") and collateral agent (the "Collateral Agent"). Unless the context otherwise requires, in this "Description of the Notes", references to the "Notes" include the Euro Notes and the Dollar Notes. 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 our paying agent in Luxembourg.

The following summary of the material provisions of the Indenture does not purport to be complete, and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Notes and the Indenture. The terms of the Notes include those set forth in the Indenture governing the Notes and those made part of the Indenture by reference to the Trust Indenture Act. The Indenture is not, however, required to be nor will it be qualified under the Trust Indenture Act and will not incorporate by reference all of the provisions of the Trust Indenture Act.

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 Securities Act and are subject to certain transfer restrictions.

For definitions of certain capitalized terms used in the following summary, see "—Certain Definitions".

Brief Description of the Notes, the Guarantees and the Security

The Notes

The Notes will:

- be general unsubordinated obligations of the Issuer;
- have the benefit of security (as described under "—Security") in the form of junior pledges of the High Yield Proceeds Funding Loan and 100% of the Capital Stock of IHL (the "IHL Pledged Shares"), in each case ranking junior to the pledges thereof granted in favor of the lenders under the Senior Secured Credit Facilities, the Hedge Counterparties under the Senior Hedging Obligations, (until the BP Release Date) the BP Creditors, and the lenders under the Term D Facility;
- be guaranteed on a senior subordinated basis by the Guarantors;
- 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 Notes to the extent of the value of the Collateral (as defined below under "—Security"); and
- be senior in right of payment to all existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes.

The Notes will be effectively subordinated to any existing and future secured Indebtedness of the Issuer to the extent of the value of the assets securing such Indebtedness (unless such assets also secure the Notes on an equal and ratable or senior basis). In addition, the Notes will be effectively subordinated to all existing and future indebtedness and other liabilities of the Issuer's subsidiaries that do not guarantee the Notes. The High Yield Proceeds Funding Loan and the IHL Pledged Shares currently represent all of the assets of the Issuer and are subject to the senior pledges for the benefit of the lenders under the Senior Secured Credit Facilities, the Senior Hedging Obligations, (until the BP Release Date) the BP Creditor Liabilities, and the lenders under the Term D Facility. The Indenture and the Intercreditor Agreement also will 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. See "—Limitation on Liens".

The Guarantees

Each Guarantee will:

- be joint and several and will be subordinated in right of payment to all existing and future Senior Indebtedness of the applicable Guarantor;
- rank equally in right of payment with all existing and future senior subordinated Indebtedness of the applicable Guarantor, including, in the case of the Guarantee by IHL, the High Yield Proceeds Funding Loan; *provided* that the Indenture will permit the Guarantors to guarantee Second Secured Liabilities, including the Term D Facility, which guarantees may rank behind the Senior Secured Credit Facilities but ahead of the Guarantees; and
- rank senior in right of payment to all existing and future Subordinated Indebtedness of the applicable Guarantor.

The Guarantees will be effectively subordinated to any existing and future secured Indebtedness of the Guarantors (including the Senior Secured Credit Facilities, the Term D Facility, the Senior Hedging Obligations and (until the BP Release Date) the BP Creditor Liabilities) to the extent of the value of the assets securing such Indebtedness (unless such assets also secure the Guarantees on an equal and ratable or senior basis). In the event of a bankruptcy or insolvency, each Guarantor's secured lenders will have a prior secured claim to any collateral of such Guarantor securing the debt owed to them.

The obligations of the Guarantors under their Guarantees 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. 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 US law" and "—Enforceability of German guarantees—You may not be able to enforce, or recover any amounts under, the guarantee of the German subsidiaries due to restrictions or enforcement reflecting German corporate law".

The obligations of any Guarantor under its Guarantee will be automatically and unconditionally released and discharged in certain circumstances. See "—Subordination of the Guarantees—Release of the Guarantees".

Subordination of the Guarantees

Until all moneys and liabilities outstanding in respect of Designated Senior Indebtedness and related documents have been discharged or paid in full and all commitments in connection with those moneys and liabilities have come to an end, the Guarantees of the Guarantors will provide that no amount shall become due by the Guarantors to the holders of the Notes or the Trustee under the Guarantees of the Guarantors (whether before or after demand has been made under the Guarantees of the Guarantors) and, therefore, no Enforcement Action may be taken in respect of the Guarantees of the Guarantors, unless and until:

(a) an Event of Default on the Notes (the date on which written notice has been given by the Trustee to the Senior Facility Agent or (after the Senior Secured Discharge Date) the Second Secured Representative of such event of default, the "Default Date") has occurred and such Event of Default is continuing; and

(b) the Standstill Period (as defined below) has expired.

The "Standstill Period", with respect to each Guarantor, will be the period commencing on the Default Date and ending on the first to occur of:

- the expiration of 179 days after the Default Date;
- the date upon which an Insolvency Event (other than an Insolvency Event that is the result of the actions of any holder of the Notes not in compliance with the Indenture and the Intercreditor Agreement) occurs; and
- the date upon which the holders of any Designated Senior Indebtedness have taken Enforcement Action thereunder.

Because the obligations of each Guarantor under its Guarantee will only be due during the time periods and under the circumstances described above, holders may only make a demand under or bring any enforcement action on the Guarantees of the Guarantors during such time periods and while such circumstances exist without the prior written consent of the Majority Senior Creditors and any Second Secured Representative.

Payment Blockage Provisions Relating to the Guarantees

The Indenture will provide that the Guarantors may not make any payment in respect of the Notes pursuant to the Guarantees (except in Permitted Junior Securities or from the trust, if any, described under "—Defeasance or Covenant Defeasance of Indenture") if:

(a) a payment default on Designated Senior Indebtedness has occurred and is continuing beyond any applicable grace period (other than an amount not constituting principal, interest or fees, not in excess of €1,000,000 (or its equivalent in any other currency)); or

(b) any other default occurs and is continuing on any Designated Senior Indebtedness that permits the holders or lenders of such Designated Senior Indebtedness to accelerate its maturity and the Trustee receives notice of such default (a "Payment Blockage Notice") from the Senior Facility Agent (in the event of any default under the Senior Secured Credit Facilities, (until the BP Release Date) the BP Creditor Liabilities, or the Term D Facility) or any Second Secured Representative (in the event of any default under any other Second Secured Liabilities following the Senior Secured Discharge Date but prior to the Second Secured Discharge Date) or the holders or lenders of such Designated Senior Indebtedness within 75 days of the agent, trustee or holder for such Designated Senior Indebtedness receiving written notice of such default.

Payments on the Notes by the Guarantors pursuant to the Guarantees may and will be resumed (including making any missed payments):

(a) in the case of a payment default, when such default is cured or waived; or

(b) in the case of a non-payment default when one of the following occurs (whichever is the earlier):

(i) 179 days have elapsed since the date of issuance of the Payment Blockage Notice;

(ii) where a Standstill Period is in effect at any time after receipt of a Payment Blockage Notice, the expiration of that Standstill Period and the relevant Event of Default to which the Standstill Period relates has not been cured or waived;

(iii) such non-payment default is cured or waived in writing or has ceased to exist;

(iv) the Senior Facility Agent (in the event of any default under the Senior Secured Credit Facilities or the Term D Facility or (until the BP Release Date) the BP Creditor Liabilities) or any Second Secured Representative (in the event of a default under any other Second Secured Liabilities after the Senior Secured Discharge Date but prior to the Second Secured Discharge Date) cancels the Payment Blockage Notice; or

(v) the Second Secured Discharge Date occurs.

No new Payment Blockage Notice may be delivered to the Guarantors unless and until (x) 365 days have elapsed since the delivery of the immediately prior Payment Blockage Notice and (y) all scheduled payments of interest on the Notes that have come due have been paid in full in cash. Not more than one Payment Blockage Notice may be served with respect to the same event or set of circumstances.

No non-payment default on any Designated Senior Indebtedness that existed or was continuing on the date of delivery of a Payment Blockage Notice to the Trustee will be, or be made, the basis for a subsequent Payment Blockage Notice.

Any failure to make a payment due under the Notes as a result of a Payment Blockage Notice shall not prevent any commencement of any Enforcement Action permitted under "—Subordination of the Guarantors."

Release of the Guarantees

A Guarantor's Guarantee will be automatically and unconditionally released if:

(a) in the event that the Capital Stock (or the shares of any holding company of such Guarantor) or the assets of such Guarantor are sold or otherwise disposed of by the Senior Security Agent (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative) or any receiver or administrator acting in accordance with the Intercreditor Agreement pursuant to an Enforcement Action, or is sold by the Issuer or a Guarantor at the request of the Senior Security Agent after a default under the Senior Secured Credit Facilities or the Term D Facility or (until the BP Release Date) the BP Creditor Liabilities (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative after a default under any other Second Secured Liabilities), immediately upon such sale, *provided* that:

(i) the Trustee acting on the instructions of the holders of more than 50% in aggregate principal amount of the Notes then outstanding, has approved the release, or

(ii) the assets or shares of such Guarantor (or any holding company of such Guarantor) are sold or otherwise disposed of by the Senior Security Agent after a default under the Senior Secured Credit Facilities or the Term D Facility or (until the BP Release Date) the BP Creditor Liabilities (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative after a default under any other Second Secured Liabilities) or such receiver or administrator or by the Issuer or a Guarantor at the request of the Senior Security Agent (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative), and:

(A) all or substantially all of the consideration for such sale is in the form of cash or Cash Equivalents;

(B) concurrently with the completion of any such sale or disposal, the claims and security interests of the holders of all Designated Senior Indebtedness, the holders of all Subordinated Indebtedness and the holders of all Public Debt that is Pari Passu Indebtedness of such Guarantor and its Subsidiaries (other than, in each case, any performance bonds or similar instruments) are discharged or released (and not assumed by the relevant purchaser or any affiliate thereof);

(C) either (x) the sale is either made pursuant to a Public Auction or (y) an internationally recognized investment bank or an internationally recognized accounting firm selected by the Senior Security Agent (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative) has delivered in respect of the sale or disposal an opinion to the Trustee 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;

(D) the sale is made in compliance with all applicable laws; and

(E) the proceeds of such sale are concurrently with the completion of such sale delivered to the Senior Security Agent (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative) for application in accordance with the provisions described under "—Turnover";

(b) in connection with any other sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition complies with the requirements of the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Assets", regardless of whether such requirements are otherwise applicable;

(c) in connection with any other sale or other disposition of all or substantially all of the Capital Stock (or the shares of any holding company of such Guarantor (other than the Issuer or any Parent)) of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition complies with the requirements of the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Assets", regardless of whether such requirements are otherwise applicable;

(d) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the 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, such guarantor is unconditionally released and discharged from its liability with respect to (i) Indebtedness in connection with which such guarantee was executed pursuant to the covenant described under the caption "—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries" or (ii) Additional Guarantees executed pursuant to the covenant described under the caption "—Certain Covenants—Additional Subsidiary Guarantees"; *provided* that in the case of this clause (ii) no Guarantee shall be released if, following such release, the Notes will be guaranteed by Restricted Subsidiaries that account for less than 50% of our consolidated EBITDA, as defined in the Senior Facilities Agreement, for the year ended December 31, 2004; or

(g) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

Turnover

Except to the extent prohibited by law, if at any time on or before the Second Secured Discharge Date the Trustee or any holder of the Notes receives or recovers a payment or distribution of, or on account of:

(a) the Guarantees which is prohibited by the Intercreditor Agreement or the Indenture;

(b) any Enforcement Action against a Guarantor or with respect to the Collateral in contravention of the Intercreditor Agreement or the Indenture;

(c) the Notes as a result of the Issuer receiving or recovering an amount from a Guarantor (including under the High Yield Proceeds Funding Loan) in contravention of the Intercreditor Agreement or the Indenture;

(d) any set-off in respect of the Guarantees which is prohibited by the Intercreditor Agreement or the Indenture;

(e) the purchase or acquisition of the Notes or the Guarantees by any Restricted Subsidiary or direct or indirect parent of such Restricted Subsidiary; or

(f) any distribution in cash or in kind in respect of the Guarantees, which is made as a result of the occurrence of an Insolvency Event of a Restricted Subsidiary

provided that at the time the Trustee receives or recovers such payment a Responsible Officer of the Trustee had actual knowledge that such receipt or recovery was required to be turned over, then the Trustee or the holder, as applicable, will hold the payment in trust for the benefit of the lenders or creditors under the relevant Designated Senior Indebtedness and will be required to turn over such amounts to the Senior Security Agent (or, after the Senior Secured Discharge Date, but prior to the

Second Secured Discharge Date, any Second Secured Representative) to be applied in the following order:

(a) first, in discharging any sums owing to the Senior Security Agent, any receiver or administrator acting in accordance with the Intercreditor Agreement, any Second Secured Representative in its capacity as such or the Trustee or Security Agent in their capacities as such on a *pari passu* basis;

(b) second, in payment of all costs and expenses incurred by or on behalf of the holders of Designated Senior Indebtedness in connection with enforcement of any security document or any exercise of their rights as creditors;

(c) third, in payment to be made pro rata to discharge the outstanding Designated Senior Indebtedness owed to the lenders under the Senior Secured Credit Facilities, the Hedge Counterparties, (until the BP Release Date and *provided* that there exists an event which constitutes, or will within not more than 10 days constitute, a Relevant Event) the BP Creditors;

(d) fourth, in payment to any Second Secured Representative (including, in the case of the Term D Facility, the Senior Facility Agent) to discharge any Second Secured Indebtedness owed to any Second Secured Creditors;

(e) fifth, in payment to be made pro rata to discharge any other Designated Senior Indebtedness;

(f) sixth, in payment to the Trustee on behalf of the holders for application towards the discharge of the Notes and the Guarantees;

(g) seventh, if none of the Restricted Subsidiaries is under any further actual or contingent liability in respect of any Designated Senior Indebtedness or the Notes or Guarantees, in payment to any Person to whom the Senior Security Agent, any Second Secured Representative or the Trustee is obliged to pay in priority to any Restricted Subsidiary; and

(h) eighth, the balance, if any, in payment to any Restricted Subsidiary, as applicable.

Security

The obligations of the Issuer under the Notes will be secured by liens (the "Junior Priority Liens") over (a) the IHL Pledged Shares and (b) the High Yield Proceeds Funding Loan, in each case ranking junior to the pledges thereof granted in favor of the lenders under the Senior Secured Credit Facilities, the lenders under the Term D Facility, the Hedge Counterparties under the Senior Hedging Obligations and (until the BP Release Date) the BP Creditors. The High Yield Proceeds Funding Loan, the IHL Pledged Shares and any future collateral securing the Notes and the Guarantees are referred to as the "Collateral". The pledge agreements in respect of the High Yield Proceeds Funding Loan and the IHL Pledged Shares are referred to as the "Security Documents". The security interests that secure the obligations under the Notes and the Guarantees created by the Security Documents are referred to as the "Security Interests". So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, a copy of the Security Documents will be made available upon request to our paying agent in Luxembourg.

Subject to certain conditions, including compliance with the covenant described under "—Certain Covenants—Impairment of Security Interest", the Issuer is permitted to pledge the Collateral in connection with certain future incurrences of Indebtedness or Indebtedness of the Restricted Subsidiaries, 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 Agreement also will permit the Issuer to issue Indebtedness secured by liens on the Collateral, which liens may, under certain circumstances, rank ahead of the security interests on the Collateral. See "—Limitation on Liens".

Each holder of Notes, by accepting a Note, shall be deemed (i) to have authorized the Trustee and the Collateral Agent to enter into the Security Documents and (ii) to be bound thereby. Each holder of Notes, by accepting a Note, appoints the Trustee or the Collateral Agent, as the case may be, as its agent under the Security Documents and authorizes it to act as such.

The Indenture will provide that, subject to the terms thereof and of the Security Documents, the Notes and the Indenture, as applicable, will be secured by the Security Interest in the Collateral until all obligations under the Notes and the Indenture have been discharged.

In the event that the Issuer or any of its subsidiaries enters into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents could be subject to potential challenges. If any challenge to the validity of the Security Interests is successful, the holders may not be able to recover any amounts under the Security Documents. See "Risk Factors—Insolvency Laws—Relevant insolvency laws in England and other jurisdictions may provide you with less protection than US law".

Enforcement of Security

The Security Documents provide that the rights of the holders of the Notes with respect to the pledge of the Collateral must be exercised by the Trustee or Collateral Agent or a Person appointed to act for or on behalf of the Trustee or Collateral Agent. Because the holders of the Notes are not a party to the Security Documents, holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders may only act through the Trustee or Collateral Agent. The affirmative vote of the holders of more than 50% in aggregate principal amount of the Notes then outstanding will be required in order to direct any action to enforce any rights in their favor under the Security Documents. The Trustee or Collateral Agent will not be entitled to take any Enforcement Action under the Security Documents after the occurrence of a Default or any other event which would cause the Notes to become due and payable unless:

(a) the Senior Discharge Date and the Second Secured Discharge Date have occurred;

(b) the Standstill Period (as described under "—Subordination of the Guarantees") has expired; or

(c) the Trustee is otherwise entitled by the terms of the Intercreditor Agreement to take Enforcement Action under the Security Documents.

Any instruction to the Trustee or Collateral Agent by holders of the Notes in respect of enforcement of the Collateral must be given by the holders of more than 50% of aggregate principal amount of the Notes then outstanding.

If the Trustee or Collateral Agent receives (a) proceeds of any enforcement of the Security Documents over Collateral owned by the Issuer while Designated Senior Indebtedness remains outstanding or (b) proceeds of any enforcement of the Guarantees while there is Designated Senior Indebtedness outstanding, then the Trustee or Collateral Agent will hold the payment in trust for the benefit of the holders of the relevant Indebtedness and will be required to turn over such amounts to the Senior Security Agent (or, following the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative) to be applied in the order described under "—Turnover"; *provided, however,* that the Trustee shall only be required to turn over any amount if (x) a Responsible Officer of the Trustee has actual knowledge that such amount is required to be turned over and (y) it has not distributed any amounts so received to holders in accordance with the Indenture.

Release of Security

The Junior Priority Liens on the Collateral will be released without any action by the Trustee or Collateral Agent, as the case may be, or the holders of the Notes upon:

(a) the payment in full of all amounts outstanding under the Notes and the Indenture;

(b) 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"; or

(c) upon an Asset Sale made in compliance with the provisions of the Indenture described in "—Certain Covenants—Limitation on Sale of Assets" or specifically excluded from the definition of "Asset Sale" (other than by clauses (i), (ii) and (x) of the second paragraph of the definition of "Asset Sale"); *provided* that if any Collateral so released thereafter becomes or is replaced by an asset that is subject to a senior priority lien (other than an Excluded Asset), the Notes will then be secured by Junior Priority Liens on such asset to the same extent.

Prior to such time, the Junior Priority Liens may not be released, other than as described below.

In the event that Collateral is sold or otherwise disposed of by the Senior Security Agent or any Second Secured Representative (after the Senior Secured Discharge Date but prior to the Second Secured Discharge Date) or any receiver or administrator acting in accordance with the Intercreditor Agreement pursuant to an Enforcement Action, or is sold by the Issuer or a Guarantor at the request of a secured lender after a default under any Designated Senior Indebtedness has occurred that permits the lenders thereunder to accelerate its maturity, then the security granted over such Collateral in favor of the holders of the Notes or any Guarantee will be unconditionally released immediately upon such sale, *provided* that:

(i) the Trustee or Collateral Agent (subject to receiving reasonably satisfactory indemnification), acting on the instructions of the holders of more than 50% in aggregate principal amount of the Notes then outstanding has approved the release; or

(ii) such Collateral is sold or otherwise disposed of by the Senior Security Agent, after a default under the Senior Secured Credit Facilities or the Term D Facility or (until the BP Release Date) the BP Creditor Liabilities (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative after a default under any other Second Secured Liabilities) or such receiver or administrator or by the Issuer or a Guarantor at the request of the Senior Security Agent (or, after the Senior Secured Discharge Date but prior to the Second Secured Discharge Date, any Second Secured Representative) and:

  (A) all or substantially all the consideration for such sale is in the form of cash or Cash Equivalents;

  (B) (i) concurrently with the completion of any such sale or disposal of shares in a Guarantor, the claims and security interests of the holders of all Designated Senior Indebtedness, the holders of all Subordinated Indebtedness and the holders of all Public Debt that is Pari Passu Indebtedness of such Guarantor and its Subsidiaries (other than, in each case, any performance bonds or similar instruments) are discharged or released (and not assumed by the relevant purchaser or any affiliate thereof) or (ii) concurrently with the completion of any such sale or disposal of assets other than the Capital Stock of a Guarantor, the security interests of the holders of Designated Senior Indebtedness over such assets are released;

(C) either (x) the sale is either made pursuant to a Public Auction or (y) an internationally recognized investment bank or an internationally recognized accounting firm selected by the Senior Security Agent (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative) has delivered in respect of the sale or disposal an opinion to the Trustee 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;

(D) the sale is made in compliance with all applicable laws; and

(E) the proceeds of such sale are concurrently with the completion of such sale delivered to the Senior Security Agent (or, after the Senior Secured Discharge Date, but prior to the Second Secured Discharge Date, any Second Secured Representative) for application in accordance with the provisions described under "—Turnover".

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 will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to collect, invest and dispose of any income therefrom and to vote pledged shares.

No appraisal of any of the Collateral has been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after the satisfaction of all obligations owed to holders of senior priority liens or the holders of other Liens which have priority over the Junior Priority Liens pledged in favor of the holders of the Notes 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.

The Indenture will provide that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The High Yield Proceeds Funding Loan

The Issuer will use the gross proceeds of the Notes to fund the High Yield Proceeds Funding Loan pursuant to the Funding Agreement. In the event that Additional Notes are issued to fund an Additional Funding Loan, the Issuer may loan the gross proceeds to one or more of its Restricted Subsidiaries under an Additional Funding Loan Agreement. In such an event, the Additional Funding Loan will be pledged to the Trustee or Collateral Agent on substantially the same terms as the High Yield Proceeds Funding Loan as described under "Security". Unless the context otherwise requires, in this Description of the Notes, the term "High Yield Proceeds Funding Loan" will include any Additional Funding Loan.

Interest will accrue on the High Yield Proceeds Funding Loan at a rate at least equal to the interest rate payable on the Notes, with such adjustments as may be agreed between the parties or necessary to match any additional amounts due thereunder, or any default or special interest payable with respect to the Notes. Subject to the terms of the Intercreditor Agreement, the High Yield Proceeds Funding Loan is repayable at the same time as the repayment in full or in part of amounts due under the Notes, whether at maturity, on early redemption or mandatory repurchase or upon acceleration. Pursuant to the Intercreditor Agreement, IHL and the Issuer have agreed that IHL will only make payments on the High Yield Proceeds Funding Loan to the extent that the payment is not prohibited under a Payment Blockage Notice. The High Yield Proceeds Funding Loan will be subordinated in right of payment to the Designated Senior Indebtedness to the same extent as the Guarantee of IHL is subordinated to the Guarantor Senior Indebtedness of IHL and will be subject to the Intercreditor Agreement. See "Description of Other Indebtedness—Intercreditor Agreement".

Principal, Maturity and Interest

The Euro Notes initially will be issued in the aggregate principal amount of €1,750 million and will mature on February 15, 2016, unless redeemed prior thereto as described herein. The Dollar Notes initially will be issued in the aggregate principal amount of $750 million and will mature on February 15, 2016, 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". Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that may be issued.

Each Note will bear interest at the rate set forth on the cover page of this offering memorandum from and including February 7, 2006, or from and including the most recent interest payment date to which interest has been paid, payable semiannually in arrears on February 15 and August 15 in each year, commencing August 15, 2006. The Issuer will make each interest payment to the holders of record of the Notes on the immediately preceding February 1 and August 1. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on overdue principal and, to the extent permitted by law, on overdue installments of interest will accrue at the rate of interest borne by the Notes.

Principal of, premium, if any, any 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, the alternative market of the Luxembourg Stock Exchange, 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 and/or Clearstream 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 Euro Notes will be represented by global notes and will be issued only in fully registered form without coupons and only in minimum denominations of €50,000 and integral multiples of €1,000 in excess thereof. The Dollar Notes will be represented by global notes and will be issued only in fully registered form without coupons and only in minimum denominations of $75,000 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. Ownership of interests in the global notes, referred to as "book-entry interests", will be limited to Persons that have accounts with Euroclear 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 Euroclear and Clearstream and their participants. 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 will be 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

The Notes will be subject to redemption at any time prior to February 15, 2011 at the option of the Issuer, in whole but not 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 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 Notes will be subject to redemption at any time on or after February 15, 2011, 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 principal amount), if redeemed during the 12-month period beginning February 15 of the years indicated below:

Year	Euro Notes Redemption Price	Dollar Notes Redemption Price
2011	103.938%	104.250%
2012	102.625%	102.833%
2013	101.313%	101.417%
2014 and thereafter	100.000%	100.000%

in each case, 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, 2009, the Issuer or the direct or indirect parent of the Issuer, at its option, may use the net cash proceeds of one or more Public Equity Offerings to redeem Euro Notes and Dollar Notes and additional Euro Notes and Dollar Notes in an amount up to an aggregate of 35% of the sum of the initial aggregate principal amount of each of the Euro Notes and the Dollar Notes originally issued under the Indenture and the aggregate principal amounts of any additional Euro Notes and Dollar Notes issued under the Indenture after the initial closing date at a redemption price equal to 107.875% of the aggregate principal amount of the Euro Notes and 108.500% of the aggregate principal amount of the Dollar Notes, in each case, plus any Additional Amounts and accrued and unpaid interest thereon, 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 Euro Notes and Dollar Notes and additional Euro Notes and Dollar Notes in an amount equal to at least 65% of the sum of the initial aggregate principal amount of Euro Notes and Dollar Notes originally issued under the Indenture and the aggregate principal amounts of any additional Euro Notes and Dollar Notes issued under the Indenture after the date of the Indenture remains outstanding immediately after the occurrence of such redemption. In order to effect the foregoing redemption, the Issuer must mail a notice of redemption no later than 60 days after the closing of the related sale and must consummate such redemption within 90 days of the closing of the sale.

Selection and Notice of Optional Redemption

If less than all of the Notes are to be redeemed, the Trustee shall select the Notes or portions thereof to be redeemed in compliance with the requirements of the principal security exchange, if any, on which such Notes are listed, and/or in compliance with the requirements of DTC, Euroclear or Clearstream, as applicable, or if such Notes are not so listed or such exchange prescribes no method of selection and such Notes are not held through Euroclear, Clearstream or DTC, as applicable, or Euroclear, Clearstream or DTC, as applicable, prescribes no method of selection, on a pro rata basis, by lot or by any other method the Trustee shall deem fair and reasonable.

No Euro Notes shall be redeemed in part if the resulting Euro Note would have a minimum denomination that is less than €50,000. No Dollar Notes shall be redeemed in part if the resulting Dollar Note would have a minimum denomination that is less than $75,000. 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, the redemption price and the amount of accrued interest, if any, to be paid; the paragraph of the Notes pursuant to which the Notes are being redeemed; the name and address of the Paying Agent; that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price; that unless the Issuer defaults in making the redemption payment, interest, if any, on Notes called for redemption shall cease to accrue on and after the redemption date; that, if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed, and the only remaining right of the holders of such Notes is to receive payment of the redemption price upon surrender to the paying agent of such Notes; that, if less than all the Notes are to be redeemed, the identification of the particular Notes and the principal amount (or portion thereof) of such Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption; and whether the redemption is conditioned on any events and what such conditions are. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

So long as the Notes may be listed on the Official List of the Luxembourg Stock Exchange and may be 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 *d'Wort*) or on the Luxembourg Stock Exchange's website, *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 "—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 making payment through a paying agent located in another jurisdiction), then the Issuer or the Surviving Entity, as the case may be, may redeem all, but not less than all, of the Notes at any time after 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.

Absent manifest error, 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 obliged 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 that the Issuer, any Guarantor or any Surviving Entity makes under or with respect to the Notes, or that any Guarantor makes 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, or, if applicable, any Guarantor or any Surviving Entity, as the case may be, 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 (each, as applicable, a "Relevant Taxing Jurisdiction"), unless the Issuer, such Guarantor or such Surviving Entity, as the case may be, is required to withhold or deduct Taxes by law or by the interpretation or administration of law. If the Issuer, a Guarantor or such Surviving Entity is required to withhold or deduct any amount for, or on account of, Taxes of a Relevant Taxing Jurisdiction 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 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) addressed to the holder (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request) made 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, sales, 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 Tax that is imposed or levied on or with respect to a payment made to a holder or beneficial owner 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

(h) any combination of items (a) through (g) above.

Nor will Additional Amounts 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 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 a transfer of the Notes other than the initial resale by the Initial Purchasers).

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 Notes and any Guarantee of the Dollar Notes. Any amount received or recovered in currency other than dollars in respect of the Dollar Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuer or any Guarantor of the Dollar Notes shall constitute a discharge of the Issuer or any Guarantor of the Dollar 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 Note, the Issuer and each Guarantor of the Dollar 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 Notes and any Guarantee of the Euro Notes. Any amount received or recovered in currency other than euro in respect of the Euro Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuer or any Guarantor of the Euro Notes shall constitute a discharge of the Issuer or any Guarantor of the Euro 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 Note, the Issuer and each Guarantor of the Euro Notes, jointly and severally, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this indemnity, it will be sufficient for the holder to certify (indicating the sources of information used) that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been possible, on the first date on which it would have been possible).

Each of the above indemnities will, to the extent permitted by law:

- constitute a separate and independent obligation from the other obligations of the Issuer and any Guarantor;
- give rise to a separate and independent cause of action;
- apply irrespective of any waiver granted by any holder; and
- continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

The indemnities described in this paragraph shall be subordinated with respect to the Guarantors on the same basis as all other payment obligations of the Guarantors hereunder.

Sinking Fund

The Notes will not be entitled to the benefit of any sinking fund.

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 €50,000 or $75,000, 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, "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 €50,000 in the case of Euro Notes or $75,000 in the case of Dollar Notes.

Within 30 days of any Change of Control, the Issuer shall notify the Trustee thereof and give written notice of such Change of Control to each holder of Notes by first-class mail, postage prepaid, at his 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 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
- certain 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 in a leading newspaper having a general circulation in London (which is expected to be *The Financial Times*), and in New York (which is expected to be *The Wall Street Journal*), through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency) and, so long as the Notes may be listed on the Official List of the Luxembourg Stock Exchange and may be 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 *d'Wort*) or on the Luxembourg Stock Exchange's website, *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 a default due to a breach of undertaking 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 and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the holders of the Notes upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

Even if sufficient funds were otherwise available, the terms of the Senior Facilities Agreement will (and other Indebtedness may) prohibit the Guarantors' prepayment of Notes. Consequently, if the Guarantors are not able to prepay the Senior Secured Credit Facilities and the Term D Facility and any such Indebtedness containing similar restrictions or obtain requisite consents, as described above, the Issuer will be unable to fulfill its repurchase obligations if holders of the Notes exercise their repurchase rights following a Change of Control, thereby resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under the Senior Facilities Agreement.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture 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 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 Trustee will promptly authenticate and deliver a new note or notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated notes; *provided* that each such new note will be in a principal amount of €50,000 or $75,000, as applicable, or an integral multiple of €1,000 or $1,000, as applicable, in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The definition of "Change of Control" includes a disposition of "all or substantially all" of the assets of the Issuer. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer must make an offer to repurchase the Notes as described above.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations (including those of the United States and the United Kingdom) in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), the Issuer will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

Certain Covenants

The Indenture contains, among others, the following covenants:

Limitation on Indebtedness. (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, create, issue, incur, assume, guarantee or otherwise in any manner become directly or indirectly liable for the payment of or otherwise incur, contingently or otherwise (collectively, "incur"), any Indebtedness (including any Acquired Indebtedness); *provided*, *however,* that if, on the date of such incurrence and after giving effect thereto on a *pro forma* basis no Default or

Event of Default has occurred or is continuing, the Issuer and the Restricted Subsidiaries may incur Indebtedness if the Issuer's Consolidated Fixed Charge Coverage Ratio for the most recent four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Indebtedness taken as one period is at least equal to or greater than two to one.

(b) Notwithstanding the foregoing, the Issuer and, to the extent specifically set forth below, the Restricted Subsidiaries may incur each and all of the following and, in each case only if, on the date of such incurrence and after giving effect thereto on a *pro forma* basis no Default or Event of Default has occurred or is continuing (collectively, the "Permitted Indebtedness"):

(1) Indebtedness of the Issuer and its Restricted Subsidiaries under Credit Facilities in an amount not in excess of €7.0 billion less (i) any permanent repayments of such Indebtedness with the proceeds of Asset Sales made in accordance with the provisions of "—Limitation on Sale of Assets" and (ii) the aggregate principal amount of Public Debt secured by a Lien (other than solely by one or both of (x) a Lien described in clause (dd) of the definition of "Permitted Lien" or (y) a Permitted Collateral Lien);

(2) Indebtedness of the Issuer or its Restricted Subsidiaries under the Borrowing Base Facility in an aggregate amount not in excess of €1.3 billion at any time outstanding;

(3) Indebtedness of the Issuer pursuant to the Notes (other than Additional Notes) and Indebtedness of the Guarantors pursuant to the Guarantees, including Additional Guarantees, of the Notes (other than Additional Notes);

(4) Indebtedness of the Issuer or any Restricted Subsidiary outstanding on the date of the Indenture and not otherwise referred to in this definition of "Permitted Indebtedness";

(5) Indebtedness of the Issuer owing to a Restricted Subsidiary; *provided* that any Indebtedness of the Issuer owing to a Restricted Subsidiary that is not a Guarantor is unsecured and is subordinated in right of payment to the payment and performance of the Issuer's obligations under the Notes; *provided*, *further,* that any disposition or transfer of any such Indebtedness to a Person (other than a disposition or transfer to a Restricted Subsidiary) shall be deemed to be an incurrence of such Indebtedness by the Issuer or other obligor not permitted by this clause (5);

(6) Indebtedness of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary; *provided* that any disposition or transfer of any such Indebtedness to a Person (other than a disposition or transfer to the Issuer or a Restricted Subsidiary) shall be deemed to be an incurrence of such Indebtedness by the obligor not permitted by this clause (6);

(7) guarantees by any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary made in accordance with the provisions of "—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries" and guarantees of Additional Notes by the Guarantors, *provided* the Indebtedness represented by the Additional Notes is incurred in accordance with the Indenture;

(8) guarantees by the Issuer of Indebtedness of any Restricted Subsidiary made in accordance with the Indenture so long as the incurrence of such Indebtedness

by 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 substantially to the same extent as the relevant Indebtedness guaranteed;

(9) obligations of the Issuer or any Restricted Subsidiary entered into in the ordinary course of business and not for speculative purposes (A) pursuant to Interest Rate Agreements, or (B) under any Currency Hedging Agreements, relating to (i) Indebtedness of the Issuer or any Restricted Subsidiary and/or (ii) obligations to purchase or sell assets or properties, in each case, incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, or (C) under any Commodity Price Protection Agreements, in each case entered into for bona fide hedging purposes of the Issuer or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the board of directors or senior management of the Issuer);

(10) Indebtedness of the Issuer or any Restricted Subsidiary 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 (including Capital Stock), in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of construction or improvement of property used in the business of the Issuer and its Restricted Subsidiaries in an aggregate principal amount pursuant to this clause (10) not to exceed €200 million outstanding at any time; *provided* that the principal amount of any Indebtedness permitted under this clause (10) 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;

(11) Indebtedness of the Issuer or any Restricted Subsidiary represented by Permitted Refinancing Indebtedness with respect to Indebtedness that was permitted to be incurred under paragraph (a) of this covenant or clauses (3), (4), (11) or (16) of this paragraph (b);

(12) Indebtedness of the Issuer and its Restricted Subsidiaries in respect of (A) letters of credit issued in the ordinary course of business of such Person with respect to trade payables relating to purchase of materials by such Person, (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;

(13) Indebtedness of the Issuer and its Restricted Subsidiaries owed to their employees in connection with loan stock issued under employee stock purchase plans so long as the aggregate principal amount of all such Indebtedness shall not exceed €10 million outstanding at any one time in the aggregate;

(14) Indebtedness of the Issuer and its Restricted Subsidiaries pursuant to any Permitted Receivables Financing;

(15) Indebtedness represented by guarantees of any Management Advances;

(16) Acquired Indebtedness; *provided, however,* with respect to this clause (16), that at the time of the acquisition or other transaction pursuant to which such Acquired Indebtedness was deemed to be incurred (x) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to paragraph (a) of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (16) or (y) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(17) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary, including pursuant to the Transactions (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); provided that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(18) 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;

(19) Indebtedness of the Issuer and its Restricted Subsidiaries in respect of Permitted Joint Ventures to the extent permitted under the definition thereof;

(20) to the extent required to be given in accordance with the BASF Acquisition Agreement, Indebtedness represented by the BASF Guarantee;

(21) any guarantee given by the Issuer and its Restricted Subsidiaries under and in accordance with the Credit Support Documents; and

(22) Indebtedness of the Issuer and its Restricted Subsidiaries in addition to that described in clauses (1) through (21) 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 €200 million outstanding at any one time in the aggregate.

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 (22) above, or is entitled to be incurred pursuant to the paragraph (a) of this covenant, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence and, except with respect to Indebtedness incurred 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 Facilities Agreement outstanding on the Issue Date up to the maximum amounts permitted under clause (b)(1) of this covenant will be deemed to have been incurred pursuant to clause (b)(1) of this covenant.

For purposes of determining any particular amount of Indebtedness under this "Limitation on Indebtedness" covenant, guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of a particular amount will not be included.

For purposes of determining compliance with this "Limitation on Indebtedness" covenant, 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 GAAP. Accrual of interest, 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 covenant.

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 (11) 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 (11) above, if incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing. Notwithstanding any other provision of this "Limitation on Indebtedness" covenant, the maximum amount that the Issuer or a Restricted Subsidiary may incur pursuant to this "Limitation on Indebtedness" covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies.

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.

Limitation on Restricted Payments. (a) The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly take any of the following activities (each of which, other than any such action that is a Permitted Payment (as defined below) is a "Restricted Payment" and which are collectively known as "Restricted Payments"):

(1) declare or pay any dividend on, or make any distribution on the Issuer's Capital Stock to any Person (other than dividends or distributions payable solely in shares of its Qualified Capital Stock or in options, warrants or other rights to acquire shares of such Qualified Capital Stock) or make any payment of cash interest in respect of Subordinated Shareholder Funding;

(2) purchase, redeem, defease or otherwise acquire or retire for value, directly or indirectly, (a) the Issuer's Capital Stock or any Capital Stock of any Affiliate of the Issuer (other than a Restricted Subsidiary) held by Persons other than the Issuer or a Restricted Subsidiary, (b) options, warrants or other rights to

acquire such Capital Stock or (c) any Subordinated Shareholder Funding held by any Person;

(3) make any principal payment on, or repurchase, redeem, defease, retire or otherwise acquire for value, prior to any scheduled principal payment, sinking fund payment or maturity, any Subordinated Indebtedness (other than the purchase, repurchase, redemption, defeasance or other acquisition or retirement of (a) Subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness incurred pursuant to clause (5) or (6) of paragraph (b) of the covenant described under "—Limitation on Indebtedness") or any Subordinated Shareholder Funding;

(4) declare or pay any dividend or distribution on any Capital Stock of any Restricted Subsidiary to any Person (other than (A) to the Issuer or any of its Wholly Owned Restricted Subsidiaries, (B) dividends or distributions made by a Restricted Subsidiary on a pro rata basis to all stockholders of such Restricted Subsidiary or (C) dividends or distributions payable solely in its Qualified Capital Stock or in options, warrants or other rights to acquire shares of such Qualified Capital Stock or in Subordinated Shareholder Funding); or

(5) make any Investment in any Person (other than any Permitted Investments).

(b) 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.

Notwithstanding the foregoing limitations, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing;

(2) the Issuer could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions described under "—Limitation on Indebtedness"; and

(3) the aggregate amount of all such Restricted Payments declared or made after the date of the Indenture does not exceed the sum of:

(A) 50% of the aggregate Consolidated Net Income of the Issuer accrued on a cumulative basis during the period beginning on the date of the Indenture and ending on the last day of the Issuer's last fiscal quarter ending prior to the date of the Restricted Payment (or, if such aggregate cumulative Consolidated Net Income shall be a loss, minus 100% of such loss);

(B) the aggregate Net Cash Proceeds received after the date of the Indenture by the Issuer either (x) as capital contributions to the Issuer in respect of Qualified Capital Stock of the Issuer or (y) from the issuance or sale (other than to any of its Subsidiaries) of Qualified Capital Stock of the Issuer or any options, warrants or rights to purchase such Qualified Capital Stock of the Issuer or from any Subordinated Shareholder Funding (except, in each case, to the extent such proceeds are used to purchase, redeem or otherwise retire

Capital Stock, Subordinated Indebtedness or Subordinated Shareholder Funding as set forth in clause (2) or (3) of paragraph (c) below) (and excluding the Net Cash Proceeds from the issuance of Capital Stock or Subordinated Shareholder Funding financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid in cash);

(C) the aggregate Net Cash Proceeds received after the date of the Indenture by the Issuer (other than from any of its Subsidiaries) upon the exercise of any options, warrants or rights to purchase Qualified Capital Stock of the Issuer (and excluding the Net Cash Proceeds from the exercise of any options, warrants or rights to purchase Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid);

(D) the aggregate Net Cash Proceeds received after the date of the Indenture by the Issuer from the conversion or exchange, if any, of debt securities or Redeemable Capital Stock of the Issuer or its Restricted Subsidiaries into or for Qualified Capital Stock of the Issuer plus, to the extent such debt securities or Redeemable Capital Stock were issued after the date of the Indenture, 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 the Issuer or any Subsidiary until and to the extent such borrowing is repaid); and

(E) the amount equal to the sum of:

(i) 100% of the aggregate Net Cash Proceeds received by the Issuer or a Restricted Subsidiary upon the sale of an Investment that had been a Restricted Payment or from repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payment or return of capital) by such Person to the Issuer or any Restricted Subsidiary;

(ii) upon the full and unconditional release of a Guarantee that had been a Restricted Payment that was an Investment made by the Issuer or a Restricted Subsidiary to any Person (other than the Issuer or a Restricted Subsidiary), to the extent not included in clause (i) above, an amount equal to the amount of such Guarantee;

(iii) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in the case of any Unrestricted Subsidiary, the Fair Market Value of the Issuer's or the relevant Restricted Subsidiary's interest in such Unrestricted Subsidiary;

(iv) 100% of the Net Cash Proceeds received by the Issuer or a Restricted Subsidiary from a sale or disposition of Capital Stock of an Unrestricted Subsidiary (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by Issuer or any of its subsidiaries for the benefit of its employees); and

(v) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary;

provided, *however,* that no amount will be included under this clause (E) to the extent it is already included in Consolidated Net Income.

(c) Notwithstanding the foregoing, and in the case of clauses (2) through (7), and (12), 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 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 the Issuer or any Subsidiary until and to the extent such borrowing is repaid in cash) of other shares of Qualified Capital Stock, a capital contribution of cash to the Issuer or of 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 (i) such Capital Stock, (ii) options, warrants or other rights to acquire such Capital Stock or (iii) Subordinated Shareholder Funding) are excluded from clause (3)(B) of paragraph (b) of this covenant;

(3) the repurchase, redemption, defeasance, retirement or acquisition for value or payment of principal of any Subordinated Indebtedness in exchange for, or in an amount not in excess of the Net Cash Proceeds of a substantially concurrent issuance and sale for cash (other than to any subsidiary of the Issuer) of any Qualified Capital Stock or Subordinated Shareholder Funding of, or a capital contribution to, the Issuer; *provided* that the Net Cash Proceeds from the issuance of such shares of Qualified Capital Stock or Subordinated Shareholder Funding (to the extent the Net Cash Proceeds are used to repurchase, redeem, defease, retire or acquire such Subordinated Indebtedness) are excluded from clause (3)(B) of paragraph (b) of this covenant;

(4) the repurchase, redemption, defeasance, retirement, refinancing, acquisition for value or payment of principal of any Subordinated Indebtedness (other than Redeemable Capital Stock and Subordinated Shareholder Funding) through the substantially concurrent issuance of new Subordinated Indebtedness of the Issuer that qualifies as Permitted Refinancing Indebtedness;

(5) the repurchase, redemption, defeasance, retirement, refinancing or other acquisition of Subordinated Indebtedness (other than Subordinated

Shareholder Funding) of the Issuer or any Restricted Subsidiary (other than Subordinated Indebtedness held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreement governing such Subordinated Indebtedness, but only (x) if the Issuer shall have complied with the covenant described under the caption "—Purchase of Notes Upon a Change of Control" or "—Limitation on Sale of Assets", as the case may be, and the Issuer 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, or the making of any loan or advance, by the Issuer or by the Issuer to any Parent to pay dividends or distributions in respect of Qualified Capital Stock of the Issuer or a Parent issued in a Public Equity Offering of such Qualified Capital Stock, *provided* that the aggregate amount of all such dividends under this clause shall not exceed in any fiscal year 6% of the Net Cash Proceeds received by the Issuer from such Public Offering, provided that at the time of such payment, loan or advance, the Consolidated Fixed Charge Coverage Ratio shall be equal to or greater than 2.75 to 1.00;

(8) the declaration or payment of dividends or distributions in an amount not in excess of the Net Cash Proceeds received from the Antwerp Disposal to the extent such proceeds are not otherwise applied (or required under the terms of the Senior Facilities Agreement to be applied) to repay Designated Senior Indebtedness;

(9) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, not to exceed €10 million in the aggregate;

(10) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(11) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Permitted Receivables Financing; and

(12) any other Restricted Payment, provided that the total aggregate amount of Restricted Payments made under this clause (12) does not exceed €25 million.

In determining the amount of Restricted Payments made after the date of the Indenture, 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) and (11) of the immediately preceding paragraph shall be excluded from such calculation. The amount of any non-cash Restricted Payment shall be deemed to be equal to the Fair Market Value thereof at the date of the making of such Restricted Payment.

Limitation on Transactions with Affiliates. (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of the Issuer (other than the Issuer or a Restricted Subsidiary) unless such transaction or series of related transactions is entered into in good faith and in writing and

(1) such transaction or series of related transactions is on terms that are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that would be available 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 million, either (x) such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the board of directors of the Issuer, or in the event there is only one Disinterested Director, by such Disinterested Director, or (y) the Issuer 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 million, (x) such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the board of directors of the Issuer, or in the event there is only one Disinterested Director, by such Disinterested Director and (y) the Issuer 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.

(b) The restrictions in paragraph (a) shall not apply to:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(2) payment of compensation to employees, consultants, officers or directors in the ordinary course of business;

(3) maintenance in the ordinary course of business (and payments required thereby) of benefit programs, or arrangements for employees, consultants, officers or directors, including vacation plans, health and life insurance plans,

deferred compensation plans, severance plans, employees', consultants', directors' and officers' indemnification agreements and retirement or savings plans and similar plans so long as the board of directors of the Issuer approved the terms thereof and deemed the services thereto fair, or thereafter to be performed for such compensation or payments (including fees and expenses) to be fair, consideration therefor;

(4) Management Advances;

(5) transactions between or among the Issuer and its Restricted Subsidiaries or among Restricted Subsidiaries;

(6) any Restricted Payment, Permitted Payment or Permitted Investments; *provided* that in the case of clause (q) of the definition Permitted Investments, such transaction must be fair to the Issuer and its Restricted Subsidiaries in the reasonable determination of the board of directors of the Issuer or the senior management of the Issuer, or otherwise comply with paragraph (a)(1) above;

(7) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or a joint venture or similar Person that would otherwise be subject to this covenant solely because the Issuer or a Restricted Subsidiary owns any of the Capital Stock of or otherwise controls such Affiliate, joint venture or similar Person;

(8) any payments or other transactions pursuant to Tax Sharing Agreements between the Issuer and any other Person or a Restricted Subsidiary and any other Person with which the Issuer or a Restricted Subsidiary files a consolidated tax return or with which the Issuer or a Restricted Subsidiary is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation *provided, however,* that any such tax sharing or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Issuer and its Restricted Subsidiaries on a stand-alone basis;

(9) (a) issuances or sales of Qualified Capital Stock of the Issuer or options, warrants or other rights to acquire such Qualified Capital Stock or issuances of Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the board of directors 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 Agreement or any Additional Intercreditor Agreement, as applicable;

(10) any transaction effected as part of a Permitted Receivables Financing;

(11) the Transactions and the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of the Transaction Documents; and

(12) Specified Affiliate Payments.

Limitation on Liens. The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, affirm or suffer to exist any Lien (the "Initial Lien") of any kind securing any Indebtedness (other than Permitted Liens) upon any property or assets of the Issuer or any Restricted Subsidiary, including any shares of stock or intercompany notes or other indebtedness of any Restricted Subsidiary, owned on the date of the Indenture or acquired after the date of the Indenture, or any income, profits or proceeds therefrom, or assign or convey any right to receive any income or profits therefrom, unless the Notes (or a Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with (or, (i) with respect to Indebtedness of a Guarantor, in the case of Guarantor Senior Indebtedness, behind or junior thereto, with the same relative priority as such Guarantee shall have with respect to such Guarantor Senior Indebtedness and (ii) in the case of Subordinated Indebtedness, prior or senior thereto, with the same relative priority as the Notes or such Guarantee shall have with respect to such Subordinated Indebtedness) the obligation or liability secured by such Lien.

Any Lien created for the benefit of the holders pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien, (b) upon the sale or other disposition of the assets subject to such Initial Lien (or the sale or other disposition of the Person that owns such assets) in compliance with the terms of the Indenture, (c) with respect to any Guarantor the assets or the Capital Stock of which are encumbered by such Lien, upon the release of the Guarantee of such Guarantor in accordance with the terms of the Indenture, (d) upon the designation of a Restricted Subsidiary whose property or assets secure such Initial Lien as an Unrestricted Subsidiary in accordance with the terms of the Indenture, or (e) upon the effectiveness of any defeasance or satisfaction and discharge of the Notes as specified in the Indenture.

Limitation on Sale of Assets. (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) at least 75% of the consideration from such Asset Sale or series of Asset Sales is received (A) in cash or Temporary Cash Investments or (B) in the form of the assumption by the purchaser of the liabilities of the Issuer or those of any of its Restricted Subsidiaries (other than the liabilities that are by their terms subordinated to the Notes) as a result of which the Issuer and its Restricted Subsidiaries are no longer obligated with respect to such liabilities; and

(2) the Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the shares or assets subject to such Asset Sale.

(b) 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 the Term D Facility then outstanding as required by the terms thereof, or the Issuer 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, the Term D Facility or other Indebtedness of any Restricted Subsidiary that is not Pari Passu Indebtedness or Subordinated Indebtedness, or if no such Indebtedness is then outstanding, then the Issuer 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 90 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 Issuer) 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 Issuer or its Restricted Subsidiaries existing on the date of the Indenture. 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 90 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 Issuer or any Restricted Subsidiary may temporarily reduce Indebtedness or otherwise invest such Net Cash Proceeds in Temporary Cash Investments.

(c) When the aggregate amount of Excess Proceeds exceeds €25 million, the Issuer will apply the Excess Proceeds to the repayment of the Notes and any other Pari Passu Indebtedness outstanding with similar provisions requiring the Issuer or a Restricted Subsidiary to make an offer to purchase such Indebtedness with the proceeds from any Asset Sale as follows:

(1) the Issuer or a Restricted Subsidiary will make an offer to purchase (an "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 Notes) and $1,000 (in the case of Dollar 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); and

(2) to the extent required by such Pari Passu Indebtedness to permanently reduce the principal amount of such Pari Passu Indebtedness, the Issuer or a Restricted Subsidiary, as the case may be, will make an offer to purchase or otherwise repurchase or redeem Pari Passu Indebtedness (a "Pari Passu Offer") in an amount (the "Pari Passu Debt Amount") equal to the excess of the Excess Proceeds over the Note Amount; provided that in no event will the Issuer or a Restricted Subsidiary be required to make a Pari Passu Offer in a Pari Passu Debt Amount exceeding the principal amount of such Pari Passu Indebtedness plus the amount of any premium required to be paid to repurchase such Pari Passu Indebtedness. 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 Issuer or any Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes and Pari Passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. 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 Issuer 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 Issuer or a Restricted Subsidiary, at the option of the holders thereof, in whole or in part (in a principal amount of €50,000, in the case of Euro Notes, or $75,000, in the case of Dollar Notes, or an integral multiple of €1,000 or $1,000, as applicable, in excess thereof, such that no Euro Note of less than €50,000 remains outstanding thereafter and that no Dollar Note of less than $75,000 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 Issuer or a Restricted Subsidiary to comply with the requirements under the Exchange Act or other applicable laws or regulations (including, without limitation, those of any securities exchange on which the Notes are listed).

(e) The Indenture will provide that, if the Issuer or a Restricted Subsidiary is required to make an Offer, the Issuer and such Restricted Subsidiary will comply with the applicable tender offer rules, including Rule 14e-1 under the 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 Issuer and such Restricted Subsidiary, as the case may be, will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

(f) If the Offer Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders of the Notes who tender Notes pursuant to the Offer.

(g) For the purposes of clause (a)(1) of this covenant, the following will be deemed to be cash:

(1) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Temporary Cash Investments within 90 days following the closing of such Asset Sale; and

(2) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Sale.

Additional Subsidiary Guarantees. The Issuer will use its commercially reasonable efforts to cause Restricted Subsidiaries that account for, in the aggregate, at least 85% of our consolidated EBITDA, as defined in the Senior Facilities Agreement, for the year ended December 31, 2004 to, not later than the date that is 90 days after the Issue Date, execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will guarantee payment of the Notes on the same terms and subject to the same conditions and limitations as those set forth under "—The Guarantees" and in the Indenture (each such guarantee of the Notes, an "Additional Guarantee").

Notwithstanding the foregoing and the other provisions of the Indenture, any Additional Guarantee by a Restricted Subsidiary of the Notes shall provide by its terms that it shall be automatically and unconditionally released and discharged in the circumstances described under "—The Guarantees". Any Additional Guarantee shall be considered a "guarantee" as described in "—The Guarantees".

Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries. (a) The Issuer will not cause or permit any Restricted Subsidiary (which is not a Guarantor), directly or indirectly, to guarantee, assume or in any other manner become liable with respect to (i) any Indebtedness of the

Issuer or any Restricted Subsidiary under any Credit Facilities or (ii) any Public Debt of the Issuer or any Subsidiary 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) such Guarantee need not be secured unless required pursuant to the "Limitation on Liens" covenant;

(3) 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;

(4) 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 date of the Indenture 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 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. ("S&P") and at least A2 or the equivalent thereof by Moody's Investors Service, Inc. ("Moody's"), in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary;

(5) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary; and

(6) 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 may 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 not an Affiliate of the Issuer, of all of the Capital Stock held by the Issuer and other Restricted Subsidiaries in, or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the Indenture) and such Restricted Subsidiary is released from all guarantees, if any, by it of other Indebtedness of the Issuer or any Restricted Subsidiaries;

(2) (with respect to any Guarantees created after the date of the Indenture) the release by the holders of the Indebtedness of the Issuer described in clause (a) above of their security interest or their Guarantee by such Restricted Subsidiary at such time as (A) no other Indebtedness of the Issuer or any 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; and

(3) any defeasance or discharge of the Notes as provided in "Defeasance or Covenant Defeasance of Indenture" or "Satisfaction and Discharge".

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries. (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distribution on its Capital Stock or any other interest or participation in or measured by its profits to the Issuer or any Restricted Subsidiary;

(2) pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;

(3) make any loans or advances to the Issuer or any other Restricted Subsidiary; or

(4) transfer any of its properties or assets to the Issuer 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 Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

(b) the provisions of paragraphs (1) to (4) above will not prohibit:

(1) any encumbrance or restriction pursuant to any agreement in effect on the date of the Indenture (including the Senior Facilities Agreement);

(2) any encumbrance or restriction with respect to a Restricted Subsidiary that is not a Restricted Subsidiary of the Issuer on the date of the Indenture in existence at the time such Person becomes a Restricted Subsidiary of the Issuer and not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; *provided* that such encumbrances and

restrictions are not applicable to the Issuer or any Restricted Subsidiary or the properties or assets of the Issuer or any Restricted Subsidiary other than such Subsidiary which is becoming a Restricted Subsidiary;

(3) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person which is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which the Issuer or any Restricted Subsidiary entered into such transaction) and outstanding on such date, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or property or assets or capital stock of the Person, so acquired;

(4) any encumbrance or restriction under the Indenture and the Notes (including Additional Notes);

(5) any encumbrance or restriction under Purchase Money Obligations and Capital Lease Obligations in the ordinary course of business that impose restrictions with respect only to the property the subject thereof of the nature described in clause (6) of this paragraph (b) on the property so acquired or any restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) with respect to clause (4) of paragraph (a) above only, any encumbrance or restriction (A) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, (B) by virtue of any transfer of, agreement to transfer, option or right with respect to or Lien on, any property or assets of the Issuer or any Restricted Subsidiary not otherwise prohibited by the Indenture, (C) contained in security agreements or mortgages securing Indebtedness to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages or (D) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(7) contracts for the sale of assets, including any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(8) restrictions on cash or other deposits or net worth imposed by leases or other agreements entered into in the ordinary course of business;

(9) any customary encumbrances or restrictions created under any agreement (A) with respect to Indebtedness permitted to be incurred subsequent to the date of the Indenture 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 date of the Indenture or (ii) the encumbrances and restrictions are materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and the Issuer

determines at the time of the incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (B) constituting an Additional Intercreditor Agreement entered into in compliance with the covenant described under "—Additional Intercreditor Agreements" below;

(10) any encumbrances or restrictions required by any governmental, local or regulatory authority having jurisdiction over the Issuer or any of its Restricted Subsidiaries or any of their businesses;

(11) customary provisions in joint venture agreements; *provided*, *however,* that any such encumbrance or restriction is applicable only to such Restricted Subsidiary and *provided*, *further,* that the Issuer determines that any such encumbrance or restriction will not materially affect the ability of the Issuer to make any anticipated principal or interest payments on the Notes;

(12) with respect to clauses (1) and (4) of paragraph (a) above only, encumbrance 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) restrictions effected in connection with a Permitted Receivables Financing that, in the good faith determination of the board of directors of the Issuer, are necessary or advisable to effect such Permitted Receivables Financing;

(16) contracts entered into in the ordinary course of business, not relating to Indebtedness, and that do not, individually or in the aggregate, (a) detract from the value of property or assets of the Issuer or any Restricted Subsidiary of the Issuer in any manner material to the Issuer or such Restricted Subsidiary or (b) materially interfere with the Issuer's ability to make payments of principal or interest in respect of the Notes; and

(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 Senior Subordinated Indebtedness for the Guarantors. The Issuer will not permit or cause any Guarantor to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise in any manner become directly or indirectly liable for or with respect to or otherwise permit to exist any Indebtedness that is subordinate in right of payment to any Indebtedness of such Guarantor unless such Indebtedness is also *pari passu* with the Guarantee or subordinated in right of payment to such Guarantor's Guarantee at least to the same extent as the Guarantee is subordinated in right of payment to the Guarantor Senior Indebtedness as set forth in the Indenture; *provided, however*, that Indebtedness of IHL consisting of, or Indebtedness consisting of guarantees of, Second Secured Liabilities shall not be subject to the limitations set forth in this covenant. Unsecured Indebtedness is not deemed to be subordinate or junior to secured Indebtedness merely because it is unsecured, and Indebtedness that is not Guaranteed by a particular Person is not deemed to be subordinate or junior to Indebtedness that is so Guaranteed merely because it is not so Guaranteed. In addition, junior liens, second liens and other contractual arrangements that provide for priorities among holders of the same or different issues of indebtedness with respect to any collateral or the proceeds of collateral or tranching of debt under Credit Facilities shall not constitute subordination in right of payment.

Limitation on Unrestricted Subsidiaries. The Issuer may designate after the date of the Indenture any Subsidiary (other than a Guarantor) as an "Unrestricted Subsidiary" under the Indenture (a "Designation") only if:

(a) no Default shall have occurred and be continuing at the time of or after giving effect to such Designation;

(b) either (i) the Subsidiary to be so designated has total assets of €1,000 or less or (ii) the Issuer would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation) pursuant to the first paragraph of "—Limitation on Restricted Payments" above in an amount (the "Designation Amount") equal to the greater of (1) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with GAAP or (2) the Fair Market Value of the Issuer's interest in such Subsidiary;

(c) such Unrestricted Subsidiary does not own any Capital Stock of the Issuer or any Restricted Subsidiary of the Issuer which is not simultaneously being designated an Unrestricted Subsidiary; and

(d) such Unrestricted Subsidiary is not a party to any agreement, contract, arrangement or understanding at such time with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer or any Restricted Subsidiary or would be permitted to the extent described under "—Limitation on Transactions with Affiliates" or, in the event such condition is not satisfied, the value of such agreement, contract, arrangement or understanding to such Unrestricted Subsidiary shall be deemed a Restricted Payment.

In the event of any such Designation, the Issuer will be deemed to have made an Investment constituting a Restricted Payment pursuant to the covenant "Limitation on Restricted Payments" for all purposes of the Indenture in the Designation Amount.

The Indenture will also provide that the Issuer will not and will not cause or permit any Restricted Subsidiary to at any time (a) provide a guarantee of, or similar credit support for, or subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or (b) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary, except to the extent permitted under the covenant "—Limitation on Indebtedness". For purposes of the foregoing, the Designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary shall be deemed to be the Designation of all of the Subsidiaries of such Subsidiary as Unrestricted Subsidiaries.

The Issuer may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a "Redesignation") if:

(a) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Redesignation;

(b) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred at such time, have been permitted to be incurred for all purposes of the Indenture; and

(c) unless such redesignated Subsidiary shall not have any Indebtedness outstanding (other than Indebtedness that would be Permitted Indebtedness), immediately after giving effect to such proposed Redesignation, and after giving *pro forma* effect to the incurrence of any such Indebtedness of such redesignated Subsidiary as if such Indebtedness was incurred on the date of the Redesignation, the Issuer could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the covenant described under "—Limitation on Indebtedness".

All Designations and Redesignations must be evidenced by a resolution of the board of directors of the Issuer delivered to the Trustee certifying compliance with the foregoing provisions.

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: "—Certain Covenants—Limitation on Indebtedness", "—Certain Covenants—Limitation on Restricted Payments", "—Certain Covenants—Limitation on Transactions with Affiliates", "—Certain Covenants—Limitation on Sale of Assets", "—Certain Covenants—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—Guarantors" and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "Limitation on Restricted Payments" covenant will be interpreted as if it had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

Impairment of Security Interest

The Issuer will not, and will not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral for the benefit of the Trustee and the holders of the Notes, and the Issuer will not, and will not permit any Restricted Subsidiary to, grant to any Person other than the Collateral Agent or Trustee, for the benefit of the Trustee and the holders of the Notes (other than Additional Notes) and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral, except as permitted in the Security Documents, but subject to the succeeding paragraph, the Issuer and its Restricted Subsidiary may incur Permitted Collateral Liens.

The Indenture will provide that, at the direction of the Issuer and without the consent of the holders of the Notes, the Trustee and the Collateral Agent may from time to time enter into one or more amendments to the Security 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 or (iv) make any other change thereto that does not adversely affect the holders of the Notes in any material respect; *provided*, *however,* that 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.

Additional Intercreditor Agreements

The Indenture will provide that the Issuer, each Guarantor and the Trustee and the Collateral Agent are authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement and any other intercreditor agreement or deed in favor of the lenders under the Senior Secured Credit Facilities, under the Term D Facility and under any other Credit Facilities, and holders of other Designated Senior Indebtedness, Second Secured Indebtedness, Pari Passu Indebtedness and Subordinated Indebtedness with substantially the same terms as the Intercreditor Agreement.

The Indenture will also provide that, at the direction of the Issuer and without the consent of the holders of the Notes, the Trustee and the Collateral Agent will upon direction of the Issuer from time to time enter into one or more amendments to the Intercreditor Agreement or any additional intercreditor agreement or deed to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) increase the amount of Indebtedness or the types covered thereby that may be incurred by the Issuer or a Restricted Subsidiary that is subject thereto and to provide for Permitted Liens, (iii) add Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto, (iv) permit payments to be made to the Issuer that would not otherwise have been permitted pursuant to the terms thereof, (v) further secure the Notes (including Additional Notes), (vi) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens or (vii) make any other such change thereto that does not adversely affect the rights of the holders of the Notes in any material respect. The Issuer shall not otherwise direct the Trustee or the Collateral Agent to enter into any amendment to the Intercreditor Agreement 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 Collateral Agent to give effect to such provisions;

(b) authorized each of the Trustee and the Collateral Agent to become a party to any future intercreditor arrangements described above;

(c) agreed to be bound by such provisions and the provisions of any future intercreditor arrangements described above; and

(d) irrevocably appointed the Trustee and the Collateral Agent to act on its behalf to enter into and comply with such provisions and the provisions of any future intercreditor arrangements described above.

Provision of Financial Statements

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year (or 150 days for the fiscal year ending December 31, 2005) beginning with the fiscal year ending December 31, 2005, annual reports containing, to the extent applicable, a level of detail that is comparable in all material respect to this Offering Memorandum (with appropriate revisions, as

reasonably determined by the Issuer, to reflect changes in segment reporting) and the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X under the Exchange Act, "Regulation S-X"), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause 2(b) or 2(c) below; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; (e) a description of material risk factors and material recent developments; (f) earnings before interest, taxes, depreciation and amortization; (g) capital expenditures; (h) depreciation and amortization; and (i) income (loss) from operations in US GAAP; *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 Exchange Act with respect to such item will be deemed to satisfy the Issuer's obligations under this clause (1) with respect to such item;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer (or 75 days for the fiscal quarter ending March 31, 2006) beginning with the quarter ending March 31, 2006 all quarterly financial statements of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause 2(a) or 2(c); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; *provided* that that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 10-Q under the Exchange Act with respect to such item will be deemed to satisfy the Issuer's obligations under this clause (2) with respect to such item; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statements and *pro forma* financial information shall be prepared in accordance with GAAP 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 GAAP, 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 the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also (a) file a press release with the appropriate internationally recognized wire services (including, without limitation, through the newswire service of Bloomberg) in connection with such report and (b) post such report on the Issuer's website. In the event that the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, the Issuer will, for so long as it continues to file the reports required by Section 13(a) with the Commission, make available to the Trustee the annual reports, information, documents and other reports that the Issuer is required to file with the Commission pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding three paragraphs.

The Indenture also provides that, so long as any of the Notes remain outstanding, the Issuer will make available to any prospective purchaser of Notes or beneficial owner of Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act. The Issuer will also make any of the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of the stock exchange so require.

Listing. 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. 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 internationally recognized stock exchange.

Notices. Notices to the Holders regarding the Notes will be:

(i) (x) published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and in New York (which is expected to be *The Wall Street Journal*), (y) made available to the newswire service of Bloomberg or, if Bloomberg does not then operate, any similar agency and (z) if and so long as the Notes may be listed on the Official List of the Luxembourg Stock Exchange and may be traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, in a leading newspaper having a general circulation in Luxembourg (which is expected to be *d'Wort*) or on the Luxembourg Stock Exchange's websitc *www.bourse.lu*; and

(ii) in the case of certificated Notes, mailed to each Holder by first-class mail at such Holder's respective address as it appears on the security register maintained by the registrar for the Notes.

If and so long as the Notes are listed on any securities exchange, notices shall also be given in accordance with any applicable requirements of such securities exchange.

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

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, or permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions, if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries on a Consolidated basis to any other Person or group of Persons, unless at the time of the transaction and after giving effect thereto:

(a) either:

  (1) the Issuer will be the continuing corporation; or

  (2) the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries on a Consolidated basis (the "Surviving Entity") will be a corporation duly organized and validly existing under the laws of any EU state which is a member of the EU on the date of the Indenture or the United States of America, any state thereof or the District of Columbia and such Person expressly assumes, by a supplemental indenture, in a form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture, as the case may be, and the Notes and the Indenture will remain in full force and effect as so supplemented (and any Guarantees will be confirmed as applying to such Surviving Entity's obligations);

(b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness not previously an obligation of the Issuer or any of its Restricted Subsidiaries which becomes the obligation of the Issuer or any of its Restricted Subsidiaries as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(c) immediately after giving effect to such transaction on a *pro forma* basis (on the assumption that the transaction occurred on the first day of the four-quarter period for which financial statements are available ending immediately prior to the consummation of such transaction with the appropriate adjustments with respect to the transaction, including treating any obligation incurred by the Issuer or any Restricted Subsidiary in connection with or as a result of such transaction or series of transactions, as having been incurred by the Issuer or such Restricted Subsidiary at the time of such transaction, being included in such *pro forma* calculation), the Issuer (or the Surviving Entity if the Issuer is not the continuing obligor under the Indenture) could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions of "—Certain Covenants—Limitation on Indebtedness";

(d) at the time of the transaction, the Issuer and each Guarantor, if any, unless it is the other party to the transactions described above, will have by supplemental indenture confirmed the Notes or that its Guarantee shall apply to such Person's obligations under the Indenture and the Notes; and

(e) at the time of the transaction, the Issuer or the Surviving Entity will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and an opinion of independent 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 shall succeed to, and be substituted for, and may exercise every right and power of the Issuer and the Issuer would be discharged from all obligations and covenants under the Indenture and the Notes.

Guarantors

A Guarantor (other than a Guarantor whose Guarantee is to be released in accordance with the terms of the Guarantee and the Indenture as described under "—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 (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 date of the Indenture or the United States of America, any state thereof or the District of Columbia and such Person expressly assumes, by a supplemental indenture, in a form reasonably satisfactory to the Trustee, all the obligations of the Guarantor under its Guarantee, the Indenture, as the case may be, and the Guarantee, the Indenture will remain in full force and effect as so supplemented (and any 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 by supplemental indenture confirmed 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 shall succeed to, and be substituted for, and may exercise every right and power of the Guarantor and the Guarantor would be discharged from all obligations and covenants under the Indenture and its Guarantee.

General

Notwithstanding the preceding clauses (b) and (c) under "—Issuer" and "—Guarantors" above (which do not apply to transactions referred to in this sentence), (i) any Restricted Subsidiary of the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or any other Guarantor, (ii) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (iii) the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Events of Default

An Event of Default will occur under the Indenture if:

(a) there shall be a default in the payment of any interest or Additional Amounts on any Note when it becomes due and payable, and such default shall continue for a period of 30 days;

(b) there shall be a default in the payment of the principal of (or premium, if any, on) any Note at its Maturity;

(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) or (3) 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,

(2) there shall be a default in the performance or breach of the provisions described in "—Consolidation, Merger, Sale of Assets",

(3) the Issuer shall have failed to make or consummate an Offer in accordance with the provisions of "—Certain Covenants—Limitation on Sale of Assets", or

(4) the Issuer shall have failed to make or consummate a Change of Control Offer in accordance with the provisions of "—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 €40 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 shall for any reason cease 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) one or more judgments, orders or decrees of any court or regulatory or administrative agency for the payment of money in excess of €40 million, either individually or in the aggregate, shall be rendered against the Issuer, any Guarantor 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;

(g) certain events of bankruptcy or insolvency with respect to the Issuer, any Guarantor or any Significant Restricted Subsidiary shall have occurred; or

(h) any default by the Issuer or any Guarantor in the performance of any of its obligations under the security documents (after the lapse of any applicable grace periods) which materially adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the collateral or which materially adversely affects the condition or value of the collateral, taken as a whole, repudiation or disaffirmation by the Issuer or any Guarantor of any of their respective obligations under the security documents or the determination of a judicial proceeding that the security documents are unenforceable or invalid against the Issuer or any Guarantor for any reason, other than as a result of any release of security in accordance with the provisions of the Indenture described under "—Security—Release of Security".

If an Event of Default (other than as specified in clause (g) of the prior paragraph) shall occur and be continuing with respect to the Indenture, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding may, and the Trustee, at the request of such holders, shall declare all unpaid principal of, premium, if any, any Additional Amounts and accrued interest on all Notes to be due and payable immediately, by a notice in writing to the Issuer (and to the Trustee if given by the holders of the Notes) and upon any such declaration, such principal, premium, if any, any Additional Amounts and interest shall become due and payable immediately. If an Event of Default specified in clause (g) 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 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 nonpayment 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 and annul such declaration and its consequences 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 the Notes outstanding may 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 (which may only be waived with the consent of each holder of Notes affected) or

(b) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each Note affected by such modification or amendment.

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 reasonably satisfactory indemnity, to the Trustee to institute such proceeding as 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 holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and any Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

The Issuer is required to notify the Trustee within 15 Business Days of the occurrence of any Default. 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. 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. The Issuer is required to 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 respecting 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, the Issuer must irrevocably deposit in trust with the Trustee, for the benefit of the holders of Notes, cash in euros, European government obligations, or a combination thereof (in the case of the Euro Notes) or in dollars or U.S. government obligations, a combination thereof (in the case of the Dollar Notes), in such aggregate amounts as will be sufficient to pay the principal of, interest and premium, if any, on the Notes to maturity and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax and other matters.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) as to all outstanding Notes 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 this case of the Euro Notes) or in dollars or U.S. government obligations, or a combination thereof (in the case of the Dollar 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 such 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

Modifications and amendments of the Indenture and any Guarantee may be made by the Issuer, each Guarantor and the Trustee 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 95% 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) amend, change or modify the obligation of the Issuer to make and consummate an Offer with respect to any Asset Sale or Asset Sales in accordance with "—Certain Covenants—Limitation on Sale of Assets" or the obligation of the Issuer to make and consummate a Change of Control Offer in the event of a Change of Control in accordance with "—Purchase of Notes Upon a Change of Control", including, in each case, amending, changing or modifying any definitions related thereto;

(c) 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 or compliance with certain provisions of the Indenture;

(d) modify any of the provisions relating to the 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;

(e) 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;

(f) amend or modify any of the provisions of the Indenture in any manner which subordinates the Notes issued thereunder in right of payment to any other Indebtedness of the Issuer;

(g) make any change to the provisions of the Indenture described under the captions "—The Guarantees" or any other provisions of the Indenture affecting the ranking of the Notes, in each case in a manner that adversely affects the rights of the holders of the Notes;

(h) make any change in the provisions of the Indenture described under "—Payment of Additional Amounts" that adversely affects the rights of the holder of the Notes or amend the terms of the Notes or the Indenture in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts (if any) in respect thereof in the supplemental indenture; or

(i) except as permitted by the Indenture, release any Guarantee.

Notwithstanding the foregoing, without the consent of any holders of the Notes, the Issuer, the Guarantors, any other obligor under the Notes and the Trustee may modify or amend the Indenture and any Guarantee:

(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 and in the Notes and in any Guarantee 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 or any Guarantee which may be defective or inconsistent with any other provision in the Indenture or in any supplemental indenture, the Notes or any Guarantee or to make any other provisions with respect to matters or questions arising under the Indenture, the Notes or any Guarantee that shall not adversely affect the rights of the holders of the Notes in any material respect;

(d) to add a Guarantor 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 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;

(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 the "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 this Indenture or any release of Collateral permitted under the terms of this Indenture or the Security Documents;

(j) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code); or

(k) to limit or terminate the benefits available to any holder of Senior Indebtedness.

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 will be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction and Service

The Indenture will provide 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 US federal or state securities laws brought in any Federal or 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 US 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.

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 Issuer or any Restricted Subsidiary,

in each case, other than Indebtedness incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Indebtedness shall be deemed to be incurred on the date of the related acquisition of assets from any Person, the date the acquired Person becomes a Restricted Subsidiary or at the time of such merger or consolidation, as the case may be.

"Acquirer" means IHL, Ineos US Intermediate Holding Company LLC (a company incorporated in the State of Delaware, USA, whose registered office is at 1209 Orange Street, Wilmington, DE 19801, USA) being the Ineos Group companies which are to undertake, individually or together, the Innovene Acquisition and Ineos Belgium NV.

"Acquisition Documents" means the Acquisition Documents as defined in the Senior Credit Agreement.

"Additional Funding Loan" means any loan of the gross proceeds of any Additional Notes pursuant to an Additional Funding Loan Agreement.

"Additional Funding Loan Agreement" means a loan agreement (i) substantially in the form of the High Yield Proceeds Funding Loan Agreement and (ii) entered into between the Issuer and IHL pursuant to which the Issuer loans to IHL an amount equal to any Additional Funding Loan.

"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.

"Antwerp Disposal" means the disposal of some or all of the assets of Ineos Oxide pursuant to a decision (including any deemed decision) of any applicable antitrust authority in connection with the Innovene Acquisition.

"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 Note, the excess of:

(x) the present value at such redemption date of the redemption price of such Dollar Note at February 15, 2011, plus all required interest payments that would otherwise be due to be paid on such 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 Treasury Rate at such redemption date plus 50 basis points, over

(y) the principal amount of such Dollar Note,

and, with respect to any Euro Note, the excess of:

(x) the present value at such redemption date of the redemption price of such Euro Note at February 15, 2011, plus all required interest payments that would otherwise be due to be paid on such 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 Bund Rate at such redemption date plus 50 basis points, over

(y) the principal amount of such Euro Note.

"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);

(b) all or substantially all of the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or

(c) any other properties or assets of the Issuer or any Restricted Subsidiary other than in the ordinary course of business.

For the purposes of this definition, the term "Asset Sale" shall not include any transfer of properties and assets

(i) that is governed by the provisions described under "—Consolidation, Merger, Sale of Assets",

(ii) that is by the Issuer to any Restricted Subsidiary, or by any Restricted Subsidiary to the Issuer or any Restricted Subsidiary in accordance with the terms of the Indenture,

(iii) that is a disposition of cash, Cash Equivalents or Temporary Cash Investments,

(iv) that is a disposition of inventory, trading stock or other assets in the ordinary course of business, including for the avoidance of doubt, in connection with performing any obligations under an Underlying Agreement (as defined in the Credit Support Deed),

(v) that is of obsolete equipment in the ordinary course of business that is no longer useful in the conduct of the business of the Issuer or any Restricted Subsidiary,

(vi) for purposes of the "Limitation on Sale of Assets" covenant, the Fair Market Value of which in the aggregate does not exceed €10 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 in connection with any Permitted Receivables Financing or in the ordinary course of business or the conversion or exchange of accounts receivable for notes receivable,

(xii) that is by the Issuer or a Restricted Subsidiary by way of lease or license in respect of land to a trading counterparty to whom the Issuer or Restricted Subsidiary, as applicable, provides services on that land in the ordinary course of its trading, or

(xiii) the Antwerp Disposal, to the extent that the proceeds from the Antwerp Disposal are applied in accordance with the terms of the Senior Facilities Agreement.

"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 GAAP, 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 any law 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, including, without limitation, Title 11, United States Bankruptcy Code of 1978, as amended, and the UK Insolvency Law 1985.

"BASF Acquisition" means the purchase by Ineos Americas LLC of the North American polystyrene business of BASF Corporation, a company incorporated in the USA.

"BASF Acquisition Agreement" means the acquisition agreement dated 25 April 2005 entered into between, amongst others, Ineos Americas LLC and BASF Corporation in respect of the BASF Acquisition.

"BASF Guarantee" means a guarantee which may be given by either the Ineos Group Limited, or IHL to BASF Corporation in relation to the obligations of Ineos Americas LLC under and in accordance with the BASF Acquisition Agreement.

"Borrowing Base Facility" means the facilities made available to the Borrowers (as defined in the Senior Facilities Agreement) pursuant to Section 2.1(d) of the Senior Facilities Agreement.

"BP Creditor Liabilities" has the meaning given to it in the Intercreditor Agreement.

"BP Creditors" has the meaning given to it in the Intercreditor Agreement.

"BP Release Date" means the date on which the Liens on the Collateral pledged to secure the BP Creditor Liabilities are released in accordance with the terms of the Credit Support 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 Issuer in good faith)) most nearly equal to the period from the redemption date to February 15, 2011; *provided*, *however,* that if the period from the redemption date to February 15, 2011 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, 2011 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 are authorized or required by law to close.

"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 GAAP, 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 date of the Indenture, partnership interests (whether general or limited), any other interest or participation that confers on a Person that right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person and any rights (other than debt securities convertible into Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock.

"Cash Equivalents" means marketable debt securities with a maturity of three months or less and with a short term debt rating of at least A1+ granted by S&P or P1 granted by Moody's to which the Issuer or a Restricted Subsidiary is beneficially entitled, and which can be promptly realized by the Issuer or such Restricted Subsidiary without condition.

"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 Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of less than 50% (or, with respect to James A. Ratcliffe and the Specified Investors, less than 35%) of the total outstanding Voting Stock of the Issuer;

(b) on and after the consummation of an initial Public Equity Offering, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total outstanding Voting Stock of the Issuer and Permitted Holders do not beneficially own a larger percentage of such Voting Stock than such Person (and James A. Ratcliffe and the Specified Investors are not the "beneficial owners" of 25% or more of the Issuer);

(c) the Issuer consolidates with or merges with or into any Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, or any Person consolidates with or merges into or with the Issuer, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Issuer is converted into or exchanged for cash, securities or other property, other than any such transaction where (1) the outstanding Voting Stock of the Issuer is changed into or exchanged for Voting Stock of the surviving corporation which is not Redeemable Capital Stock and (2) immediately after such transaction, no "person" or "group," other than Permitted Holders, is the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the 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 or any Guarantor 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 an equity interest of an entity that was formed for the purpose of acquiring Voting Stock of the Issuer will be deemed to be a transfer of such portion of such Voting Stock as corresponds to the portion of the equity of such entity that has been so transferred.

"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.

"Commission" means the US Securities and Exchange Commission, as from time to time constituted, created under the 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 Securities Act, Exchange Act and Trust Indenture Act, as amended, then the body performing such duties at such time.

"Commodity Price Protection Agreement" means any forward contract, commodity swap, commodity option or other similar financial agreement or arrangement relating to, or the value of which is dependent upon, fluctuations in commodity prices.

"Consolidated Fixed Charge Coverage Ratio" of any Person means, for any period, the ratio of (a) the sum of Consolidated Net Income (Loss), plus, in each case to the extent deducted in computing Consolidated Net Income (Loss) for such period, Consolidated Interest Expense, Consolidated Income Tax Expense and Consolidated Non-cash Charges for such period, of such Person and its Restricted Subsidiaries on a Consolidated basis, all determined in accordance with GAAP, less all noncash items increasing Consolidated Net Income for such period and less all cash payments during such period relating to noncash charges that were added back to Consolidated Net Income 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 the Issuer 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);

(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 the Issuer 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 accordance with Article 11 of Regulation S-X under the Securities Act;

(B) in making such computation, the Consolidated Interest Expense attributable to interest on any Indebtedness computed on a *pro forma* basis and (i) 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 (ii) 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 (i) and (ii) taking into account any Interest Rate Agreement applicable to such Indebtedness for a period equal to the remaining term of such Interest Rate Agreement); and

(C) in making such computation, the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

For purposes of this definition, whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated expense and cost reduction synergies).

"Consolidated Income Tax Expense" of any Person means, for any period, the provision for federal, 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 GAAP.

"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 GAAP (excluding any amortization of debt issuance costs, currency translation differences, costs related to the Transactions (including any related refinancing costs), 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 GAAP, 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 GAAP (excluding any amortization of debt issuance costs), *provided* 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 GAAP, adjusted, to the extent included in calculating such net income (or loss), by excluding, without duplication:

(a) all extraordinary or exceptional gains or losses net of taxes (less all fees and expenses relating thereto);

(b) the portion of net income (or loss) of such Person and its Restricted Subsidiaries on a consolidated basis allocable to interests in unconsolidated Persons or Unrestricted Subsidiaries to the extent that cash dividends or distributions have not actually been received by such Person or one of its consolidated Restricted Subsidiaries (except to the extent any loss has been funded with cash from the Issuer or a Restricted Subsidiary);

(c) net income (or loss) of any Person combined with such Person or any of its Restricted Subsidiaries on a "pooling of interests" basis attributable to any period prior to the date of combination;

(d) any gain or loss, net of taxes, realized upon the termination of any employee pension benefit plan;

(e) gains or losses, net of taxes (less all fees and expenses relating thereto), in respect of dispositions of assets other than in the ordinary course of business;

(f) the net income of any Restricted Subsidiary to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders other than by encumbrances which are permitted under the covenant "—Certain Covenants—Limitation on Dividend and other Payment Restrictions Affecting Restricted Subsidiaries";

(g) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the date of the Indenture;

(h) any net gain arising from the acquisition of any securities or extinguishment, under GAAP, of any Indebtedness of such Person;

(i) any extraordinary, exceptional, unusual or non-recurring gain, loss or charge or other charges in respect of any restructuring, redundancy or severance or other expenses, charges or other costs related to the Transactions;

(j) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards;

(k) all deferred financing costs written off and premia paid in connection with any early extinguishment of Indebtedness;

(l) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(m) the impact of capitalized or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(n) 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

(o) 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 GAAP (excluding any non-cash charge which requires an accrual or reserve for cash charges for any future period).

"Consolidation" means, with respect to any Person, the consolidation of the accounts of such Person and each of its subsidiaries if and to the extent the accounts of such Person and each of its subsidiaries would normally be consolidated with those of such Person, all in accordance with GAAP. 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 or arrangements with banks, insurance companies or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale or factoring of receivables to such lenders 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 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 other banks or other institutional lenders and whether provided under the original Senior Facilities Agreement or one or more other credit agreements or financing agreements and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes 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), *provided*, *however,* that "Credit Facilities" will not mean (i) any Indebtedness that expressly provides that it is subordinated in right of payment to any other Indebtedness (for the avoidance of doubt, exclusive of any provisions relating to different tranches provided under any Credit Facilities) or (ii) any Public Debt. Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Credit Support Deed" means the amended and restated credit support deed between BP International Limited, IHL and others dated as of 16 December 2005.

"Credit Support Documents" has the meaning given to it in the Senior Credit Agreement.

"Currency Hedging Agreements" means one or more of the following agreements: foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against the fluctuations in currency values.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Senior Indebtedness" means (a) any Indebtedness outstanding under the Senior Facilities Agreement and until the BP Release Date, the BP Creditor Liabilities, (b) any other Senior Indebtedness or Second Secured Liability of a Guarantor that has, at the time of designation, an aggregate principal amount outstanding of at least €25 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder) and (c) after the BP Release Date, any BP Creditor Liability, in each case that is designated in an Officer's Certificate delivered to the Trustee as "Designated Senior Indebtedness" for purposes of the Indenture.

"Disinterested Director" means, with respect to any transaction or series of related transactions, a member of the board of directors of the Issuer who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. A member of the board of directors of the Issuer shall not be deemed to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"Dormagen Business" means the business carried on at October 7, 2005 comprising the manufacture and sale of ethylene oxide and glycols manufactured at the Target's plant located in Koln, Germany.

"Dormagen Acquisition" means the acquisition of Dormagen Business pursuant to a put and call option deed relating to the Dormagen Business between IHL, Ineos Group Limited and BP International Limited.

"Early Termination Date" has the meaning set forth in the Intercreditor Agreement.

"Enforcement Action" in relation to any Indebtedness of the Issuer or any Guarantor means:

(a) the acceleration of any Indebtedness or any declaration that any Indebtedness is prematurely due and payable or the making of demand for any Indebtedness after such Indebtedness has 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 the Issuer or any Guarantor in relation to any guarantee in respect of any Indebtedness which is due and payable but unpaid or exercising any right to require the Issuer or any Guarantor to acquire any Indebtedness (including exercising any put or call option against the Issuer or any Guarantor for the redemption or purchase of any Indebtedness);

(d) the enforcement of any security document or any other security interest granted by the Issuer or any Guarantor (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 the Issuer or any Guarantor in respect of any Indebtedness due and payable but unpaid;

(f) the suing for, commencing or joining of any legal or arbitration proceedings against the Issuer or any Guarantor to recover any Indebtedness;

(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 the Issuer or any Guarantor;

provided that the following shall not constitute Enforcement Action:

(i) the taking of any action falling within paragraph (f) above necessary to preserve the validity and existence of claims, including the registration of such claims before any court or governmental authority;

(ii) to the extent entitled by law, the taking of any actions against any creditor (or any agent, trustee or receiver acting on behalf of such creditor) to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security documentation;

(iii) bringing legal proceedings against any person in connection with any securities violation or common law fraud or to restrain any actual or putative breach of the Notes or the Indenture or for specific performance with no claim for damages, or

(iv) demand being made for payment of any Indebtedness as a result of it being unlawful for any creditor under such Indebtedness to perform any obligation thereunder;

unless in the case of any of the actions listed above in paragraphs (i) to (iv) above such action shall result in an Insolvency Event.

"Euro Equivalent" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by translating such other currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable other currency as published in *The Financial Times* (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, a comparable source as may be selected in good faith by the Issuer) on the date two Business Days prior to such determination.

"Exchange Act" means the US Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Excluded Asset" means any asset with a net book value of less than €1 million.

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. Fair Market Value shall be determined by the Issuer acting in good faith.

"Generally Accepted Accounting Principles" or "GAAP" means generally accepted accounting principles in the United Kingdom, consistently applied, as in effect from time to time. At any time after the Issue Date, the Issuer may elect to apply International Financial Reporting Standards ("IFRS") or generally accepted accounting principles in the United States ("U.S. GAAP") in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS or U.S. GAAP, as applicable, as in effect (except as otherwise provided in the Indenture) from time to time; *provided* that any such election, once made, shall be irrevocable and that upon first reporting its fiscal year results under IFRS or U.S. GAAP, as applicable, it shall restate its financial statements on the basis of IFRS or U.S. GAAP, as applicable, for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of IFRS or U.S. GAAP, as applicable. The Issuer shall give notice of any such election to the Trustee and the holders of the Notes.

"Guarantee" means the guarantee by any Guarantor of the Issuer's Indenture Obligations.

"Guaranteed Debt" of any Person means, without duplication, all Indebtedness of any other Person referred to in the definition of Indebtedness below 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 the guarantors listed in the Indenture and any Subsidiary which is a guarantor of the Notes, including any Person that is required after the date of the Indenture to execute a guarantee of the Notes pursuant to the "Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries" covenant until a successor replaces such party pursuant to the applicable provisions of the Indenture and, thereafter, shall mean such successor.

"Guarantor Senior Indebtedness" means with respect to the Guarantors, the principal of, premium, if any, and interest (including interest, to the extent allowable, accruing after the filing of a petition initiating any proceeding under any Bankruptcy Law) on any Indebtedness of the Guarantors (other than as otherwise provided in this definition), whether outstanding on the date of the Indenture or thereafter created, incurred or assumed, and whether at any time owing, actually or contingent, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Guarantor's Guarantee. Notwithstanding the foregoing, "Guarantor Senior Indebtedness" shall not include:

(a) Indebtedness evidenced by the Notes or any Guarantee;

(b) Indebtedness that is subordinate or junior in right of payment to any Indebtedness of such Person; *provided* that Unsecured Indebtedness is not deemed to be subordinate or junior to secured Indebtedness merely because it is unsecured, and Indebtedness that is not Guaranteed by a particular Person is not deemed to be subordinate or junior to Indebtedness that is so Guaranteed merely because it is not so Guaranteed, and junior liens, second liens and other contractual arrangements that provide for priorities among holders of the same or different issues or indebtedness with respect to any collateral or the proceeds of collateral shall not constitute subordination in right of payment;

(c) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11 United States Code or similar laws in other jurisdictions, is without recourse to such Person;

(d) Indebtedness which is represented by Redeemable Capital Stock;

(e) any liability for taxes owed or owing by such Person to the extent such liability constitutes Indebtedness;

(f) Indebtedness of such Person to a Subsidiary or any other Affiliate of such Person or any of such Affiliate's Subsidiaries, other that Indebtedness represented by any intercompany note that is pledged to secure the Senior Secured Credit Facilities;

(g) to the extent it might constitute Indebtedness, operating leases and amounts owing for goods, materials or services purchased in the ordinary course of business or consisting of trade accounts payable owed or owing by such Person, and amounts owed by such Person for compensation to employees or services rendered to such Person;

(h) that portion of any Indebtedness which at the time of issuance is issued in violation of the Indenture; and

(i) Indebtedness evidenced by any guarantee of any Subordinated Indebtedness or Pari Passu Indebtedness of the Issuer or any of its Restricted Subsidiaries.

"Hedging Counterparty" has the meaning set forth in the Intercreditor Agreement.

"Hedge Agreement" has the meaning set forth in the Intercreditor Agreement.

"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.

"High Yield Proceeds Funding Loan" means, collectively, (a) the loan of the gross proceeds of the Notes pursuant to the High Yield Proceeds Funding Loan Agreement and (b) any other loan from the Issuer to IHL 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.

"High Yield Proceeds Funding Loan Agreement" means that certain loan agreement made on the Issue Date by and among IHL as borrower and the Issuer as lender.

"IHL" means Ineos Holdings Limited (a company incorporated in England and Wales with registered number 4215887).

"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 (except to the extent that

BP Creditor Liabilities are designated as Designated Senior Indebtedness) and other accrued current liabilities arising in the ordinary course of business, 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 obligation relates 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;

(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 any Restricted Subsidiary of the Issuer or any Guarantor; 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 GAAP as in effect on the Issue Date;

(iii) contingent obligations incurred in the ordinary course of business;

(iv) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however,* that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter; or

(v) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement obligations, pension fund obligations or contributions or social security or wage Taxes.

For purposes hereof, the "maximum fixed repurchase price" of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value to be determined as set forth herein.

"Indenture Obligations" means the obligations of the Issuer and any other obligor under the Indenture or under the Notes, including any Guarantor, to pay principal of, premium, if any, any Additional Amounts and interest when due and payable, and all other amounts due or to become due under or in connection with the Indenture, the Notes and the performance of all other obligations to the Trustee and the holders of Notes under the Indenture and the Notes, according to the respective terms thereof.

"Independent Financial Advisor" means a firm which, in the judgment of the board of directors of the Issuer, is independent and qualified to perform the task for which it is to be engaged.

"Ineos Chlor" means Ineos Chlor Limited, a joint venture between the Ineos SPV and Ineos Chlor Newco 2 Limited;

"Ineos Group Limited" means Ineos Group Limited, a company incorporated England and Wales with registered number 3534631.

"Ineos Headquarters Rental Payments" means rental payments made by the Issuer and the Restricted Subsidiaries under leases and sub-leases all being on arm's length terms in respect of the Ineos Group headquarters or other offices or facilities in a maximum aggregate amount not exceeding £1 million (or its equivalent) per annum for the Issuer and the Restricted Subsidiaries.

"Ineos Oxide" means Ineos Oxide Limited, a company incorporated in England and Wales with registered number 3545207 (formerly named Ineos Plc).

"Ineos SPV" means Ineos Industrial Investments Limited (a company incorporated in England and Wales with registered number 4588429) (formerly registered at Companies House as ICI Industrial Investments Limited).

"Innovene Acquisition" means the acquisition of all of the outstanding shares of the Target by the Acquirer.

"Initial Public Offering" means a Public Equity Offering of common stock or equity of the Issuer or any Parent or any successor of the Issuer or any Parent (the "IPO Entity") as a result of which, the shares of common stock or equity of the IPO Entity in such offering are listed on an internationally recognized market.

"Insolvency Event" means, in relation to any of the Issuer or any Guarantor:

(a) any resolution is passed or order made for the winding up, dissolution or administration of the Issuer or any Guarantor;

(b) any composition, assignment or compulsory or voluntary arrangement is made with any of the creditors of the Issuer or any Guarantor or there is any marshalling of the assets and liabilities of any of the Issuer or any Guarantor;

(c) the appointment of any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of the Issuer or any Guarantor or any material part of their assets;

(d) a petition for insolvency proceedings is filed in respect of the Issuer or any Guarantor (other than a frivolous or vexatious petition or any petition which is stayed or discharged within 21 days of the Issuer or the relevant Guarantor become aware of such petition); or

(e) any analogous procedure or step is taken in any jurisdiction.

"Intercreditor Agreement" means the intercreditor deed entered into on 16 December 2005 between, amongst others, the Issuer, the Guarantors, each of the parties to the Senior Facilities Agreement and Barclays Bank PLC as Senior Security Agent, as amended and restated on 31 January 2006 and as further amended, waived or consented to from time to time.

"Interest Rate Agreements" means one or more of the following agreements: interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) and/or other types of interest rate hedging agreements from time to time.

"Investment" means, with respect to any Person, directly or indirectly, any advance (other than advances to customers in the ordinary course of business), loan (including guarantees), or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities issued or owned by any other Person and all other items that would be classified as investments on a balance sheet prepared in accordance with GAAP; *provided* that:

(a) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture; and

(b) endorsements of negotiable instruments and documents in the ordinary course of business;

shall in each case not be deemed to be an Investment.

For purposes of "—Certain Covenants—Limitation on Restricted Payments":

(a) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however,* that upon a Redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (1) the Issuer's "Investment" in such Subsidiary at the time of such Redesignation less (2) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market

Value of the net assets of such Subsidiary at the time that such Subsidiary is so Redesignated a Restricted Subsidiary; and

(b) any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment plus the cost of all additional Investments therein by the Issuer or any of its Restricted Subsidiaries, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"Investment Grade Status" shall occur when the Notes receive both of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) 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 Securities Act).

"Issue Date" means the original issue date of the Notes under the Indenture.

"Lavéra Disposal" means the disposal of the business carried on at October 7, 2005, comprising the manufacture and sale of ethylene oxide, glycols and ethanolamines at the Target's plant located in Lavéra, France, pursuant to a decision (including any deemed decision) of any applicable antitrust authority in connection with the Innovene Acquisition.

"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.

"Majority Senior Creditors" has the definition given to it in the Intercreditor Agreement.

"Management Advances" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of any Parent, the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €5 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 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, but only as and when received and excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Sale (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary) net of:

 (1) brokerage commissions and other reasonable fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale,

 (2) provisions for all taxes payable as a result of such Asset Sale,

 (3) payments made to retire Indebtedness where payment of such Indebtedness is secured by the assets or properties the subject of such Asset Sale,

 (4) amounts required to be paid to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale and

 (5) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an officers' certificate delivered to the Trustee; and

(b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "—Certain Covenants—Limitation on Restricted Payments", the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Temporary Cash Investments (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees (including placement agents' fees, listing fees, or other discounts and commissions) and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"NOVA JVs" means, together, Nova Innovene International SA, Nova Chemicals Europe Ltd (to be renamed NOVA Innovene UK Limited), Nova Chemicals Netherlands BV (to be renamed NOVA Innovene Netherlands BV), Nova Chemicals Technology BV (to be renamed NOVA Innovene Technology BV), O&D Netherlands BV (to be renamed NOVA Innovene European Holding BV), Snowdon Tollco Deutschland GmbH (to be renamed NOVA Innovene Manufacturing GmbH), Snowdon Deutschland GmbH (to be renamed NOVA Innovene Germany GmbH), Nova Chemicals Europe SAS (to be renamed NOVA Innovene France SAS) and Nova Chemicals Holdings France SAS (to be renamed NOVA Innovene Holding SAS).

"Officer's Certificate" means a certificate signed by an officer of the Issuer, or Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

"Parent" means any Person (other than a natural person) of which the Issuer is or becomes a direct or indirect Subsidiary after the Issue Date; *provided* that the primary purpose of such Person is to serve as a direct or indirect holding company of the Issuer.

"Pari Passu Indebtedness" means (a) any Indebtedness of the Issuer that is *pari passu* in right of payment to the Notes and (b) with respect to any Guarantee, Indebtedness which ranks *pari passu* in right of payment to such Guarantee.

"Paying Agent" means any Person authorized by the Issuer to pay the principal of (and premium, if any), or interest on any Notes on behalf of the Issuer.

"Permitted Collateral Liens" means any Lien on (a) the Collateral to secure (1) Indebtedness under Credit Facilities permitted to be incurred by the first paragraph of the "Limitation on Indebtedness" covenant or by clause (1) or (2) of the definition of "Permitted Indebtedness", (2) Second Secured Liabilities permitted to be incurred by the first paragraph of the "Limitation on Indebtedness" covenant or by clause (1) or (2) of the definition of "Permitted Indebtedness", and (3) any Additional Notes and (b) the Collateral (excluding the High Yield Proceeds Funding Loan) to secure Pari Passu Indebtedness or Subordinated Indebtedness of the Issuer, *provided* that (x) if such Indebtedness is Pari Passu Indebtedness such Lien must rank *pari passu* with or junior to the Liens on the Collateral securing the Notes and (y) if such Indebtedness is Subordinated Indebtedness such Lien must rank junior to the Liens on the Collateral securing the Notes.

"Permitted Guarantor Indebtedness" means guarantees of Indebtedness of the Issuer on terms similar in all respects to the Guarantee of the Notes by the Guarantors.

"Permitted Holders" means James A. Ratcliffe, the directors of Ineos Group Limited as of the date hereof and any Affiliate thereof and the Specified Investors.

"Permitted Investment" means

(a) Investments in (1) the form of loans or advances to the Issuer, (2) any Restricted Subsidiary (including the purchase of Capital Stock of any Restricted Subsidiary from a Person other than an Affiliate of the Issuer) or (3) any Person which, as a result of such Investment, (A) becomes a Restricted Subsidiary or (B) is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or any Restricted Subsidiary;

(b) Indebtedness of the Issuer or a Restricted Subsidiary described under clauses (5), (6), (7) and (8) of the definition of "Permitted Indebtedness";

(c) Investments in any of the Notes;

(d) cash, Cash Equivalents and Temporary Cash Investments;

(e) Investments acquired by the Issuer or any Restricted Subsidiary in connection with an Asset Sale permitted under "—Certain Covenants—Limitation on Sale of Assets" to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;

(f) Investments in existence on the date of the Indenture;

(g) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however,* that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(h) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(i) loans or advances to employees made in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary not to exceed €5 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, which transactions or obligations are incurred in compliance with "—Certain Covenants—Limitation on Indebtedness";

(l) any Restricted Payment required by any agreement in respect of a Permitted Joint Venture;

(m) Investments in Permitted Loans;

(n) up to €100 million in relation to the Wilhelmshaven Cracker Project;

(o) up to £32 million invested in Ineos Chlor in the form of one or more letters of credit issued under the Senior Secured Credit Facilities to support obligations of Ineos Chlor;

(p) loans required to be entered into by the Issuer or any of its Restricted Subsidiaries in accordance with a Permitted Receivables Securitization; and

(q) Investments by the Issuer or any Restricted Subsidiary, together with all other Investments under this clause (q), in an aggregate amount at the time of such Investment not to exceed €50 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 (i) the NOVA JVs, (ii) the entities listed in Part 3 of Schedule 2 to the Share Sale and Purchase Agreement that are not also NOVA JVs, (iii) the joint venture with Total, S.A. in Lavéra, France, (iv) the joint venture with Chevron Philips Chemical Company LLC in Cedar Bayou, Texas and (v) joint ventures with BP existing on the Issue Date;

(b) Quaker Chemical South Africa (Pty) Limited, a joint venture between Ineos Holdings South Africa (Pty) Limited and Quaker Chemical Corporation;

(c) a joint venture pursuant to which the liability of the Issuer and the Restricted Subsidiaries is limited in amount as described below;

(d) a joint venture in which the Issuer or relevant Restricted Subsidiary participates through special purpose companies with limited liability and no other business or assets; or

(e) the Saudi JV,

and, in each case under (a) to (e) above, in which the interest of a Guarantor or a directly or indirectly wholly-owned Subsidiary of a Guarantor is less than 90% but (in the case of (b) to (d) above) more than 20% and in each case on condition that:

(i) each such Permitted Joint Venture is in a business relating to the business of the Issuer and the Restricted Subsidiaries;

(ii) the aggregate of:

(A) any amount advanced, lent, contributed or subscribed for, or otherwise invested in, such Permitted Joint Ventures by the Issuer and the Restricted Subsidiaries;

(B) the market value of any asset transferred or contributed to such Permitted Joint Venture by the Issuer or any Restricted Subsidiary;

(C) any liability incurred (whether by way of guarantee or otherwise) in relation to such Permitted Joint Venture by the Issuer or any Restricted Subsidiary; and

(D) any obligation of the Issuer 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 Ventures or acquire any shares or other interest therein or assets thereof,

shall not exceed:

(1) (in the case of the Saudi JV only) an aggregate amount of $405 million (or, subject to compliance with the requirements of paragraph (3) below, any greater amount);

(2) (in the case of the NOVA JVs only) an aggregate amount of $25 million (or, subject to compliance with the requirements of paragraph (3) below, any greater amount); and

(3) €30 million (or its equivalent) in any fiscal year, and no more than €100 million (or its equivalent) in the aggregate at any time after the Issue Date, and for these purposes (w) amounts up to the limits specified in clauses (a) through (e) of the definition of Permitted Loan shall not be taken into account to the extent invested in Ineos Chlor pursuant to (as applicable) the relevant Permitted Loan, (x) an amount of £32 million shall not be taken into account to the extent invested in Ineos Chlor in the form of one or more letters of credit issued under the Senior Secured Credit Facilities to support obligations of Ineos Chlor, (y) an amount up to $405 million shall not be taken into account to the extent invested in the Saudi JV and (z) an amount of $25 million shall not be taken into account to the extent invested in the NOVA JVs.

"Permitted Junior Securities" means (a) share capital of any Guarantor or (b) debt securities of such Guarantor that are subordinated to Designated Senior Indebtedness to substantially the same extent as, or to a greater extent than, the Guarantee of such Guarantor is subordinated to such Indebtedness pursuant to the Indenture.

"Permitted Lien" means:

(a) any Lien existing as of the date of the Indenture;

(b) any Lien arising by reason of

(1) any judgment, decree or order of any court and any Liens that are required to protect or enforce any rights in any administrative, arbitration or other court proceedings in the ordinary course of business;

(2) taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith;

(3) security for payment of workers' compensation or other insurance (including general liability exposure of the Issuer and its Restricted Subsidiaries);

(4) good faith deposits in connection with tenders, bids, leases and contracts (other than contracts for the payment of money);

(5) zoning restrictions, easements, licenses, reservations, title defects, 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 property or minor irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens 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 property material to the operation of the business of the Issuer or any Restricted Subsidiary or the value of such property for the purpose of such business;

(6) deposits to secure public or statutory obligations, or in lieu of surety or appeal bonds; or

(7) operation of law in favor of mechanics, carriers, warehousemen, landlords, materialmen, laborers, employees or suppliers, incurred in the ordinary course of business for sums which are not yet overdue for a period of more than 60 days or are being contested in good faith by negotiations or by appropriate proceedings which suspend the collection thereof;

(c) any Lien securing Acquired Indebtedness created prior to (and not created in connection with, or in contemplation of) the incurrence of such Indebtedness by the Issuer or any Restricted Subsidiary, *provided* that such Lien does not extend to any property or assets of the Issuer or any Restricted Subsidiary other than the assets acquired in connection with the incurrence of such Acquired Indebtedness;

(d) any Lien to secure the performance 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 Issuer or any Restricted Subsidiary;

(e) any Lien securing Indebtedness permitted to be incurred under Hedging Obligations;

(f) any Lien securing Capital Lease Obligations or Purchase Money Obligations incurred in accordance with the Indenture (including clause (10) 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 "Limitation on Indebtedness" covenant;

(g) Liens on property and assets of any Restricted Subsidiary securing Credit Facilities permitted by the first paragraph of the "Limitation on Indebtedness" covenant and by clauses (1) or (2) of the definition of "Permitted Indebtedness";

(h) Liens on property and assets of any Restricted Subsidiary securing Public Debt incurred pursuant to the first paragraph of the "Limitation on Indebtedness" covenant in an aggregate amount not to exceed €3 billion;

(i) Liens securing (i) Senior Indebtedness of any Guarantor or (ii) Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(j) Liens in favor of the Issuer or any Guarantor;

(k) 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 depositary institution; *provided* that such deposit account is not intended by the Issuer or any Restricted Subsidiary to provide collateral to the depository institution;

(l) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(m) (1) mortgages, liens, security interests, restrictions, encumbrances or any other matters or record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Guarantor has easement rights or on any real property leased by the Issuer or any Guarantor and subordination or similar agreements relating thereto and (2) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(n) any provision for the retention of title to any asset by the vendor or transferor of such asset which asset is acquired by the Issuer or any Guarantor in a transaction entered into the ordinary course of business of the Issuer or such Guarantor and for which kind of transaction it is normal market practice for such retention of title provision to be included;

(o) Liens provided the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (o) does not exceed €50 million;

(p) 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;

(q) 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;

(r) Liens on Receivables Assets incurred in connection with a Permitted Receivables Financing;

(s) Liens or assets of a Receivables Subsidiary to secure Indebtedness or other obligations incurred in connection with one or more Permitted Receivables Financings;

(t) 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;

(u) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(v) 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:

    (i) assets which are the subject of the applicable project; or

    (ii) 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;

(w) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer 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;

(x) Liens created on any asset acquired by the Issuer or a Restricted Subsidiary or developed by the Issuer or a Restricted Subsidiary after the Issue Date for the sole purpose of financing or refinancing that acquisition or development and securing not more than 100% of the cost of acquisition or development provided such Lien is released within 6 months of such acquisition;

(y) Liens (other than floating charges) constituting finance leases over the assets leased pursuant to such permitted finance leases;

(z) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal;

(aa) 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;

(bb) Liens in favor of any member of the BP Group (as defined in the Senior Credit Agreement) created pursuant to, and in accordance with, and as expressly contemplated by, the Credit Support Documents;

(cc) Permitted Collateral Liens;

(dd) Liens on any proceeds loan made by the Issuer in connection with any future incurrence of Indebtedness (other than Additional Notes) permitted under the Indenture and securing that Indebtedness (without any requirement to secure the Notes with a Lien on such proceeds loan); and

(ee) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (dd), *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder.

"Permitted Loan" means:

(a) loans made pursuant to the £55 million unsecured loan agreement dated 25 October 2004 between IHL and Ineos SPV;

(b) loans made pursuant to the £66 million secured loan agreement dated 31 July 2003 between IHL and Ineos Chlor as amended in June 2005 (as subsequently novated on 6 October 2005);

(c) loans made pursuant to the revolving facilities agreement dated 31 July 2003 (as subsequently novated 6 October 2005) between Ineos Chlor, Ineos Fluor Limited, Ineos Silicas Limited and Ineos Vinyls Limited providing for, inter alia, a £6 million secured loan facility from Ineos Fluor Limited and a £3 million secured loan facility from Ineos Silicas Limited to Ineos Chlor and an £11 million secured loan facility from Ineos Vinyls Limited to Ineos Chlor;

(d) loans in an aggregate amount of up to £20,000,000 (or its equivalent in Euro) made or to be made by Ineos Group Limited and/or any of its Subsidiaries direct to Ineos Chlor;

(e) the £30,000,000 secured loan made by Ineos SPV to Ineos Chlor and the subscription by Ineos SPV of £25,000,000 8% unsecured deferred loan notes issued by Ineos Chlor;

(f) loans in an aggregate amount of up to €37 million under the unsecured loan agreement between Ineos Holdings (Fluor & Silicas) Limited and Hawkslease Finance Company Limited (a company incorporated in England and Wales with registered number 4359903);

(g) the €26 million loan by IHL to Ineos Vinyls Group Limited or one of its subsidiaries;

(h) the €50 million loan from IHL to Hawkslease Finance Company Limited (a company incorporated in England and Wales with registered number 4359903); and

(i) the loan of up to €11 million to be made by IHL to Screencondor Limited (a company incorporated in England and Wales with registered number 4109627) to finance the acquisition of 150 hectares of land situated at Jade Bay, Wilhelmshaven, Germany.

provided, that any Permitted Loan to be made after the date of the Indenture shall be made in good faith and *provided, further,* that any modification or amendment to the terms of, or (if applicable) the instrument, agreement or other documentation governing, any of the foregoing Permitted Loans shall not be materially less favorable to the holders of the Notes than any such terms, instruments, agreements or other documentation existing on the date of the Indenture.

"Permitted Receivables Financing" means any financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in an aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related asset) of the Issuer or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be customary for such transactions and shall be on market terms (as determined in good faith by the Issuer's board of directors) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Issuer's board of directors) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries except to a limited extent customary for such transactions.

"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 being refinanced is subordinated to the Notes; *provided* that Permitted Refinancing Indebtedness shall not include

(i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or

(ii) Indebtedness of a non-Guarantor Subsidiary that refinances Indebtedness of the Issuer or a Guarantor.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Stock" means, with respect to any Person, any Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class in such Person.

"Public Auction" means an auction in which more than one bidder participates or is invited to participate, which is 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 agent of any Designated Senior Indebtedness that is secured by the Collateral, the holders of the Notes shall have a right to participate in such auction.

"Public Debt" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering registered under the Securities Act or (b) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission. The term "Public Debt" (i) shall not include the Notes (or any Additional Notes) and (ii) for the avoidance of doubt, shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not to be underwritten), or any Indebtedness under the Senior Secured Credit Facilities, commercial bank or similar Indebtedness, Capitalized Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering".

"Public Equity Offering" means an underwritten public offering of ordinary shares (other than Redeemable Capital Stock) of the Issuer or a direct or indirect parent company of the Issuer (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar Persons) and, with respect to offerings by a parent company, pursuant to which the net cash proceeds are contributed to the Issuer in the form of a subscription for, or a capital contribution in respect of, Qualified Capital Stock or as Subordinated Shareholder Funding.

"Purchase Money Obligation" means any Indebtedness secured by a Lien on assets related to the business of the Issuer and any additions and accessions thereto, which are purchased by the Issuer 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 Issuer or any Restricted Subsidiary of the assets subject thereto or (2) the Indebtedness secured thereby shall be with recourse solely to the assets so purchased or acquired, any additions and accessions thereto and any proceeds therefrom.

"Qualified Capital Stock" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"Receivables Assets" means any assets that are or will be the subject of a Permitted Receivables Financing.

"Receivables Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not 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.

"Redeemable Capital Stock" means any Capital Stock that, either by its terms or by the terms of any security into which it is convertible or exchangeable or otherwise, is or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the principal of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in circumstances where the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity at the option of the holder thereof.

"Relevant Event" has the meaning given to it in the Credit Support Deed.

"Responsible Officer" means any officer within the Corporate Trust Administration group of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" means any Subsidiary of the Issuer that has not been designated by the board of directors of the Issuer by a board resolution delivered to the Trustee as an Unrestricted Subsidiary pursuant to and in compliance with the covenant described under "—Certain Covenants—Limitation on Unrestricted Subsidiaries".

"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).

"Saudi JV" means the joint venture of Ineos Group Limited, or one of its Subsidiaries from time to time, with Delta International, Saudi quasi-Government and Keystone Investors to form a closed joint stock company (the "CJSC") and the joint venture of Ineos Group Limited or one of its Subsidiaries, as the case may be, with the CJSC to form a limited liability company;

"Second Secured Creditors" means holders of interests representing Second Secured Liabilities.

"Second Secured Discharge Date" means the date on which all moneys and liabilities outstanding in respect of the Designated Senior Indebtedness or any Second Secured Liabilities and related documents have been discharged or paid in full and all commitments in connection with those moneys and liabilities have come to an end.

"Second Secured Liabilities" means Indebtedness of the Issuer or IHL that is (i) secured by liens on all or substantially all of the assets securing the Senior Secured Credit Facilities and (ii) guaranteed by all or substantially all of the subsidiaries of the Issuer that are guarantors of the Senior Secured Credit Facilities and the Term D Facility. The Second Secured Liabilities include the Term D Facility.

"Second Secured Representative" means a trustee, facility agent or other similar representative with respect to any Second Secured Creditors.

"Securities Act" means the US Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Senior Facilities Agreement" means that certain facility agreement made on 14 December 2005 as amended on 15 December 2005 and 23 December 2005 and as amended and restated on 31 January 2006 by, among others, IHL, as principal obligor, and certain of its subsidiaries, as borrowers and/or guarantors, Barclays Capital, Merrill Lynch International and Morgan Stanley Bank International Limited, as Joint Mandated Lead Arrangers and Joint Bookrunners and Barclays Bank PLC, as Facility Agent and Senior Security Agent and all documentation relating thereto, including notes, collateral documents, letters of credit and guarantees and any Interest Rate Agreement, as such documentation, in whole or in part, may be 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 with respect to any Person:

(1) Indebtedness of such Person, whether outstanding on the Issue Date or thereafter incurred; and

(2) all other obligations of such Person (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Person whether or not post-filing interest is allowed in such proceeding) in respect of Indebtedness described in clause (1) above

unless, in the case of clauses (1) and (2), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such Indebtedness or other obligations are subordinate in right of payment to the Notes or subordinate or *pari passu* in right of payment to the Guarantee of such Person, as the case may be; *provided*, *however*, that Senior Indebtedness shall not include:

(i) any obligation of such Person to the Issuer, any Parent or any of their respective Subsidiaries;

(ii) any liability for national, state, local or other taxes owed or owing by such Person;

(iii) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(iv) any Indebtedness or other obligation of such Person which is subordinate or junior in right of payment to any other Indebtedness or other obligation of such Person; *provided* that unsecured Indebtedness is not deemed to be subordinate or junior to secured Indebtedness merely because it is unsecured, and Indebtedness that is not Guaranteed by a particular Person is not deemed to be subordinate or junior to Indebtedness that is so Guaranteed merely because it is not so Guaranteed; *provided further* that junior liens, second liens and other contractual arrangements that provide for priorities among holders of the same or different issues of indebtedness with respect to any collateral or the proceeds of collateral or tranching of debt under a Credit Facility shall not constitute subordination in right of payment;

(v) that portion of any Indebtedness which at the time of incurrence is incurred in violation of the Indenture; or

(vi) any Capital Stock of such Person.

"Senior Management" means James A. Ratcliffe, Antoine Verrijckt, Andrew Currie and each member of the board of directors of Ineos Group Limited or the Issuer 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 Discharge Date" means the date on which all moneys and liabilities outstanding in respect of the Senior Secured Credit Facilities and (prior to the BP Release Date) the BP Creditor Liabilities and related documents have been discharged or paid in full and all commitments in connection with those moneys and liabilities have come to an end.

"Senior Security Agent" means the agent for the lenders under the Senior Facilities Agreement.

"Service Contracts" means the service contracts of each member of Senior Management.

"Shanghai Acquisition" means the acquisition by Innovene European Holdings Limited of Innovene Management (Shanghai) Company Limited.

"Share and Sale Purchase Agreement" means the Share and Sale Purchase Agreement dated 7 October 2005 between, among others, BP International Limited, Ineos Holdings Limited and Ineos Group Limited.

"Share Scheme Trustee" means Ineos Trustees Limited or Mourant & Co Limited, each in its capacity as trustee of an employee share program of Ineos Group Limited and its Subsidiaries and any successors thereto.

"Significant Restricted Subsidiary" means, at the date of determination, any Restricted Subsidiary that together with its Restricted Subsidiaries (i) for the most recent fiscal year, accounted for more than 5% of the Consolidated revenues of the Issuer or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 5% of the Consolidated assets of the Issuer.

"Specified Affiliate Payments" means:

(a) the repurchase of any (1) Capital Stock of the Issuer, any Restricted Subsidiary or any Parent or (2) employee loan stock of the Issuer, any Restricted Subsidiary or any Parent for a repurchase price not greater than the original purchase price paid for such loan stock, in each case held by any future, present or former employee, director or officer of the Issuer or any of its Restricted Subsidiaries (or their estates or beneficiaries under their estates) pursuant to any management equity subscription agreement, stock option agreement, put agreement, consulting agreement, stockholder agreement or similar agreement or employee loan stock scheme that may be in effect from time to time (or dividends from the Issuer to the parent of the Issuer to effect the same in respect of Capital Stock and employee loan stock of such parent held pursuant to any such agreement or scheme by any future, present or former employee, director or officer of the Issuer or any of its Restricted Subsidiaries (or their estates or beneficiaries under their estates)); *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock and employee loan stock shall not exceed €5 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 million in any calendar year);

(b) transactions with customers, clients, suppliers, and distributors and other purchases or sales of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which when taken together are fair to the Issuer and its Restricted Subsidiaries in the reasonable determination of the board of directors of the Issuer or the senior management of the Issuer, or are on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's-length basis from a Person who is not an Affiliate;

(c) dividends, bonus, distributions or other amounts paid to a direct or indirect parent of the Issuer in amounts equal to amounts required for such Person to pay (i) audit fees and expenses, (ii) directors' fees, remuneration and expenses (including customary indemnification obligations and director and officer insurance premia), (iii) corporate overhead and salary or other compensation to employees allocable to the Issuer, and the Restricted Subsidiaries (including the Ineos Headquarters Rental Payments and payments made pursuant to the Service Contracts), (iv) other normal course expenses required to maintain its corporate existence, (v) fees and expenses incurred in connection with the Transactions, (vi) amounts required in relation to public reporting and registration and on-going administration of any securities and (vii) payments of fees under management agreements to Ineos Capital pursuant to agreements in effect on the date of the Indenture 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 date of the Indenture;

(d) the payment of dividends or distributions, or loans, by the Issuer to its parent in amounts equal to amounts required by its parent to pay income or corporation taxes or VAT, but only to the extent such income or corporation taxes or VAT are attributable to the business of the Issuer or its Restricted Subsidiaries;

(e) the payment of any other Specified Affiliate Payments, provided that the total aggregate amount of Specified Affiliate Payments made under this clause (e) does not exceed €25 million in any fiscal year;

(f) the payment of an annual management fee to Ineos Capital; *provided* that the total aggregate amount of Specified Affiliate Payments made under this clause (f) does not exceed €60 million (adjusted in accordance with the RPI) in any fiscal year; and

(g) the payment of up to €100 million in the form of a dividend or fee (including a voluntary contribution to a Share Scheme Trustee in respect of any share in Ineos Group Limited whose holder has waived the rights to payment of dividends in respect of that share), or the making of a distribution by way of (or in respect of) a loan to any direct or indirect parent of the Issuer, as described under "Summary—The Transactions—Related Financing Transactions".

"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; or

(c) any trust held solely on behalf of James A. Ratcliffe or any Person mentioned in (b) above, provided that James A. Ratcliffe retains sole control over the voting rights of the Capital Stock held by such trust.

"Stated Maturity" means, when used with respect to any Indebtedness or any installment of interest thereon, the dates specified in such Indebtedness as the fixed date on which the principal of such Indebtedness or such installment of interest, as the case may be, is due and payable.

"Subordinated Indebtedness" means Indebtedness of the Issuer or another Guarantor subordinated in right of payment to the Notes or a Guarantee, as the case may be.

"Subordinated Shareholder Funding" means Subordinated Indebtedness of the Issuer issued to any Parent or any Affiliate of any Parent:

(a) which, by its terms or pursuant to the terms of any subordination agreement to which it is subject:

  (i) does not (including upon the happening of any event) mature or require any amortization and is not (including upon the happening of any event) mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder, in whole or in part, and does not include any provision requiring repurchase by the Issuer or any Restricted Subsidiary (including upon the happening of any event) prior to the first anniversary of the Stated Maturity of the Notes;

  (ii) does not (including upon the happening of any event) require or provide for the payment, in cash or otherwise, of interest, cash withholding amounts or other cash gross-ups or any other amounts prior to its final Stated Maturity (provided that interest may accrete while such Subordinated Indebtedness is outstanding and accreted interest may become due upon acceleration of maturity as permitted by clause (b)(ii) below and any interest may be satisfied at any time by the issue to the holders thereof of additional Subordinated Shareholder Funding);

(iii) contains no change of control or similar provisions, has no right to declare a default or event of default, does not provide (including upon the happening of any event) for the acceleration of its maturity, the ability to take any enforcement action or the exercise of remedies prior to the date on which the Notes mature and are repaid;

(iv) does not require or provide for, and is not secured by, a Lien on any assets of the Issuer or any Restricted Subsidiary and is not guaranteed by any Subsidiary;

(v) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Indenture;

(vi) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Indebtedness;

(vii) does not (including upon the happening of an event) constitute Voting Stock; and

(viii) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Redeemable Capital Stock) of the Issuer; and

(b) is contractually subordinated (by its terms in favor of, or pursuant to an agreement with, the Trustee) and junior in right of payment to the prior payment in full in cash of all obligations (including principal, interest, premium (if any) and Additional Amounts (if any)) of the Issuer under the Notes and the Indenture such that:

(i) the Issuer shall make no 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 Notes and the Indenture;

(ii) upon any total or partial liquidation, dissolution or winding up of the Issuer or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Issuer or its property, the holders of the Notes will be entitled to receive payment in full in cash of the obligations under the Notes and the Indenture, including Additional Amounts, if any, before the holders of such Subordinated Indebtedness will be entitled to receive any payment in respect of such Subordinated Indebtedness;

(iii) such Subordinated Indebtedness may not be amended such that it would cease to qualify as Subordinated Shareholder Funding until a date that is after the prior payment in full in cash of all obligations in respect of the Notes and the Indenture;

(iv) the holders of such Subordinated Indebtedness shall assign any rights to vote, including by way of proxy, in a bankruptcy, insolvency or similar proceeding to the Trustee to the extent necessary to give effect to the priority and subordination provisions described in this definition; and

(v) the holders of such Subordinated Indebtedness shall agree that, in the event any payment on such Subordinated Indebtedness is received by such holder in contravention of the terms of the Indenture and any applicable subordination agreement, then such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee, on behalf of the holders of the Notes;

provided that any event or circumstance that results in such Subordinated Indebtedness ceasing to qualify as Subordinated Shareholder Funding shall (x) constitute an incurrence of such Indebtedness by the Issuer and (y) reduce the sum described in clause (b)(3)(B) of "—Certain Covenants—Limitation on Restricted Payments," by an amount equal to the principal amount of such Indebtedness, and any and all Restricted Payments made since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that must satisfy the covenant described under "—Certain Covenants—Limitation on Restricted Payments" at a time on or after the date of the original issuance of such Subordinated Shareholder Funding after giving effect to the reduction referred to above in clause (y) of this sentence.

"Subsidiary" of a Person means (i) 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, (ii) any limited partnership of which such Person or any Subsidiary of such Person is a general partner, or (iii) 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.

"Target" means, together, (as applicable) Innovene Jersey Limited, Innovene LLC, Innovene Solutions N.V., O&D Belgium Holdco N.V., Innovene Singapore Pte. Limited and Innovene Korea Limited (including, for purposes of the definitions of the terms "Dormagen Business", "Lavéra Disposal" and "Permitted Joint Venture", their respective Subsidiaries).

"Tax Sharing Agreement" means any tax sharing agreement with customary terms entered into with any Parent, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"Temporary Cash Investments" means

(a) any evidence of Indebtedness, maturing not more than one year after the date of acquisition, issued by the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 or an instrumentality or agency thereof, and guaranteed fully as to principal, premium, if any, and interest by any of the foregoing;

(b) any certificate of deposit, maturing not more than one year after the date of acquisition, issued by, or time deposit of, a commercial banking institution that is a member of the 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 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 S&P or any successor rating agency;

(c) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate or Subsidiary of the Issuer) organized and existing under the laws of the United States of America, any state thereof or the District of Columbia, Switzerland or any state that was a member state of the

European Union on December 31, 2003 with a rating, at the time as of which any investment therein is made, of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(d) any money market deposit accounts issued or offered by a commercial bank organized in the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 having capital and surplus in excess of $500 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 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.

"Total Assets" means the total consolidated assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

"Transaction Document" means the Acquisition Documents, the Finance Documents, the Equity Documents, the High Yield Proceeds Funding Loan Agreement and the Intercompany Loan Agreement, as each term is defined in the Intercreditor Agreement.

"Transactions" means any of the transactions contemplated by the Transaction Documents and any other transactions related to the foregoing.

"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 date selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to February 15, 2011; *provided*, *however,* that if the period from the redemption date to February 15, 2011 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, 2011 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.

"Trust Indenture Act" means the US Trust Indenture Act of 1939, as amended, or any successor statute.

"Unrestricted Subsidiary" means any Subsidiary of the Issuer (other than a Guarantor) designated as such pursuant to and in compliance with the covenant described under "—Certain Covenants—Limitation on Unrestricted Subsidiaries".

"Unrestricted Subsidiary Indebtedness" of any Unrestricted Subsidiary means Indebtedness of such Unrestricted Subsidiary

(a) as to which neither the Issuer nor any Restricted Subsidiary is directly or indirectly liable (by virtue of the Issuer or any such Restricted Subsidiary being the primary obligor on, guarantor of, or otherwise liable in any respect to, such Indebtedness), except Guaranteed Debt of the Issuer or any Restricted Subsidiary to any Affiliate, in which case (unless the incurrence of such Guaranteed Debt resulted in a Restricted Payment at the time of incurrence) the Issuer shall be deemed to have made a Restricted Payment equal to the principal amount of any such Indebtedness to the extent guaranteed at the time such Affiliate is designated an Unrestricted Subsidiary and

(b) which, upon the occurrence of a default with respect thereto, does not result in, or permit any holder of any Indebtedness of the Issuer or any Subsidiary to declare, a default on such Indebtedness of the Issuer or any Subsidiary or cause the payment thereof to be accelerated or payable prior to its Stated Maturity; *provided* that notwithstanding the foregoing any Unrestricted Subsidiary may guarantee the Notes.

"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, 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 Restricted Subsidiary" means a Restricted Subsidiary all the Capital Stock of which is owned by the Issuer or another Wholly Owned Restricted Subsidiary.

"Wilhelmshaven Cracker Project" means a project to develop a steam cracker and associated derivative plants in Wilhelmshaven, Germany.

BOOK-ENTRY, DELIVERY AND FORM

General

Each issue of notes sold to qualified institutional buyers in reliance on Rule 144A (the "Rule 144A Notes") under the Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "144A Global Notes"). The 144A Global Notes representing the Dollar Notes (the "Dollar 144A Global Notes") will be deposited with a custodian for The Depository Trust Company ("DTC"), and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Notes representing the Euro Notes (the "Euro 144A Global Notes") will be deposited with, or on behalf of, a common depositary (the "Common Depositary") for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depositary.

Each issue of notes sold in reliance on Regulation S (the "Reg S Notes") under the Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "Reg S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Reg S Global Notes representing the Dollar Notes (the "Dollar Reg S Global Notes") and the Reg S Global Notes representing the Euro Notes (the "Euro Reg S Global Notes") will be deposited with, or on behalf of, the Common Depositary and registered in the name of the nominee of the Common Depositary.

The Dollar 144A Global Notes and the Dollar Reg S Global Notes are collectively referred to herein as the "Dollar Global Notes." The Euro 144A Global Notes and the Euro Reg S Global Notes are collectively referred to herein as the "Euro Global Notes."

Ownership of interests in the 144A Global Notes ("Restricted Book-Entry Interests") and in the Reg S Global Notes (the "Reg S Book-Entry Interests" and, collectively with the Restricted Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. 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 your ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of notes for any purpose.

So long as the notes are held in global form, DTC, Euroclear and/or Clearstream, as applicable (or their respective nominees), will be considered the sole holders of Global Notes for all purposes under the Indenture. In addition, participants in DTC, Euroclear and/or Clearstream must rely on the procedures of DTC, Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of DTC, Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither the Issuer nor the Trustee under the Indenture will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, DTC, Euroclear and/or Clearstream (or their respective nominees), as applicable, will redeem an equal amount 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 and 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 €50,000 or $75,000, as applicable, principal amount or less may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest, Additional Amounts, if any) to DTC or its nominee (in the case of the Dollar 144A Global Notes) and to the Common Depositary or its nominee (in the case of the Dollar Reg S Global Notes and the Euro Global Notes), which will distribute such payments to participants in accordance with their procedures. The Issuer will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holders of the Global Notes (*e.g.*, DTC, Euroclear or Clearstream (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any or their respective agents has or will have any responsibility or liability for:

- any aspect of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to payments made on account of a Book-Entry Interest 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.

Currency of Payment for the Global Notes

Except as may otherwise be agreed between DTC and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar 144A Global Notes will be paid to holders of interests in such notes (the "DTC Holders") through DTC in US dollars. Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes and the Dollar Reg S Global Notes will be paid to holders of interests in such notes (the "Euroclear/ Clearstream Holders") through Euroclear and/or Clearstream in euro and US dollars, respectively.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, the initial purchasers or any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

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 notes (including the presentation of notes for exchange as described below) 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 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 (the "Definitive Registered Notes"), and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC, Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

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 transfers as discussed in "Notice to Investors".

Subject to the foregoing, a Reg S Book-Entry Interest may be transferred to a person who takes delivery in the form of a Restricted Book-Entry Interest in a Global Note of the same series only upon delivery by the transferor of a written certification (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 any applicable securities laws of any state of the United States or any other jurisdiction.

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the 144A Global Notes, as set forth in "Notice to Investors".

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Reg S Book-Entry Interest in a Global Note of the same series upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S. See "Notice to Investors".

The following paragraph refers to transfers and exchanges with respect to the Dollar Global Notes only. Transfers involving an exchange of a Reg S Book-Entry Interest in a Dollar Global Note for a Restricted Book-Entry Interest in a Dollar Global Note will be done through DTC by means of the DTC Deposit/Withdrawal at 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 Reg S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note.

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 of the same series 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.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- in the case of the Dollar 144A Global Note, if DTC notifies the Issuer that it is unwilling or unable to continue as depositary for the Dollar Global Notes, or DTC ceases to be a clearing agency registered under the Exchange Act and, in either case, a qualified successor depositary is not appointed by the Issuer within 120 days;
- in the case of the Dollar Reg S Notes or the Euro Global Notes, if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Dollar Reg S Notes or the Euro Global Notes, and a qualified successor is not appointed by the Issuer within 120 days;
- the Issuer, at its option, executes and delivers to the Trustee a notice that a Global Note be so transferable and exchangeable;
- if DTC, Euroclear or Clearstream so requests following an event of default under the Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either DTC, Euroclear or Clearstream following an event of default under the Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such note by surrendering it to the registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note shall be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed shall be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €50,000 or $75,000, as applicable, shall be issued and the notes will only be issued in such denominations or integral multiples of €1,000 or $1,000, as applicable, in excess thereof. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer shall not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (a) the record date for any payment of interest on the notes, (b) any date fixed for redemption of the notes or (c) the date fixed for selection of the notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the transfer agent may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the registrar or at the office of a transfer agent, the Issuer shall issue and the Trustee shall authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Trustee or the Issuer may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee or the paying agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for its expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the transfer agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such notes. See "Notice to Investors".

Information Concerning DTC, Euroclear and Clearstream

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to DTC, Euroclear and Clearstream:

DTC. DTC is:

- a limited purpose trust company organized under the 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. Securities Exchange Act of 1934, as amended.

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. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers, 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.

Because DTC 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 system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the DTC system will receive distributions attributable to the Dollar Global Notes only through DTC participants.

Euroclear and Clearstream. 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 or 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 or Clearstream participant, either directly or indirectly.

Global Clearance and Settlement Under the Book-Entry System

The notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Luxembourg Stock Exchange's Euro MTF Market. The Dollar 144A Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Dollar 144A Global 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 of Book-Entry Interests in the Dollar Notes between the 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 Depositary; 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 procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the Common Depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Dollar 144A Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the Common Depositary.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Dollar 144A 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 Dollar 144A 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 at the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Dollar 144A 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 at any time. None of the Issuer, the Trustee, the initial purchasers, the registrar, any transfer agent or any 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.

CERTAIN TAX CONSIDERATIONS

United Kingdom Tax Considerations

The comments below are of a general nature and are based on the Issuer's understanding of current UK law and practice relating to certain aspects of UK taxation and are subject to changes therein or thereof, possibly with retrospective effect. They are not exhaustive and do not necessarily apply where the income on the notes is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of notes and may not apply to certain classes of persons, such as dealers, persons connected with the Issuer or certain professional investors, to whom special rules may apply. These comments do not purport to constitute legal or tax advice. Any holders of notes who may be subject to tax in a jurisdiction other than the United Kingdom or are in any doubt as to their own tax position should consult their professional advisers.

Interest on the Notes

The notes will constitute "quoted Eurobonds" within the meaning of Section 349 of the Income and Corporation Taxes Act 1988 (**ICTA 1988**) while they remain listed on a "recognised stock exchange" within the meaning of Section 841 ICTA 1988. Whilst 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. On 10 August 2005, Her Majesty's Revenue and Customs published confirmation that Eurobond securities that have been admitted to the Official List by the Société de la Bourse de Luxembourg (being the competent authority for that purpose), 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", tax may, subject to any relief available under any applicable double taxation treaty and to the availability of any other reliefs, have to be withheld from payments of UK source interest on the notes at the "lower rate" of UK income tax (currently 20 percent).

If interest were paid under deduction of UK income tax, holders of 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 should have a UK source and accordingly may be chargeable to UK tax by direct assessment. 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 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 notes may wish to note that the provisions referred to in "Description of the Notes—Payment of Additional Amounts" would not apply if Her Majesty's Revenue and Customs 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 notes who are individuals may wish to note that Her Majesty's Revenue and Customs 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 Her Majesty's Revenue and Customs to the tax authorities of other jurisdictions.

United Kingdom holders subject to corporation tax

In general, holders of notes who are within the charge to UK corporation tax, other than "authorised unit trusts" and Open Ended Investment Companies will be charged to tax on income in respect of all profits, gains and losses on the notes (whether attributable to currency fluctuations or otherwise) measured and recognised in each accounting period broadly in accordance with their statutory accounting treatment.

United Kingdom holders not subject to corporation tax

Her Majesty's Revenue and Customs 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 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.

If the notes do not constitute deeply discounted securities, the disposal of 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 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.

On the disposal of notes by a holder (if they do not constitute deeply discounted securities), any interest which has accrued since the last interest payment date may be chargeable to tax on income under the rules of the accrued income scheme as set out in Chapter II of Part XVII of ICTA 1988 if that holder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the notes are attributable. Further, if interest is deemed to accrue on the notes prior to the date of their issue to the initial purchasers, the notes may be regarded as variable rate securities for the purposes of the accrued income scheme, in which case the holder may be subject to income tax on such amount as Her Majesty's Revenue and Customs deems just and reasonable and the transferee of the notes would not be entitled to any corresponding allowance under the accrued income scheme. Holders of notes are advised to consult their own professional advisers 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.

Holders who are not resident in the United Kingdom

An individual holder who is neither resident nor ordinarily resident in the United Kingdom in a year of assessment in which the holder disposed of notes, but who was either resident or ordinarily resident in the United Kingdom in a previous year of assessment (the last such year being the "year of departure") should be aware that, if the holder becomes resident or ordinarily resident in the United Kingdom in a year of assessment following the year of the disposal (the first such year being the "year of return"), UK tax on chargeable gains may, subject to certain conditions being satisfied, be charged in relation to any gain made on the disposal. The conditions include that there are fewer than five years of assessment falling between the year of departure and the year of return, and that four out of the seven years of assessment immediately preceding the year of departure are also years of assessment for which the holder was either resident or ordinarily resident in the United Kingdom. The rules apply in a modified form in relation to persons who at any time are resident or ordinarily resident in the United Kingdom but fall to be regarded as resident in a territory outside the United Kingdom for the purposes of any applicable double taxation treaty having effect at that time.

Stamp Duty and Stamp Duty Reserve Tax

No UK stamp duty or SDRT is payable on issue of or on a transfer of notes.

EU Savings Tax Directive

The European Union has adopted a 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 to an individual in that other Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise. The Directive does not preclude Member States for levying other types of withholding tax.

United States Federal Income Tax Considerations

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 who purchase Notes in the original offering at the original offering price, hold the Notes as capital assets and use the U.S. dollar as their functional currency. 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, 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. It also does not address prospective purchasers of Additional Notes, which may be issued at a discount or premium.

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 subject to the control of a U.S. person and the primary supervision of a U.S. court, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

If a partnership 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

Interest paid on the Notes, including any Additional Amounts, will be included in the gross income of a U.S. Holder as ordinary income in accordance with the holder's regular method of tax accounting. Interest generally will be income from sources outside the United States.

In the case of a Euro 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 euro interest payment 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 euro interest at the average exchange rate for the accrual period (or, if any accrual period spans two taxable years, the partial period within each taxable year). Upon receipt of the interest, an accrual basis U.S. Holder generally will recognize foreign currency exchange gain or loss equal to the difference 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. 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 U.S. dollars 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 U.S. Internal Revenue Service.

Disposition

A U.S. Holder generally will recognize gain or loss on a sale, redemption or other 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 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 exchange 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 (unless described otherwise in this section) generally will be the amount paid for the Note less any principal payments previously received by the U.S. holder. In the case of a Euro Note, the amount paid for a Euro 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 Notes are traded on an established securities exchange 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 will be U.S. source capital gain or loss except, in the case of a Euro 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 Note, a U.S. Holder generally will recognize foreign currency gain or loss on disposition of a Euro Note equal to the difference between the U.S. dollar value of the principal amount of Euro Note on the date of acquisition and the date of disposition (or, if the Notes are traded on an established securities exchange 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 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 Euro 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 Note equal to the U.S. dollar amount realized. Any gain or loss realized by a U.S. Holder on a sale or other disposition of the euro generally will be U.S. source ordinary income or loss.

Reportable Transactions

Recent Treasury Regulations on tax shelter transactions could be interpreted to require a U.S. Holder of Euro Notes specifically to disclose with its tax return loss from certain transactions involving a sale, exchange, retirement or other taxable disposition of a Euro Note in excess of certain thresholds. U.S. Holders are urged to consult their tax advisers about these and all other specific reporting requirements.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption or other disposition of a Note may be reported to the U.S. Internal Service unless the holder is a corporation or otherwise 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. Backup withholding is not an additional tax. A holder 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.

IRS Circular 230 Disclosure

To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this offering memorandum is not intended or written by us to be used, and cannot be used, (i) by any taxpayer for the purpose of avoiding tax penalties under the U.S. Internal Revenue Code or (ii) for promoting, marketing or recommending to another party any transaction or matter addressed herein. You should seek advice based on your particular circumstances from an independent tax advisor.

NOTICE TO INVESTORS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the notes offered hereby. This summary of the restrictions applicable to the notes is qualified in its entirety by the terms of the indenture.

The notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to or for the account or benefit of US Persons (as such terms are defined under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only to a limited number of (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (ii) to non-US persons outside the United States in accordance with Regulation S under the Securities Act.

You will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A ("Rule 144A"), Regulation D ("Regulation D") or Regulation S ("Regulation S") under the Securities Act are used herein as defined therein):

(a) You (A)(i) are a qualified institutional buyer, (ii) are aware that the sale of the notes to you is being made in reliance on Rule 144A and (iii) are acquiring such notes for your own account or for the account of a qualified institutional buyer, as the case may be or (B) are not a US person and are purchasing the notes in an offshore transaction pursuant to Regulation S.

(b) You understand that the notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) to a person who you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the Securities Act, and (B) in accordance with all applicable securities laws of the States of the United States.

(c) The purchaser confirms that (i) such purchaser is not acquiring the notes with a view to distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; *provided* that the disposition of its property and the property of any accounts for which it is acting as fiduciary shall remain at all times within its control; (ii) such purchaser has knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of purchasing the notes, and such purchaser and any accounts for which it is acting are each able to bear the economic risks of its or their investment and (iii) such purchaser has received a copy of the offering memorandum and acknowledges that such purchaser has had access to such financial and other information, and has been afforded the opportunity to ask such questions of our representatives and receive answers thereto, as it deemed necessary in connection with its decision to purchase notes.

(d) The notes will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE

TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES."

The purchaser acknowledges that we and the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the foregoing acknowledgments, representations or agreements deemed to have been made by it are no longer accurate, it shall promptly notify the initial purchasers. If such purchaser is acquiring notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

PLAN OF DISTRIBUTION

We will offer the notes on February 7, 2006 through the initial purchasers. Merrill Lynch International, Barclays Bank PLC, Morgan Stanley & Co. International Limited, Lloyds TSB Bank Plc, Mizuho International plc and UBS Limited are the initial purchasers. Subject to the terms and conditions contained in a purchase agreement between us and the initial purchasers, we have agreed to sell to the initial purchasers and the initial purchasers severally have agreed to purchase from us, the entire principal amount of the notes.

The initial purchasers have agreed to purchase all of the notes being sold pursuant to the purchase agreement to be dated February 7, 2006 if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting initial purchasers may be increased or the purchase agreement may be terminated. The initial purchasers have advised us that they propose initially to offer the notes at the price listed on the cover page of this offering memorandum.

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.

Notes Are Not Being Registered

The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A. The initial purchasers will not offer or sell the notes except

- to persons they reasonably believe to be "qualified institutional buyers," as defined in Rule 144A under the Securities Act or
- pursuant to offers and sales to non-US persons that occur outside the United States within the meaning of Regulation S.

Notes sold pursuant to Regulation S may not be offered or resold in the United States or to US persons (as defined in Regulation S), except under an exemption from the registration requirements of the Securities Act or under a registration statement declared effective 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".

Each initial purchaser, severally and not jointly, represented and warranted to us that (1) in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), 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 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 notes to the public in the Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive;

for the purposes of this restriction, the expression an "offer of 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 and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State; (2) it will only communicate or cause to be communicated any invitation or instrument to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us; and (3) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the notes, in, from or otherwise involving the United Kingdom.

Lloyds TSB Bank Plc is not a US registered broker-dealer and, therefore to the extent that it intends to effect any sales of the notes in the United States, it will do so through one or more US registered broker-dealers as permitted by NASD regulations.

No Sale of Similar Securities

We have agreed, with exceptions, not to sell or transfer any debt securities for a period of 120 days from the date of this offering memorandum (if the sale of the notes to the initial purchasers shall have occurred) without first obtaining the written consent of the Joint Book-Running Managers. Specifically, we have agreed not to directly or indirectly, pledge, issue, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any debt securities of the Issuer or Ineos Holdings Limited or debt securities of the Issuer guaranteed by Ineos Holdings Limited, in either case having a maturity of more than one year from the date of issue, except for debt securities (i) issued or guaranteed in accordance with, or as permitted under, the Senior Facilities Agreement as in effect on the date hereof; (ii) issued or guaranteed in connection with sales of receivables pursuant to securitization or factoring arrangements or issuances of debt securities pursuant to such sales of receivables, or the implementation of any receivables securitization or factoring facility; or (iii) issued or guaranteed in immaterial amounts in the ordinary course of business.

New Issue of Notes

The notes are new issues of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for quotation of the notes on any automated dealer quotation system. The initial purchasers have advised us that they presently intend to make a market in the notes after completion of this offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice.

Price Stabilization and Short Positions

In connection with the offering, Merrill Lynch International (or persons acting on its 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. If Merrill Lynch International (or persons acting on its behalf) creates a short position in the notes in connection with the offering, *i.e.*, if it sells more notes than are listed on the cover page of this offering memorandum, it may reduce that short position by purchasing notes in the open market. 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.

Neither we nor Merrill Lynch International 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 Merrill Lynch International make any representation that the initial purchasers 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.

Initial Settlement

It is expected that delivery of the notes will be made against payment therefor on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of pricing of the notes (such settlement being herein referred to as "T+5"). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing or the next succeeding business day should consult their own adviser.

Other Relationships

The initial purchasers or their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, and expect to receive, customary fees and commissions for these transactions.

The initial purchasers or their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, and expect to receive, customary fees and commissions for these transactions. Affiliates of Barclays Bank PLC, Merrill Lynch International and Morgan Stanley Bank International Limited are acting as mandated lead arrangers and bookrunners and as lenders under the Bridge Facility and the Senior Secured Credit Facilities and the Term D Facility and have received customary fees for their services in such capacities. Affiliates of Lloyds TSB, Mizuho International plc and UBS Limited are acting as mandated lead arrangers and as lenders under the Senior Secured Credit Facilities and the Term D Facility and as lenders under the Bridge Facility. The proceeds from the offering of the notes, together with the proceeds from certain term loan borrowings under the Senior Secured Credit Facilities and the Term D Facility, will be used to repay all of the loans outstanding under the Bridge Facility.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Cravath, Swaine & Moore LLP, as to matters of United States Federal and New York law and by Slaughter and May, as to matters of English law. Certain legal matters in connection with this offering will be passed upon for the initial purchasers by Shearman & Sterling (London) LLP, as to matters of United States Federal, New York and English law.

INDEPENDENT AUDITORS

The consolidated financial statements of Ineos Group Holdings plc at December 31, 2003 and 2004 and for each of the three years in the period ended December 31, 2004, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP, London, independent accountants, as stated in their report appearing herein.

The combined financial statements of Innovene at December 31, 2003 and 2004 and for each of the three years in the period ended December 31, 2004, included in this offering memorandum, have been audited by Ernst & Young LLP, London, independent auditors, as set forth in their report appearing herein.

WHERE YOU CAN FIND MORE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act of 1934.

Each purchaser of 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 offered hereby 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, if at any time we are not subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, or exempt from reporting pursuant to Rule 12g3-2(b) of the United States Securities Exchange Act 1934, we will, upon request of a holder 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 of prospective purchaser of the notes, as the case may be, the information required to be delivered pursuant to Rules 144A(d)(4) under the US Securities Act of 1933, as amended, to permit compliance with Rule 144A under the US Securities Act of 1933 in connection with resales of notes. Any such request should be directed to us at Ineos Group Holdings plc, Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom. Attention: Finance Director (telephone number +44-2380-287-063). All of the above documents will be available at the offices of the Paying Agent in Luxembourg and in London.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

We and many of the Guarantors are companies incorporated in England and Wales. Other Guarantors are organized under the laws of Belgium, Germany and The Netherlands, and future Guarantors may also be organized under the laws of non-US 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 US 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. 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 US courts predicated on civil liability provisions of the federal securities laws of the United States.

If a judgment is obtained in a US court against us or a Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of US court judgments outside the United States is described below for England, you should consult with your own advisers in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

England

The following discussion with respect to the enforceability of certain US court judgments in England is based upon advice provided to us by our US and English legal advisers. The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than 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 enforceable in England. In order to enforce any judgment in England, proceedings must be initiated by way of common law action before a court of competent jurisdiction in England. In a common law action, an English court generally will not (subject to the following sentence) reinvestigate the merits of the original matter decided by a US court and will order summary judgment on the basis that there is no defense to the claim for payment. The entry of an enforcement order by an English court is conditional upon the following:

- the US court having had jurisdiction over the original proceeding according to English conflicts of laws principles and there not having been a prior judgment in another court between the same parties concerning the same issues as the one dealt with in the judgment of the US federal or state court, as applicable;
- the judgment being final and conclusive on the merits and being for a definite sum of money;
- the judgment not contravening English public policy;
- the judgment being not 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 is not arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damaged sustained;
- the judgment having not been obtained by fraud or in breach of the principles of natural justice;
- the enforcement proceedings being instituted within six years of the date of the judgment; and
- the enforcement not breaching section 5 of the Protection of Trading Interests Act 1980.

Subject to the foregoing, investors may be able to enforce judgments in civil and commercial matters obtained from US federal or state courts in England. However, we cannot assure you that those judgments will be enforceable. In addition, it is doubtful whether an English court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

Belgium

The Unites 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 US federal or state securities laws, would not automatically be enforceable in Belgium.

Our Belgian legal advisers have advised us that a US judgment is recognized without prior proceedings in Belgium but may only be enforced upon request by the courts of Belgium. The enforcement of the US 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 US 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 US 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; and
- 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 US judgment.

With regard to the enforcement 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 US federal securities laws.

Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on federal and state securities laws of the United States, either in the original action or in an action to enforce a judgment obtained in US courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgement for payment given by any court in the United States, whether or not predicated solely upon US securities laws, would not automatically be enforceable in Germany. A final judgement by a US court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth in the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a US court, except as noted below. The recognition and enforcement of the US judgement by a German court is conditional upon a number of factors, including the following:

- the judgement being final and enforceable under US law;
- the US court having had jurisdiction of the original proceeding under German law;
- the defendant having had the chance to defend herself or himself against an unduly or untimely served complaint;
- the judgement of the US court being consistent with the judgement of a German court, or a recognized judgement of a foreign court handed down before the judgement of the US court;
- the judgement of the US court being consistent with the procedure of a matter pending before a German court, provided that such matter was pending before a German court before the US court entered its judgement;
- the enforcement of the judgement by the US court being compatible with German public policy, including the fundamental principles of German law, in particular the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity.

Subject to the foregoing, purchasers of securities may be able to enforce judgements in civil and commercial matters obtained from US courts in Germany. We cannot, however, assure you that attempts to enforce judgements in Germany will be successful.

German courts usually deny the recognition and the enforcement of punitive damages. Moreover, a German court may reduce the amount of damages granted by a US court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from US civil procedure in a number of respects. In as far as the production of evidence is concerned, US law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

The Netherlands

The United States and The Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities law, would not be enforceable in The Netherlands. However, if the party in whose favor such judgment is rendered brings a new suit in a competent court in The Netherlands, that party may submit to a Dutch court the final judgment that has been rendered in the United States. If the Dutch court finds that the jurisdiction of the federal or state court in the United States has been based on grounds that are internationally acceptable and that the final judgment concerned results from proceedings compatible with Dutch concepts of due process, to the extent that the Dutch court is of the opinion that reasonable and fairness so require, the Dutch court would, in principle, under current practice, recognize the final judgment that has been rendered in the United States and generally grant the same claim without re-litigation on the merits, unless the consequences of the recognition of such judgment contravene public policy in The Netherlands. It is not certain, however, that these court practices also apply to default judgments.

CERTAIN INSOLVENCY LAW CONSIDERATIONS

England and Wales

The Issuer and certain of the guarantors are incorporated under the laws of England and Wales. Therefore, any insolvency proceedings by or against the Issuer or such guarantors would likely be based on English insolvency laws. The procedural and substantive provisions of English insolvency laws and those of certain other jurisdictions generally are more favorable to secured creditors than comparable provisions of US law and afford debtors and unsecured creditors only limited protection from secured creditors. Due to the nature of English insolvency laws and the unsecured nature of the claims of holders of the notes against the guarantors, the ability of holders of the notes to protect their interests will be more limited than would be the case under US bankruptcy laws. The lenders under the Senior Secured Credit Facilities and the BP Creditors have first ranking security on all of the assets of Ineos Holdings Limited and substantially all of the assets of certain of the guarantors, and the lenders under the Term D Facility have second ranking security on such assets. As a result, after the enforcement of the collateral, the security agent under the Senior Secured Credit Facilities and the Term D Facility will have effective control of and the right to direct the disposition of the assets of Ineos Holdings Limited and those subsidiaries. In addition, under English insolvency law, in the event of a winding up, our liabilities under the notes will be paid after certain of our other debts which are entitled to priority under English law, such as occupational pension scheme contributions and salaries owed to employees.

Ineos Holdings Limited and certain of our subsidiaries incorporated under the laws of England and Wales have guaranteed the notes on a senior subordinated basis. In any insolvency proceedings by or against Ineos Holdings Limited or any such other subsidiary, that guarantee will rank as an unsecured debt behind the claims of secured creditors of such guarantor. Your ability to recover from that guarantor will be subject to the same principles as set out in the preceding paragraph resulting from the application of English insolvency laws.

A liquidator or administrator of Ineos Holdings Limited or any other subsidiary guarantor incorporated under the laws of England and Wales could apply to the court to rescind the issuance of its guarantee if the liquidator or administrator believes the issuance of that guarantee constituted a transaction at an undervalue. A transaction is at an undervalue if a company makes a gift to a person or enters into a transaction on terms where the company receives no consideration or one which has a value 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. To be upset, a transaction at an undervalue must have been entered into during the period of two years before the commencement of winding up or the presentation of a petition for an administration order and the company must have been insolvent on a cash flow or balance sheet test at the time it entered into the transaction or became insolvent by entering into it. Under English insolvency law, there is a presumption of insolvency if the parties to the transaction are connected, for instance if it is an intra-group transaction or it is with a director of the company. It is a defense if the company entered into the transaction in good faith for the purposes of carrying on its business and, at the time it did so, there were reasonable grounds for believing the transaction would benefit such company. We believe that neither Ineos Holdings Limited nor any of the other guarantors incorporated under the laws of England and Wales will be insolvent at the time it issues its guarantee. In addition, we believe that such guarantees will be provided in good faith for the purpose of carrying on the business of such guarantors and that there are reasonable grounds for believing that the transactions will benefit such guarantors. There can be no assurance, however, that the provisions of such guarantees will not be challenged by a liquidator or administrator or that a court would support management's analysis.

Where it can be shown that a transaction, such as the issuance of the notes or a guarantee, was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may at sometime make, a claim against a company, or of otherwise prejudicing the interests of such person in relation to such a claim, the transaction may be set aside by the court as a transaction defrauding creditors. This provision of English law may, in certain circumstances, be used by any person who claims to be damaged by the transaction and is not therefore limited to liquidators or administrators. The English insolvency legislation does not provide a statutory time limit within which such a challenge must be made and the company need not be insolvent at the time of the transaction. To the extent that a court were to find that issuance of the notes or a guarantee constituted a transaction defrauding creditors, the court may 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 victims of the transaction, which could include voiding the notes or a guarantee or subordinating the notes or a guarantee in favor of other creditors.

If the liquidator or administrator can show that a company has given a "preference" to any person within six months of the onset of liquidation or administration proceedings (or two years if the preference is to a connected person) and, at the time of the preference, the company was technically insolvent or became so as a result of the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives a preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company does anything or suffers anything to be done which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, would be better than the position that person would have been in if the thing had not been done. The court may not make an order voiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in such a better position. If a court finds that the notes or the guarantees are preferences, 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).

In addition, under English insolvency law any debt payable in a currency other than pounds sterling (such as euro 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. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate at the Bank of England 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 we go or a guarantor goes into liquidation, holders of the notes may be subject to exchange rate risk between the date that we or such guarantor (as the case may be) went into liquidation and receipt of any amounts to which such holders of notes may become entitled.

Belgium

Belgian insolvency laws provide for two insolvency procedures: the judicial composition procedure (*gerechtelijk akkoord)* and the bankruptcy procedure (*faillissement*).

Judicial Composition

A judicial composition can be filed for if the following conditions are met:

(i) the debtor is temporarily unable to pay its debts as they fall due or the continuity of the company is threatened so that it might give rise to a suspension of payments in the short term;

(ii) the financial situation of the company can be cured and there is a real expectation of recovery; and there is no apparent bad faith on the part of the debtor.

A request for a judicial composition can be filed either on the initiative of the debtor or on the initiative of the public prosecutor. A preliminary suspension of payment can be granted for a maximum period of six months (the "Preliminary Suspension Period"). The court will grant such suspension if the debtor has not acted in bad faith and if the court is of the opinion that such suspension would contribute to the recovery of the business. The court may extend the suspension for another three months upon the request of the "commissioner", the Public Prosecutor's office, or at the discretion of the court itself.

After the creditors have submitted their claims for unpaid debts to the court, the court may grant a definitive suspension of payment for a term up to 24 months, which may be extended for another 12 months (the "Definitive Suspension Period"). Such definitive suspension is based on a recovery plan which will set out when and to what extent the suspended debts will be paid as well as other measures agreed to allow the company to recover. In addition to a suspension the plan may include mandatory rescheduling and even a mandatory reduction of debts. The recovery plan must be approved by a majority of creditors and by the court.

The court will appoint a commissioner whose task it is to assist and supervise the debtor's actions in the course of the judicial composition.

Any provisions of an agreement which provide that the contract is terminated or dissolved as the mere consequence of the company applying for a judicial composition or becoming the subject of a judicial composition procedure will be ineffective.

Following a request for a judicial composition, no enforcement against movable or immovable property of the debtor can be effected prior to the court's ruling on the request in accordance with the law on judicial composition. Following the entry into force of the Act of 15 December 2004 regarding financial collateral, such prohibition should however not apply to the pledge on financial instruments or on cash held on account.

During the Preliminary Suspension Period no enforcement against movable or immovable property of the debtor can be effected, provided that during such period the relevant creditors receive payment of interest and charges that fall due as from the date of ruling on the preliminary suspension.

If, following the preliminary suspension, a recovery plan is approved by the creditors and the court, such plan and a final suspension of payments and enforcement rights will apply for a maximum period of 24 months, which period could be extended for a further 12 months. Approval by the court of the final suspension requires *inter alia* that the recovery plan is approved by more than 50% of creditors who have filed a claim and have participated in the vote, provided these creditors also represent more than 50% of the claims made against the debtor.

In respect of creditors who benefit from a pledge or a mortgage (and who have not voluntarily agreed to the recovery plan), the recovery plan and final suspension will not be binding unless the court decides otherwise, which is only allowed if the following conditions are met:

(i) the recovery plan provides for payments of interest to the secured creditors; and

(ii) the suspension of payments is limited to no more than 18 months; and

(iii) the recovery plan does not otherwise change their current or future position.

If the secured party is not kept current for interest and costs during these periods, it can seek to enforce its security. This must be with the consent of the court if a definitive suspension has been ordered.

Bankruptcy

A bankruptcy procedure may be initiated by the debtor, unpaid creditors or upon the initiative of the Public Prosecutor's office. Once the court decides that the requirements for bankruptcy are present (i.e. sustained cessation of payments and a loss of further credit), the court will establish a date before which all claims of unpaid debts by the creditors must be entered (within 30 days after the bankruptcy judgment) and will be verified (within 30 days after the due date for introduction of claims by the creditors).

The debtor loses all authority and decision rights concerning the management of the assets of the bankrupt business. The bankruptcy receiver (*curateur/curator*) will take over the running of the business and will see to the sale of the assets, the distribution of the proceeds thereof to the creditors and the liquidation of the debtor. The input of creditors is limited, to the extent that they are informed of the course of the bankruptcy proceedings on a regular basis by the liquidator, they may oppose the sale of assets by bringing an action before court, or they may request the temporary continuation of the business.

Conditions for a bankruptcy order (*déclaration de faillite/aangifte van faillissement*) are that the company 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 main debts. Such situation must be persistent and not merely temporary. In principle, the cessation of payments is deemed to have occurred as from the date of the bankruptcy order. The court issuing the bankruptcy order may determine that the cessation of payments occurred on an earlier date if there are serious and objective indications that such was the case. Such earlier date may not be earlier than six months before the date of the bankruptcy order, save in the case 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 suspect period (*période suspecte/ verdachte periode*).

The bankruptcy receiver may decide 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. The counterparty to that agreement (a) may enter a claim for damages in the bankruptcy and such claim will rank pari passu with claims of all other unsecured creditors and/or (b) seek a court order to have the relevant contract dissolved. It will, however, no longer be possible to seek injunctive relief or to require specific performance.

The enforcement rights of individual creditors will be suspended as from the bankruptcy judgment being rendered and the bankruptcy trustee only will from then on be able to proceed against the debtor and to liquidate its assets. Such suspension does however not apply to the pledge on financial instruments or cash held on account.

However, for creditors secured over movable assets such suspension would normally be limited to the period required for the verification of the claims, but may at the request of the bankruptcy receiver be extended up to one year from the bankruptcy judgment. Such extension will require a specific order of the court which can only be made if the further suspension will allow for a realization of the assets without prejudicing the secured creditors and provided those secured creditors have been given the opportunity to be heard by the court.

For immovable assets, in principle only the bankruptcy receiver can 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. However, the first ranking mortgagee will nevertheless be entitled to pursue the enforcement of its mortgage as soon as the report of claims has been finalized, unless the court suspends such enforcement for a period of not more than one year from the date of the bankruptcy if the further suspension will allow for a realization of the assets without prejudicing the mortgagee and provided the mortgagee has been given the opportunity to be heard by the court.

As from the date of the bankruptcy judgment no further interest accrues against the bankrupt debtor on its unsecured debt.

As a general rule, any security interest will rank behind prior existing security interests provided that appropriate perfection requirements (e.g. registration or filing) have been completed.

If a company that has obtained or has become subject to a judicial composition is declared bankrupt during the judicial composition, then new debts duly incurred by the company during the judicial composition may be treated as debts incurred by the liquidator, and will therefore rank in priority to the debts incurred prior to the judicial composition. Although it has been argued that these new debts should also take priority over previous debts which are secured by a mortgage or a pledge, reported case law to date and the most authoritative legal writers seem to take the view that such is only the case where the new creditors can provide proof that the incurrence of the new debt specifically benefited the secured creditor.

Under the bankruptcy law, debts duly incurred by the liquidator after the date of the bankruptcy order could rank ahead of a mortgagee or a pledgee to the extent that such creditors could establish that the incurrence of such debt had specifically benefited the mortgagee or pledgee.

Certain statutorily preferred creditors may, depending on the circumstances, rank ahead of a first ranking mortgage or first ranking pledge. Such creditors include: (i) creditors for legal costs incurred in the interest of all creditors; (ii) claims for costs made by a third party or the liquidator for the maintenance, enforcement or recovery of the relevant asset; (iii) in respect of the business equipment owned by the company, any unpaid creditor of business equipment which has filed a copy of the sales invoice. As to the statutory liens of the tax and social security authorities, these will normally rank behind the mortgage and pledge, unless such mortgage would be registered only after the tax authorities have perfected their mortgage (for example, on the basis of a mortgage mandate deed).

Germany

Some of the guarantors are organized under the laws of Germany. In the event of insolvency, insolvency proceedings may, therefore, be initiated in Germany. German law would then govern those proceedings. The insolvency laws of Germany may not be as favourable to your interests as creditors as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor (i.e., where its liabilities exceed the value of its assets) or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). In addition, the debtor can file for insolvency proceedings if it is imminently at risk of being unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). The insolvency proceedings are court controlled, and upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor. The court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. The court orders the opening of insolvency proceedings (*Eröffnungsbeschluss*) if certain formal requirements are met and if there are sufficient assets to cover at least the cost of the insolvency proceedings. The court additionally appoints an insolvency administrator (*Insolvenzverwalter*) who, once the main insolvency proceeding has been opened, has full administrative and disposal authority over the debtor's assets.

All creditors, whether secured or unsecured, (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrect*) wishing to assert claims against the debtor need to participate in the insolvency proceedings. Many of the individual enforcement actions brought against the debtor by any of its creditors are subject to an automatic stay once the insolvency proceedings have been opened. Secured creditors are generally not entitled to enforce the security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights. Certain creditors who are secured by a pledge over a claim, or over a movable asset that such secured creditors have in their possession, are entitled to enforce their security interest by themselves. Other security interests are enforced by the insolvency administrator. In case of an enforcement by the insolvency administrator, the enforcement proceeds less 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. In any event, the remaining amount, if any, will be distributed among the unsecured creditors who are satisfied on a pro rata basis only. The proceeds resulting from the realization of the insolvency estate (*Insolvenzmasse*) of the debtor may not be sufficient to satisfy unsecured creditors under the guarantees granted by any German guarantor after the 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 which requires, among others, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency and other laws, an insolvency administrator can under certain circumstances avoid any claim for the payment of debt and any guarantee or security or, if payment has already been made, require that the recipient return the payment to the relevant payer. The right of avoidance applies to transactions (which term also includes the provision of security or the payment of debt) entered into following the commencement of insolvency proceedings, and under certain circumstances to transactions concluded prior thereto. The insolvency administrator's right to challenge transactions can, depending on the circumstances, extend to transactions entered into during a ten-year period prior to the petition for the commencement of insolvency proceedings. These circumstances include, without limitation, situations in which a debtor (i) discharges, or grants security to a shareholder for, a claim of the shareholder which has been or is extended, not enforced or immediately accelerated by the shareholder at a time where the debtor was in a "financial crisis" or insolvent, (ii) makes its performance other than on the basis of consideration, or (iii) was illiquid and the creditor was aware thereof at the time of the transaction. In addition, as long as no insolvency proceedings were instituted, a creditor who has obtained an enforcement order 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*).

In the event such a transaction were successfully avoided, the holders of the notes would be under an obligation to repay the amounts received or to waive the guarantee or security.

The above principles of avoidance apply, in particular, to the guarantees granted by the German guarantors. In the case of such avoidance of a guarantee granted by a German guarantor you would not have any claim in respect of the respective guarantee and any amounts obtained under the guarantee that is avoided would have to be repaid. The German principles on avoidance may therefore limit your ability to recover payments due on the guarantees.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency.

The Netherlands

One of the guarantors is incorporated in The Netherlands. Any insolvency proceedings relating to such guarantor's guarantee would likely be based on Dutch insolvency law.

Dutch insolvency law differs significantly from insolvency proceedings in the United States and may make it more difficult for holders of notes to recover the amount they would normally expect to recover in liquidation or bankruptcy proceedings in the United States even though Dutch insolvency law and Council Regulation (EC) No. 1346/2000 provide for application of certain foreign statutes in relation to certain aspects of insolvency proceedings. However, under Council Regulation (EC) No. 1346/2000, creditors are entitled to seek opening of secondary proceedings in each member state of the European Union (except for Denmark), where a company has an establishment. In other jurisdictions, provision is made for similar ancillary proceedings. Secondary proceedings under Council Regulation (EC) No. 1346/2000 or similar ancillary proceedings will to a certain extent be based upon the insolvency law of such foreign jurisdictions, including their clawback statutes. There are two primary insolvency regimes under Dutch law: the first, moratorium of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. A general description of the principles of both insolvency regimes is set out below.

An application for a moratorium of payments can only be made by the debtor itself. Once the request for a moratorium of payments is filed the court will immediately (*dadelijk*) grant a provisional moratorium. A meeting of creditors is required to decide on the definitive moratorium. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for moratorium of payments, the court can order that the composition will be processed before a decision about a definitive moratorium. If the composition is accepted and subsequently confirmed by the court (*gehomologeerd*) the provisional moratorium ends. The definitive moratorium will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The moratorium of payments is only effective with regard to unsecured non-preferential creditors. Unlike Chapter 11 proceedings under US bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a moratorium of payments, under Dutch law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in moratorium of payments to satisfy their claims as if there were no moratorium of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, the court may order a "cooling down period" for a maximum period of four months during which enforcement actions by secured or preferential creditors are barred. Also in a definitive moratorium of payments, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the meeting of the recognized and of the admitted creditors representing at least 50% of the amount of the recognized and of the admitted claims, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the notes to effect a restructuring and could reduce the recovery of a holder of notes in Dutch moratorium of payments proceedings. Interest payments that fall due after the date on which a moratorium of payments is granted cannot be claimed in a composition.

Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their claims. Certain creditors (such as secured creditors and tax and social security authorities) will have special rights that may adversely affect the interests of holders of notes. For example, secured creditors may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. Consequently, Dutch insolvency laws could reduce your potential recovery in Dutch bankruptcy proceedings. As in moratorium of payments proceedings, the court may order a "cooling down period" for a maximum of four months during which enforcement actions by secured or preferential creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of the holders of notes that were not due and payable by their terms on the date of a bankruptcy of the relevant guarantor will be accelerated and become due and payable as of that date. Each of these claims will have to be submitted to the receiver to be verified. "Verification" under Dutch law means that the receiver determines the value of the claim and whether and to what extent it will be admitted in the bankruptcy proceedings. The valuation of claims that otherwise would not have been payable at the time of the bankruptcy proceedings may be based on a net present value analysis. Interest payments that fall due after the date of the bankruptcy cannot be verified. The existence, value and ranking of any claims submitted by the holders of the notes may be challenged in the Dutch bankruptcy proceedings. Generally, in a creditors' meeting (*verificatie vergadering*), the receiver, the insolvent debtor and all verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors meeting may be referred to separate court proceedings (*renvooi procedure*). These renvooi procedures could cause holders of notes to recover less than the principal amount of their notes or less than they could recover in a US liquidation. Such renvooi procedures could also cause payments to the holders of notes to be delayed compared with holders of undisputed claims. Further, in a bankruptcy a composition may be offered to creditors, which shall be binding on unsecured non-preferential creditors if (i) it is approved by a simple majority of the meeting of unsecured non-preferential creditors with admitted and provisionally admitted claims, representing at least 50% of the total amount of the admitted and provisionally admitted unsecured non preferential claims, and (ii) subsequently ratified (*gehomologeerd*) by the court. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, which will be satisfied on a pro rata basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed.

A receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have to share in the bankruptcy costs. Excess proceeds of enforcement must be returned to the bankrupt estate; they may not be set-off against an unsecured claim of the secured creditor in the bankruptcy. Such set-off is allowed prior to the bankruptcy although a set-off prior to bankruptcy may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off. Also, payments made prior to the bankruptcy order may be clawed-back in Dutch insolvency proceedings. Voluntary (*onverplichte*) payments made by the debtor can be clawed-back if the debtor knew or should have known at the moment of payment that the creditors would be prejudiced. Even payments made that were due and payable can be clawed-back if (i) the payee (*hij die betaling ontving*) knew that the application for bankruptcy of the debtor was filed at the moment of payment or (ii) the debtor and the payee engaged in this payment in a conspiracy in order to prejudice other creditors.

Whether or not a guarantor is insolvent in The Netherlands, pursuant to Dutch law, payment under a guarantee or a security document may be withheld under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure and unforeseen circumstances (*onvoorziene omstandigheden*).

Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor, as well as all attachments on the debtor's assets (other than with respect to secured creditors and certain other creditors, as described above), will be terminated by operation of law. Simultaneously with the opening of the bankruptcy, a Dutch receiver will be appointed. The proceeds resulting from the liquidation of the bankrupt estate may not be sufficient to satisfy unsecured creditors under the guarantees granted by a bankrupt guarantor after the secured and the preferential creditors have been satisfied. Litigation pending on the date of the bankruptcy order is automatically stayed.

LISTING AND GENERAL INFORMATION

1. We were incorporated in England and Wales on May 14, 2001. The address of our directors 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 and the rules of such exchange shall so require, copies of our Articles of Association and those of the Guarantors and the Indenture 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 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 such exchange shall so require, copies of all of our audited annual financial statements and the combined audited annual financial statements, combined quarterly financial statements 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.

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 consolidated financial statements of Ineos Group Holdings included elsewhere in this offering memorandum include the financial results of the Initial Guarantors. The combined financial statements of Innovene included elsewhere in this offering memorandum include the financial results of Innovene, including our subsidiaries that will become guarantors under the indenture governing the notes within three months of the Issue Date. The unaudited pro forma condensed combined financial information included elsewhere in this offering memorandum gives effect to the Transactions and Innovene's acquisition of the remaining interest in the BP Solvay joint venture. See "Unaudited Pro Forma Condensed Combined Financial Information".

6. Pursuant to the Companies Act 1985, the Issuer prepares non consolidated financial statements for each financial year (the "Annual Report"). The Annual Reports for the year ended December 31, 2002, 2003 and 2004 are hereby incorporated by reference and should be read in conjunction with this offering memorandum.

7. Save as disclosed herein, there has been no material adverse change in our consolidated financial position since September 30, 2005.

8. 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.

9. We will have appointed The Bank of New York (Luxembourg) S.A. as our Paying Agent and Transfer Agent in Luxembourg. 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 *d'Wort*) or on the Luxembourg Stock Exchange's website, *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, the alternative market of the Luxembourg Stock Exchange, we will maintain paying and transfer agents in Luxembourg.

10. The issue of the notes was authorized by resolutions of our board of directors passed at meetings held on or about January 26, 2006. The guarantees were authorized by resolutions of

the boards of directors of the Initial Guarantors passed at meetings held on or about January 26, 2006.

11. The Euro Global Notes sold pursuant to Regulation S and Rule 144A under the Securities Act have been accepted for clearance through the facilities of Clearstream Banking and Euroclear under common codes 24294536 and 24294587, respectively. The ISIN number for the Euro Global Notes sold pursuant to Regulation S is XS0242945367 and the ISIN number for the Euro Global Notes sold pursuant to Rule 144A is XS0242945870.

    The Dollar Global Notes sold pursuant to Regulation S have been accepted for clearance through the facilities of Clearstream Banking and Euroclear under the common code 24294625. The ISIN number for the Dollar Global Notes sold pursuant to Regulation S is XS0242946258. The Dollar Global Notes sold pursuant to Rule 144A have been accepted for clearance through the facilities of DTC. The ISIN number for the Dollar Global Notes sold pursuant to Rule 144A is US45661YAA82. The CUSIP number for the Dollar Global Notes sold pursuant to Rule 144A is 45661YAA8.

GLOSSARY OF SELECTED TERMS

Term	Definition
Acetone	Acetone is a by-product of the production of phenol and is used in the production of MMA, PMMA, acrylate and BPA and acetone-based solvents.
Acetonitrile	Acetonitrile is co-produced in the manufacture of acrylonitrile and is largely used in solvents.
Acrylic acid	Acrylic acid is produced from propylene and used in manufacturing absorbent polymers, coatings and adhesives/sealants.
Acrylonitrile	Acrylonitrile is a commodity used in a wide variety of consumer applications. It is used in the production of acrylic fiber, ABS and SAN. Acrylonitrile is manufactured from propylene, ammonia and air with the use of a catalyst.
Acrylonitrile-butadiene styrene (ABS)	ABS is a tough thermoplastic that has a variety of consumer appliance and automotive component uses. It is made from acrylonitrile, butadiene and styrene.
Alkylation	Alkylation is a process for refining light products from the FCC to make high-octane gasoline.
Alpha olefins	See "Linear alpha olefins" and "Poly alpha olefins."
Aluminum trihydrate (ATH)	ATH is a key raw material used in the manufacture of zeolites.
Ammonia	Ammonia is used in the manufacture of acrylonitrile, although its largest end use is in the manufacture of fertilizers. It is made from nitrogen and hydrogen with the use of a catalyst.
Anhydrous hydrogen fluoride (HF)	HF is a strong acid which provides a major source of fluorine in the manufacture of a wide range of organic and inorganic compounds.
Aromatics	Aromatics are 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.
Asphalt	Asphalt, a refinery product, is a liquid used for road surfacing and roofing.
Benzene	Benzene is a building block for styrene and is also used to make cumene and nylon. It is mainly produced from refinery processes or as a co-product of steam cracker operations.
Bisphenol A (BPA)	BPA is an intermediate product produced from acetone and phenol used to produce polycarbonate and epoxy-resins.
Butadiene	Butadiene, a gas, is one of the co-products of the steam cracking process and is used primarily in the production of polymers, principally synthetic rubbers such as SBR, which is used to manufacture tires and other rubber products.

Term	Definition
Chlorofluorocarbons (CFCs)	CFCs are compounds consisting of chlorine, fluorine and carbon. These compounds have an ozone depletion potential and as such are regulated under the Montreal Protocol. The products were widely used in refrigeration and air conditioning.
Co-monomer	Co-monomers are mainly used in combination with ethylene to make some types of polyethylene.
Cracker	See “Olefins cracker.”
Cumene	Cumene is produced from benzene and propylene and is used as a feedstock for producing phenol/acetone, which have large uses in the manufacture of plastics and resins.
Ethanolamine (EOA)	EOA is an EO derivative. Its major applications are herbicides, surfactants (used in personal care products and detergent formulations), cement additives, textile chemicals and pigments.
Ethylbenzene	Ethylbenzene is 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	Ethylene is a flammable gas obtained in a process called steam cracking. Ethylene itself has no consumer applications, but is the basic feedstock for a large number of industrial uses, including the manufacture of polyethylene. Ethylene is a key building block for polyethylene, polystyrene, EO and other derivatives.
Ethylene dichloride	Ethylene dichloride is a liquid used as an intermediate to make polyvinyl chloride, which is used for water piping (outside/underground), sidings, as well as for sewers, drains, wastes and venting pipes and fittings. It is made from ethylene and chlorine.
Ethylene glycol (EG)	EG is an industrial chemical, primarily used in the manufacture of polyesters and antifreeze/coolants. It is produced from ethylene oxide.
Ethylene oxide (EO)	Ethylene oxide, a commodity monomer used as a building block for the manufacture of a wide range of products and intermediates in the chemical industry. EO is mainly used to produce EG and industrial detergents. The products derived from ethylene oxide have many familiar applications; coolants for auto engines, polyester fibers, film. It is manufactured from ethylene and oxygen.
Ethylene propylene diene monomer (EPDM)	EPDM is made from a combination of ethylene, propylene and another monomer containing two double bonds. Key and use applications for EPDM, after further processing and reaction, are for roofing materials and automotive seals.
Ethylidene norbornene monomer (ENB)	ENB is made by reacting butadiene with dicyclopentadiene and is used as a termonomer in EPDM rubber.

Term	Definition
Expandable polystyrene (EPS) . .	EPS is polystyrene that, when heated, forms a lightweight foam used for packaging and insulation purposes. Styrene is the main feedstock to manufacture EPS.
Fluidized catalytic cracker (FCC)	An FCC is a type of oil refining cracker that makes gasoline components with high octane levels and some co-produced lighter products.
Fractionator	A fractionator splits gas into its components ethane, propane, butane and other NGLs.
Gas	Gas includes methane, ethane, butane and propane.
Glycol ethers	Glycol ethers are used as solvents in paints, inks and cleaning fluids, and are derivatives of EO.
Heating gas oil	Heating gas oil is a refinery product.
Heavy crude	High density crude, requires more refining to produce lighter refined products.
High-density polyethylene (HDPE)	HDPE is a type of polyethylene and is a relatively tough thermoplastic. Its most common household use is container plastics. HDPE is also commonly used for molding, pipe and thin film applications.
Hydrocarbons	Hydrocarbons is used to describe all compounds that consist of hydrogen and carbon. These include crude oil, natural gas, gas, olefins and their derivatives.
Hydrochlorofluorocarbons (HCFCs)	HCFCs are compounds consisting of hydrogen, chlorine, fluorine and carbon. These compounds have a small ozone depletion potential and as such are regulated under the Montreal Protocol. The products are widely used in refrigeration, air conditioning, foam blowing and as raw material feedstock.
Hydrocracker (HC)	An HC is a type of oil refining cracker which makes refined products such as diesel and jet fuel, as well as some co-product quantities of LPGs.
Hydrofluorocarbons (HFCs) . . .	HFCs are ozone-benign replacement gases used in refrigerant and air conditioning systems developed to replace ozone-depleting CFCs and HCFCs.
Hydrogen cyanide	Hydrogen cyanide is manufactured as a co-product of acrylonitrile. Hydrogen cyanide is an extremely hazardous gas used mainly to produce polymers, coatings and nylon, and for chemicals used in gold extraction.
Light (crude)	Low density crude, requires less refining to produce lighter refined products.

Term	Definition
Linear alpha olefins (LAOs)	LAOs are hydrocarbons in a straight chain formation which have physical characteristics and commercial uses that vary according to the length of the hydrocarbon chain. LAOs 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 (LLDPE)	LLDPE is a type of polyethylene and has basic properties similar to LDPE. LDPE and LLDPE are to a certain extent substitutable for each other. The most significant end use for LLDPE is film.
Liquefied petroleum gas (LPG)	LPG is 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)	LDPE was the first type of polyethylene to be invented. Its most common household use is in plastic bags.
Methylmethacrylate (MMA)	MMA is produced from acetone and is used to manufacture PMMA resins.
Monomer	Feedstock material for the manufacture of polymers and derivative products.
Naphtha	Naphtha is a refinery product that is used as a gasoline component, but also serves as feedstock for petrochemical plants.
Natural gas liquids (NGL)	NGLs generally comprise a mixture of ethane, propane, butanes and smaller amounts of other lighter hydrocarbons.
Nitriles	Nitriles is used to describe acrylonitrile, its co-products and other products produced from ammonia feedstock.
Olefins	Olefins, including ethylene and propylene, are the key building blocks of the petrochemical industry and produce a large range of derivative products.
Olefins cracker	An olefins cracker breaks down naphtha or gas feedstocks into olefins, principally ethylene and propylene.
Organoleptic products	Organoleptic products, including caps and closures made from polyethylene, impart no taste or odor to the contents of the container.
Oxo-alcohols	Oxo-alcohols are a feedstock for intermediates which are used in many soft plastic products and solvent applications. They are largely produced from propylene feedstock.
Phenol	Phenol is produced from cumene, and is used in the production of BPA, as well as phenolic resins and capralactam.
Poly alpha olefins (PAOs)	PAOs are made by polymerizing, or merging, several LAOs together and are used in a large number of automotive and industrial applications (mainly as synthetic lubricants).

Term	Definition
Polycarbonate	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, structural parts in cars and trucks and housings for electrical household appliances and office equipment.
Polyethylene	Polyethylene (including HDPE, LDPE and LLDPE) is the world's most used thermoplastic, manufactured by aggregating many ethylene and co-monomer molecules in a process called polymerization. Polyethylene is used primarily to produce films for packaging, agricultural applications, molded products, pipes and coatings.
Polyethylene terephthalate (PET)	PET is made by the combination of ethylene glycol and terephthalic acid. Typical end uses for PET are packaging and fibers.
Polyisobutylene (PIB)	PIB is 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 polymer is a chemical compound usually made up of a large number of identical components linked together into long molecular chains.
Polymethylmethacrylate (PMMA)	PMMA resins, including acrylic sheets, are 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	Polypropylene is the world 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. Polypropylene is the most significant thermoplastic material used in molded containers and automotive applications.
Polystyrene	General purpose, or "crystal", polystyrene and high impact polystyrene are hard and brittle materials which are used mainly for packaging, appliance and electrical housings and insulation. Both forms are also used for plastic molding applications. Styrene is the main feedstock used to manufacture polystyrene.
Propane	Propane is 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	Propylene is a flammable gas which is largely derived either as a co-product of the refinery FCC process used to make gasoline or as a co-product of the steam cracking process used to make ethylene. Propylene 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.

Term	Definition
Propylene glycols (PGs)	PGs are an industrial chemical, mainly used to produce polyester, paints and coatings, airplane de-icers, antifreeze and industrial coolants. PG is made from propylene oxide.
Propylene oxide (PO)	PO is used in manufacture of polyurethane foams and to make propylene glycols (PG). PO is primarily made from propylene feedstock.
Pygas	Pygas is a by-product of olefins production from steam crackers and is used by refineries as a liquid gasoline blending component.
Solvents	Solvents are used to dissolve solids and keep them in liquid form.
Sour crude	Crude with sulfur content of greater than 1%.
Styrene	Styrene, a hydrocarbon which under normal conditions is a flammable liquid, is produced from ethylene and benzene, via ethylbenzene. The largest use of styrene is in the production of polystyrene, although it is also used in many other derivatives such as ABS, SBR, SBL and SAN.
Styrene-acrylonitrile (SAN)	SAN is made from styrene and acrylonitrile, used in variety of applications, including housewares and appliances.
Styrene-butadiene latex (SBL)	SBL is a polymer derivative made from styrene and butadiene, used mainly in paper coatings and carpet backing applications.
Styrene-butadiene rubber (SBR)	SBR is a polymer derivative made from styrene and butadiene, used mainly in manufacture of tires and other rubber products.
Sweet crude	Crude with sulfur content of less than 1%.
Synthetic ethanol	Synthetic ethanol is 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 thermoplastic is a plastic which softens when heated and hardens again when cooled. Thermoplastics include polyethylene, polypropylene and polystyrene.
Turnaround	Temporary shutdown of a refinery or petrochemical production facility for required maintenance. Turnarounds 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).

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information gives effect to the Transactions and Innovene's acquisition of the remaining interests in the BP Solvay joint venture (the "BP Solvay Acquisition"). The Transactions given effect to include (i) the Innovene Acquisition and (ii) the borrowings under the Senior Secured Credit Facilities, the Term D Facility and this offering of the notes, and the use of the proceeds from the borrowings and this offering to fund the Innovene Acquisition, to repay certain of Ineos's and Innovene's existing indebtedness, to pay a distribution to the shareholders of our parent company, Ineos Group Limited, and to pay estimated fees and expenses. The unaudited pro forma condensed combined profit and loss accounts combine the results of continuing operations of Ineos and Innovene for the year ended December 31, 2004 and the nine-month periods ended September 30, 2005 and 2004, and give effect to the Transactions and the BP Solvay Acquisition as if they had occurred on January 1, 2004. The unaudited pro forma condensed combined balance sheet is based on the historical balance sheets of Ineos and Innovene at September 30, 2005, and has been prepared to reflect the Transactions as if they had occurred on September 30, 2005. As described below, the unaudited pro forma condensed combined financial information is presented based on historical financial information of Ineos and Innovene prepared in accordance with UK GAAP.

The unaudited pro forma condensed combined financial information has been prepared from, and should be read in conjunction with, the historical consolidated financial statements of Ineos and the historical combined financial statements of Innovene. The Ineos historical consolidated financial information as of, and for the year ended, December 31, 2004 is derived from the audited consolidated financial statements of Ineos prepared in accordance with UK GAAP, and included elsewhere in this offering memorandum. The Ineos historical consolidated financial information as of September 30, 2005, and for the nine-month periods ended September 30, 2005 and 2004, has been derived from Ineos's unaudited condensed consolidated financial statements, prepared in accordance with UK GAAP, and included elsewhere in this offering memorandum.

Innovene's historical combined financial information for the year ended December 31, 2004 is derived from the audited combined financial statements of Innovene, prepared in accordance with US GAAP, and included elsewhere in this offering memorandum. The Innovene historical combined financial information as of September 30, 2005, and for the nine-month periods ended September 30, 2005 and 2004, has been derived from Innovene's unaudited combined financial statements, prepared in accordance with US GAAP, and included elsewhere in this offering memorandum. For the purpose of presenting the unaudited pro forma condensed combined financial information, the statements of operations and balance sheet relating to Innovene have been adjusted to conform with UK GAAP, as described in the supplemental notes to the unaudited pro forma condensed combined financial information. In addition, certain adjustments have been made to the historical combined financial statements of Innovene to reflect reclassifications to conform to Ineos's presentation under UK GAAP.

The historical combined financial statements of Innovene were presented in US dollars. For the purposes of presenting the unaudited pro forma condensed combined financial information, the adjusted profit and loss accounts of Innovene for the nine-month periods ended September 30, 2005 and 2004 and the year ended December 31, 2004 have been translated into euro at the average daily closing rate for each of the nine-month periods ended September 30, 2005 and 2004 and the year ended December 31, 2004. The adjusted balance sheet of Innovene at September 30, 2005 has been translated into euro at an exchange rate of $1.20 = €1.00.

The historical combined financial information of Innovene and the unaudited pro forma condensed combined financial information of Ineos Group Holdings includes the Dormagen EOG Business, our acquisition of which is subject to review by the European Commission competition authorities. The estimated revenues and Adjusted EBITDA associated with these assets were €253 million and €41 million, respectively, for the twelve months ended September 30, 2005.

The pro forma acquisition adjustments described in notes 3, 4 and 5 are based on available information and certain assumptions made by our management. We have not yet completed our final assessments of the fair value of the assets and liabilities acquired and accordingly cannot assure you that our actual results will be the same or similar to those presented in the following unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information is not intended to represent what our financial position is or results of operations would have been if the Transactions and the BP Solvay Acquisition had occurred on those dates or to project our financial position or results of operations for any future period. Since Ineos and Innovene were not under common control or management for any period presented, the unaudited pro forma condensed combined financial results may not be comparable to, or indicative of, future performance.

The unaudited pro forma condensed combined financial information should be read in conjunction with the "Selected Historical Financial and Operating Information," and "Operating and Financial Review and Prospects," Ineos's historical unaudited condensed consolidated financial statements and historical audited consolidated financial statements, and Innovene's historical unaudited combined financial statements and historical audited combined financial statements, each included elsewhere in this offering memorandum.

Ineos Group Holdings plc

Unaudited Pro Forma Condensed Combined Profit and Loss Account for the Year Ended December 31, 2004

	Historical Ineos Group Holdings (UK GAAP) (Note 1(a))	Historical Innovene (UK GAAP) (Note 2(a))	BP Solvay Acquisition Adjustments (Note 3)	Acquisition and Financing Adjustments (Note 4)	Pro Forma (UK GAAP)
			(€ in millions)		
Profit and Loss Account Data:					
Turnover	3,396	13,416	1,023	—	17,835
Cost of sales	(2,928)	(12,534)	(987)	94[d]	(16,355)
Gross profit	468	882	36	94	1,480
Distribution costs	(150)	(64)	3	—	(211)
Administrative expenses	(49)	(352)	(60)	28[a]	
				(60)[c]	(493)
Exceptional administrative expenses	—	(844)	511	—	(333)
Operating profit	269	(378)	490	62	443
Share of operating profit of associate	—	(4)	11	—	7
Net interest payable	(48)	(40)	1	(508)[b]	(595)
Other income	—	28	1	(6)[d]	23
Profit/(loss) on ordinary activities before taxation	221	(394)	503	(452)	(122)
Other Financial Information:					
Operating profit	269	(378)	490	62	443
Share of operating profit of associate	—	(4)	11	—	7
Depreciation	119	385	61	—	565
Amortization	(40)	14	—	(28)	(54)
Exceptional administrative expenses	—	844	(511)	—	333
EBITDA before exceptionals[1]	348	861	51	34	1,294

See accompanying "Notes to Unaudited Pro Forma Condensed Combined Financial Information." Superscript footnote references in this unaudited pro forma condensed combined profit and loss account are references to the part of the Note referred to in the related column heading.

(1) EBITDA before exceptionals represents operating profit from continuing operations plus depreciation of tangible fixed assets, amortization of intangible assets and goodwill and negative goodwill plus exceptional charges. Although EBITDA before exceptionals should not be considered a substitute measure for trading profit and net cash flow from operating activities, we believe that it provides 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.

Ineos Group Holdings plc

Unaudited Pro Forma Condensed Combined Profit and Loss Account for the Nine-Month Period Ended September 30, 2005

	Historical Ineos Group Holdings (UK GAAP) (Note 1(b))	Historical Innovene (UK GAAP) (Note 2(b))	BP Solvay Acquisition Adjustments (Note 3)	Acquisition and Financing Adjustments (Note 4)	Pro Forma (UK GAAP)
			(€ in millions)		
Profit and Loss Account Data:					
Turnover	3,058	13,447	—	—	16,505
Cost of sales	(2,620)	(12,326)	—	39 [d]	(14,907)
Gross profit	438	1,121	—	39	1,598
Distribution costs	(124)	(64)	—	—	(188)
Administrative expenses	(48)	(278)	—	21 [a] (45)[c]	(350)
Exceptional administrative expenses	—	(11)	—	—	(11)
Operating profit	266	768	—	15	1,049
Share of operating profit of associate	—	6	—	—	6
Net interest payable	(74)	(28)	—	(344)[b]	(446)
Other income	—	(29)	—	(5)[d]	(34)
Profit/(loss) on ordinary activities before taxation	192	717	—	(334)	575
Other Financial Information:					
Operating profit	266	768	—	15	1,049
Share of operating profit of associate	—	6	—	—	6
Depreciation	77	356	—	—	433
Amortization	(16)	11	—	(21)	(26)
Exceptional administrative expenses	—	11	—	—	11
EBITDA before exceptionals[1]	327	1,152	—	(6)	1,473

See accompanying "Notes to Unaudited Pro Forma Condensed Combined Financial Information." Superscript footnote references in this unaudited pro forma condensed combined profit and loss account are references to the part of the Note referred to in the related column heading.

(1) EBITDA before exceptionals represents operating profit from continuing operations plus depreciation of tangible fixed assets, amortization of intangible assets and goodwill and negative goodwill plus exceptional charges. Although EBITDA before exceptionals should not be considered a substitute measure for trading profit and net cash flow from operating activities, we believe that it provides 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.

Ineos Group Holdings plc

Unaudited Pro Forma Condensed Combined Profit and Loss Account for the Nine-Month Period Ended September 30, 2004

	Historical Ineos Group Holdings (UK GAAP) (Note 1(c))	Historical Innovene (UK GAAP) (Note 2(c))	BP Solvay Acquisition Adjustments (Note 3)	Acquisition and Financing Adjustments (Note 4)	Pro Forma (UK GAAP)
			(€ in millions)		
Profit and Loss Account Data:					
Turnover	2,397	9,226	856	—	12,479
Cost of sales	(2,076)	(8,568)	(778)	20 [(d)]	(11,402)
Gross profit	321	658	78	20	1,077
Distribution costs	(111)	(45)	(1)	—	(157)
Administrative expenses	(28)	(249)	(106)	21 [(a)] (45)[(c)]	(407)
Exceptional administrative expenses	—	(4)	(6)	—	(10)
Operating profit	182	360	(35)	(4)	503
Share of operating profit of associate	—	(4)	10	—	6
Net interest payable	(44)	(29)	(3)	(370)[(b)]	(446)
Other income	—	21	(1)	(4)[(d)]	16
Profit/(loss) on ordinary activities before taxation	138	348	(29)	(378)	79
Other Financial Information:					
Operating profit	182	360	(35)	(4)	503
Share of operating profit of associate	—	(4)	10	—	6
Depreciation	86	314	35	—	435
Amortization	(30)	11	—	(21)	(40)
Exceptional administrative expenses	—	4	6	—	10
EBITDA before exceptionals[(1)]	238	685	16	(25)	914

See accompanying "Notes to Unaudited Pro Forma Condensed Combined Financial Information." Superscript footnote references in this unaudited pro forma condensed combined profit and loss account are references to the part of the Note referred to in the related column heading.

(1) EBITDA before exceptionals represents operating profit from continuing operations plus depreciation of tangible fixed assets, amortization of intangible assets and goodwill and negative goodwill plus exceptional charges. Although EBITDA before exceptionals should not be considered a substitute measure for trading profit and net cash flow from operating activities, we believe that it provides 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.

Ineos Group Holdings plc

Unaudited Pro Forma Condensed Combined Balance Sheet as at September 30, 2005

	Historical Ineos Group Holdings (UK GAAP) (Note 1(d))	Historical Innovene (UK GAAP) (Note 2(d))	Acquisition and Financing Adjustments (Note 5)	Pro Forma (UK GAAP)
	(€ in millions)			
ASSETS				
Fixed assets:				
Investments	1	117	—	118
Tangible fixed assets	914	5,832	145	6,891
Intangible fixed assets (including goodwill)	34	101	(101)[a]	34
Negative goodwill	(165)	—	(557)[a]	(722)
	784	6,050	(513)	6,321
Current assets:				
Cash at bank and in hand	114	—	282[b]	396
Stocks	315	1,938	—	2,253
Debtors	907	2,769	79[b]	3,755
	1,336	4,707	361	6,404
Creditors: amounts falling due within one year:				
Current debt	(741)	—	741[b]	—
Less: debt issuance costs	—	—	—	—
	(741)	—	741	—
Other current liabilities	(562)	(4,167)	1,419[a]	(3,310)
	(1,303)	(4,167)	2,160	(3,310)
Net current assets	33	540	2,521	3,094
Total assets less current liabilities:	817	6,590	2,008	9,415
Creditors: amounts falling after more than one year:	(317)	(23)	314[b]	(26)
Non-current debt	—	—	(9,050)	(9,050)
Less: debt issuance costs	10	—	(10)[b](6) 233[b](5)	233
	(307)	(23)	(8,513)	(8,843)
Other non-current liabilities	(6)	(229)	—	(235)
	(313)	(252)	(8,513)	(9,078)
Provisions for liabilities and charges	(96)	51	(51)[d]	(96)
Net assets	408	6,389	(6,556)	241
Shareholder's/Owner's equity under UK GAAP	408	6,389	(157)[b] (10)[b](6) (6,389)[c]	241

See accompanying "Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Information." Superscript footnote references in this unaudited pro forma condensed combined balance sheet are references to the part of the Note referred to in the related column heading.

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Notes to Unaudited Pro Forma Condensed Combined Financial Information

Note 1—Historical Financial Information of Ineos

The historical financial information of Ineos as of September 30, 2005, for the year ended December 31, 2004, and for each of the nine months ended September 30, 2004 and 2005 in accordance with UK GAAP is included elsewhere in this offering memorandum.

(a) Reflects the audited profit and loss account of Ineos for the year ended December 31, 2004 in accordance with UK GAAP.

(b) Reflects the unaudited profit and loss account of Ineos for the nine months ended September 30, 2005 in accordance with UK GAAP.

(c) Reflects the unaudited profit and loss account of Ineos for the nine months ended September 30, 2004 in accordance with UK GAAP.

(d) Reflects the unaudited balance sheet of Ineos as of September 30, 2005 in accordance with UK GAAP.

Note 2—Historical Financial Information of Innovene

The historical financial information of Innovene as of September 30, 2005, for the year ended December 31, 2004, and for each of the nine months ended September 30, 2004 and 2005 has been adjusted to conform with UK GAAP as described in the supplemental notes to the unaudited pro forma condensed combined financial information.

(a) Reflects the unaudited statement of operations of Innovene for the year ended December 31, 2004 as adjusted to conform with UK GAAP as described in the supplemental notes to the unaudited pro forma condensed combined financial information.

(b) Reflects the unaudited statement of operations of Innovene for the nine months ended September 30, 2005 as adjusted to conform with UK GAAP as described in the supplemental notes to the unaudited pro forma condensed combined financial information.

(c) Reflects the unaudited statement of operations of Innovene for the nine months ended September 30, 2004 as adjusted to conform with UK GAAP as described in the supplemental notes to the unaudited pro forma condensed combined financial information.

(d) Reflects the unaudited balance sheet of Innovene as of September 30, 2005 as adjusted to conform with UK GAAP as described in the supplemental notes to the unaudited pro forma condensed combined financial information.

Note 3—BP Solvay Acquisition Pro Forma Adjustments to the Profit and Loss Account

Represents the adjustments associated with the acquisition by Innovene of the interests that it did not own in the BP Solvay joint venture in November 2004 as if such acquisition had occurred on January 1, 2004. Prior to such acquisition, Innovene owned a 50% voting interest in BP Solvay Europe entities and a 49% interest in the BP Solvay North America entity.

As described in the supplemental notes to the unaudited pro forma condensed combined financial information, under UK GAAP, prior to Innovene's acquisition of the interests in the

BP Solvay joint venture that it did not own, Innovene's interests in the joint venture would have been accounted for under the equity method.

Impairment charges of $575 million that were recorded in 2004 at the time of Innovene's acquisition of the remaining interest in the BP Solvay joint venture are not presented in the unaudited pro forma condensed combined profit and loss account because such impairment is deemed to be non-recurring.

Note 4—Acquisition and Financing—Pro Forma Adjustments to the Profit and Loss Account

a. Represents the credit to administrative expenses of the amortization of negative goodwill that arises in connection with the Innovene Acquisition. The negative goodwill of €557 million recorded under UK GAAP in connection with the Innovene Acquisition has been estimated to have an economic life of 20 years. See note 5(a) to the unaudited pro forma condensed combined financial information. The purchase price allocation may change from the allocations presented in the unaudited pro forma condensed consolidated financial information when the purchase price allocation is finalised. The effect of these changes on our profit and loss account will depend on the nature and amount of the assets or liabilities adjusted as follows:

	€ in millions
Negative goodwill arising on acquisition (see Note 5(a))	(557)
Annual credit of amortization of negative goodwill to administrative expenses	(28)
Credit of amortization of negative goodwill for a nine-month period to administrative expenses	(21)

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Notes to Unaudited Pro Forma Condensed Combined Financial Information

b. Represents recurring incremental interest expense, which is calculated as follows:

	Interest Rate	Amount	Interest Charge
	%	€ in millions	€ in millions
Additional net interest expense as a result of the Transactions and the BP Solvay Acquisition:			
Senior Secured Credit Facilities and Term D Facility:			
Term Loan A (Euribor + 2.25% or Libor + 2.25%)	4.97%	1,570	78
Term Loan B (Euribor + 2.50% or Libor + 2.25%)	5.30%	1,775	94
Term Loan C (Euribor + 3.00% or Libor + 2.75%)	5.86%	1,775	104
Borrowing Base Facilities (Euribor or Libor + 2.25%)(1)	5.26%	1,175	63
Revolving Credit Facility(2)	—	—	11
Term Loan D (Euribor + 3.75%)	5.96%	400	24
Notes offered hereby(3)	8.03%	2,355	189
Total cash interest expense			563
Total non-cash interest expense(4)			32
Total interest expense			595
Ineos historic interest expense, net:			
Year ended December 31, 2004			(48)
Nine-month period ended September 30, 2005			(74)
Nine-month period ended September 30, 2004			(44)
Innovene historic interest expense, net:			
Year ended December 31, 2004			(40)
Nine-month period ended September 30, 2005			(28)
Nine-month period ended September 30, 2004			(29)
BP Solvay historic interest expense, net			
Year ended December 31, 2004			1
Nine month period ended September 30, 2005			—
Nine month period ended September 30, 2004			(3)
Total incremental interest for the year ended December 31, 2004			508
Total incremental interest for nine-month period ended September 30, 2005			344
Total incremental interest for nine-month period ended September 30, 2004			370

(1) Includes interest expense on the funded amount of the Borrowing Base Facilities and commitment fees on the unutilised amount of the Borrowing Base Facilities.

(2) Includes fees related to the €390 million of letters of credit, surety bonds and bank guarantees issued under the Revolving Credit Facility and commitment fees payable on the unutilized amount at closing.

(3) The above adjustments reflect only the notes offered hereby, the proceeds of which will be used to repay all loans outstanding under the Bridge Facility.

(4) Represents amortization of debt issuance costs associated with the Senior Secured Credit Facilities and the notes offered hereby.

The senior term loan facilities and the Borrowing Base Facilities under the Senior Secured Credit Facilities are denominated in euro and dollars, and the rates of interest on such facilities are calculated based on EURIBOR or LIBOR, respectively, plus a margin. The Term D Facility is denominated in euro, and the rate of interest on such facility is calculated based on EURIBOR plus a margin. For the purposes of the unaudited pro forma condensed combined financial information, a blended rate has been determined based on the weighted average value of the loans and interest charges under each tranche. Except as otherwise indicated, dollar amounts have been translated into euro at a rate of $1.20 = €1.00, which is equivalent to a short-term foreign exchange forward contract entered into by Ineos at the time of the closing of the Innovene Acquisition. The €2,355 million of notes represents €1,750 million of euro-denominated notes and $750 million of dollar-denominated notes (using a translation rate of $1.24 = €1.00).

The effects of a ⅛% change in interest rates on the pro forma combined profit and loss and account would increase interest expense by approximately €12 million for the year ended December 31, 2004 and approximately €9 million for each of the nine-month periods ended September 30, 2005 and September 30, 2004. No credit for interest receivable on cash balances has been recognized in the pro forma condensed combined profit and loss account.

c. Represents incremental annual costs of €60 million, comprising €8 million of insurance costs not previously incurred by Innovene, and an increase in Ineos Capital management fees of €52 million. The equivalent increment for nine months would be €45 million.

d. Represents alignment of Innovene UK GAAP accounting policies to those adopted by Ineos, representing non-capitalisation of interest and accounting for overhaul costs.

Note 5—Pro Forma Adjustments to the Balance Sheet

a. Represents the allocation of the preliminary adjusted purchase price for the Innovene Acquisition.

The unaudited pro forma condensed combined financial information reflects an adjusted purchase consideration of €7.2 billion ($8.6 billion) for Innovene. The purchase price of €7.5 billion ($9.0 billion) was adjusted for an assumed tax liability of €296 million ($355 million) and €38 million ($45 million) of other adjustments.

The cost of acquisition is dependent on the actual direct acquisition costs. Under the purchase method of accounting, the total estimated cost of acquisition is allocated to Innovene's net tangible and intangible assets based on their estimated fair values as of the date of completion of the acquisition. For the purposes of the pro forma financial information, we have assumed that the book value of tangible assets acquired and liabilities assumed approximates their fair value. Such allocation may change based on our final analysis of such fair values, a described below. Based on our estimated cost of acquisition and our preliminary valuation, our preliminary purchase price allocation is as follows:

	€ in millions	
Adjusted purchase consideration		7,168
Estimated direct expenses associated with the Innovene Acquisition		76
Total cost of the Innovene Acquisition		7,244
Less estimated fair value of the net assets acquired:		
Carrying value of net assets	6,483	
Adjustments to exclude extinguished intercompany debt to BP	1,419	
Adjustments to exclude Innovene's historic goodwill and intangibles	(101)	
Total estimated preliminary fair value of the net assets acquired		7,801
Negative goodwill arising on acquisition		(557)

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Notes to Unaudited Pro Forma Condensed Combined Financial Information

Negative goodwill represents the excess of the fair market value of the net assets acquired over the purchase price and will be amortized over a period of 20 years. The preliminary purchase price allocation for Innovene is subject to revision as more detailed analysis is completed and additional information on the fair values of Innovene's assets and liabilities become available, which is required to be completed in Ineos's financial year ended December 31, 2006. Any change in the fair value of the net assets of Innovene will change the amount of negative goodwill. Final purchase accounting adjustments may therefore differ materially from the pro forma adjustments presented here.

b. Represents the net movement in cash associated with the Transactions, as follows:

	€ in millions
Sources of new cash:	
Senior Secured Credit Facilities and Term D Facility	6,695
Notes offered hereby[1]	2,355
Cash proceeds	9,050
Uses of new cash:	
Adjusted purchase consideration[2]	(7,168)
Acquisition fees and expenses[3]	(76)
Net cash to acquire	(7,244)
Refinancing of existing Ineos debt[4]	(1,055)
Debt issue costs[5]	(233)
Debt issue costs and other payments charged to equity[6]	(157)
Intercompany loan receivable[7]	(79)
Total cash used	(8,768)
Net movement in cash	282

(1) Represents €1,750 million of euro-denominated notes and $750 million of dollar-denominated notes (using a translation rate of $1.24 = €1.00). The proceeds from the issuance of the notes offered hereby, together with the proceeds from borrowings under the Senior Secured Credit Facilities and the Term D Facility, will be used to repay all loans outstanding under the Bridge Facility, which were drawn on the closing date of the Innovene Acquisition.

(2) Represents the stated purchase consideration of €7.5 billion ($9.0 billion) adjusted for the assumed tax liability of €296 million ($355 million) and other adjustments.

(3) Represents fees and expenses associated with the Innovene Acquisition, including the payment of €60 million of advisory fees and transaction costs to Ineos Capital.

(4) Represents existing Ineos indebtedness as of September 30, 2005, comprised of €741 million current indebtedness and €314 million of non-current indebtedness. The actual debt refinanced as of the closing date of the Innovene Acquisition is comprised of €1,075 million principal amount and €5 million of interest accrued from October 1, 2005 to the closing date of the Innovene Acquisition.

(5) Includes debt issue costs of €233 million on the Senior Secured Credit Facilities, Term D Facility and notes offered hereby, which under UK GAAP is deducted from total debt.

(6) Includes debt issue costs on the Bridge Facility and other payments charged to equity. Other payments is comprised of the expected distribution of €100 million to the shareholders of our parent company, Ineos Group Limited. These amounts are reflected as adjustments to Shareholders'/Owners' equity and also reflects the adjustment of €10 million made to extinguish historic debt issuance costs as of September 30, 2005.

(7) Represents intercompany loan to Ineos Investment Holdings Limited, which used the proceeds to repay a vendor loan note to Degussa AG.

c. Represents the elimination of Innovene's owners' equity.

d. Represents alignment of Innovene UK GAAP accounting policies to those adopted by Ineos, representing non-capitalization of interest and accounting for overhaul costs.

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Supplemental Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Supplemental Note 1—Reconciliation of Innovene US GAAP Historical Financial Information to UK GAAP

The following table shows a reconciliation of the historical statements of operations of Innovene for the unaudited nine-month periods ended September 30, 2005 and 2004 and the year ended December 31, 2004, prepared in accordance with US GAAP and in US dollars, to the profit and loss accounts under UK GAAP and in euro included in the unaudited pro forma condensed combined profit and loss accounts.

The US GAAP to UK GAAP adjustments represent the significant adjustments that are required to convert the statement of operations of Innovene to UK GAAP and descriptions of the nature of each adjustment as follows:

Innovene Combined Profit and Loss Account—Year ended December 31, 2004

	Historical Innovene (US GAAP) UK Presentation[1] ($ in millions)	UK GAAP Adjustments for Innovene[(A)] ($ in millions) (unaudited)	Historical Innovene (UK GAAP) ($ in millions) (unaudited)	Historical Innovene (UK GAAP) (€ in millions) (unaudited)
Continuing operations:				
Turnover	17,937	(1,271)	16,666	13,416
Cost of sales	(16,944)	1,374[(B)]	(15,570)	(12,534)
Gross profit	993	103	1,096	882
Distribution costs	(76)	(4)	(80)	(64)
Administrative expenses	(512)	75	(437)	(352)
Exceptional administrative expenses	(345)	(704)[(C)]	(1,049)	(844)
Operating profit (loss)	60	(530)	(470)	(378)
Share of operating profit of associate	8	(13)	(5)	(4)
Net interest payable	(49)	(1)	(50)	(40)
Other income (expense)	(24)	59	35	28
Loss on ordinary activities before taxation	(5)	(485)	(490)	(394)
Other financial information:				
Operating profit (loss)	60	(530)	(470)	(378)
Share of operating profit (loss) of associate	8	(13)	(5)	(4)
Asset impairment charges	280	691	971	781
Depreciation	527	(50)	477	385
Amortization	18	—	18	14
Other income (expense)	(24)	59	35	28
	869	157	1,026	826
Restructuring charges	65	13	78	63
Other income (expense)	24	(59)	(35)	(28)
EBITDA before exceptionals	958	111	1,069	861

(1) Loss from discontinued operations has not been presented on a UK GAAP basis, which would require such discontinued operations to be disclosed to the level of operating profit. For purposes of disclosing condensed UK GAAP profit and loss items management believes that such disclosure is not necessary as pro forma financial information is presented on continuing operations only.

Notes

(A) To adjust for the deconsolidation of the BP Solvay joint venture. Under US GAAP, the joint venture was consolidated as part of Innovene. Under UK GAAP, the joint venture was accounted for using the equity method.

(B) To adjust for the reversal of LIFO inventory accounting under US GAAP. Under UK GAAP LIFO is prohibited, and inventory is FIFO accounted.

(C) To adjust for differences between US GAAP and UK GAAP accounting for restructuring and asset impairments.

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Supplemental Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Innovene Combined Profit and Loss Account—Nine months ended September 30, 2005

	Historical Innovene (US GAAP) UK Presentation[1] ($ in millions) (unaudited)	UK GAAP Adjustments for Innovene ($ in millions) (unaudited)	Historical Innovene (UK GAAP) ($ in millions) (unaudited)	Historical Innovene (UK GAAP) (€ in millions) (unaudited)
Continuing operations:				
Turnover	16,964	—	16,964	13,447
Cost of sales	(15,566)	16(A)	(15,550)	(12,326)
Gross profit	1,398	16	1,414	1,121
Distribution costs	(80)	—	(80)	(64)
Administrative expenses	(351)	—	(351)	(278)
Exceptional administrative expenses	(36)	22(B)	(14)	(11)
Operating profit	931	38	969	768
Share of operating profit of associate	7	—	7	6
Net interest payable	(35)	—	(35)	(28)
Other income (expense)	(41)	5(C)	(36)	(29)
Profit on ordinary activities before taxation	862	43	905	717
Other financial information:				
Operating profit	931	38	969	768
Share of operating profit of associate	7	—	7	6
Asset impairment charges	15	—	15	12
Depreciation	401	48	449	356
Amortization	14	—	14	11
Other income (expense)	(41)	5	(36)	(29)
	1,327	91	1,418	1,124
Restructuring charges	21	(22)	(1)	(1)
Other income (expense)	41	(5)	36	29
EBITDA before exceptionals	1,389	64	1,453	1,152

(1) Loss from discontinued operations has not been presented on a UK GAAP basis, which would require such discontinued operations to be disclosed to the level of operating profit. For purposes of disclosing condensed UK GAAP profit and loss items management believes that such disclosure is not necessary as pro forma financial information is presented on continuing operations only.

Notes

(A) To adjust for differences between US GAAP and UK GAAP principally related to accounting for pension costs.

(B) To adjust for differences between US GAAP and UK GAAP accounting for restructuring costs.

(C) To adjust for capitalized interest included by Innovene in other income (expense) to capitalize interest expensed under US GAAP.

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Supplemental Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Innovene Combined Profit and Loss Account—Nine months ended September 30, 2004

	Historical Innovene (US GAAP) UK Presentation(1) ($ in millions) (unaudited)	UK GAAP Adjustments for Innovene(A) ($ in millions) (unaudited)	Historical Innovene (UK GAAP) ($ in millions) (unaudited)	Historical Innovene (UK GAAP) (€ in millions) (unaudited)
Continuing operations:				
Turnover	12,355	(1,049)	11,306	9,226
Cost of sales	(11,567)	1,067(B)	(10,500)	(8,568)
Gross profit	788	18	806	658
Distribution costs	(56)	1	(55)	(45)
Administrative expenses	(435)	130	(305)	(249)
Exceptional administrative expenses	(13)	8	(5)	(4)
Operating profit	284	157	441	360
Share of operating profit of associate	6	(11)	(5)	(4)
Net interest payable	(39)	3	(36)	(29)
Other income (expense)	19	7	26	21
Profit on ordinary activities before taxation	270	156	426	348
Other financial information:				
Operating profit	284	157	441	360
Share of operating profit (loss) of associate	6	(11)	(5)	(4)
Depreciation	417	(32)	385	314
Amortization	14	—	14	11
Other income	19	7	26	21
	740	121	861	702
Restructuring charges	13	(8)	5	4
Other income (expense)	(19)	(7)	(26)	(21)
EBITDA before exceptionals	734	106	840	685

(1) Loss from discontinued operations has not been presented on a UK GAAP basis, which would require such discontinued operations to be disclosed to the level of operating profit. For purposes of disclosing condensed UK GAAP profit and loss items management believes that such disclosure is not necessary as pro forma financial information is presented on continuing operations only.

Notes

(A) To adjust for the deconsolidation of the BP Solvay joint venture. Under US GAAP, the joint venture was consolidated as part of Innovene, whereas for UK GAAP the joint venture was equity accounted.

(B) To adjust for the reversal of LIFO inventory accounting under US GAAP. Inventory is FIFO accounted under UK GAAP.

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Supplemental Notes to the Unaudited Pro Forma Condensed Combined Financial Information

The following table shows a reconciliation of the historical balance sheet of Innovene, prepared in accordance with US GAAP and in US dollars, to the balance sheet under UK GAAP and in euro included in the unaudited pro forma condensed combined balance sheet.

Innovene Combined Balance Sheet—As of September 30, 2005

	Historical Innovene (US GAAP)	UK GAAP Adjustments for Innovene	Historical Innovene (UK GAAP)	Historical Innovene (UK GAAP)
	($ in millions) (unaudited)	($ in millions) (unaudited)	($ in millions) (unaudited)	(€ in millions) (unaudited)
ASSETS				
Fixed assets:				
Investments	141	—	141	117
Tangible fixed assets	6,849	182(A)	7,031	5,832
Intangible fixed assets (including goodwill)	321	(199)(B)	122	101
Negative goodwill	—	—	—	—
	7,311	(17)	7,294	6,050
Current assets:				
Cash at bank and in hand	—	—	—	—
Stocks	2,109	227(C)	2,336	1,938
Debtors	3,368	(29)(D)	3,339	2,769
	5,477	198	5,675	4,707
Creditors: amounts falling due within one year	(4,672)	(352)(E)	(5,024)	(4,167)
Net current assets	805	(154)	651	540
Total assets less current liabilities:	8,116	(171)	7,945	6,590
Creditors: amounts falling after more than one year	(361)	57	(304)	(252)
Provisions for liabilities and charges	(331)	393(F)	62	51
Net assets	7,424	279	7,703	6,389
Owner's equity under UK GAAP	7,424	279	7,703	6,389

The US GAAP to UK GAAP adjustments represent the material adjustments that are required to convert the balance sheet of Innovene to UK GAAP and descriptions of the nature each adjustment follows.

Notes

(A) To adjust for BP Solvay fair value uplifts and reversal of impairments recognized under US GAAP.

(B) To adjust for BP Solvay fair value uplifts, goodwill amortization and reinstate negative goodwill.

(C) To adjust stock for accounting under a FIFO, rather than LIFO basis, for US inventory.

(D) To reclassify deferred tax assets into provisions for liabilities and charges.

(E) To reclassify deferred tax liabilities into provisions for liabilities and charges.

(F) To adjust primarily for recognition of net deferred tax position within UK GAAP formats.

Ineos Group Holdings plc

Supplemental Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Supplemental Note 2—Reclassifications to Innovene US GAAP Financial Statement Presentation to UK GAAP Financial Statement Presentation

a. Reclassifications to Statement of Operations

Reclassifications have been made to the Innovene statement of operations prepared under US GAAP to conform to Ineos's profit and loss account presentation prepared under UK GAAP. The reclassifications made to Innovene's statement of operations to conform to Ineos's presentation and descriptions of the reclassifications are as follows:

Innovene Combined Statement of Operations—Year Ended December 31, 2004[1]

	Historical Innovene (US GAAP) US Presentation	Presentation adjustments	Historical Innovene (US GAAP) UK Presentation
	($ in millions)	($ in millions) (unaudited)	($ in millions) (unaudited)
Revenues	17,937	(17,937)	—
Turnover	—	17,937	17,937
Cost of sales	(16,765)	—	(16,765)
Selling expenses	—	(42)	(42)
R&D expenses	—	(137)	(137)
Cost of sales	(16,765)	(179)	(16,944)
Gross margin	1,172	(1,172)	—
Gross profit	—	993	993
Selling, general, and administrative expenses	(630)	630	—
R&D expenses	(137)	137	—
Distribution costs	—	(76)	(76)
Administrative expenses	—	(512)	(512)
Restructuring and asset impairment charges	(345)	345	—
Exceptional administrative expenses	—	(345)	(345)
Operating profit	60	—	60
Equity income/(loss) from investments in affiliates	8	(8)	—
Share of operating profit of associate	—	8	8
Interest expense	(49)	—	(49)
Other income/(expense), net	(24)	—	(24)
Net interest payable and similar charges	—	—	—
Income/(loss) from continuing operations on ordinary activities before taxation	(5)	5	—
Profit on ordinary activities before taxation		(5)	(5)

(1) Loss from discontinued operations has not been presented on a UK GAAP basis, which would require such discontinued operations to be disclosed to the level of operating profit. For purposes of disclosing condensed UK GAAP profit and loss items management believes that such disclosure is not necessary as pro forma financial information is presented on continuing operations only.

Ineos Group Holdings plc

Supplemental Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Innovene Combined Statement of Operations—Nine Months Ended September 30, 2005(1)

	Historical Innovene (US GAAP) US Presentation	Presentation adjustments	Historical Innovene (US GAAP) UK Presentation
	($ in millions) (unaudited)	($ in millions) (unaudited)	($ in millions) (unaudited)
Revenues	16,964	(16,964)	—
Turnover		16,964	16,964
Cost of sales	(15,412)	—	(15,412)
Selling expenses		(73)	(73)
R&D expenses		(81)	(81)
Cost of sales	(15,412)	(154)	(15,566)
Gross margin	1,552	(1,552)	—
Gross profit		1,398	1,398
Selling, general, and administrative expenses	(504)	504	—
R&D expenses	(81)	81	—
Distribution costs		(80)	(80)
Administrative expenses		(351)	(351)
Restructuring and asset impairment charges	(36)	36	—
Exceptional administrative expenses		(36)	(36)
Operating profit	931	—	931
Equity income/(loss) from investments in affiliates	7	(7)	—
Share of operating profit of associate		7	7
Interest expense	(35)		(35)
Other income/(expense), net	(41)		(41)
Net interest payable and similar charges		—	—
Income/(loss) from continuing operations on ordinary activities before taxation	862	(862)	—
Profit on ordinary activities before taxation		862	862

(1) Loss from discontinued operations has not been presented on a UK GAAP basis, which would require such discontinued operations to be disclosed to the level of operating profit. For purposes of disclosing condensed UK GAAP profit and loss items management believes that such disclosure is not necessary as pro forma financial information is presented on continuing operations only.

Ineos Group Holdings plc

Supplemental Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Innovene Combined Statement of Operations—Nine Months Ended September 30, 2004(1)

	Historical Innovene (US GAAP) US Presentation	Presentation adjustments	Historical Innovene (US GAAP) UK Presentation
	($ in millions) (unaudited)	($ in millions) (unaudited)	($ in millions) (unaudited)
Revenues	12,355	(12,355)	—
Turnover		12,355	12,355
Cost of sales	(11,432)	—	(11,432)
Selling expenses		(31)	(31)
R&D expenses		(104)	(104)
Cost of sales	(11,432)	(135)	(11,567)
Gross Margin	923	(923)	—
Gross profit		788	788
Selling, general, and administrative expenses	(522)	522	—
R&D expenses	(104)	104	—
Distribution costs		(56)	(56)
Administrative expenses		(435)	(435)
Restructuring and asset impairment charges	(13)	13	—
Exceptional administrative expenses		(13)	(13)
Operating profit	284	—	284
Equity income/(loss) from investments in affiliates	6	(6)	—
Share of operating profit of associate		6	6
Interest expense	(39)	—	(39)
Other income/(expense), net	19		19
Net interest payable and similar charges	—	—	—
Income/(loss) from continuing operations on ordinary activities before taxation	270	(270)	—
Profit on ordinary activities before taxation		270	270

(1) Loss from discontinued operations has not been presented on a UK GAAP basis, which would require such discontinued operations to be disclosed to the level of operating profit. For purposes of disclosing condensed UK GAAP profit and loss items management believes that such disclosure is not necessary as pro forma financial information is presented on continuing operations only.

b. Reclassifications to Balance Sheet

Reclassifications have been made to the underlying Innovene balance sheet prepared under US GAAP to conform to Ineos's financial statements presentation under UK GAAP. The reclassifications made to Innovene's balance sheet to conform to Ineos's presentation and descriptions of the reclassifications are as follows:

Innovene Balance Sheet—as of September 30, 2005

	Historical Innovene (US GAAP) US Presentation	Presentation adjustments	Historical Innovene (US GAAP) UK Presentation
	($ in millions)	($ in millions)	($ in millions)
Assets			
Fixed Assets:			
Investments	—	141	141
Tangible fixed assets	—	6,849	6,849
Intangible fixed assets (including goodwill)	—	321	321
Negative goodwill	—	—	—
TOTAL FIXED ASSETS	—	7,311	7,311
Current Assets:			
Cash	—	—	—
Trade accounts receivable, net of AFDA of $22M	1,799	—	1,799
Receivables from affiliates	980	—	980
Inventories	2,109	—	2,109
Other current assets	428	161	589
TOTAL CURRENT ASSETS	5,316	161	5,477
PP&E, net	6,849	(6,849)	—
Investment in and advances to affiliates	141	(141)	—
Goodwill	31	(31)	—
Other intangible assets	290	(290)	—
Deferred tax assets	29	(29)	—
Prepayments and other assets	132	(132)	—
TOTAL ASSETS	12,788		
Liabilities, Minority Interest, and Owner's Equity			
Current Liabilities			
Trade A/P	(914)	—	(914)
Payables to affiliates	(1,288)	—	(1,288)
Accrued Liabilities	(654)	—	(654)
Other current liabilities	(105)	—	(105)
Due to parent	(1,711)	—	(1,711)
Deferred income taxes	—	—	—
TOTAL CURRENT LIABILITIES	(4,672)	—	(4,672)
Net current assets			805
Total assets less current liabilities:			8,116
Long term debt	—	—	—
Other non-current liabilities	(361)	—	(361)
Deferred income taxes	(331)	—	(331)
Liabilities of discontinued operations	—	—	—
TOTAL LIABILITIES	(5,364)		—
Net assets			7,424
OWNER'S EQUITY			
Parent net investment	6,317	1,107	7,424
Accumulated other comprehensive income, net of tax			
Foreign currency translation	1,128	(1,128)	—
Minimum pension liability	(21)	21	—
TOTAL OWNER'S EQUITY	7,424	—	7,424
TOTAL LIABILITIES, MINORITY INTEREST AND OWNER'S EQUITY	12,788		

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of Ineos Group Holdings

We have audited the accompanying consolidated balance sheets of Ineos Group Holdings (the "Company" or "Ineos Group Holdings") and its subsidiaries as of December 31, 2004 and 2003, and the related consolidated profit and loss accounts, consolidated cash flow statements and statements of total recognised gains and losses for each of the three years in the period ended December 31, 2004, all expressed in euros. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ineos Group Holdings and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United Kingdom.

As discussed in note 2 to the consolidated financial statements, the Company has restated each of the years presented to reflect the adoption of Financial Reporting Standard No. 17, "Retirement Benefits".

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 36 to the consolidated financial statements.

PricewaterhouseCoopers LLP
London, United Kingdom

April 29, 2005, except as to the extent of the restatements described in note 2, for which the date is January 13, 2006.

INEOS GROUP HOLDINGS
CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	Year Ended December 31, 2002 restated	2003 restated	2004 restated
		(€ in millions)		
Turnover	4	2,235.8	2,530.4	3,396.1
Cost of sales		(1,834.1)	(2,131.5)	(2,928.6)
Gross profit		401.7	398.9	467.5
Distribution costs		(161.7)	(151.8)	(150.2)
Administrative expenses	5	(62.4)	(47.0)	(48.5)
Exceptional administrative expenses	6	(24.6)	—	—
		(87.0)	(47.0)	(48.5)
Other operating income	8	—	18.1	—
Operating profit	7	153.0	218.2	268.8
Share of operating profit of associate		0.6	0.6	0.5
Profit on disposal of fixed assets	8	1.9	1.3	—
Profit on disposal of business		—	0.1	—
Net finance charges	9	(73.3)	(66.7)	(48.7)
Profit on ordinary activities before taxation		82.2	153.5	220.6
Taxation on profit on ordinary activities	11	(44.5)	(8.5)	(43.5)
Profit on ordinary activities after taxation		37.7	145.0	177.1
Equity dividends	12	—	(20.8)	(44.1)
Profit for the financial year	25	37.7	124.2	133.0

The accompanying notes are an integral part of these financial statements.

INEOS GROUP HOLDINGS

CONSOLIDATED BALANCE SHEETS

	Notes	As at December 31, 2003 restated	As at December 31, 2004 restated
		(€ in millions)	
Fixed assets			
Investments	13	1.7	2.0
Tangible fixed assets	14	855.8	791.1
Intangible fixed assets	15	12.1	10.9
Negative goodwill	15	(217.4)	(169.4)
		652.2	634.6
Current assets			
Cash at bank and in hand		153.3	79.5
Stocks	16	151.0	238.9
Debtors: amounts due within one year	17	370.0	549.6
Debtors: amounts due after one year	17	67.7	84.2
		742.0	952.2
Creditors—amounts falling due within one year	18	(520.0)	(666.6)
Net current assets		222.0	285.6
Total assets less current liabilities		874.2	920.2
Creditors—amounts falling due after more than one year	19, 20, 21	(655.1)	(593.4)
Provisions for liabilities and charges	22	(9.3)	(14.7)
Net assets excluding pension liabilities		209.8	312.1
Pension liabilities	30	(68.9)	(72.2)
Other post retirement benefit liabilities	30	(4.0)	(4.6)
Net assets including pension liabilities		136.9	235.3
Capital and reserves			
Called up equity share capital	24	17.7	17.7
Share premium account	25	51.1	51.1
Profit and loss account	25	68.1	166.5
Equity shareholders' funds	26	136.9	235.3

The accompanying notes are an integral part of these financial statements.

INEOS GROUP HOLDINGS

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	Year Ended December 31, 2002 restated	2003 restated	2004 restated
		(€ in millions)		
Operating profit		153.0	218.2	268.8
Depreciation of tangible assets		114.8	114.4	119.0
Amortisation of intangibles		(33.4)	(36.8)	(40.0)
(Increase)/decrease in stocks		(18.7)	(0.9)	(95.6)
(Increase)/decrease in debtors		(61.6)	(62.5)	(178.9)
Increase/(decrease) in creditors and provisions		56.9	36.2	140.6
(Profit)/loss on sale of tangible fixed assets		—	(0.4)	0.1
Net cash flow from operating activities		211.0	268.2	214.0
Dividend received from associate undertaking		0.4	—	—
Returns on investments and servicing of finance				
Interest received		3.0	2.9	2.3
Interest paid		(63.2)	(64.0)	(51.8)
Interest element of finance lease rentals		(0.4)	(0.2)	(0.2)
Issue cost of debt finance raised		(0.7)	—	—
		(61.3)	(61.3)	(49.7)
Taxation paid		(11.1)	(12.3)	(24.9)
Capital expenditure				
Purchase of loan investment	33	—	—	(33.0)
Payments to acquire tangible fixed assets		(51.2)	(58.2)	(62.2)
Receipts from sales of tangible fixed assets		3.7	3.2	—
		(47.5)	(55.0)	(95.2)
Acquisitions and disposal				
Acquisition of business		(5.0)	—	—
Cash received on acquisitions		—	—	—
Disposals of businesses		—	1.4	—
		(5.0)	1.4	—
Equity dividends paid		—	(10.0)	(39.8)
Net cash inflow/(outflow) before financing		86.5	131.0	4.4
Financing				
Capital repayment of finance leases		(3.5)	(2.1)	(0.5)
Repurchase of ordinary share capital		—	—	—
New loans:				
Senior credit facilities		—	—	28.0
Senior loan notes		—	—	—
Other bank loans		—	0.3	0.9
		—	0.3	28.9
Repayment of loans:				
Senior credit facilities		(85.3)	(79.4)	(103.9)
Senior secured notes		(1.6)	—	—
Other bank loans		—	—	—
Loan to associate undertaking		(1.0)	0.1	—
		(87.9)	(79.3)	(103.9)
Increase/(decrease) in cash	31	(4.9)	49.9	(71.1)

The accompanying notes are an integral part of these financial statements.

INEOS GROUP HOLDINGS

STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
Profit for the financial year	37.7	145.0	177.1
Foreign currency translation movements	(40.2)	(34.3)	(22.0)
Actuarial loss recognised on pension schemes	(33.5)	(9.9)	(17.0)
Deferred tax arising on losses in pension schemes	4.5	2.9	4.4
Total recognised gains and losses for the period	(31.5)	103.7	142.5

The accompanying notes are an integral part of these financial statements.

INEOS GROUP HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Ineos Group Holdings Plc ("Ineos Group Holdings" or the "Company") was incorporated on 14 May 2001 as a holding company to house the ownership interests in certain chemical businesses acquired and controlled by a common owner. These businesses are comprised of Ineos Oxide (formerly Ineos plc), Ineos Fluor, Ineos Silicas and Ineos Phenol. Ineos Fluor and Ineos Silicas were acquired on January 9, 2001. Our results of operations reflect the purchase of Ineos Fluor and Ineos Silicas from an effective acquisition date of January 1, 2001. Ineos Group Holdings acquired Ineos Phenol on May 23, 2001 and the financial statements include the results of operations of Ineos Phenol from that date.

Ineos Oxide Limited (formerly Ineos plc) was acquired on April 14, 1998 from Inspec Group plc ("Inspec") and Inspec Group BV, an affiliate of Inspec Group plc (the "Original Acquisition").

The consolidated financial statements include all subsidiaries of the Company. Intragroup 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.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared using accounting policies in accordance with generally accepted principles in the United Kingdom ("UK GAAP"). The financial statements have been prepared under the historical cost convention.

Changes in accounting policies

The group has restated each of the years presented to reflect its adoption of FRS 17 "Retirement Benefits". The full adoption of FRS 17 has resulted in a change in the accounting treatment of the Group's defined benefit arrangements. In particular the net liabilities of the pension schemes are included on the balance sheet, current service costs and net financial returns are included in the profit and loss account and actuarial gains and losses are recognised in the statement of total recognised gains and losses. Previous accounting under SSAP 24 "Accounting for Pension Costs" required the charging of regular costs and variations from regular cost in the profit and loss account with the difference between the cumulative amounts charged and the payments made to the pension schemes shown as either a prepayment or creditor on the balance sheet.

The effect of the change in accounting policy was to reduce profit before tax by €1.8 million and €4.8 million in 2004 and 2003 respectively (2002: increase profit before tax by €2.8 million), and reduce the tax charge by €11.0 million in 2004 (increase the tax charge by €0.8 million and €4.1 million in 2003 and 2002 respectively).

Equity shareholders' funds have reduced by €45.2 million and €42.3 million in 2004 and 2003 respectively, as a result of this change in accounting policy.

Basis of consolidation

The financial statements represent a consolidation of the Company and its subsidiary undertakings (the "Group") as at the balance sheet date. All intercompany transactions are eliminated, including any intercompany profits included in the Group which were not realised at the balance sheet date. Subsidiaries acquired during the year are included in the consolidated financial statements from

2. PRINCIPAL ACCOUNTING POLICIES (continued)

the effective date of acquisition. Subsidiaries disposed of during the year are included in the consolidated financial statements up to the effective date of disposal.

Associates

Associated undertakings are companies in which the Group has a particular interest (usually from 20% to 50%) which is held for the long term and over whose operating and financial policies it exercises a significant influence. The consolidated profit and loss account includes the Group's share of profits less losses of associated undertakings. The consolidated balance sheet includes interests in associated undertakings at the value of the Group's share of the net assets of those undertakings.

Turnover

Turnover represents the invoiced value of products sold or services provided to third parties net of sales discounts and value added taxes.

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 is recognised when the goods are either despatched or delivered depending on the relevant delivery terms, 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. For all other services, revenue is recognised upon completion of the service provided.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and are depreciated on a straight line basis at the following rates:

	Annual charge
Land	Nil
Freehold buildings	2.5 - 10%
Plant, machinery and equipment	2.5 - 33.3%
Assets in the course of construction	Nil

Reviews are made annually of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

Intangible fixed assets

Goodwill arising on acquisition, which represents the excess of cost of acquisitions of subsidiary undertakings and businesses over the fair value attributed to their net assets, is capitalised and amortised over periods up to a maximum of 20 years. Negative goodwill is amortised over the periods

2. PRINCIPAL ACCOUNTING POLICIES (continued)

in which the non-monetary assets of acquisitions made are recovered, whether through depreciation or sale. The Group is amortising negative goodwill over periods of 5 to 15 years.

The Group periodically reviews the amortisation period to determine if events and circumstances warrant revised estimates of the useful lives. Also, at each balance sheet date, management assesses whether there has been a permanent impairment in the value of goodwill by comparing anticipated undiscounted future cash flows from operating activities with the carrying value of goodwill. The factors considered by management in the assessment include operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

For pre-existing non-compete agreements and licences acquired in connection with an acquisition, the fair value of these separable intangible assets is capitalised and amortised over the period of the agreement.

Investments

Fixed asset investments are stated at cost less provision for any impairment.

Research and development

The cost of research and development is written off in the year incurred.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of the relevant production overheads and is attributed to stocks on a first in, first out ("FIFO") basis. Provision is made for obsolete or excess stocks.

Grants

Capital grants are recognised in the profit and loss account on a straight line basis over the useful economic life of the related asset acquired.

Debt issue costs

Fees incurred in the raising of finance are capitalised and allocated to periods over the term of the relevant financing at a constant rate on the carrying amount.

Foreign currencies

The functional currency of Ineos Group Holdings is the local currency of its principal operating environment. The Group's primary products are sold in an international commodities market priced and invoiced primarily in euros; therefore the euro is the Group's functional currency.

Transactions are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in the balance sheet are translated at the closing rate for the period. All translation gains or losses on the settlement of monetary assets and liabilities are included in the determination of profit for the year.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Assets and liabilities of overseas subsidiaries are translated into euros at the rates of exchange ruling at the balance sheet date. Trading results of overseas subsidiaries and associated undertakings have been translated at the average exchange rate for the relevant accounting period. Exchange differences arising on consolidation of overseas subsidiaries and associates, and on matching foreign currency loans, are taken to reserves.

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.

Pensions and other post retirement benefits

Employees of the Group participate in a number of funded defined benefit plans. The Group pays contributions to the plans on behalf of the employees. The Group operates a number of unfunded defined benefit pension schemes which cover the majority of its employees in Germany. The Group also provides unfunded early retirement benefits and long service awards for employees in Germany.

The Group provides health care insurance to eligible retired employees and their dependents. These benefits relate mainly to employees in the United States and Belgium.

Pension and other post retirement scheme assets are measured using market values. Pension and other post retirement scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond.

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 operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Environmental liabilities

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

Restructuring provisions

Estimated costs to be incurred in connection with restructuring measures are provided for when the Group has a constructive obligation, which is generally the announcement date. The announcement date is the date at which the plan is announced in sufficient detail to enable employees to estimate the redundancy payments to which they are entitled.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payment payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

Financial instruments

Amounts payable or receivable in respect of interest rate cap, floor and swap agreements are recognised in the interest payable charge on an accruals basis. The interest differential amounts due to/from the counterparty on such agreements are accrued until settlement date and are recognised as an adjustment to interest expense.

Emission trading scheme

The Group is a member of the UK Government 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 government also allows the surplus to be traded in the form of emissions permits.

The incentive money due from the UK Government is recognised in the profit and loss account once the reduction targets have been met. The emissions permits allocated by the Government are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation.

3. RECENT ACCOUNTING DEVELOPMENTS

In May 2004, the FASB issued FASB Staff Position ("FSP") 106-2, *Accounting and Disclosure Requirements Related to Medicare Prescription Drug, Improvement and Modernization Act of 2003* (the "Act") (which supersedes FSP 106-1). This FSP addresses the accounting implications of the newly issued Act to an entity that sponsors a post-retirement health care plan that provides prescription drug benefits. This Act, signed into law in December 2003 in the United States, introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of certain retiree health care benefit plans. The FSP states that FASB Statement No. 106 specifies that health care coverage provided by Medicare shall be taken into account in measuring the employer's post retirement health care benefit obligation. It also requires presently enacted changes in relevant laws to be considered in the current period measurements of net periodic post-retirement benefit cost and the accumulated post-retirement obligation ("APBO"). Therefore, under that guidance, measures of the APBO and net periodic post-retirement benefit cost on or after the date of enactment shall reflect the effects of the Act. The FSP is effective for the first interim or annual period beginning after June 15, 2004. The

3. RECENT ACCOUNTING DEVELOPMENTS (continued)

Company is currently evaluating the impact of this FSP on its results of operations and financial position.

In December 2004 the FASB issued Financial Accounting Standard No. 153, *Exchanges of Non-monetary Assets* (FAS 153). FAS 153 amends APB Opinion No. 29, Accounting for Non-monetary Transactions, to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. FAS 153 is effective for the Group for the year ending December 31, 2005. We are currently evaluating the possible impact of this pronouncement for the Group.

In November 2004, the FASB issued SFAS 151, *Inventory Costs—an amendment of ARB No. 43, Chapter 4*. FAS 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material and requires that these items be recognised as current-period charges. In addition, FAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The effective date is for inventory costs incurred during fiscal years beginning after June 15, 2004. The Company is currently evaluating the impact of this statement but does not believe that any impact will be material.

In December 2004, the FASB issued SFAS 123 (revised 2004), *Share Based Payment*, which supersedes SFAS 123. The cost of employee services received in exchange for an award of equity instruments shall be measured based on the grant-date fair value of those instruments. The cost is recognised over the period during which an employee is required to provide service in exchange for the award. The effective is as of the beginning of the first annual reporting period that begins after December 15, 2005. The Company is currently evaluating the impact of this statement on its results of operations and financial position.

The European Parliament and Council of the European Union issued a regulation in 2002 that will require all EU listed companies to prepare their consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") rather than the existing national GAAP. This regulation applies to Ineos Group Holdings as our Senior Notes are listed on the Luxembourg stock exchange. The regulation takes effect for the accounting periods beginning after January 1, 2005 and consequently the accounting framework under which the Company reports will change. The Company will produce its consolidated financial statements in accordance with IFRS for the year ended December 31, 2005. We are currently evaluating the areas that will be most affected by the adoption of IFRS, including assessing the impact on our underlying systems and financial statements and our US GAAP reconciliations.

4. SEGMENT INFORMATION

Class of business

The Company's business comprises the production and distribution of intermediate and speciality chemicals, and is made up of four business segments: Ineos Oxide, Ineos Fluor, Ineos Silicas and Ineos Phenol.

The turnover, operating profit, net assets and capital expenditures attributable to each different class of business as measured under UK GAAP is as follows:

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
Turnover			
Ineos Oxide	507.4	500.1	590.6
Ineos Phenol	1,189.0	1,542.3	2,316.5
Ineos Fluor	304.8	273.8	275.5
Ineos Silicas	234.6	214.2	213.5
	2,235.8	2,530.4	3,396.1
EBITDA			
Ineos Oxide	74.5	84.2	104.7
Ineos Phenol	81.5	130.0	158.9
Ineos Fluor	57.4	48.0	50.8
Ineos Silicas	46.2	34.2	33.9
	259.6	296.4	348.3

Reconciliation of earnings before operating exceptional items, interest, taxes, depreciation and amortisation ("EBITDA") to operating profit:

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
EBITDA	259.6	296.4	348.3
Exceptional administrative expenses	(24.6)	—	—
Depreciation	(114.8)	(114.4)	(119.0)
Amortisation	33.4	36.8	40.0
Operating profit (including share of operating profit of associate)	153.6	218.8	269.3

4. SEGMENT INFORMATION (continued)

	Year Ended December 31,	
	2003 restated	2004 restated
	(€ in millions)	
Net assets		
Ineos Oxide	143.6	157.0
Ineos Phenol	89.0	158.1
Ineos Fluor	(39.4)	(54.2)
Ineos Silicas	(19.4)	(30.5)
Ineos Holdings	(36.9)	4.9
	136.9	235.3

	Year Ended December 31,	
	2003	2004
	(€ in millions)	
Capital expenditure		
Ineos Oxide	13.8	15.9
Ineos Phenol	17.8	25.7
Ineos Fluor	7.3	21.5
Ineos Silicas	17.7	13.7
	56.6	76.8

Geographical analysis

The directors of the Company are of the opinion that disclosure of operating profit and net assets by geographical location would be seriously prejudicial to the interests of the Company. Accordingly, they have elected to exercise the exemption from such disclosure permitted by Statement of Standard Accounting Practice No. 25 (SSAP 25) "Segmental Reporting."

Turnover by geographical destination is as follows:

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Europe	1,534.1	1,680.6	2,220.9
Americas	450.0	569.1	866.8
Rest of World	251.7	280.7	308.4
	2,235.8	2,530.4	3,396.1

4. SEGMENT INFORMATION (continued)

Turnover by geographical origin is as follows:

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Europe	1,642.5	1,787.9	2,332.6
Americas	511.5	651.9	972.9
Rest of World	81.8	90.6	90.6
	2,235.8	2,530.4	3,396.1

Long lived assets by geographical location is as follows:

	Year Ended December 31,	
	2003	2004
	(€ in millions)	
Europe	432.1	442.8
Americas	163.2	139.8
Rest of World	55.2	50.0
	650.5	632.6

Major customers

No single customer represented more than ten percent of the Company's turnover in any of the three years ended December 31, 2004.

5. ADMINISTRATIVE EXPENSES

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
Administrative expenses	97.2	85.0	89.6
Amortisation of negative goodwill	(34.8)	(38.0)	(41.1)
	62.4	47.0	48.5

6. EXCEPTIONAL ADMINISTRATIVE EXPENSES

The Company incurred €nil million (2003: €nil million; 2002: €24.6 million) of exceptional administrative expenses, which mainly related to business restructuring and the provision for severance payments. These expenses were incurred by our business segments as shown below:

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Ineos Oxide	0.1	—	—
Ineos Phenol	6.1	—	—
Ineos Fluor	1.7	—	—
Ineos Silicas	16.7	—	—
	24.6	—	—

7. OPERATING PROFIT

This is stated after charging/(crediting):

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
Depreciation of tangible fixed assets:			
—owned assets	114.1	114.0	118.9
—finance leased assets	0.7	0.4	0.1
Amortisation of goodwill	0.8	0.6	0.7
Write back of negative goodwill	(34.8)	(38.0)	(41.1)
Amortisation of other intangibles	0.6	0.6	0.4
Profit/(loss) on disposal of fixed assets	—	(0.4)	0.1
Employee costs (see Note 10)	184.7	167.2	170.1
Research and development expenditure	9.7	9.8	9.8
Auditors' remuneration:			
—audit services	0.7	0.7	0.7
—non audit services	0.6	0.5	0.5
Operating lease rental charges:			
—other	1.4	2.3	3.2
—plant, machinery and equipment	8.2	6.6	11.6
Amortisation of government grants	(0.2)	(0.1)	(0.1)

7. OPERATING PROFIT (continued)

Directors' emoluments

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Aggregate emoluments	1.1	1.0	0.9

The total amount of emoluments payable to the highest paid director for the year ended December 31, 2002, the year ended December 31, 2003 and for the year ended December 31, 2004, are as follows:

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Highest paid director	0.4	0.4	0.4

Retirement benefits are accruing to two (2003: two; 2002: two) directors under a money purchase scheme. One (2003: one; 2002: two) director has retirement benefits accruing under a defined benefit scheme. The Company paid pension contributions of €37,000 (2003: €38,000; 2002: €38,000) into a personal pension scheme in respect of the highest paid director.

8. PROFIT ON DISPOSAL OF FIXED ASSETS

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Write off of tangible fixed assets	(7.0)	—	—
Write off of associated negative goodwill	5.2	—	—
Net proceeds received	3.7	1.3	—
	1.9	1.3	—

On September 9, 2002 the cleavage unit of the Ineos Phenol plant in Mobile, USA was destroyed by an explosion and fire. A total of €5 million was received on account from the insurers in respect of the insurance claim in 2002. The claims with the insurers were settled in 2003. A further €1.3 million was received from the insurers in 2003 in respect of property damage and was accounted for as proceeds on the disposal of tangible fixed assets. A total of €18.1 million was received in 2003 from the insurers in respect of increased costs of working and consequential loss of profits and this has been disclosed as other operating income.

9. NET FINANCE CHARGES

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
Interest payable on senior notes	27.2	27.3	27.3
Interest payable on bank loans and overdrafts	44.0	33.5	23.1
Amortisation of issue costs	6.8	4.5	4.8
Interest payable on finance leases	0.4	0.2	0.2
Interest on pension scheme liabilities	11.2	9.9	11.3
	89.6	75.4	66.7
Expected return on pension scheme assets	(10.6)	(7.7)	(9.3)
Exchange movements	(2.5)	1.9	(6.3)
Interest receivable	(3.2)	(2.9)	(2.4)
	73.3	66.7	48.7

10. EMPLOYEE COSTS

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
Staff costs comprise:			
Wages and salaries	155.6	133.8	138.5
Social security and other benefits	20.4	20.3	20.4
Pension and early retirement costs	8.7	13.1	11.2
Total	184.7	167.2	170.1
The average number of employees was:			
Operations	1,904	1,897	1,891
Administration	471	444	437
Research and development	120	118	111
Total	2,495	2,459	2,439

11. TAXATION

Analysis of charge/(credit) in period:

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
United Kingdom			
Corporation tax at 30%	7.2	11.9	11.9
Adjustments in respect of previous periods	—	—	—
Double taxation relief	(7.2)	(11.9)	(11.9)
Group relief payable	3.3	2.3	2.4
	3.3	2.3	2.4
Foreign tax			
Corporation taxes	16.1	19.8	32.6
Adjustments in respect of previous periods	(2.9)	0.1	(0.2)
	13.2	19.9	32.4
Total current tax	16.5	22.2	34.8
Deferred tax			
Origination and reversal of timing differences	22.9	11.9	9.8
Adjustments in respect of previous periods	5.1	(25.6)	(1.1)
Total deferred tax	28.0	(13.7)	8.7
Tax on profit/(loss) on ordinary activities	44.5	8.5	43.5

The tax for the period is lower (2003: lower; 2002: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year Ended December 31,		
	2002 restated	2003 restated	2004 restated
	(€ in millions)		
Profit on ordinary activities before tax	82.2	153.5	220.6
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	24.7	46.1	66.2
Effects of:			
Expenses not deductible for tax purposes	1.9	2.7	2.8
Non taxable credits	(24.6)	(22.7)	(15.6)
Capital allowances in excess of depreciation	(8.0)	3.2	(0.9)
Other short term timing differences	(10.5)	(13.0)	(19.6)
Adjustment in respect of foreign tax rates	7.4	3.8	5.6
Deferred tax not provided	28.5	2.0	(3.5)
Adjustments in respect of previous periods	(2.9)	0.1	(0.2)
Tax charge for the year	16.5	22.2	34.8

11. TAXATION (continued)

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and associates. As the earnings are continually reinvested by the group, no tax is expected to be payable on them in the foreseeable future. Deferred tax has been recognised in respect of certain taxation losses as indicated in note 23. Future tax charges may be affected by the realisation of other taxable losses not recognised at the balance sheet date.

12. DIVIDENDS

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Equity dividends paid and proposed	—	20.8	44.1

13. INVESTMENTS

	Associated Undertakings	Other Investments	Total
	(€ in millions)		
At December 31, 2003	0.9	0.8	1.7
Exchange movements	0.1	(0.1)	—
Share of profits retained	0.3	—	0.3
At December 31, 2004	1.3	0.7	2.0

The other investments relate to a 1% investment in ELA GmbH, a 0.1% investment in ChemConnect, Inc and a 4.1% shareholding in Indaver NV. Indaver NV is a company registered in Belgium which specialises in the treatment and disposal of chemical waste and environmental cleaning.

There are no readily available quoted market prices for the investments in ELA GmbH and ChemConnect, Inc.

On 25 October 2004, the Group acquired a 15% investment in INEOS Chlor Limited, a related company, through its acquisition of ICI Industrial Investments Limited for £1 (see note 27).

Details of the investment in associated undertakings is set out below:

Associate/Company	Class of shares held	Percentage held	Principal Activities
Quaker Chemical South Africa (Proprietary) Limited—South Africa	20,000 Ordinary 1 Rand	49%	Formulates and markets chemicals and specialised lubricants

14. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Plant, Machinery, Fixtures, Fittings and Motor Vehicles	Assets in the course of construction	Total
	(€ in millions)			
Cost				
At December 31, 2002	206.1	1,477.1	31.6	1,714.8
Acquisitions	—	0.5	—	0.5
Additions	1.4	23.1	32.1	56.6
Disposals	(1.5)	(3.7)	—	(5.2)
Transfers	0.4	23.2	(23.6)	—
Exchange adjustments	(8.7)	(85.9)	(2.2)	(96.8)
At December 31, 2003	197.7	1,434.3	37.9	1,669.9
Acquisitions	—	—	—	—
Additions	1.5	34.2	41.1	76.8
Disposals	(0.4)	(9.6)	—	(10.0)
Transfers	1.7	30.8	(32.5)	—
Exchange adjustments	(2.7)	(35.7)	(0.8)	(39.2)
At December 31, 2004	197.8	1,454.0	45.7	1,697.5
Accumulated Depreciation				
At December 31, 2002	60.7	666.3	—	727.0
Charge for the period	4.9	109.5	—	114.4
Effects of disposals in the period	—	(3.7)	—	(3.7)
Exchange adjustments	(0.8)	(22.8)	—	(23.6)
At December 31, 2003	64.8	749.3	—	814.1
Charge for the period	4.5	114.5	—	119.0
Effects of disposals in the period	(0.4)	(9.5)	—	(9.9)
Exchange adjustments	(0.4)	(16.4)	—	(16.8)
At December 31, 2004	68.5	837.9	—	906.4
Net Book Amount				
At December 31, 2004	129.3	616.1	45.7	791.1
At December 31, 2003	132.9	685.0	37.9	855.8

Included in the above are assets held under hire purchase and finance leases with a net book value of €2.1 million (2003: €0.1 million).

15. INTANGIBLE FIXED ASSETS

	Goodwill	Non Compete	Licenses Fees	Total	Negative Goodwill
			(€ in millions)		
Cost					
At December 31, 2002	14.2	2.3	2.4	18.9	(344.8)
Additions	—	—	—	—	(0.4)
Disposals	—	—	—	—	(1.0)
Exchange adjustments	(0.3)	—	(0.4)	(0.7)	38.0
At December 31, 2003	13.9	2.3	2.0	18.2	(308.2)
Additions	—	—	0.1	0.1	—
Disposals	—	—	—	—	—
Exchange adjustments	(0.1)	—	(0.1)	(0.2)	13.6
At December 31, 2004	13.8	2.3	2.0	18.1	(294.6)
Aggregate Amortisation					
At December 31, 2002	2.9	1.7	0.3	4.9	(62.5)
Charge for the period	0.6	0.4	0.2	1.2	(38.0)
Exchange adjustments	—	—	—	—	9.7
At December 31, 2003	3.5	2.1	0.5	6.1	(90.8)
Charge for the period	0.7	0.2	0.2	1.1	(41.1)
Exchange adjustments	—	—	—	—	6.7
At December 31, 2004	4.2	2.3	0.7	7.2	(125.2)
Net Book Amount					
At December 31, 2004	9.6	—	1.3	10.9	(169.4)
At December 31, 2003	10.4	0.2	1.5	12.1	(217.4)

Goodwill arising on the acquisitions of Inspec Belgium NV, the Antifreeze business from BP Amoco in 1999, the Ethanolamines business from The Dow Chemical Company and the Acetate Esters business from BP Belgium is being amortised on a straight line basis over 20 years. This period is that over which the directors estimate that the value of the underlying businesses acquired are expected to exceed the value of the underlying assets.

The license fees represent amounts paid for the process of homogeneous cleavage of cumene hydroperoxide into its products. These license fees are being amortised by equal annual installments over 15 years, being the period of the agreement.

The non-compete intangible asset relates to the Antifreeze acquisition and is being amortised on a straight line basis over 5 years, being the period of the non-compete agreement which started in 1999.

Negative goodwill arising on the acquisition of Ineos Fluor and Ineos Silicas, and Ineos Phenol is being amortised on a straight line basis over 5 to 15 years. This period represents that over which the non monetary assets are recovered, whether through depreciation or sale.

15. INTANGIBLE FIXED ASSETS (continued)

The Ineos Fluor HFC 134a plant in Runcorn, UK is scheduled to be converted for use in the production of HFC125 in 2004 and 2005. The useful economic life of this plant has therefore been reduced to the period up to when it will cease in its existing use. This has resulted in additional negative goodwill amortisation of €14.4 million in 2004 (2003: €8.1 million).

16. STOCKS

	2003	2004
	(€ in millions)	
Raw materials and consumables	47.2	89.0
Work in progress	13.1	19.3
Finished products	90.7	130.6
	151.0	238.9

17. DEBTORS

	2003 restated	2004 restated
	(€ in millions)	
Amounts due within one year		
Trade debtors	339.2	491.9
Amounts owed by related parties	0.3	0.9
Other debtors	22.5	46.8
Amounts owed by group undertakings	0.1	—
Prepayments and accrued income	7.9	10.0
	370.0	549.6
Amounts due after more than one year		
Amounts owed by related parties	—	31.8
Amounts owed by group undertakings	29.3	29.3
Other debtors	0.2	0.3
Prepayments and accrued income	25.8	22.8
Deferred taxation	12.4	—
	67.7	84.2

Trade debtors at December 31, 2004, are stated net of an allowance for doubtful trade debtors of €10.7 million (2003: €9.5 million).

18. CREDITORS—AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 restated	2004 restated
	(€ in millions)	
Senior credit agreement	110.1	92.7
Obligations under finance leases	0.5	0.6
Trade creditors	238.8	345.1
Amounts due to related parties	12.8	8.3
Amounts owed to group undertakings	16.4	23.0
Other creditors	18.4	28.7
Corporation tax	15.2	34.3
Other accruals	107.8	133.9
	520.0	666.6

19. CREDITORS—AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 restated	2004 restated
	(€ in millions)	
Senior notes	255.4	256.2
Senior credit agreement	393.2	328.1
Obligations under finance leases	1.7	3.2
Other loans	0.3	1.1
Other creditors	4.5	4.8
	655.1	593.4

20. FINANCE LEASES

	2003	2004
	(€ in millions)	
Obligations under finance leases comprise:		
Rentals due within 1 year:	0.6	0.8
Rentals due after more than 1 year:		
from 1 to 2 years	2.0	1.4
from 2 to 5 years	—	1.1
More than 5 years	—	1.2
	2.6	4.5
Less amounts representing interest relating to future periods	(0.4)	(0.7)
Present value of net minimum lease payments	2.2	3.8
Less current lease obligations	(0.5)	(0.6)
Non current obligations	1.7	3.2

21. LOANS

Future maturities of long-term obligations as of December 31, 2004 are as follows:

	Senior credit agreement	Senior Notes	Total
		(€ in millions)	
Total debt			
Gross borrowings	429.1	260.0	689.1
Less debt issue costs	(8.3)	(3.8)	(12.1)
Net bank and other borrowings	420.8	256.2	677.0

Gross borrowings are repayable as follows:

	Senior credit agreement	Senior Notes	Total
		(€ in millions)	
In one year or less	95.5	—	95.5
Between one and two years	67.4	—	67.4
Between two and five years	266.2	—	266.2
In five years or more	—	260.0	260.0
	429.1	260.0	689.1

Senior Notes

On July 19, 2001, the Company issued €260 million in 10½% Senior Notes due 2010 pursuant to a private offering. On June 21, 2002 the Company issued €260 million 10½% Senior Notes due 2010

21. LOANS (continued)

pursuant to an exchange offer whereby holders of the original notes received new notes which have been registered under the US Securities Act 1933 as amended, but are otherwise identical to the original notes. The Senior Notes are listed on the Luxembourg Stock Exchange.

The Senior Notes bear interest at 10½% per annum, payable semi annually in arrears on February 1 and August 1 of each year. Unless previously redeemed as noted below, the Senior Notes will be redeemed by the Company at their principal amount on August 1, 2010.

The Senior Notes will be subject to redemption at any time on or after August 1, 2004, at the option of the Company, 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 August 1 of the years indicated below:

Year	Redemption Price
2004	110.500%
2005	107.788%
2006	105.250%
2007	102.625%
2008 and thereafter	100.000%

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

The Senior Notes are unsecured. The Senior Notes are guaranteed by Ineos Holdings Limited on a senior subordinated basis. Such a guarantee only becomes due 179 days after an event of default on the Senior Notes has occurred or earlier under certain circumstances.

The Senior Notes are stated net of debt issue costs of €3.8 million (2003: €4.6 million) in the balance sheet. These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with FRS 4.

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.

Senior Credit Agreement

The Company has outstanding borrowings under a credit agreement (the "Senior Credit Agreement") which consists of Term Loans ("Term Loan A", "Term Loan B" and "Term Loan C") and a revolving credit facility (the "Revolving Credit Facility"). The Term Loans outstanding at December 31, 2004 were €429.1 million (2003: €515.6 million), of which €95.5 million (2003: €113.4 million) is due within one year. The total amounts outstanding on Term Loan A were €146.1 million (2003: €233.7 million), Term Loan B were €157.8 million (2003: €168.6 million) and Term Loan C were €97.2 million (2003: €113.3 million) and Revolving Credit Facility were €28.0 million (2003: €nil).

Term Loan A is repayable in 12 semi-annual installments beginning on December 31, 2001 ranging from 1.14% to 9.73% of the principal amount of the loan up until the final repayment in

21. LOANS (continued)

June 2007. Term Loan B is repayable in 14 semi-annual installments beginning on December 31, 2001 ranging from 0.56% to 46.64% of the principal amount of the loan up until the final repayment in June 2008. Term Loan C is repayable in 16 semi-annual installments beginning on December 31, 2001 ranging from 0.56% to 46.08% of the principal amount of the loan up until the final repayment in June 2009.

The Term Loans bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum margins for the Term Loan A, Term Loan B and Term Loan C as at December 31, 2004 are 1.75%, 2.50% and 3.50% respectively. The margins on Term Loans A and B are subject to a reduction based on certain financial tests. The Company pays a commitment fee of 0.75% per annum on the undrawn amounts of the revolving credit facility.

Ineos Holdings Limited and substantially all of its material subsidiaries are guarantors of the Senior Credit 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 Credit Agreement contains numerous 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 Credit 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 most restrictive covenants relating to the payment of dividends by the ultimate parent company, Ineos Group Limited, are as follows:

- The ratio of Net Debt to EBITDA shall not be greater than 2:1 after payment of the dividend.
- The annual cash payment may not exceed €50.0 million.

The Term Loans are stated net of unamortised debt issue costs of €8.3 million (2003: €12.3 million). These costs are allocated to the profit and loss account in accordance with FRS 4.

22. PROVISIONS FOR LIABILITIES AND CHARGES

The movement in the provisions is as follows:

	Severance and Restructuring Costs	Remediation	Other	Deferred tax	Total
		(€ in millions)			
Balance at December 31, 2002 (restated)	9.4	4.9	10.2	—	24.5
Reclassifications	(1.0)	—	(4.6)	—	(5.6)
Charged to the profit and loss account	—	—	5.5	—	5.5
Utilised in the year	(5.3)	(0.1)	(10.6)	—	(16.0)
Released in the year	—	—	—	—	—
Exchange adjustments	1.7	(0.3)	(0.5)	—	0.9
Balance at December 31, 2003 (restated)	4.8	4.5	—	—	9.3
Reclassifications	(0.1)	—	—	—	(0.1)
Charged to the profit and loss account	1.2	—	1.2	6.8	9.2
Utilised in the year	(3.3)	(0.3)	—	—	(3.6)
Released in the year	—	—	(0.1)	—	(0.1)
Exchange adjustments	—	—	—	—	—
Balance at December 31, 2004 (restated)	2.6	4.2	1.1	6.8	14.7

Severance and restructuring costs

The provision for severance and restructuring costs represents costs provided for as a result of a restructuring of the Ineos Silicas, Ineos Fluor and Ineos Phenol business segments upon their acquisition by the Group. In June 2001, the Board of Directors approved the restructuring plan for these business segments, which followed a thorough review of each segment's activities and overhead bases. Execution of the plan commenced in the third quarter of 2001 with the announcement of the termination of approximately 308 employment contracts and the planned closures of the Group's leased premises in Atlanta and Chadds Ford, USA. The restructuring plan was extended in 2002 with the announcement of a further 250 employment contracts to be terminated. The restructuring was substantially complete by the end of 2004, except where local employment laws have delayed this. During the year ended December 31, 2004, the Group had incurred €3.3 million (2003: €5.3 million) against the restructuring provision.

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 and the removal of potentially hazardous substances. These costs relate mainly to the group's production facilities at Runcorn, Warrington and Eijsden. 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 two years.

22. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Other provisions

Other provisions includes a provision for by-product disposal costs which were established when the hydroxyethyl-cellulose (“HEC”) plant on the Antwerp Site was sold by BP Chemicals to Union Carbide in 1987. BP Chemicals undertook to dispose of the HEC waste which is a by-product of the chemical process until 2003. This agreement was passed on to Inspec Belgium NV following the acquisition of Inspec Belgium NV by Inspec in 1995. The provision represents the excess of the estimated disposal costs over the contributions to be received from Union Carbide. This provision was fully utilised during 2003. Other provisions also includes amounts for Ineos Fluor’s commercial disputes with third parties and includes management’s estimate of both the final cost of settling the disputes and the associated legal costs. These disputes were settled during 2003.

In 2004 Ineos Fluor provided for an onerous resale contract. Reservation fees on resale product no longer required will continue to be incurred on a yearly basis until the contract expires in 2011.

23. DEFERRED TAXATION

Deferred tax asset/(liability) provided for:

	2003 restated	2004 restated
	(€ in millions)	
Accelerated capital allowances	(18.3)	(16.4)
Losses	22.5	2.1
Short term timing differences	5.4	7.5
Pension and other post retirement benefit schemes	8.5	23.4
Other	2.8	—
	20.9	16.6

Deferred tax (asset)/liability not provided for:

	2003	2004
	(€ in millions)	
Losses	(19.8)	(15.0)

The unprovided deferred tax asset has not been recognised as it is not considered more likely than not that the losses will be utilised in the foreseeable future.

23. DEFERRED TAXATION (continued)

Analysis of movement in the period:

	restated (€ in millions)
At January 1, 2003	4.3
Credited to profit and loss account	13.7
Credited to statement of total recognised gains and losses	2.9
At December 31, 2003	20.9
Charged to profit and loss account	(8.7)
Credited to statement of total recognised gains and losses	4.4
At December 31, 2004	16.6

24. SHARE CAPITAL

Allotted, issued and fully paid	2003	2004
	(€ in millions)	
11,499,950 (2002: 11,499,950) ordinary shares of £1 each	17.7	17.7

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.

25. RESERVES

	Share Premium	Profit and Loss Account
	(€ in millions)	
At December 31, 2002 (restated)	51.1	(14.8)
Retained profit for the year	—	124.2
Exchange adjustments	—	(34.3)
Actuarial loss recognised on pension schemes	—	(9.9)
Deferred tax arising on losses in pension schemes	—	2.9
At December 31, 2003 (restated)	51.1	68.1
Retained profit for the year	—	133.0
Exchange adjustments	—	(22.0)
Actuarial loss recognised on pension schemes	—	(17.0)
Deferred tax arising on losses in pension schemes	—	4.4
At December 31, 2004 (restated)	51.1	166.5

26. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Year Ended December 31,	
	2003 restated	2004 restated
	(€ in millions)	
Profit on ordinary activities after taxation	145.0	177.1
Dividends	(20.8)	(44.1)
Other recognised gains/(losses) in the year	(41.3)	(34.6)
Net (decrease)/increase in equity shareholders' funds	82.9	98.4
Opening equity shareholders' funds	54.0	136.9
Closing equity shareholders' funds	136.9	235.3

27. ACQUISITIONS

Ineos Industrial Investments Limited

On 25 October 2004, the Group acquired INEOS Industrial Investments Limited (formerly ICI Industrial Investments Limited) from ICI plc for £1. INEOS Industrial Investments Limited owns 15% of INEOS Chlor Limited, a related party (see note 33).

28. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases comprise:

	2003	2004
	(€ in millions)	
Plant and equipment:		
Expiring within one year	5.3	5.7
Expiring between 1 to 2 years	3.0	0.8
Expiring between 2 to 5 years	3.3	4.7
Expiring in more than 5 years	—	2.9
	11.6	14.1
Land and buildings:		
Expiring within one year	1.0	0.7
Expiring between 1 to 2 years	0.2	—
Expiring between 2 to 5 years	1.0	0.9
	2.2	1.6

The Company leases plant and equipment under a number of operating leases that expire at various dates through to 2009 and after. Future minimum lease payments under operating leases with

28. OPERATING LEASE COMMITMENTS (continued)

initial or remaining non-cancellable terms of one or more years at December 31, 2004 totalled €68.1 million and were as follows:

	Lease Payments
	(€ in millions)
2005	15.7
2006	8.0
2007	6.5
2008	5.2
2009 and after	32.7
	68.1

29. CAPITAL COMMITMENTS

	2003	2004
	(€ in millions)	
Contracted capital expenditure	11.0	29.9

30. PENSION SCHEMES

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, United States and Belgium.

The group also operates a number of unfunded pension schemes in Germany.

The most recent full valuations of the significant defined benefits plans were carried out as follows: United Kingdom on January 1, 2002; United States on January 1, 2003; Belgium on December 31, 2004 and Germany on December 31, 2002. These valuations have been updated where appropriate to December 31, 2004 by independent qualified actuaries.

The major assumptions used in this valuation were:

	United Kingdom			United States			Belgium			Germany		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2001
	%	%	%	%	%	%	%	%	%	%	%	%
Major assumptions												
Rate of general increase in salaries	4.20	4.10	3.75	4.50	4.50	4.50	3.50	3.50	3.50	2.00	2.00	3.50
Rate of increase to pension in payment	2.70	2.60	2.25	—	—	—	—	—	2.00	1.20	1.50	2.00
Discount rate for scheme liabilities	5.40	5.60	5.60	5.75	6.25	6.75	5.00	5.50	5.75	5.00	5.50	5.50
Inflation	2.70	2.60	2.25	3.00	3.00	3.00	2.00	2.00	2.00	1.50	1.50	2.00

30. PENSION SCHEMES (continued)

The expected long term rate of returns and market values of the assets of the Company's principal defined benefit plans were as follows:

As at December 31, 2004

	United Kingdom		United States		Belgium		Germany	
	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value
	%	€'m	%	€'m	%	€'m	%	€'m
Market value of assets								
Equities	8.00	77.7	8.50	4.2	8.00	24.0	—	—
Bonds	5.00	7.1	5.75	2.3	4.75	11.1	—	—
Other	3.50	6.6	—	—	3.25	2.6	—	—
		91.4		6.5		37.7		—
Present value of liabilities		(134.7)		(14.8)		(58.5)		(23.2)
Deficit in the plans		(43.3)		(8.3)		(20.8)		(23.2)
Related deferred tax asset		13.0		3.3		7.1		—
Net pension liability		(30.3)		(5.0)		(13.7)		(23.2)

As at December 31, 2003

	United Kingdom		United States		Belgium		Germany	
	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value
	%	€'m	%	€'m	%	€'m	%	€'m
Market value of assets								
Equities	8.00	69.0	8.75	4.1	8.00	22.1	—	—
Bonds	5.00	9.6	6.25	1.7	5.25	11.8	—	—
Other	3.50	2.6	4.25	—	5.50	2.5	—	—
		81.2		5.8		36.4		—
Present value of liabilities		(113.7)		(12.9)		(53.1)		(21.1)
Deficit in the plans		(32.5)		(7.1)		(16.7)		(21.1)
Related deferred tax asset		—		2.8		5.7		—
Net pension liability		(32.5)		(4.3)		(11.0)		(21.1)

30. PENSION SCHEMES (continued)

As at December 31, 2002

	United Kingdom		United States		Belgium		Germany	
	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value	Expected long term rate of return	Market value
	%	€'m	%	€'m	%	€'m	%	€'m
Market value of assets								
Equities	8.00	46.0	8.50	2.8	8.00	22.0	—	—
Bonds	5.00	9.8	6.25	1.4	5.25	11.8	—	—
Other	5.00	8.5	4.25	0.2	5.75	3.3	—	—
		64.3		4.4		37.1		—
Present value of liabilities		(96.2)		(14.1)		(43.1)		(20.9)
Deficit in the plans		(31.9)		(9.7)		(6.0)		(20.9)
Related deferred tax asset		—		—		2.0		—
Net pension (liability)/asset		(31.9)		(9.7)		(4.0)		(20.9)

Deferred tax assets and liabilities in relation to pension liabilities have only been recognised where it is more likely than not that they would not be recoverable in the foreseeable future.

The group also operates a number of plans, primarily in the United States and Belgium, which provide employees with other post-employment benefits in respect of health care. The plans are generally 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 a liability discount rate of 5.75% (2003: 6.25%) in the US and 5.00% (2003: 5.5%) in Belgium, and a long-term health care trend rate of 4.5% (2003: 4.5%).

	Post-retirement health care plans	
	2003	2004
	(€ in millions)	
Market value of assets	—	—
Present value of liabilities	(4.0)	(4.6)
Deficit in the plans	(4.0)	(4.6)

30. PENSION SCHEMES (continued)

The costs of the plans for the years ended December 31, 2004 and 2003 would have been as follows:

Analysis of amount charged to operating profit

(i) Year ended December 31, 2004

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Current service cost	5.8	1.1	3.7	0.4
Past service cost	0.9	—	—	—
Total operating charge	6.7	1.1	3.7	0.4

(ii) Year ended December 31, 2003

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Current service cost	5.1	1.0	3.3	0.3
Past service cost	4.2	—	—	—
Total operating charge	9.3	1.0	3.3	0.3

Analysis of amount credited/(charged) to other finance income

(i) Year ended December 31, 2004

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Interest on pension scheme liabilities	(6.5)	(0.9)	(2.6)	(1.1)
Expected return on pension scheme assets	6.4	0.6	2.3	—
Net return	(0.1)	(0.3)	(0.3)	(1.1)

(ii) Year ended December 31, 2003

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Interest on pension scheme liabilities	(5.3)	(0.7)	(2.6)	(1.1)
Expected return on pension scheme assets	4.8	0.4	2.5	—
Net return	(0.5)	(0.3)	(0.1)	(1.1)

30. PENSION SCHEMES (continued)

Analysis of amount recognised in statement of total recognised gains and losses

(i) Year ended December 31, 2004

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Actual return less expected return on pension scheme assets	1.2	0.1	(0.5)	—
Experience gains and losses arising on scheme liabilities	0.2	(0.7)	0.7	(0.1)
Changes in assumptions	(10.6)	(1.0)	(4.0)	(1.6)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	(9.2)	(1.6)	(3.8)	(1.7)

(ii) Year ended December 31, 2003

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Actual return less expected return on pension scheme assets	9.2	0.5	0.5	—
Experience gains and losses arising on scheme liabilities	(0.6)	0.5	(4.7)	(0.5)
Changes in assumptions	(9.8)	(0.4)	(6.2)	0.6
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	(1.2)	0.6	(10.4)	0.1

30. PENSION SCHEMES (continued)

Movement in surplus/(deficit) during the year

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Deficit in schemes at January 1, 2003	(31.9)	(9.7)	(6.0)	(20.9)
Current service cost	(5.1)	(1.0)	(3.3)	(0.3)
Past service cost	(4.2)	—	—	—
Contributions	7.9	1.9	3.1	1.1
Other finance income	(0.5)	(0.3)	(0.1)	(1.1)
Actuarial gain/(loss)	(1.2)	0.6	(10.4)	0.1
Exchange adjustments	2.5	1.4	—	—
Deficit in schemes at December 31, 2003	(32.5)	(7.1)	(16.7)	(21.1)
Current service cost	(5.8)	(1.1)	(3.7)	(0.4)
Past service cost	(0.9)	—	—	—
Contributions	4.6	1.3	3.7	1.1
Other finance income	(0.1)	(0.3)	(0.3)	(1.1)
Actuarial gain/(loss)	(9.2)	(1.6)	(3.8)	(1.7)
Exchange adjustments	0.6	0.5	—	—
Deficit in schemes at December 31, 2004	(43.3)	(8.3)	(20.8)	(23.2)

History of experience gains and losses

(i) Year ended December 31, 2004

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Difference between the actual and expected return on scheme assets	1.2	0.1	(0.5)	—
Percentage of scheme assets	1.3%	1.5%	1.3%	—
Experience gains and losses on scheme liabilities	0.2	(0.7)	0.7	(0.1)
Percentage of present value of scheme liabilities	0.1%	4.7%	1.2%	0.4%
Total amount recognised in statement of total recognised gains and losses	(9.2)	1.6	(3.8)	(1.7)
Percentage of present value of scheme liabilities	6.8%	10.8%	6.5%	7.3%

30. PENSION SCHEMES (continued)

(ii) Year ended December 31, 2003

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Difference between the actual and expected return on scheme assets	9.2	0.5	0.5	—
Percentage of scheme assets	11.3%	8.6%	1.4%	—
Experience gains and losses on scheme liabilities	(0.6)	0.5	(4.7)	(0.5)
Percentage of present value of scheme liabilities	0.5%	3.9%	8.9%	2.4%
Total amount recognised in statement of total recognised gains and losses	(1.2)	0.6	(10.4)	0.1
Percentage of present value of scheme liabilities	1.1%	4.7%	19.6%	0.5%

(iii) Year ended December 31, 2002

	United Kingdom	United States	Belgium	Germany
		(€ in millions)		
Difference between the actual and expected return on scheme assets	(33.1)	(1.6)	(17.0)	—
Percentage of scheme assets	51.5%	36.4%	45.8%	—
Experience gains and losses on scheme liabilities	14.8	0.7	1.0	3.7
Percentage of present value of scheme liabilities	15.4%	0.5%	2.3%	17.7%
Total amount recognised in statement of total recognised gains and losses	(18.3)	(2.0)	(13.5)	0.4
Percentage of present value of scheme liabilities	19.0%	14.2%	31.3%	1.9%

	2003	2004
	(€ in millions)	
Reserves:		
Group profit and loss reserves excluding net pension liability	141.0	243.3
Net pension liability under FRS 17	(72.9)	(76.8)
Group profit and loss reserves including net pension liability under FRS 17	68.1	166.5

31. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year ended December 31,		
	2002	2003	2004
		(€ in millions)	
Increase/(decrease) in cash in the period	(4.9)	49.9	(71.1)
Cash outflow/(inflow) from increase in debt financing	91.1	81.1	75.5
Change in net debt resulting from cash flows	86.2	131.0	4.4
Acquisitions	—	—	—
Other net non-cash transactions	19.8	18.4	1.1
Net debt at start of period	(863.3)	(757.3)	(607.9)
Net debt at end of period	(757.3)	(607.9)	(602.4)

32. ANALYSIS OF NET DEBT

	At January 1, 2004	Cash Flow	Other Non-Cash Charges	At December 31, 2004
		(€ in millions)		
Cash at bank and in hand	153.3	(71.1)	(2.7)	79.5
Cash overdrafts	—	—	—	—
	153.3	(71.1)	(2.7)	79.5
Debt due within one year	(110.1)	75.9	(58.5)	(92.7)
Debt due after more than one year	(648.9)	(0.9)	64.4	(585.4)
Finance leases	(2.2)	0.5	(2.1)	(3.8)
	(761.2)	75.5	3.8	(681.9)
Net debt	(607.9)	4.4	1.1	(602.4)

Non cash changes relate primarily to exchange movements, reclassifications between debt due after more than one year and debt due within one year and amortisation of debt issue costs.

33. RELATED PARTY TRANSACTIONS

The Group has a management services agreement with Ineos Capital Partners (Ineos Capital). The partners of Ineos Capital own a controlling interest in the share capital of Ineos Group Holdings. Ineos Capital management fees of €8.5 million (2003: €8.3 million) were charged in the year. At December 31, 2004 amounts owed to Ineos Capital were €5.4 million (2003: €6.1 million).

The partners of Ineos Capital also own a controlling interest in Ineos Chlor Group Limited. Ineos Chlor Group Limited has certain common directors with Ineos Group Holdings. The Group has made sales to Ineos Chlor Limited, a subsidiary of Ineos Chlor Group Limited, of €1.2 million (2003: €0.3 million), recovered costs of €2.7 million (2003: €4.6 million) and made purchases from Ineos Chlor Limited of €37.3 million (2003: €32.2 million) during the year. At December 31, 2004 €2.9 million (2003: €6.6 million) was owed to and €0.7 million (2003: €nil million) was owed by Ineos Chlor Limited.

33. RELATED PARTY TRANSACTIONS (continued)

The Group has agreed to participate in the revised funding package to construct new cellrooms at Ineos Chlor's site at Runcorn, England. The Group has made available facilities to Ineos Chlor of up to £130.0 million (€183.0 million) in the form of interest bearing loans with final maturity in 2010. At December 31, 2004 loans totalling €31.8 million were owed by Ineos Chlor Limited.

Amounts owed to the Group by Ineos Group Limited at 31 December 2004 were €29.3 million (2003: €29.3 million). The amounts owed represent long-term loans of which €14.0 million is non-interest bearing and €15.3 million earns interest at EURIBOR plus 0.75%. During the year the Group paid management and directors fees to Ineos Group Limited of €0.9 million (2003: €1.0 million).

The partners of Ineos Capital own a controlling interest in Ineos Vinyls Group Limited. Ineos Vinyls Group Limited also has certain common directors with Ineos Group Limited. The Group has made sales to EVC International NV, a subsidiary of Ineos Group Vinyls Limited, of €0.3 million (2003: €nil million) recovered costs of €0.9 million (2003: €nil million) and made purchases of €1.7 million (2003: €nill million) during the year. At December 31, 2004 €0.2 million (2003: €nil million) was due from EVC International NV.

34. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Set out below are the narrative and numerical disclosures required by Financial Reporting Standard 13 "Derivatives and other financial instruments" (FRS 13). The Group has taken advantage of the exemption available under FRS 13 not to provide numerical disclosures in relation to short term debtors and creditors, other than for foreign currency risk disclosures.

(a) Financial instruments

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors etc, that arise from its operations. The main purpose of these financial instruments is to manage the Group's operations. It is, and has been throughout the period under review, the policy of the Group that no trading in financial instruments shall be undertaken.

The main risks from the Group's financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Interest risk

The Group finances its operations through a mixture of retained profits, term loans under the Senior Credit Agreement and Senior Notes. The Group's exposure to market risk for changes in interest rates relates primarily to its borrowings under the Senior Credit Agreement upon which interest is paid at variable rates and to its cash resources which are invested at variable rates.

The Group operated a number of interest rate derivative financial instruments during the year, such as interest rate swaps, caps and floors, in order to manage its interest rate risk on the senior credit agreement. These include:

- Pay fixed swap with an initial notional amount of Japanese Yen 8.1 billion amortising to Yen 5.6 billion, with a swap rate of 0.305% payable quarterly, which matured in January 2004;

34. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

- Amortising interest rate collar with an initial notional amount of US$96.4 million amortising to US$83.4 million, with a cap rate of 7.0%, which matured in January 2004. The floor rate of 3.755% only applies to a notional principal of US $46.4 million.
- Amortising interest rate collar with an initial notional amount of €285.6 million amortising to €231.6 million, with a cap rate of 5.45%, and a floor rate of 3.69%, which matured in June 2004;
- Amortising interest rate collar with an initial notional amount of £32.9 million amortising to £22.7 million with a cap rate of 7.0%, which matured in June 2004.

Under interest rate swaps, we agreed with other counterparties to exchange, at specified intervals, the difference between fixed-rate and floating interest amounts calculated by reference to an agreed notional principal amount. Our interest rate collars entitled us to receive from counterparties the amounts, if any, by which our interest payments on certain of our floating rate borrowings exceed 5.45% (Euro denominated) and 7.0% (US$ denominated) or pay to counterparties the amounts, if any, by which our interest payments fall below 3.69% (Euro denominated) and 3.755% (US$ denominated). As at December 31, 2004 the group had no outstanding derivative financial instruments.

(c) *Liquidity risk*

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.

(d) *Foreign currency risk*

The currencies most important to the Group's financial position and results of operations were those which are now linked at fixed exchange rates to the Euro as well as U.S. Dollars, Sterling and Yen.

To mitigate the effect of the currency exposures arising from its overseas operations, the Group borrows in the local currencies of its main operating units.

34. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

(e) Interest rate and currency profile of financial assets and liabilities

After taking into account interest rate swaps as entered into by the Group, the interest rate and currency profile of the Group's gross financial liabilities at December 31, 2004 and 2003 were:

At December 31, 2004

			Fixed rate interest financial liabilities		
	Total	Floating rate financial liabilities	Principal	Weighted average interest rate	Weighted average period for which rate is fixed
	(€'m)	(€'m)	(€'m)	(%)	(Years)
Euros	543.1	281.4	261.7	10.4	5.6
US Dollars	97.2	97.2	—	—	—
Sterling	—	—	—	—	—
Yen	53.7	51.6	2.1	5.0	3.0
	694.0	430.2	263.8	10.8	5.5

The floating rate liabilities comprise the Euro, Yen and US Dollar portions of the Senior Credit Agreement.

At December 31, 2003

			Fixed rate interest financial liabilities		
	Total	Floating rate financial liabilities	Principal	Weighted average interest rate	Weighted average period for which rate is fixed
	(€'m)	(€'m)	(€'m)	(%)	(Years)
Euros	606.4	344.3	262.1	10.5	6.6
US Dollars	113.3	113.3	—	—	—
Sterling	0.1	—	0.1	3.5	1.0
Yen	58.3	58.3	—	—	—
	778.1	515.9	262.2	10.5	6.6

The floating rate financial liabilities comprise Sterling bank overdrafts which bear interest at prevailing market rates and the Euro, Sterling and U.S. Dollar portions of the Senior Credit Agreement which were floating but subject to interest rate floor and caps.

The Group has cash balance of €79.5 million (2003: €153.3 million) which earn interest at prevailing market rates. €34.2 million (2003: €59.0 million) were denominated in US dollars, €2.4 million (2003: €2.4 million) were denominated in Yen, and €7.6 million (2003: €11.5 million) were denominated in Sterling.

34. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

(f) Maturity of financial liabilities and undrawn committed facilities

The maturity profile of the Group's financial liabilities and undrawn committed facilities at December 31, 2004 and 2003 was as follows:

	2003 Financial Liabilities	2004 Financial Liabilities	2003 Undrawn Facilities	2004 Undrawn Facilities
	(€ in millions)			
In one year or less, or on demand	109.9	92.6	2.5	2.5
In more than one year, but not more than two years	72.2	65.5	—	—
In more than two years, but not more than five years	267.9	263.8	75.0	47.0
In more than five years	311.2	260.0	—	—
	761.2	681.9	77.5	49.5

The Group has committed overdraft facilities of €2.5 million (2003: €2.5 million) and unused committed revolving credit facilities of €47.0 million (2003: €75.0 million) at December 31, 2004.

(g) Fair values of financial assets and liabilities

Set out below is as comparison by category of book values and fair values of the Group's financial assets and liabilities as at December 31, 2003 and at of December 31, 2004.

	2003		2004	
	Book Value	Fair Value	Book Value	Fair Value
	(€ in millions)		(€ in millions)	
Primary financial instruments held to finance the Group's operations:				
Cash at bank and in hand	153.3	153.3	79.5	79.5
Amounts owed by group undertakings	29.3	29.3	29.3	29.3
Bank and other loans repayable within one year	113.4	113.4	95.5	95.5
Bank and other loans repayable after more than one year	402.5	402.5	334.7	334.7
Senior notes	260.0	295.1	260.0	289.3
Derivative financial instruments held to manage the Group's currency profile:				
Interest rate swaps, floors and caps	—	(1.8)	—	—

The fair value of cash, bank overdrafts, amounts owed by group undertakings and bank loans approximate their respective book values as they have floating interest rates.

The fair value of the Senior Notes, interest rate swaps, caps and floors has been calculated by reference to available market prices.

34. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	Gains	Losses	Total net gains/(losses)
		(€ in millions)	
Unrecognised gains and losses on hedges at January 1, 2003	—	(1.8)	(1.8)
Gains and losses arising in previous years that were recognised in 2004	—	1.8	1.8
Gains and losses arising before January 1, 2003 that were not recognised in 2004	—	—	—
Gains and losses arising in 2003 that were not recognised in 2004	—	—	—
Unrecognised gains and losses on hedges at December 31, 2004	—	—	—
Of which:			
Gains losses expected to be recognised in 2005	—	—	—
Gains losses expected to be recognised in 2006 or later	—	—	—

(h) Currency exposure of the Group's net monetary assets/(liabilities)

The principal currency exposure of the Group's net monetary assets/(liabilities) is shown below for the years ending December 31, 2004 and December 31, 2003. Such exposures comprise the monetary assets and monetary liabilities that are not denominated in the operating currency of the

34. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

operating unit involved. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the companies and the group.

	Net foreign currency monetary assets/ (liabilities)					
2004:	**Euros**	**US Dollars**	**Sterling**	**Yen**	**Other**	**Total**
	(€ in millions)					
Euros	—	25.9	3.1	(0.2)	(0.2)	28.6
US Dollars	0.1	—	—	—	0.4	0.5
Sterling	9.0	3.5	—	1.3	0.6	14.4
Yen	—	4.0	—	—	(0.1)	3.9
Other		0.9	—	—	—	0.9
Total	9.1	34.3	3.1	1.1	0.7	48.3

	Net foreign currency monetary assets/ (liabilities)					
2003:	**Euros**	**US Dollars**	**Sterling**	**Yen**	**Other**	**Total**
	(€ in millions)					
Euros	—	27.7	3.6	(0.2)	1.3	32.4
US Dollars	—	—	—	—	0.5	0.5
Sterling	8.1	2.6	—	—	0.4	11.1
Yen	—	2.6	—	—	—	2.6
Other	—	0.5	—	—	—	0.5
Total	8.1	33.4	3.6	(0.2)	2.2	47.1

35. LIST OF PRINCIPAL SUBSIDIARY COMPANIES INCLUDED IN THE INEOS GROUP HOLDINGS CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2004.

Company	Country of Incorporation and operation	Percentage Holding
Ineos Holdings Limited*	UK	100%
Ineos US Finance LLC	US	100%
Ineos Oxide Limited	UK	100%
Ineos UK Holding Finance Company Limited	UK	100%
Ineos US Finance Company Limited	UK	100%
Ineos Finance BV	Holland	100%
Ineos NV	Belgium	100%
Ineos Belgium BV	Belgium	100%
Ineos Italia Srl	Italy	100%
Ineos Overseas Company I Limited	UK	100%
Ineos Overseas Company II Limited	UK	100%
Ineos Partners	US	100%
Ineos Phenol Limited	UK	100%
Ineos Phenol Verwaltungsgesellschaft mbH	Germany	100%
Ineos Phenol GmbH & Co KG	Germany	100%
Ineos Phenol Asia Pte Limited	Singapore	100%
Ineos Phenol (Thailand) Limited	Thailand	100%
Ineos Phenol Services (Thailand) Limited	Thailand	100%
Ineos Investment Holdings (Fluor & Silicas) Limited	UK	100%
Ineos Intermediate Holdings (Fluor & Silicas) Limited	UK	100%
Ineos Holdings (Fluor & Silicas) Limited	UK	100%
Ineos Fluor Holdings Limited	UK	100%
Ineos Fluor Limited	UK	100%
Ineos Fluor International Limited	UK	100%
Ineos Fluor Japan Limited	Japan	100%
IFJ Korea Limited	Korea	100%
Ineos Mexico S de RL de CV	Mexico	100%
Ineos Fluor Mexico S de RL de CV	Mexico	100%
Ineos Fluor Canada Inc.	Canada	100%
Ineos Fluor Partners Limited	UK	100%
Ineos Fluor Delaware Limited	UK	100%
Ineos Fluor Americas LLC	US	100%
Ineos Silicas Holding Limited	UK	100%
Ineos Silicas Limited	UK	100%
Ineos Silicas International Limited	UK	100%
Ineos Silicas Netherlands BV	Holland	100%
Ineos Silicas Sales and Distribution BV	Holland	100%
Ineos Silicas Asia Pacific Pte Limited	Singapore	100%
Ineos Silicas South Africa Pty Limited	South Africa	100%
PT Ineos Silicas Indonesia	Indonesia	100%
Ineos Brazil Limitada	Brazil	100%
Ineos Silicas Partners Limited	UK	100%
Ineos Silicas Delaware Limited	UK	100%
Ineos Silicas Healthcare Limited	UK	100%
Ineos US DSS Limited	UK	100%
Ineos US Holding Company II LLC	US	100%
Ineos US Intermediate Holding Company LLC	US	100%
Ineos Americas LLC	US	100%
Ineos US Investment Holding Company LLC	US	100%

* Held directly by the Company

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP

(a) Differences in measurement methods

The financial statements are prepared in accordance with UK GAAP which differs in certain significant respects from accounting principles generally accepted in the United States ("US GAAP"). These differences principally relate to the following items and the effect on net income and shareholders' equity is shown in the following tables. All significant differences between UK GAAP and US GAAP affecting Ineos Group Holdings have been addressed.

(i) Goodwill adjustments upon the Original Acquisition

The Original Acquisition has been accounted for under the purchase method in accordance with UK and US GAAP. Under UK GAAP the fair value of the identifiable assets and liabilities acquired was €115.9 million (excluding assumed debts of €86.7 million) resulting in goodwill on acquisition of €9.9 million.

Under US GAAP the fair values of the identifiable assets and liabilities acquired have been determined in accordance with the provisions of APB 16. The resulting differences in determination of the fair values compared to UK GAAP are illustrated below:

	(€ in millions)
Fair values under UK GAAP	29.2
Additional fair value adjustments under US GAAP:	
Tangible fixed assets	(16.5)
Pension obligations (see (vii) below)	23.6
Acquisition date	1.8
Inventories	1.0
Fair values under US GAAP	39.1

The initial negative goodwill on acquisition as determined on a US GAAP basis has been allocated to non-current, non-monetary assets in accordance with APB 16. This allocation has resulted in a reduction in the fair value of freehold land, which is not subject to depreciation. Accordingly, no further adjustments to the depreciation charge are required under US GAAP as a result of this allocation.

The amortisation of goodwill reflected in the UK GAAP financial statements has been reversed for US GAAP.

Under UK GAAP the date of acquisition of a subsidiary is the date that control passes. Control is defined as the ability of an undertaking to direct the financial and operating policies of another undertaking with a view to gaining economic benefits from its activities. In relation to the Original Acquisition control was deemed to pass on April 6, 1998 for UK GAAP purposes.

For US GAAP purposes the acquisition date is ordinarily the date the acquisition is completed and consideration passes. For convenience, the end of the accounting period before the completion date may be used as the effective date of acquisition where this falls between the dates a business combination is initiated and consummated.

In relation to the Original Acquisition the Stock Acquisition Agreement was entered into on April 14, 1998 and the consideration was paid upon completion of the Acquisition on May 5, 1998.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Accordingly the date of April 30, 1998, being the end of an accounting period, has been utilised as the effective date of acquisition for US GAAP purposes.

The change in net assets acquired of €1.8 million between the two acquisition dates, being the net income for the period concerned has been reflected as an increase in net assets with a corresponding increase in the amount of negative goodwill allocated.

Under UK GAAP finished goods and work in progress are fair valued as part of an acquisition at the lower of replacement cost and net realisable value. Replacement cost for this purpose is the current cost of bringing inventories to their present location and condition.

Under US GAAP such inventories should be fair valued at estimated selling prices less costs to complete where appropriate, the costs of disposal and a reasonable profit allowance for the selling effort of the acquiring company. Accordingly, for US GAAP purposes, there has been an uplift in the fair value of the inventories acquired of €1.0 million. This has been reflected in the gross cost of goodwill as noted above.

(ii) Purchase accounting adjustments upon the acquisitions of Ineos Fluor and Ineos Silicas

The acquisitions have been accounted for under the purchase method in accordance with UK and US GAAP. Under UK GAAP the fair value of the identifiable assets and liabilities acquired was €570.6 million resulting in negative goodwill on acquisition of €121.9 million.

Under US GAAP the fair values of the identifiable assets and liabilities acquired have been determined in accordance with the provisions of APB 16. The resulting differences in the determination of the fair values compared to UK GAAP are illustrated below:

	(€ in millions)
Fair values under UK GAAP	570.6
Additional fair value adjustments under US GAAP:	
Tangible fixed assets	(194.7)
Research and development in process	2.2
Trade names/trade marks	3.1
Existing technology	9.5
Customer contracts	5.5
Non-compete agreements	4.5
Pensions (see (vii) below)	4.6
Inventories (see (vi) below)	17.4
Restructuring provision (see (x) below)	(12.7)
Deferred taxation (see (xi) below)	38.7
Fair values under US GAAP	448.7

The initial negative goodwill as determined on a US GAAP basis has been allocated on a pro-rata basis to all non-current, non-monetary assets in accordance with APB 16. This has resulted in a reduction in the fair value of tangible fixed assets acquired and a reduction in the fair value of intangible assets acquired. As a result of the reduction in tangible fixed assets acquired, the depreciation charge is lower under US GAAP as compared to UK GAAP.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Under US GAAP, acquired separately identifiable intangible assets have been recognised as intangible assets and are being amortised over estimated useful lives of between 4 and 20 years. The identified intangibles have been determined based on an independent appraisal. As a result of the recognition of identifiable intangible assets the annual amortisation charge is higher under US GAAP than under UK GAAP. Under UK GAAP, these intangibles did not meet the requirements under FRS 10 to be recognised separately and were therefore considered as part of goodwill.

The assessment of intangible fixed assets above includes approximately €2.2 million (after the allocation of negative goodwill) for acquired in-process research and development for projects that did not have future alternative uses. At the date of the acquisition, the development of these projects had not yet reached technological feasibility and the in-process research and development had no alternative future uses. Accordingly these costs were expensed to the profit and loss account in prior periods.

(iii) Purchase accounting adjustments on the acquisition of the Ethanolamines and GAS/SPEC businesses

The acquisition has been accounted for under the purchase method in accordance with UK and US GAAP. Under UK GAAP the fair value of the identifiable assets and liabilities acquired were €43.8 million resulting in goodwill of €1.6 million.

Under US GAAP the fair values of the identifiable assets and liabilities acquired have been determined in accordance with the provisions of APB 16. The resulting differences in the determination of the fair values compared to UK GAAP are illustrated below:

	(€ in millions)
Fair values under UK GAAP	43.8
Additional fair value adjustments under US GAAP:	
Tangible fixed assets	(7.4)
Customer contracts	3.0
Existing technology	2.4
Trade names/trade marks	1.0
Inventories (see (vi) below)	3.3
Deferred taxation (see (xi) below)	(0.7)
Fair values under US GAAP	45.4

The initial negative goodwill as determined on a US GAAP basis has been allocated on a pro rata basis to all non-current, non-monetary assets in accordance with APB 16. This has resulted in a reduction in the fair value of tangible fixed assets acquired and a reduction in the fair value of intangible fixed assets acquired. As a result of the reduction in tangible fixed assets acquired, the depreciation charge is lower under US GAAP as compared to UK GAAP.

Under US GAAP, acquired separately identifiable intangible assets have been recognised as intangible assets and are being amortised over estimated useful lives of between 7 and 40 years. The identified intangibles have been determined based on an independent appraisal. As a result of the recognition of identifiable intangible assets the annual amortisation charge is higher under US GAAP

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

than under UK GAAP. Under UK GAAP, these intangibles did not meet the requirements under FRS 10 to be recognised separately and were therefore considered as part of goodwill.

(iv) Purchase accounting adjustments upon the acquisition of Ineos Phenol

The acquisition of Ineos Phenol has been accounted for under the purchase method in accordance with UK and US GAAP. Under UK GAAP the fair value of the identifiable assets and liabilities acquired was €623.6 million, resulting in negative goodwill on acquisition of €266.5 million.

Under US GAAP the fair values of the identifiable assets and liabilities acquired have been determined in accordance with the provisions of APB 16. The resulting differences in the determination of the fair values compared to UK GAAP are illustrated below:

	(€ in millions)
Fair values under UK GAAP	623.6
Additional fair value adjustments under US GAAP:	
Tangible fixed assets	(327.3)
Existing technology	7.4
Customer contracts	19.0
Inventories (see (vi) below)	0.7
Restructuring provision (see (x) below)	(6.5)
Deferred taxation (see (xi) below)	40.2
Fair values under US GAAP	357.1

The initial negative goodwill as determined on a US GAAP basis has been allocated on a pro rata basis to all non-current, non-monetary assets in accordance with APB 16. This has resulted in a reduction in the fair value of tangible fixed assets acquired and a reduction in the fair value of intangible fixed assets acquired. As a result of the reduction in tangible fixed assets acquired, the depreciation charge is lower under US GAAP as compared to UK GAAP.

Under US GAAP, acquired separately identifiable intangible assets have been recognised as intangible assets and are being amortised over estimated useful lives of between 4 and 10 years. The identified intangibles have been determined based on an independent appraisal. As a result of the recognition of identifiable intangible assets the annual amortisation charge is higher under US GAAP than under UK GAAP. Under UK GAAP, these intangibles did not meet the requirements under FRS 10 to be recognised separately and were therefore considered as part of goodwill.

(v) Purchase accounting adjustments on the acquisition of the acetate esters business

The acquisition has been accounted for under the purchase method in accordance with UK and US GAAP. Under UK GAAP and fair value of the identifiable assets and liabilities acquired were €4.4 million resulting in goodwill of €0.6 million.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Under US GAAP the fair values of the identifiable assets and liabilities acquired have been determined in accordance with the provisions of FAS 141. The resulting differences in the determination of the fair values compared to UK GAAP are illustrated below:

	(€ in millions)
Fair values under UK GAAP	4.4
Inventories (see (vi) below)	0.6
Fair values under US GAAP	5.0

(vi) Inventories

Under UK GAAP finished goods and work in progress are fair valued as part of an acquisition at the lower replacement cost and net realisable value. Replacement cost for this purpose is the current cost of bringing inventories to their present location and condition.

Under US GAAP such inventories should be fair valued at estimated selling prices less costs to complete where appropriate, the costs of disposal and a reasonable profit allowance for the selling effort of the acquiring company. Accordingly, for US GAAP purposes, there has been an uplift in the fair value of the inventories acquired of €nil million (2003: €nil million; 2002: €0.6 million). This has been reflected in the purchase accounting adjustments as noted in (ii), (iii), (iv) and (v) above. This non recurring uplift is utilised as the stock is sold and was fully utilised during the period ended December 31, 2002.

(vii) Pensions

In respect of defined benefit pension obligations, US GAAP requires the use of a discount rate, which reflects current market conditions in determining the provision for pension benefits. UK GAAP permits the use of longer-term discount rates. Furthermore, the amortisation procedure required under US GAAP applies a corridor approach for recognising gains and losses in the determination of periodic pension expense. Additionally, for UK funding and accounting purposes it is satisfactory to carry out actuarial valuations on a three year interval whereas annual valuations are required under US GAAP.

In accordance with FAS No. 87 the assignment of the purchase consideration to the individual assets acquired shall include an asset for plan assets in excess of the projected benefit obligation of a single employer defined benefit pension plan, thereby eliminating any previously unrecognised net gain existing at the date of acquisition. The excess of the plan assets over the projected benefit obligation at the date of the Original Acquisition (as determined in accordance with US GAAP) was €23.6 million. This has been reflected in calculating the purchase accounting adjustments noted in (i) above.

In relation to the acquisitions of Ineos Fluor and Ineos Silicas, an additional asset for pension plan assets as determined in accordance with FAS No. 87 of €4.6 million has been recognised. This has been reflected in the purchase accounting adjustments noted in (ii) above.

(viii) Derivative financial instruments

In May 2001, the Company entered into an interest rate swap to exchange, at specified intervals, the differences between fixed-rate and floating rate interest amounts calculated by reference

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

to an agreed notional principal amount. In addition, in May 2001 the Company entered into two interest rate cap and collars related to the Senior Credit Agreement. For purposes of the US GAAP these derivative financial instruments are recorded on the balance sheet with the related gain or loss recorded in the profit and loss account. At December 31, 2004, the fair value of the derivative financial instruments was a loss of €nil million (2003: loss of €1.8 million; 2002: loss of €4.4 million).

(ix) Capitalisation of interest

The capitalisation of interest is optional under UK GAAP. Accordingly, Ineos Group Holdings does not capitalise interest in its financial statements. Under US GAAP, SFAS No. 34, "Capitalisation of Interest Cost," requires interest incurred as part of the cost of constructing fixed assets to be capitalised and amortised over the life of the asset. Interest capitalised less amortisation in the year ended December 31, 2004 was €2.7 million (2003: €2.0 million; 2002: €2.3 million).

(x) Restructuring provisions

Under UK GAAP costs incurred in restructuring the operations of businesses that have been acquired are expensed to the profit and loss account.

Under US GAAP such restructuring costs are recognised as liabilities in a purchase business combination and included in the allocation of the purchase price. If certain specified conditions are met then the costs to terminate and relocate employees together with the costs of exiting leased properties would be recognised on acquisition. Total restructuring charges of €19.2 million have been recognised on the acquisitions of Ineos Fluor, Ineos Silicas and Ineos Phenol.

(xi) Deferred tax

The Group adopted FRS 19 'Deferred Tax' in 2002 for UK GAAP purposes. FRS 19 requires that full provision for deferred tax is recognised in the financial statements. The adoption of FRS 19 has eliminated virtually all of the differences that previously existed between UK GAAP and US GAAP. As a result, the adjustment for taxation now primarily relates to the tax effect of other US GAAP adjustments.

Deferred income taxes have been provided at the statutory tax rate for differences between the book and tax bases of assets and liabilities. A valuation allowance has been established for deferred tax assets that are more likely than not to expire unutilised. The deferred tax adjustments included in the reconciliation also contains the tax effects of the above US GAAP adjustments where appropriate.

(xii) Foreign currency translation differences

Under US GAAP any negative goodwill on acquisitions is allocated to non-current non-monetary assets. In relation to the acquisitions in notes (ii), (iii) and (iv) above, tangible fixed assets have been reduced accordingly and the negative goodwill recognised under UK GAAP has been reversed. These balances would have been included in the determination of foreign currency translation differences on consolidation under UK GAAP, and an adjustment is therefore required to reflect the changes to fixed assets and negative goodwill under US GAAP on those translation differences on consolidation.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

(xiii) Netting

Amounts receivable from Union Carbide in respect of the Company's liability for waste disposal costs as described in note 22 have been presented in the accompanying UK GAAP financial statements netted from the provision made. Under US GAAP such amounts cannot be offset and therefore an adjustment to gross up the liability and show the €nil million (2003: €nil million) receivable separately in debtors would have to be made.

(xiv) Debt issue costs

Under UK GAAP issued debt is stated on the balance sheet net of the associated unamortised issue costs.

Under US GAAP such debt issue costs are capitalised as an asset and reported as deferred charges in the balance sheet. Therefore an adjustment to gross up the debt liability and to show the €12.1 million asset as at December 31, 2004 (2003: €16.9 million), separately in debtors would have to be made.

(xv) Current assets and liabilities

Provisions for liabilities and charges under UK GAAP includes €11.6 million (2003: €nil million) due within one year which would be classified as current liabilities under US GAAP. In addition, current assets under UK GAAP includes a receivable from the ultimate parent undertaking in the amount of €29.3 million (2003: €29.3 million) and other debtors and prepayments of €54.9 million (2003: €44.4 million) which would be classified as non-current under US GAAP.

(xvi) Emissions credits and incentive receivables

Amounts receivable under the UK Emissions Trading Scheme are recorded as a reduction to cost of sales in the period in which revenue is earned.

Under UK GAAP, no entries are made to record Emission Credits received under the scheme and held by the Company at the balance sheet date or to record Emission Credits payable at the balance sheet date.

Under US GAAP, Emission Credits received under the scheme and held by the Company at the balance sheet date are classified as available-for-sale securities. Accordingly, Emission Credits are recorded as financial assets and held at fair value. Unrealised gains and losses arising at the balance sheet date are initially recorded within Other Comprehensive Income with subsequent recognition in income upon eventual sale. Emission Credits payable at the balance sheet date are recorded at their fair value as financial liabilities. Emission Credits that would be included within financial assets under US GAAP as at December 31, 2004 totalled €2.7 million (2003: €2.9 million) with net unrealised gains of €1.9 million (2003: €1.2 million). Emission Credits that would be included within financial liabilities under US GAAP as at December 31, 2004 totalled €1.0 million (2003: €1.7 million).

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Effects on net income of differences between UK GAAP and US GAAP:

	Notes	Year Ended December 31, 2002 restated	2003 restated	2004 restated
		(€ in millions)		
Profit/(loss) for the financial year				
Profit/(loss) for the financial year under UK GAAP		37.7	145.0	177.1
Goodwill adjustments on acquisitions	(i), (ii), (iii), (iv), (v)	(39.4)	(36.4)	(40.4)
Inventories	(vi)	(0.6)	—	—
Depreciation of tangible fixed assets	(ii), (iii), (iv)	41.7	44.7	47.0
Amortisation of intangibles	(ii), (iii), (iv)	(8.6)	(8.5)	(8.5)
In process research and development	(ii)	—	—	—
Pensions	(vii)	(4.7)	(6.8)	(6.7)
Derivative financial instruments	(viii)	(2.3)	2.6	1.8
Capitalisation of interest less amortisation	(ix)	2.3	2.0	2.7
Restructuring provisions	(x)	—	—	—
Deferred taxation				
—arising on UK GAAP results	(xi)	—	—	—
—arising on US GAAP adjustments	(xi)	0.7	(6.0)	22.8
Profit/(loss) for the financial year under US GAAP		26.8	136.6	195.8

Effects on shareholders' equity between UK GAAP and US GAAP:

	Notes	As at December 31, 2003 restated	2004 restated
		(€ in millions)	
Shareholders' equity			
Shareholders' equity under UK GAAP		136.9	235.3
Goodwill adjustments on acquisition	(i), (ii), (iii), (iv)	268.0	227.6
Tangible fixed assets	(i), (ii), (iii), (iv)	(425.1)	(375.4)
Intangible fixed assets	(ii), (iii), (iv)	31.7	23.2
Pensions	(vii)	56.1	62.3
Derivative financial instruments	(viii)	(1.8)	—
Deferred taxation	(xi)	62.2	84.2
Foreign currency translation differences	(xii)	15.9	19.6
Shareholders' equity under US GAAP		143.9	276.8

Cash flow information

The definition of "cash flows" differs between UK and US GAAP. Cash flow under UK GAAP represents increases or decreases in "cash," which is comprised of cash in hand and repayable on demand less overdrafts. Under US GAAP cash flow represents increases or decreases in "cash and cash

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

equivalents," which include short term, highly liquid investments with remaining maturities of less than 90 days when acquired, and exclude overdrafts.

There are also certain differences in classification of items within the cash flow statement between UK and US GAAP. Under UK GAAP, cash flows are presented in the following categories: (i) operating activities; (ii) returns on investments and servicing of finance; (iii) taxation; (iv) capital expenditure; (v) acquisitions and disposals; (vi) equity dividends paid; (vii) management of liquid resources; and (viii) financing activities.

Cash flows from taxation, returns on investments, and servicing of finance would be, with the exception of any interest paid but capitalised and equity dividends paid, included as operating activities under US GAAP. Capitalised interest would be included under investing activities for US GAAP. Additionally, under US GAAP, cash flows from the purchase and sale of tangible fixed assets and the acquisition of businesses would be shown within investing activities. The payment of equity dividends and debt issue costs and financing from overdrafts would be included under financing activities.

Under US GAAP, the following amounts would have been reported:

	Year Ended December 31,		
	2002	2003	2004
	(€ in millions)		
Net cash provided by operating activities:			
Under UK GAAP	211.0	268.2	214.0
Interest received	3.0	2.9	2.3
Interest paid	(63.6)	(64.2)	(52.0)
Dividend received from associate	0.4	—	—
Taxation paid	(11.1)	(12.3)	(24.9)
Under US GAAP	139.7	194.6	139.4
Net cash used in investing activities:			
Purchase of loan investment	—	—	(33.0)
Payments to acquire tangible fixed assets	(51.2)	(58.2)	(62.2)
Receipts from sales of tangible fixed assets	3.7	3.2	—
Acquisitions and disposals of businesses	(5.0)	1.4	—
	(52.5)	(53.6)	(95.2)
Net cash provided by financing activities:			
Under UK GAAP	(91.4)	(81.1)	(75.5)
Equity dividends paid	—	(10.0)	(39.8)
Debt issue costs	(0.7)	—	—
Cash overdraft	(1.7)	(0.1)	—
Under US GAAP	(93.8)	(91.2)	(115.3)
Net increase/(decrease) in cash and cash equivalents under US GAAP	(6.6)	49.8	(71.1)

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

(b) Additional US GAAP disclosures

Goodwill and intangible assets

The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 142, "*Goodwill and Other Intangible Assets*" ("SFAS 142") effective January 1, 2002. In accordance with SFAS 142, goodwill is no longer amortised to income. Goodwill is subject to an impairment test to be performed at least annually, whereby impairment reviews may result in annual goodwill write-downs. Under the transitional provisions of SFAS 142, all goodwill existing as of December 31, 2001 ceased to be amortised as of January 1, 2002.

The Company has completed its annual goodwill impairment analysis under SFAS 142 as of January 1, 2005, whereby goodwill was deemed not to be impaired.

Goodwill on a US GAAP basis of €1.7, €1.7 and €1.7 million as of December 31, 2002, 2003 and 2004, respectively, related to the Ineos Oxide antifreeze reporting unit.

The Company does not have any intangible assets that would be classified as indefinite-lived under FAS 142. Accordingly, the transitional provisions of FAS 142 and the requirements to test indefinite-lived intangible assets on January 1, 2005 for impairment are not applicable.

The following table sets forth the carrying values and accumulated amortisation under US GAAP for each major class of intangible asset at December 31, 2004:

	As at December 31, 2004		
	Gross carrying value	Accumulated amortisation	Weighted average amortisation period
	(€ in millions)		Years
Amortised intangible assets			
Trade names	4.1	1.3	17
Existing technology	19.3	7.3	10
Customer contracts	27.5	20.0	8
Non compete agreements	6.8	5.9	5
Licence fees	2.0	0.7	15
	59.7	35.2	
Unamortised intangible assets			
Goodwill	1.7		
	61.4	35.2	

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

The amortisation expense for the year ended December 31, 2004, together with the estimated aggregate amortisation expense for each of the next 5 years is as follows:

	(€ in millions)
2004	8.9
2005	5.8
2006	3.1
2007	3.1
2008	2.9
2009	2.6

There were no changes to the carrying value of goodwill during the year ended December 31, 2004.

Pensions and post retirement benefits

The Company maintains a number of defined benefit pension plans. The principal pension plans within the Company are the plans in the United Kingdom, the United States, Germany and Belgium. Provision has also been made for the benefit obligation of a small number of funded pension plans in other parts of the group. The principal post retirement plans are for the Company's employees in Belgium and the United States. The cost of pension benefits granted to employees is accrued as an expense over the period in which the employee renders services and becomes eligible to receive benefits. The cost of these plans for current and future retirees is determined using the projected unit credit actuarial method. The Company uses a December 31 measurement date for its plans.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

(i) Year ended December 31, 2004

The following table sets forth the reconciliation of projected benefit obligation and plan assets, the funded status of the principal plans and amounts recognised in the Company's balance sheet.

	UK	Germany	Belgium	USA	Total
		(€ in millions)			
Change in benefit obligation					
Projected benefit obligation at the beginning of the year	116.1	21.1	53.1	12.9	203.2
Service cost	5.7	0.4	3.7	1.2	11.0
Interest cost	6.7	1.1	2.7	0.8	11.3
Employee contributions	1.0	—	—	—	1.0
Plan amendments	1.0	—	—	0.1	1.1
Benefits paid	(2.0)	(1.1)	(4.1)	(0.7)	(7.9)
Actuarial (gain)/loss	10.8	1.7	3.1	1.7	17.3
Exchange adjustments	(1.8)	—	—	(1.2)	(3.0)
Projected benefit obligation at the end of the year	137.5	23.2	58.5	14.8	234.0
Accumulated benefit obligation	75.6	21.0	37.1	10.4	144.1
Change in plan assets					
Fair value of plan assets at beginning of the year	81.2	—	36.4	5.8	123.4
Actual return on plan assets	7.5	—	1.7	0.7	9.9
Employer contributions	4.7	—	3.7	1.3	9.7
Employee contributions	1.0	—	—	—	1.0
Benefits paid	(2.0)	—	(4.1)	(0.7)	(6.8)
Exchange adjustments	(1.0)	—	—	(0.6)	(1.6)
Fair value of plan assets at end of the year	91.4	—	37.7	6.5	135.6
Funded status					
Funded status at end of the year	(46.1)	(23.2)	(20.8)	(8.3)	(98.4)
Unrecognised net actuarial (gain)/loss	43.1	3.2	33.3	1.3	80.9
Additional minimum pension liability	—	—		—	—
Prepaid benefit/(accrued cost)	(3.0)	(20.0)	12.5	(7.0)	(17.5)

The principal actuarial assumptions used are as follows:

	UK	Germany	Belgium	USA
Discount rate	5.40%	5.00%	5.00%	5.75%
Expected long term rate of return	7.45%	—%	7.00%	7.50%
Expected increase in future salary levels	4.20%	2.00%	3.50%	4.50%

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

The components of the net periodic pension costs which arise under FAS No. 87 are as follows:

	UK	Germany	Belgium	USA	Total
			(€ in millions)		
Service cost	5.7	0.4	3.7	1.2	11.0
Interest cost	6.7	1.1	2.7	0.8	11.3
Expected return on assets	(6.4)	—	(2.3)	(0.6)	(9.3)
Amortisation amounts	2.7	—	1.8	—	4.5
Net periodic pension expense	8.7	1.5	5.9	1.4	17.5

The Company provides post retirement health care benefits for most of its employees in Belgium and the United States.

The following table sets forth the reconciliation of the accumulated post retirement benefit obligations (APBO), the funded status of the plan and the amounts recognised in the Company's balance sheet.

	Year ended December 31, 2004
	(€ in millions)
Change in benefit obligation	
Projected benefit obligation at the beginning of the year	4.0
Service cost	0.2
Interest cost	0.2
Actuarial (gain)/loss	0.7
Benefits paid	(0.2)
Exchange movements	(0.3)
Projected benefit obligation at the end of the year	4.6
Funded status	
Funded status at end of the year	(4.6)
Unrecognised net actuarial (gain)/loss	(0.2)
Prepaid benefit/(accrued cost)	(4.8)

The principal actuarial assumption used is a discount rate of 6.25%.

The components of the net periodic pension cost are as follows:

	Year ended December 31, 2004
	(€ in millions)
Service cost	0.2
Interest cost	0.2
Expected return on assets	—
Net periodic pension cost	0.4

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the Company's health care plans. A 1% change in the assumed health care cost trend will have the following effects:

	1% increase	1% decrease
	(€ in thousands)	
Effect on total service and interest cost components	49	16
Effect on the post retirement benefit obligations	450	(381)

The actual asset allocations for the Company's pension plans, as at December 31, 2004 together with the target allocation were as follows:

	At December 31, 2004	
	Actual	Target
	%	%
Equity securities	78.1	40-80
Debt securities	15.1	0-40
Other	6.8	0
	100	100

The expected rate of return on plan assets in the Company's plans has been determined by weighted averages of actual holdings in equities, bonds and other assets as at December 31, 2004. We have assumed the expected returns on equities, bonds and other assets to be 8.00% pa, 5.00% pa and 4.00% pa respectively as at December 31, 2004.

The investment objectives of the Company's pension plans are as follows:

(a) the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from members and the employer, the cost of current and future benefits from the plans.

(b) to limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Minimum Funding Requirement.

(c) to minimise the long term costs of the plans by maximising the return on the assets whilst having regard to the objective shown under b.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

The expected employer pension contribution to the Company's pension and post retirement plans for the year ended December 31, 2005 is €9.6m. The expected future benefit payments for the Company's pension and post retirement plans are as follows:

	(€ in millions)
2005	7.9
2006	8.5
2007	9.1
2008	9.8
2009	10.6
2010 to 2014	64.0

(ii) Year ended December 31, 2003

The following table sets forth the reconciliation of projected benefit obligation and plan assets, the funded status of the principal plans and amounts recognised in the Company's balance sheet.

	UK	Germany	Belgium	USA	Total
		(€ in millions)			
Change in benefit obligation					
Projected benefit obligation at the beginning of the year	98.2	20.9	43.1	14.1	176.3
Service cost	5.0	0.3	3.3	1.0	9.6
Interest cost	5.4	1.1	2.6	0.7	9.8
Employee contributions	0.9	—	—	—	0.9
Plan amendments	4.2	—	—	—	4.2
Benefits paid	(0.8)	(1.1)	(5.8)	(0.4)	(8.1)
Actuarial (gain)/loss	11.4	(0.1)	9.9	(0.1)	21.1
Exchange adjustments	(8.2)	—	—	(2.4)	(10.6)
Projected benefit obligation at the end of the year	116.1	21.1	53.1	12.9	203.2
Change in plan assets					
Fair value of plan assets at beginning of the year	64.3	—	37.1	4.4	105.8
Actual return on plan assets	14.6	—	2.0	0.9	17.5
Employer contributions	7.9	—	3.1	1.9	12.9
Employee contributions	0.9	—	—	—	0.9
Benefits paid	(0.8)	—	(5.8)	(0.4)	(7.0)
Exchange adjustments	(5.7)	—	—	(1.0)	(6.7)
Fair value of plan assets at end of the year	81.2	—	36.4	5.8	123.4
Funded status					
Funded status at end of the year	(34.9)	(21.1)	(16.7)	(7.1)	(79.8)
Unrecognised net actuarial (gain)/loss	35.8	1.5	31.4	(0.1)	68.6
Additional minimum pension liability	—	—	—	—	—
Prepaid benefit/(accrued cost)	0.9	(19.6)	14.7	(7.2)	(11.2)

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

The principal actuarial assumptions used are as follows:

	UK	Germany	Belgium	USA
Discount rate	5.60%	5.50%	5.50%	6.25%
Expected long term rate of return	7.45%	—%	7.00%	8.00%
Expected increase in future salary levels	4.10%	2.00%	3.50%	4.50%

The components of the net periodic pension costs which arise under FAS No. 87 are as follows:

	UK	Germany	Belgium	USA	Total
		(€ in millions)			
Service cost	5.0	0.3	3.3	1.0	9.6
Interest cost	5.4	1.1	2.6	0.7	9.8
Expected return on assets	(4.6)	—	(2.5)	(0.4)	(7.5)
Amortisation amounts	6.3	—	1.5	—	7.8
Net periodic pension expense	12.1	1.4	4.9	1.3	19.7

The Company provides post retirement health care benefits for most of its employees in Belgium and the United States.

The following table sets forth the reconciliation of the accumulated post retirement benefit obligations (APBO), the funded status of the plan and the amounts recognised in the Company's balance sheet.

	Year ended December 31, 2003
	(€ in millions)
Change in benefit obligation	
Projected benefit obligation at the beginning of the year	5.4
Service cost	0.2
Interest cost	0.2
Actuarial (gain)/loss	(1.0)
Benefits paid	(0.2)
Exchange movements	(0.6)
Projected benefit obligation at the end of the year	4.0
Funded status	
Funded status at end of the year	(4.0)
Unrecognised net actuarial (gain)/loss	(1.0)
Prepaid benefit/(accrued cost)	(5.0)

The principal actuarial assumption used is a discount rate of 6.25%.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

The components of the net periodic pension cost are as follows:

	Year ended December 31, 2003
	(€ in millions)
Service cost	0.2
Interest cost	0.2
Expected return on assets	—
Net periodic pension cost	0.4

Assumed health care cost trend rates have a significant effect on the amounts reported for the Company's health care plans. A 1% change in the assumed health care cost trend will have the following effects:

	1% increase	1% decrease
	(€ in thousands)	
Effect on total service and interest cost components	82	(67)
Effect on the post retirement benefit obligations	769	(629)

The actual asset allocations for the domestic UK pension plans as at December 31, 2003, together with the target allocation is as follows:

	At December 31, 2003	
	Actual	Target
	%	%
Equity securities	85.0	40-80
Debt securities	11.8	0-40
Other	3.2	0
	100	100

(iii) Year ended December 31, 2002

The principal actuarial assumptions used are as follows:

	UK	Germany	Belgium	USA
Discount rate	5.60%	5.50%	5.75%	6.75%
Expected long term rate of return	7.10%	—%	8.00%	8.00%
Expected increase in future salary levels	3.75%	3.50%	3.50%	4.50%

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

The components of the net periodic pension costs which arise under FAS No. 87 are as follows:

	UK	Germany	Belgium	USA	Total
			(€ in millions)		
Service cost	5.0	0.3	3.1	1.2	9.6
Interest cost	5.9	1.3	2.7	1.0	10.9
Expected return on assets	(6.1)	—	(3.8)	(0.7)	(10.6)
	2.2	—	0.4	—	2.6
Net periodic pension expense	7.0	1.6	2.4	1.5	12.5

The Company provides post retirement health care benefits for most of its employees in Belgium and the United States. The principal actuarial assumption used is a discount rate of 6.75%.

The components of the net periodic pension cost are as follows:

	Year ended December 31, 2002
	(€ in millions)
Service cost	0.3
Interest cost	0.3
Expected return on assets	—
Net periodic pension cost	0.6

Assumed health care cost trend rates have a significant effect on the amounts reported for the Company's health care plans. A 1% change in the assumed health care cost trend will have the following effects:

	1% increase	1% decrease
	(€ in thousands)	
Effect on total service and interest cost components	85	(71)
Effect on the post retirement benefit obligations	694	(570)

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Income taxes

The US GAAP provision for income taxes differs from the amount of income taxes determined by applying the applicable UK statutory income tax rate to pre-tax income, as a result of the following differences:

	Year Ended December 31,		
	2002	2003	2004
Statutory UK rate	30.0%	30.0%	30.0%
Foreign rate differential	10.7%	2.6%	2.5%
Effect of non-deductible items	(9.0)%	(13.9)%	(0.6)%
Valuation allowance for deferred tax assets	29.6%	(8.8)%	(22.5)%
Effect of a change in statutory rate	—%	—%	—%
	61.3%	10.0%	9.4%

US GAAP deferred tax assets and liabilities at December 31, 2004 and 2003 are summarised as follows:

	As at December 31,	
	2003	2004
	(€ in millions)	
Deferred tax assets:		
Operating loss carry forwards	42.3	17.1
Post-retirement benefits	2.4	2.4
Provisions for expenses	3.0	3.0
Accelerated depreciation and amortisation	89.2	81.5
Differences between book and tax expense for other current assets	7.3	5.8
Gross deferred tax assets	144.2	109.8
Valuation allowance	(63.6)	(15.1)
	80.6	94.7
Deferred tax liabilities:		
Accelerated depreciation and amortisation	—	—
Differences between book and tax expense for other current assets	—	—
Pension benefits	(0.8)	(0.8)
	(0.8)	(0.8)
Net deferred tax asset	79.8	93.9

The net operating loss carry forwards are not subject to expiration. A valuation allowance has been provided for deferred tax assets that are more likely than not to expire unutilised.

A valuation allowance of €4.7 million against operating loss carry forwards and €43.8 million against other timing differences has been reversed in 2004. It is now anticipated that such operating

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

losses and other timing differences, primarily in the USA, will be utilised in the foreseeable future and accordingly a valuation allowance is no longer required.

Segment information

See Note 4 for the disclosure of segment information. The Company is organised on the basis of four business segments—Ineos Oxide, Ineos Fluor, Ineos Silicas and Ineos Phenol. The accounting policies of the segments are the same as those described in Note 2, "Principal accounting policies". Inter-segment turnover are not considered material.

The Company evaluates the performance of its segments and allocates resources to them based upon EBITDA. Reconciliations of total segment sales to total consolidated sales and of total EBITDA to consolidated operating profit are disclosed in Note 4. EBITDA is not a measurement of operating performance calculated in accordance with UK GAAP or US GAAP, and should not be considered a substitute for operating income, net income, cash flows from operating activities or other income statement data as determined in accordance with UK GAAP or US GAAP, or as a measure of profitability or liquidity. EBITDA may not be indicative of our historical operating results nor is it meant to be predictive of potential future results. The Company believes that the non-GAAP financial measures presented best reflect the ongoing performance of the Company during the periods presented and are more useful to investors for comparative analyses. These measures should not be viewed as an alternative to GAAP financial measures. Furthermore, these non-GAAP financial measures may not be consistent with similar measures provided or used by other companies.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period. Actual results could differ from those estimates.

Current vulnerability due to certain concentrations

The prices for Ineos's main products have historically been cyclical and sensitive to overall supply relative to demand, the level of general business activity and the availability and price of ethylene, and cumene the main feedstocks and commodity products. Future prices are expected to fluctuate and any prolonged or severe market downturn would affect operating results adversely.

The Company currently buys the majority of its feedstocks (ethylene and cumene) from its four largest suppliers. Any significant increase in the cost of these feedstocks, that Ineos was unable to pass onto its customers, or interruption in the supply of these feedstocks would affect operating results adversely.

Certain of the Company's largest customers account for a significant percentage of turnover. Loss of a significant customer or a number of significant customers would affect operating results adversely.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

The Company maintains cash balances in excess of local insurance limits at certain large financial institutions. The Company monitors the financial condition of such institutions and considers the potential risk of loss to be remote.

Fair value of financial instruments

The fair values of cash, accounts receivable and accounts payable approximate to the respective book values as a result of the short-term nature of these assets and liabilities.

The fair value of the Company's long-term debt is estimated based on the current rates offered to the Company for debt of similar terms and maturities as disclosed in note 34. All other long-term debt approximates to the carrying value at December 31, 2004.

Investment in equity securities

The investment in Indaver NV is carried in the balance sheets as at December 31, 2003 and 2004 at its historical cost of €0.7 million. The directors are of the opinion that the fair value of this investment is not readily determinable.

Consolidation

In December 2003, the FASB issued FIN 46-R. This pronouncement modifies the framework for determining consolidation of certain entities that meet the definition of a "variable interest entity". This is met where the entity either does not have sufficient equity of the appropriate nature to support its expected losses, or the third party equity capital lacks certain characteristics which would be expected to be present within a controlling financial interest.

Entities which do not meet this definition would continue to apply the voting interest model and the Company would generally consolidate when it has a controlling financial interest.

Under the variable interest model promulgated by FIN 46-R, all ownership, contractual and other pecuniary interests in the entity are evaluated to determine which of the holders, if any, hold a variable interest which will absorb the majority of the expected losses, expected residual returns, or both. This holder is the "primary beneficiary" of the variable interest entity and would be required to consolidate the entity.

The provisions of FIN 46-R are immediately effective for variable interest entities created after February 1, 2003.

However, FIN 46-R requires disclosures in financial statements issued after February 1, 2003 about variable interest entities that, when FIN 46-R becomes effective, it is reasonably possible that the reporting entity will consolidate or about which the entity will disclose information in accordance with FIN 46-R. The Group has undertaken a review to identify variable interest entities in which it is the primary beneficiary or in which it has a significant variable interest. The Group has concluded that it does not have any interests in variable interest entities for which it would be either the primary beneficiary in the arrangement or for which it would have a significant variable interest.

36. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP (continued)

Product warranty liability

The Company warrants to the original purchaser of its products that it will, at its option, repair or replace, without charge, such products if they fail due to a manufacturing defect. The term of these warranties are typically up to twelve months after sale. The Company accrues for product warranties when, based on available information, it is probable that customers will make claims under warranties relating to products that have been sold, and a reasonable estimate of the costs (based on historical claims experience relative to sales) can be made. The cost of claims made under product warranties for the year ended December 31, 2004 were not material to the business, consequently we have not provided a reconciliation of the movement of product warrant liabilities for the year ended December 31, 2004.

Contingencies and commitments

The Company has various purchase commitments for materials and supplies incident to the ordinary conduct of business. In the aggregate, such commitments are not at prices in excess of current market.

Future non-cancellable purchase commitments over the next five years are set out in the table below. Beyond 2004 these relate to raw material purchases where the Company has entered into purchase commitments to purchase a minimum volume at the contract price ruling at the time of purchase. In the table below, prices as at December 31, 2004 have been used.

	Year Ended December 31,
	(€ in millions)
2005	1,659.6
2006	993.4
2007	940.3
2008	438.1
2009	313.2
After 2009	324.0
	4,668.6

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.

37. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr. James Ratcliffe, director and majority shareholder of Ineos Group Holdings.

38. COMPANIES ACT 1985

The consolidated financial statements included herein do not comprise the Company's statutory accounts within the meaning of section 240 of the Companies Act 1985 of Great Britain. Statutory accounts for the year ended December 31, 2004 have not yet been delivered to the Registrar of Companies for England and Wales.

INEOS GROUP HOLDINGS
CONSOLIDATED PROFIT AND LOSS ACCOUNTS (UNAUDITED)

	Nine-Month Period Ended September 30,	
	2004	2005
	(€ in millions)	
Turnover	2,397.2	3,057.9
Cost of sales	(2,076.2)	(2,619.9)
Gross profit	321.0	438.0
Distribution costs	(111.0)	(124.2)
Administrative expenses	(28.5)	(48.3)
Operating profit	181.5	265.5
Share of operating profit of associate	0.3	0.3
Net interest payable and similar charges	(43.8)	(49.8)
Exceptional interest payable and similar charges	—	(23.7)
Profit on ordinary activities before taxation	138.0	192.3
Taxation on profit on ordinary activities	1.8	(66.6)
Profit on ordinary activities after taxation	139.8	125.7
Equity dividends	(44.1)	—
Profit for the financial period	95.7	125.7

The accompanying notes are an integral part of these consolidated financial statements.

INEOS GROUP HOLDINGS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 31, 2004	September 30, 2005
	(€ in millions)	
Fixed assets		
Investments	2.0	1.6
Tangible fixed assets	791.1	913.6
Intangible fixed assets	10.9	33.8
Negative goodwill	(169.4)	(164.9)
	634.6	784.1
Current assets		
Cash at bank and in hand	79.5	113.7
Stocks	238.9	315.5
Debtors: amounts falling due within one year	549.6	641.3
Debtors: amounts falling due after one year	84.2	265.8
	952.2	1,336.3
Creditors: amounts falling due within one year	(666.6)	(1,303.3)
Net current assets	285.6	33.0
Total assets less current liabilities	920.2	817.1
Creditors: amounts falling due after one year	(593.4)	(313.4)
Provisions for liabilities and charges	(14.7)	(13.0)
Net assets excluding pension liability	312.1	490.7
Pension liability	(76.8)	(82.3)
Net assets including pension liability	235.3	408.4
Capital and reserves		
Called up equity share capital	17.7	17.7
Share premium account	51.1	51.1
Profit and loss account	166.5	339.6
Equity shareholders' funds	235.3	408.4

The accompanying notes are an integral part of these consolidated financial statements.

INEOS GROUP HOLDINGS

CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	Nine-Month Period Ended September 30,	
	2004	2005
	(€ in millions)	
Operating profit	181.5	265.5
Depreciation of tangible fixed assets	86.1	77.2
Amortization of goodwill	(30.2)	(16.1)
(Increase)/decrease in stocks	(60.6)	9.8
(Increase)/decrease in debtors	(143.3)	(42.1)
Increase/(decrease) in creditors and provisions	149.5	(36.3)
Net cash flow from operating activities	183.0	258.0
Returns on investments and servicing of finance		
Interest received	1.8	2.0
Interest and other financing charges paid	(51.6)	(70.4)
Debt issue costs	—	(6.4)
	(49.8)	(74.8)
Dividend from associate	—	0.6
Taxation paid	(14.6)	(60.1)
Capital expenditure and financial investments		
Payments to acquire tangible fixed assets	(40.8)	(103.7)
Purchase of loan investment	(13.5)	(181.8)
	(54.3)	(285.5)
Acquisitions and disposals		
Purchase of business	—	(158.7)
Disposal of subsidiary undertaking	—	—
	—	(158.7)
Equity dividends paid	(39.8)	—
Net cash flow before financing	24.5	(320.5)
Financing		
Senior credit facility	—	44.0
Interim finance facility	—	601.0
Repayment of Senior Notes	—	(260.0)
Repayment of bank loans	(70.1)	(33.7)
Other loans	0.3	(0.1)
Capital repayment on finance leases	(0.4)	(0.5)
	(70.2)	350.7
Increase/(decrease) in cash	(45.7)	30.2

The accompanying notes are an integral part of these consolidated financial statements.

INEOS GROUP HOLDINGS

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS FUNDS (UNAUDITED)

	Equity Shareholders Funds
	(€ in millions)
At January 1, 2005	235.3
Retained profit for the current period	125.7
Currency translation differences	47.4
At September 30, 2005	408.4

The accompanying notes are an integral part of these consolidated financial statements.

INEOS GROUP HOLDINGS

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PREPARATION

Ineos Group Holdings plc (Ineos Group Holdings or the "Company"), was incorporated on May 14, 2001 as a holding company to house the ownership interests in certain chemical businesses acquired and controlled by a common owner. These businesses are comprised of Ineos Oxide (formerly Ineos plc), Ineos Fluor, Ineos Silicas, Ineos Phenol, Ineos Styrenics and Ineos Melamines.

The accompanying consolidated financial statements have been prepared on a historical cost basis in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP").

The consolidated financial statements include all subsidiaries of the Company. 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 accompanying consolidated financial statements of the Company are unaudited.

In the opinion of the management of the Company, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. All adjustments are of a normal recurring nature unless otherwise disclosed. Management believes that the disclosures made are adequate for a fair presentation of results of operations, financial position and cash flows.

2. PRINCIPAL ACCOUNTING POLICIES

The financial information has been prepared using accounting policies in accordance with UK GAAP. The financial information has been prepared under the historical cost convention and in accordance with the accounting policies set out in the Company's Form 20-F for the year ended December 31, 2004.

Certain prior year amounts have been reclassified to conform with the current year's presentation.

3. SEGMENTAL INFORMATION

Class of business

The Company's business comprises the production and distribution of intermediate and speciality chemicals and is made up of six business segments: Ineos Oxide, Ineos Fluor, Ineos Silicas, Ineos Phenol, Ineos Styrenics and Ineos Melamines.

3. SEGMENTAL INFORMATION (continued)

The turnover and operating profit attributable to each different class of business as measured under UK GAAP is as follows:

	Nine-Month Period Ended September 30,	
	2004	2005
	(€ in millions)	
Turnover		
Ineos Oxide	425.3	529.3
Ineos Phenol	1,596.2	1,989.4
Ineos Fluor	215.2	262.3
Ineos Silicas	160.5	159.9
Ineos Styrenics	—	106.2
Ineos Melamines	—	10.8
	2,397.2	3,057.9
EBITDA		
Ineos Oxide	72.0	96.3
Ineos Phenol	94.6	116.2
Ineos Fluor	43.2	90.1
Ineos Silicas	28.0	18.7
Ineos Styrenics	—	4.9
Ineos Melamines	—	0.7
	237.8	326.9

Reconciliation of earnings before operating exceptional items, interest, taxation, depreciation and amortisation ("EBITDA") to operating profit:

	Nine-Month Period Ended September 30,	
	2004	2005
	(€ in millions)	
EBITDA	237.8	326.9
Depreciation and amortisation	(56.0)	(61.1)
Operating profit (including share of operating profit of associate)	181.8	265.8

4. INCOME TAXES

The income tax charge for the nine-month periods ended September 30, 2004 and 2005, is calculated based on the expected effective tax rate for the year.

5. INVENTORY

	December 31, 2004	September 30, 2005
	(€ in millions)	
Raw materials and consumables	89.0	145.5
Work in progress	19.3	21.0
Finished products	130.6	149.0
	238.9	315.5

6. BORROWINGS

Long-term obligations as of December 31, 2004 and September 30, 2005 are as follows:

	December 31, 2004	September 30, 2005
	(€ in millions)	
Senior Credit Agreement	429.1	454.1
10½% Senior Notes	260.0	—
Unamortised debt issue costs	(12.1)	(10.3)
Interim Finance Facility	—	601.0
	677.0	1,044.8
Less: amounts falling due within one year	(92.7)	(741.0)
	584.3	303.8
Finance leases	3.2	3.2
Other loans	1.1	1.2
Other creditors	4.8	5.2
	593.4	313.4

Senior Notes

On July 19, 2001, the Company issued €260 million in 10½% Senior Notes due 2010 pursuant to a private offering. On June 21, 2002 the Company issued €260 million 10½% Senior Notes due 2010 pursuant to an exchange offer whereby holders of the original notes received new notes which were registered under the US Securities Act of 1933 as amended, but were otherwise identical to the original notes. The Senior Notes were listed on the Luxembourg Stock Exchange.

The Senior Notes bear interest at 10½% per annum, payable semi annually in arrears on February 1 and August 1 of each year. On August 8, 2005 the Company redeemed in full the Senior Notes. The Senior Notes were subject to a redemption price of 107.788% plus any accrued and unpaid interest to the redemption date. The total redemption premium paid was €20.2 million. The redemption of the Senior Notes was funded by an additional facility under the Interim Finance Facility.

Unamortised debt issue costs related to the Senior Notes of €3.8 million have been written off in the period, including €3.5 million which were written off on the redemption date.

6. BORROWINGS (continued)

Senior Credit Agreement

The Company has outstanding borrowings under a credit agreement (the "Senior Credit Agreement") which consists of Term Loans ("Term Loan A", "Term Loan B" and "Term Loan C") and a revolving credit facility (the "Revolving Credit Facility"). The Term Loans outstanding at September 30, 2005 were €454.1 million, of which €139.6 million is due within one year. The total amounts outstanding on Term Loan A were €115.6 million (2004: €146.1 million), Term Loan B were €156.9 million (2004: €157.8 million) and Term Loan C were €109.6 million (2004: €97.2 million) and Revolving Credit Facility were €72.0 million (2004: €28.0 million).

Term Loan A is repayable in 12 semi-annual instalments beginning on December 31, 2001 ranging from 1.14% to 9.73% of the principal amount of the loan up until the final repayment in June 2007. Term Loan B is repayable in 14 semi-annual instalments beginning on December 31, 2001 ranging from 0.56% to 46.64% of the principal amount of the loan up until the final repayment in June 2008. Term Loan C is repayable in 16 semi-annual instalments beginning on December 31, 2001 ranging from 0.56% to 46.08% of the principal amount of the loan up until the final repayment in June 2009.

The Term Loans bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum margins for the Term Loan A, Term Loan B and Term Loan C as at September 30, 2005 are 1.50%, 2.50% and 3.50% respectively. The margins on Term Loans A and B are subject to a reduction based on certain financial tests. The Company pays a commitment fee of 0.75% per annum on the undrawn amounts of the revolving credit facility.

Ineos Holdings Limited and substantially all of its material subsidiaries are guarantors of the Senior Credit 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 Credit Agreement contains numerous 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 Credit 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 unamortised debt issue costs of €6.3 million (2004: €8.3 million). These costs are allocated to the profit and loss account in accordance with FRS 4.

Interim Finance Facility

In February 2005 the Company entered into a short term credit agreement (the "Interim Finance Facility"). The total available facility is for €630.0 million with a final maturity of February 2, 2006. Mandatory prepayment is required upon a change of control or a refinancing of the Company. Loans under the Interim Finance Facilities bear interest at a rate equal to a margin of 2.50% plus either EURIBOR (in the case of a loan denominated in euro) or LIBOR (in the case of any other loan) plus certain additional costs (as defined in the Interim Finance Facilities). It is unsecured and subordinate to existing senior bank debt.

The Interim Finance Facility is stated net of unamortised debt issue costs of €4.0 million (2004: €Nil). These costs are allocated to the profit and loss account in accordance with FRS 4.

7. 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.

8. ACQUISITIONS

On June 30, 2005 the Company completed the acquisition of the North American polystyrene business of BASF. The business is now called Ineos Styrenics and operates as a separate segment of the group. Total purchase consideration including acquisition expenses was €94.7 million.

On August 31, 2005 the Company completed the acquisition of the Surface Specialty Amino Resins business of Cytec Industries Inc. The business is now called Ineos Melamines and operates as a separate segment of the group. Total purchase consideration including acquisition expenses was €65.3 million, subject to the finalisation of certain working capital adjustments.

Both acquisitions were funded by additional facilities under the Interim Finance Facility.

9. POST BALANCE SHEET EVENTS

In October 2005, the Company completed the acquisition of a cumene plant in Port Arthur, Texas from CP Chem. Total purchase consideration, including acquisition expenses was $27 million. This facility will supply raw material to the Ineos Phenol Mobile, Alabama plant.

On December 16, 2005 the Company completed the purchase of Innovene, BP's olefins and derivatives business. The acquisition creates a combined business with a turnover of around €21 billion. Total purchase consideration, including acquisition expenses, was $8.7 billion, subject to the finalisation of certain working capital adjustment. As part of the acquisition, the Group was refinanced and the Senior Credit Agreement and Interim Finance Facility were fully repaid.

10. SUMMARY OF THE SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP

Effects on net income of differences between UK GAAP and US GAAP:

	Nine-Months Period Ended September 30, 2004	Nine-Months Period Ended September 30, 2005
	(€ in millions)	
Profit/(loss) for the financial year		
Profit/(loss) for the financial year under UK GAAP	95.7	125.7
Goodwill adjustments on acquisitions	(30.3)	(16.3)
Depreciation of tangible fixed assets	35.8	31.3
Amortisation of intangibles	(6.4)	(6.4)
Pensions	(6.4)	(6.4)
Derivative financial instruments	1.8	—
Capitalisation of interest less amortisation	2.0	2.7
Deferred taxation		
—arising on UK GAAP results	—	—
—arising on US GAAP adjustments	17.1	(7.2)
Profit/(loss) for the financial year under US GAAP	109.3	123.4

Effects on shareholders' equity between UK GAAP and US GAAP:

	As at December 31, 2004	At September 30, 2005
	(€ in millions)	
Shareholders' equity		
Shareholders' equity under UK GAAP	235.3	408.4
Goodwill adjustments on acquisition	227.6	211.8
Tangible fixed assets	(375.4)	(341.4)
Intangible fixed assets	23.2	16.8
Pensions	62.3	44.9
Derivative financial instruments	—	—
Deferred taxation	84.2	88.0
Foreign currency translation differences	19.6	13.7
Shareholders' equity under US GAAP	276.8	442.2

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
BP p.l.c.

We have audited the accompanying combined balance sheets of Innovene as of December 31, 2004 and 2003, and the related combined statements of operations, owner's equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of Innovene's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Innovene's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Innovene's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Innovene at December 31, 2004 and 2003, and the combined results of its operations and its combined cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

London, England
December 14, 2005

INNOVENE

Combined Balance Sheets

	As of December 31, 2003	As of December 31, 2004	As of September 30, 2005
	($ in millions)		(unaudited)
Assets			
Current assets			
Cash	24	45	—
Trade accounts receivable, net of allowance for doubtful accounts of $18 million, $23 million, and $22 million, at December 31, 2003 and 2004 and September 30, 2005, respectively	1,619	1,940	1,799
Receivables from affiliates	—	—	980
Inventories (Note 6)	1,393	1,746	2,109
Other current assets (Note 7)	484	667	428
Total current assets	3,520	4,398	5,316
Property, plant, and equipment, net (Note 8)	7,172	7,257	6,849
Investment in and advances to affiliates	137	150	141
Goodwill (Note 11)	31	34	31
Other intangible assets (Note 11)	306	305	290
Deferred tax assets (Note 18)	167	106	29
Prepayments and other assets	145	148	132
Assets of discontinued operations (Note 10)	178	15	—
Total assets	11,656	12,413	12,788

See accompanying notes to combined financial statements.

INNOVENE

Combined Balance Sheets (Continued)

	As of December 31, 2003	As of December 31, 2004	As of September 30, 2005
	($ in millions)		(unaudited)
Liabilities, Minority Interest and Owner's equity			
Current liabilities			
Trade accounts payable	1,103	1,168	914
Payables to affiliates	—	—	1,288
Accrued liabilities	725	643	654
Other current liabilities (Note 12)	196	352	105
Due to parent (Note 13)	—	—	1,711
Deferred income taxes (Note 18)	61	47	—
Total current liabilities	2,085	2,210	4,672
Long term debt (Note 13)	1,585	1,729	—
Other non-current liabilities (Note 14)	481	553	361
Deferred income taxes (Note 18)	746	699	331
Liabilities of discontinued operations (Note 10)	40	10	—
Total liabilities	4,937	5,201	5,364
Minority interest	1,242	—	—
Owner's equity			
Parent net investment	4,295	5,748	6,317
Accumulated other comprehensive income, net of tax			
Foreign currency translation	1,212	1,513	1,128
Minimum pension liability	(30)	(49)	(21)
	1,182	1,464	1,107
Total owner's equity	5,477	7,212	7,424
Total liabilities, minority interest and owner's equity	11,656	12,413	12,788

See accompanying notes to combined financial statements.

INNOVENE

Combined Statements of Operations

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
			($ in millions)	(unaudited)	
Revenues	11,776	13,422	17,937	12,355	16,964
Cost of sales	(10,775)	(12,586)	(16,765)	(11,432)	(15,412)
Gross margin	1,001	836	1,172	923	1,552
Selling, general and administrative expenses	(734)	(616)	(630)	(522)	(504)
Research and development expenses	(120)	(115)	(137)	(104)	(81)
Restructuring and asset impairment charges (Note 15)	(93)	(72)	(345)	(13)	(36)
Operating profit	54	33	60	284	931
Equity income (loss) from investments in affiliates	(2)	9	8	6	7
Interest expense	(35)	(44)	(49)	(39)	(35)
Other income (expense), net (Note 5)	(65)	(123)	(24)	19	(41)
Income (loss) from continuing operations before income taxes	(48)	(125)	(5)	270	862
Provision for income taxes for continuing operations (Note 18)	(118)	(90)	(128)	(159)	(269)
Net income (loss) from continuing operations	(166)	(215)	(133)	111	593
Loss from discontinued operations, net of income tax expense (benefit) of $0, $0, $(52) million, $0, and $0 (Notes 10 and 18)	(29)	(25)	(128)	(16)	(3)
Net income (loss)	(195)	(240)	(261)	95	590

See accompanying notes to combined financial statements.

INNOVENE

Combined Statements of Owner's Equity and Comprehensive Income

	Parent net investment	Accumulated other comprehensive income	Owner's equity total	Comprehensive income
		($ in millions)		
Balance at January 1, 2002	4,661	(5)[1]	4,656	—
Net loss	(195)	—	(195)	(195)
Foreign currency translation adjustment	—	610	610	610
Minimum pension liability, net of tax $9 million	—	(15)	(15)	(15)
Tax affect of transaction with affiliate	148	—	148	—
Transfers from parent, net	56	—	56	—
Balance at December 31, 2002	4,670	590	5,260	400
Net loss	(240)	—	(240)	(240)
Foreign currency translation adjustment	—	602	602	602
Minimum pension liability, net of tax $8 million	—	(10)	(10)	(10)
Transfers to parent, net	(135)	—	(135)	—
Balance at December 31, 2003	4,295	1,182	5,477	352
Net loss	(261)	—	(261)	(261)
Foreign currency translation adjustment	—	301	301	301
Minimum pension liability, net of tax $14 million	—	(19)	(19)	(19)
Transfers from parent, net	1,714	—	1,714	—
Balance at December 31, 2004	5,748	1,464	7,212	21
Net income	590	—	590	590
Foreign currency translation adjustment	—	(385)	(385)	(385)
Minimum pension liability, net of tax $12 million	—	28	28	28
Net transfers upon and post legal separation (Note 4)	632	—	632	—
Transfers to parent, net	(653)	—	(653)	—
Balance at September 30, 2005 (unaudited)	6,317	1,107	7,424	233

(1) Balance solely relates to minimum pension liability, net of tax of $3 million

See accompanying notes to combined financial statements.

INNOVENE

Combined Statements of Cash Flows

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)			(unaudited)	
Cash flows from operating activities:					
Net income (loss) from continuing operations	(166)	(215)	(133)	111	593
Adjustments to reconcile net profit/(loss) to net cash provided from (used in) operating activities:					
Depreciation and amortization	423	517	545	431	415
Asset impairments	32	36	280	—	15
Restructuring charges, net of cash paid	(10)	(53)	9	(40)	(7)
Deferred income taxes	78	49	(24)	101	12
(Gain) loss from foreign exchange revaluation	112	155	123	3	(19)
Loss on extinguishment of debt	—	—	—	—	45
(Gain) loss on disposal of assets	(25)	7	—	—	—
Decrease in the fair value of the BP Solvay Ventures liabilities	128	168	105	8	—
Other	16	9	23	20	(7)
Changes in assets and liabilities, net of acquisitions:	(411)	22	(545)	4	(10)
Net cash provided by operating activities of continuing operations	177	695	383	638	1,037
Net cash used in operating activities of discontinued operations	(21)	(17)	(10)	(3)	(18)
Net cash provided by operating activities	156	678	373	635	1,019
Cash flows from investing activities:					
Capital expenditures	(614)	(556)	(567)	(414)	(376)
Proceeds from the sale of assets	30	—	—	—	—
Acquisitions of businesses	5	—	—	—	—
Dividends received	—	2	2	—	—
Investments in and advances to affiliates	—	(7)	—	—	—
Net cash used in investing activities of continuing operations	(579)	(561)	(565)	(414)	(376)
Net cash used in investing activities of discontinued operations	(3)	(2)	(3)	—	20
Net cash used in investing activities	(582)	(563)	(568)	(414)	(356)
Cash flows from financing activities:					
Acquisition of minority interest	—	—	(1,538)	—	—
Proceeds from subsidiary capital calls	100	21	40	40	—
Repayments of long term debt	—	(7)	—	—	(1,755)
Proceeds from issuance of long term debt	290	—	—	—	—
Proceeds from issuance of short term debt	—	—	—	—	1,700
Transfers (to) from parent, net	32	(154)	1,701	(258)	(651)
Net cash provided by (used in) financing activities of continuing operations	422	(140)	203	(218)	(706)
Net cash provided by (used in) financing activities of discontinued operations	24	19	13	6	(2)
Net cash provided by (used in) financing activities	446	(121)	216	(212)	(708)
Net increase (decrease) in cash and cash equivalents	20	(6)	21	9	(45)
Cash and cash equivalents at beginning of period	10	30	24	24	45
Cash and cash equivalents at end of period	30	24	45	33	—
Supplemental disclosure:					
Income taxes paid	40	41	152	58	257
Interest paid	35	44	49	25	35

See accompanying notes to combined financial statements.

INNOVENE

Combined Statements of Cash Flows (continued)

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)			(unaudited)	
Changes in assets and liabilities, net of acquisitions:					
Trade accounts receivable	(298)	(364)	(384)	(122)	141
Receivables from affiliates	—	—	—	—	(980)
Inventories	(197)	(157)	(346)	(239)	(370)
Other current assets	79	(135)	(123)	231	240
Prepayments and other assets	(15)	(25)	(3)	9	16
Trade accounts payable	106	494	65	332	(254)
Payables to affiliates	—	—	—	—	1,288
Accrued liabilities	49	115	(82)	(261)	11
Other current liabilities	(3)	73	293	(22)	(188)
Other non-current liabilities	(132)	21	35	76	86
Changes in assets and liabilities, net of acquisitions	(411)	22	(545)	4	(10)

See accompanying notes to combined financial statements.

(1) Background

On 16 December 2005 Ineos Group Limited ("Ineos") will acquire from BP P.l.c ("BP") certain assets, liabilities and the associated operations that were formerly part of BP's Petrochemicals, Refining and Marketing, and Gas, Power and Renewables segments (together "Innovene"). Specifically, the financial statements for Innovene combine the historical results of operations and net assets of (a) all of BP's petrochemical operating units for olefins, polymers and other derivatives (collectively "O&D"), (b) two integrated refinery plants in Grangemouth, Scotland, and Lavéra, France, (c) a gas fractionator located in Hobbs, New Mexico and certain related pipelines, and (d) existing O&D strategic joint venture investments (collectively, Innovene's "Manufacturing Interests"). The most important products manufactured from Innovene's Manufacturing Interests are ethylene, propylene, polyethylene (including high-density polyethylene), polypropylene, styrene, polystyrene, acrylonitrile, alpha olefins, solvents, transport fuels, particularly diesel fuel and gasoline, naphtha, and heating and fuel oils. Innovene is a worldwide manufacturer and marketer of these products, with major manufacturing sites at Grangemouth in Scotland, Cologne in Germany, Lavéra in France and Chocolate Bayou and Battleground in the United States.

In accordance with an Amended and Restated Master Reorganization Agreement, BP transferred to separate legal entities effective April 1, 2005, substantially all of the assets and liabilities, including fixed assets, inventory, and non-monetary working capital related to Innovene's Manufacturing Interests (the "Separation"). From that date Innovene has managed ongoing operations relating to the Manufacturing Interests transferred to it as part of the Separation.

Innovene and BP entered into a series of agreements which provided for the transfer of substantially all of the assets and liabilities within the scope of Innovene's current and future business activities from BP to Innovene, subject to the retention by BP of certain historic liabilities. These agreements included a series of Local Transfer Agreements, the Intellectual Property and Information Technology Separation Agreement, the Master Reorganization Agreement and the tax sharing agreements (together, the "Reorganization Agreements"). The agreements also established arm's length commercial arrangements between Innovene and BP and require BP to provide Innovene with transitional support for a limited period of one to three years, (the "Commercial Interface Agreements"). For purposes of these agreements, legal separation is deemed to have occurred on April 1, 2005, whereas, except for the tax sharing agreements, the commercial arrangements are effective from January 1, 2005.

(2) Basis of Presentation

The combined financial statements have been prepared using the historical cost basis in the assets and liabilities and historical results of operations related to Innovene's Manufacturing Interests, and may not be indicative of the actual results of operations and financial position of Innovene had it operated as a separate entity.

Because direct ownership relationships did not exist among the various Manufacturing Interests, BP's net investment in Innovene is presented as "Parent net investment". The accompanying combined balance sheets do not include certain BP assets and liabilities that are not specifically identifiable to Innovene's Manufacturing Interests.

(2) Basis of Presentation (continued)

BP manages its cash, accounts payable and certain related matters on a centralized basis for the entire BP Group, which in the three years and nine months ended September 30, 2005 included Innovene. BP's financial systems are not designed to track intercompany working capital balances, accounts payable, cash receipts, and payments separately for each production unit. Accordingly, in preparing the combined financial statements, it was not practicable to determine certain assets and liabilities associated with Innovene. Assets and liabilities not specifically identifiable to Innovene include:

- Cash and cash equivalent balances that are recorded in the Parent net investment account. The cash that is presented on the balance sheet is cash belonging to certain consolidated joint ventures.
- Accounts payable related to trade purchases that are made centrally by BP, but nonetheless related to Innovene that are reflected in the Parent net investment account.
- Accrued liabilities related to corporate allocations that are reflected in the Parent net investment account.
- Intercompany working capital balances between BP and its affiliates (unless directly traceable to a third-party relationship), which are not settled on a current basis and are not tracked separately for each production unit. To the extent that such balances relate to Innovene, they are reflected in the Parent net investment account.
- Hedging positions through which derivative and other financial contracts are used to offset exposures to interest rates, commodity prices or foreign exchange rates, unless individual instruments are specifically attributable to an underlying Innovene asset, liability or anticipated series of cash flows (see note 21).
- Third party financing and related balances, such as debt and capital leases that are managed centrally by BP and which are not secured by Innovene assets.
- Until BP's shareholding in Innovene falls below the limits set out in the Master Reorganization Agreement of 80% in the U.S. and 50% elsewhere, Innovene's employees generally will continue to participate in BP's group-wide pension and other post employment plans. As long as this is the case, assets and obligations related to these plans will be owned directly by BP.
- Assets and obligations related to Innovene's participation in BP's stock option schemes, and, in particular, the BP ESOP trusts are not separately allocable to employees or employee costs.

The combined statements of operations include all revenues and costs attributable to the Manufacturing Interests including an allocation of the cost of shared utilities, overhead and administrative expenses related to general management, information technology, human resources and other services provided to Innovene by BP. As further described in Note 4, these allocations were made based on such criteria as personnel or business volume. All of the allocations and estimates in the combined statements of operations are based on assumptions that management believes are reasonable

(2) Basis of Presentation (continued)

under the circumstances. However, these allocations and estimates are not necessarily indicative of the costs that Innovene would have incurred if it had operated on a standalone basis or as an entity independent of BP.

(3) Summary of Significant Accounting Policies

Basis of Combination

The accompanying combined financial statements are presented on the basis of accounting principles generally accepted in the United States of America. Within Innovene, all intercompany accounts and transactions have been eliminated. Companies and joint ventures in which Innovene has or had a significant influence, but not a controlling interest, are carried on the equity basis and are included in "Investment in and advances to affiliates". Innovene's share of earnings or losses in these investments is included in "Equity income/(loss) from investments in affiliates". As a result of Innovene's adoption of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, all variable interest entities in which Innovene is determined to be the primary beneficiary are consolidated in the combined financial statements.

Use of Estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates presented and the reported amounts of revenues and expenses during the periods presented. Significant estimates include: the recognition of an impairment, if any, relating to property, plant, and equipment, intangibles, and goodwill; litigation-related obligations; valuation allowances for receivables, inventories, and deferred income tax assets; environmental liabilities; allocation of the purchase price for businesses acquired; recoverability of long-lived assets; restructuring and plant closing costs; revaluation of derivative instruments; and assets and obligations related to employee benefits, such as amounts reported for pensions, plan assets, and post-employment benefits. Actual results could differ from those estimates.

Inventories

Inventories are valued at the lower of cost or market value.

Elements of cost in inventories include raw materials, direct labor and manufacturing overhead. Inventory consists of the balance on hand of raw materials, work in progress, and finished goods held for sale. Stores inventory include catalysts and consumable materials used in the production process.

The majority of Innovene's inventories in the United States are valued at cost using the "last in, first out" ("LIFO") method. Inventories valued using the LIFO method comprised approximately 10% and 7% of total inventories at December 31, 2003 and 2004, respectively.

(3) Summary of Significant Accounting Policies (continued)

The balance of Innovene's inventories are valued using the "first in, first out" method. Innovene's stores inventories are mainly valued using the average cost method or, if lower, at their market value.

Innovene uses the dollar value method for computing its LIFO inventory valuation in the United States. This method, by its nature, involves an annual calculation. In preparing quarterly balance sheets, Innovene spreads forecast movements in the LIFO layers across the year based on movements in inventory during the year.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated over their estimated useful lives using the straight line method. The average of the estimated useful lives of Innovene's refineries and petrochemical manufacturing plants is 20 years.

Expenditures incurred in connection with major maintenance operations, refits or repairs are capitalized only where they enhance the performance of the asset being maintained, refitted or repaired above its originally assessed standard of performance or replaces an asset (or part of an asset) which was separately depreciated and then written off or restore the economic benefits of an asset that has been fully depreciated. Such expenditures are amortized over their respective estimated useful lives. All other maintenance costs are expensed as incurred.

Interest costs incurred as part of major construction projects are capitalized. Net annual interest expense capitalized as part of property, plant and equipment was $2 million, $9 million, and $10 million during the years ended December 31, 2002, 2003 and 2004, respectively.

The cost and accumulated depreciation are removed from the respective accounts upon retirement or sale of property, plant and equipment. Upon retirement, any resulting loss is included in costs of goods sold in the combined statement of operations and upon sale, the resulting gain or loss is included in other income (expense) in the combined statement of operations.

Long-lived Assets

Innovene reviews the carrying value of its long-lived assets, including property, plant and equipment and definite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset or asset group. Innovene recorded impairments on long-lived assets of $32 million, $36 million and $280 million for the years ended December 31, 2002, 2003 and 2004, respectively. In addition, an impairment of $148 million was reflected as discontinued operations in 2004.

Innovene complies with FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. An impairment loss on a long-lived asset is recognized if the asset's carrying amount is not recoverable and exceeds its fair value. Long-lived assets to be sold are separately classified as held for sale when Innovene commits to a plan for sale or disposal.

(3) Summary of Significant Accounting Policies (continued)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired entity or business over the fair value of the net assets acquired. Goodwill impairment is considered at least annually or when events or circumstances indicate the fair value of a reporting unit may be less than its carrying value. Innovene recorded no goodwill impairment charges for the years ended December 31, 2002, 2003 and 2004.

Upon adoption of FASB Statement No. 142, *Goodwill and Other Intangible Assets,* on January 1, 2002, Innovene ceased to amortize goodwill. Intangible assets with definite useful lives (other than goodwill) are amortized over their estimated useful lives up to a maximum period of 20 years. Innovene has no intangible assets with indefinite useful lives other than goodwill.

Capitalized costs associated with computer software developed for internal use are amortized on a straight-line basis over 4 to 7 years. Intangible assets derived from favorable contracts and technology are amortized on a straight line basis over 15 and 10 years, respectively.

Investments in Affiliates

Investments in non-consolidated companies over which Innovene has significant influence are accounted for under the equity method. Innovene assesses any decline in the value of individual investments to determine whether such decline is other than temporary and thus whether the relevant investment is impaired. This assessment is made by considering available evidence, including changes in general market conditions, specific industry and individual company data, the length of time and the extent to which the market value has been less than cost, the financial condition and near term prospects of the individual entity, and Innovene's intent and ability to hold the investment. Investments in Affiliates is primarily comprised of Innovene's investments in five manufacturing joint ventures in Lavéra, France.

Financial Instruments

The estimated fair value of financial instruments has been determined by using available market information and appropriate valuation methodologies. The carrying values of all current assets and current liabilities approximate their fair value because of their short-term nature. The carrying value of long-term debt approximates its fair value based on management's estimates for similar debt, giving consideration to rating, interest rates, maturity and other significant characteristics.

Derivative Instruments and Hedging Activities

Innovene accounts for derivatives and hedging activities in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities*, as amended, which requires that all derivative instruments be recorded on the balance sheet at their respective fair values. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and the hedged items are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and will be recognized in the income statement when the hedged item affects earnings.

(3) Summary of Significant Accounting Policies (continued)

The purpose for which a derivative contract is used is identified at inception. To qualify as a derivative for hedging, the contract must be in accordance with established guidelines that ensure that it is effective in achieving its objective. All contracts not identified at inception as being for the purpose of hedging are designated as being held for trading purposes and accounted for using fair value method.

Employee Benefit Plans

For pension and other post-employment benefit plans in which Innovene employees participate, costs are determined in accordance with FASB Statement No. 87, *Employers' Accounting for Pensions,* FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits,* and FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions.*

Post-retirement benefit costs consist of service cost, interest cost on accrued obligations and the expected return on assets (calculated using a smoothed market value of assets). Any difference between actual and expected returns on assets during a year and actuarial gains and losses on liabilities together with any prior service costs are charged (or credited) to income over the average remaining service lives of employees which is estimated to be 10 years. No amortization has been applied for plans outside of the U.S. in the historic results presented.

For BP plans in which BP employees (including those of the predecessor businesses of Innovene) participate (Group plans), BP determined pensions and other post-employment benefit costs on a consolidated basis. Separate Innovene information is not readily available. The benefit cost components shown in the combined statements of operations reflect an allocation of the costs (including the costs for retirees and former employees of the predecessor businesses) for these BP Group Plans. The allocation was based on the predecessor businesses of Innovene's active population for each period presented.

For pension and other post-employment plans in which only Innovene employees participate, disclosures are provided in accordance with FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*.

Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs not within the scope of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

Environmental Expenditures

Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not impact future earnings are expensed. Liabilities for environmental costs are recognized

(3) Summary of Significant Accounting Policies (continued)

when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, the divestment or closure of the relevant sites. The amount recognized reflects management's best estimate of the expenditures expected to be required. Where a liability is not to be settled for a number of years, the amount recognized is the estimated future expenditure on an undiscounted basis.

Revenue Recognition

Revenue is recognized when risk and title to the product transfers to the customer, collectibility is reasonably assured and the price is fixed or determinable. Revenue is typically recognized at the time of shipment or delivery of a product, depending on the contractual terms. Revenue is recognized net of discounts and other price adjustments.

Historically, Innovene's Refining operating segment was integrated within BP's Refining & Marketing ("R&M") reporting entities. No revenue was recognized for refining in the R&M business, since there were no direct sales to third parties. For the purposes of the combined financial statements, revenue presented was determined based on production throughput, valued at an average sales price per product grade in the applicable period. With effect from January 1, 2005, revenues of Innovene's Refining segment have been recognized in a manner consistent with Innovene's revenue recognition policy described above.

Cost of Sales

Innovene classifies the costs of manufacturing and distributing its products as cost of sales. Manufacturing costs include raw materials and variable and fixed manufacturing costs associated with production. Fixed manufacturing costs include, among other things, plant site operating costs and overhead, production planning, depreciation and amortization, repairs and maintenance, plant site purchasing costs, and engineering and technical support costs.

Research and Development Costs

Innovene conducts a broad range of research and development activities aimed at improving existing products and manufacturing processes and developing new products and processes. Research and development costs are expensed as incurred.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts reflect management's best estimate of the amount of probable losses with respect to Innovene's accounts receivable. Innovene determines the allowance based on a monthly review of the collectibility of each overdue balance. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Innovene does not have any off-balance sheet credit exposure to its customers.

(3) Summary of Significant Accounting Policies (continued)

Lease Transactions

Innovene leases certain machinery, equipment and facilities under long-term lease agreements with third parties. Innovene reviews the terms of each lease at inception of the lease in order to determine whether it should be treated as an operating or a capital lease under FASB Statement No. 13, *Accounting for Leases*, and its interpretations. Minimum lease payments on operating leases are expensed on a straight line basis over the minimum term of the lease. Lease payments that depend on an existing index or rate are taken into account in computing the minimum lease payments

Stock Based Compensation

Certain of Innovene's employees participate in BP's long term incentive plans. Under the plans, employees received various stock-based compensation awards, including stock options, restricted stock, stock opportunity grants and performance units, some of which have yet to be exercised. Innovene currently accounts for stock-based compensation related to participants in BP's plans using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, whereby the options are granted at market price, and therefore no compensation costs are recognized. Compensation cost for stock options, if any, would be measured as the excess of the quoted market price at the grant date of Innovene's stock over the amount an employee must pay to acquire the stock. FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and FASB Statement No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*, an amendment of FASB Statement No. 123, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As permitted by existing accounting standards, Innovene has elected to continue to apply the intrinsic value method of accounting described above, and has adopted only the disclosure requirements of FASB Statement No. 123, as amended. Had compensation costs attributable to awards granted to employees of Innovene been determined using the fair value accounting method, pro forma net loss would have been as follows:

	For the year ended December 31,		
	2002	2003	2004
	($ in millions)		
Net loss, as reported	(195)	(240)	(261)
Deduct: Additional stock-based employee compensation expense under the fair value based method for all awards, net of tax	(7)	(7)	(7)
Net loss, pro forma	(202)	(247)	(268)

(3) Summary of Significant Accounting Policies (continued)

The fair value of BP's stock-based awards attributed to employees of Innovene was estimated using the following weighted average assumptions for each of the years ended December 31, 2002, 2003 and 2004:

	For the year ended December 31,		
	2002	2003	2004
Risk-free interest rate	4.00%	3.50%	4.00%
Expected life (in years)	1 to 5	1 to 5	1 to 5
Expected volatility	26.00%	30.00%	22.00%
Dividend yield	3.75%	4.00%	3.75%

Using the Black-Scholes pricing model, the weighted-average fair value of an option granted in 2002, 2003, and 2004, was $1.64, $1.44, and $1.40 respectively.

Foreign Currency Translation

The accounts of Innovene's subsidiaries outside of the United States generally consider local currency to be their functional currency. Foreign currency transactions are recorded in the functional currency at the relevant exchange rates on the date of the transaction. Foreign currency assets and liabilities are translated into the functional currency at relevant exchange rates at the balance sheet date. Exchange differences are included in operating profit.

Assets and liabilities are translated from the respective functional currency into U.S. dollars using exchange rates at the relevant balance sheet date. Revenues, expenses and cash flows are translated from the functional currency into U.S. dollars using average exchange rates for the reporting period. Exchange adjustments arising from the translation of the accounts from the respective functional currency into U.S. dollars are recorded as a component of owner's equity.

Income Taxes

The results of Innovene have been included in the consolidated income tax assessments of BP for the periods presented. In the periods presented prior to April 1, 2005, there was no formal tax sharing agreement between Innovene and BP. Tax losses and credits generated by one member of the BP Group that were utilized by another BP Group member generally were compensated by the utilizing member. In preparing the combined financial statements the provision for income taxes has been calculated as if Innovene had been a standalone entity and filed separate returns during the periods presented. In light of the complexities and numerous assumptions inherent in preparing tax returns involving interactions between the U.S. tax system and the relevant non-U.S. tax systems including foreign tax credit computations, allocation and apportionment (including complying with national transfer pricing rules) of various expenses, such as consolidated interest expense, stewardship, research and development, etc., the provision for income taxes has been determined based on the assumption that such expenses would give rise to tax relief where incurred.

(3) Summary of Significant Accounting Policies (continued)

Innovene accounts for income taxes in accordance with the asset and liability method prescribed by FASB Statement No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the rates have changed.

BP manages its tax position for the benefit of its entire portfolio of businesses, and its tax strategies are not necessarily reflective of the tax strategies that Innovene would have followed or will follow as a standalone entity. Losses generated by Innovene's businesses historically were available to, and were often utilized by BP in its tax strategies with respect to entities or operations not forming part of Innovene's businesses. Due to difficulties inherent in separating Innovene's results from BP's consolidated results during periods pre-dating the periods presented, any deferred tax assets in respect of operating loss carryforwards and tax credits have been fully offset by valuation allowances. This treatment also reflects Innovene's inability to quantify the amounts of these deferred tax assets, although the existence of these assets is acknowledged but the assets are not susceptible to accurate estimation. In the periods presented, current tax benefits are recognized to the extent of any deferred tax expense and increase in deferred tax liabilities recognized in the same period. Existing deferred tax liability balances are not considered in the evaluation of the ability to recognize current tax benefits and the associated deferred tax assets due to the inability to estimate the amount of deferred tax assets existing at the beginning of the periods presented which could partially or fully offset the existing deferred tax liabilities. Where loss carryforwards generated by one of Innovene's businesses were available to offset income from the same business or another of Innovene's businesses within a given jurisdiction during the periods presented, Innovene has reflected such loss carryforwards in the period they arose and has assessed its ability to realize these deferred tax assets based on the available evidence.

Income taxes are deemed to have been paid on behalf of Innovene by BP and are included in the parent net investment line of the combined balance sheets. Innovene will be required to file separate United States federal income tax returns only after the sale of greater than 20% of the securities held by BP. Innovene may be included in consolidated/combined returns with BP for other tax jurisdictions, such as states, where consolidated/combined ownership thresholds are different than the U.S. federal consolidated ownership threshold.

Innovene and BP have entered into tax sharing agreements effective April 1, 2005, that will generally govern BP's and Innovene's respective rights, responsibilities and obligations for taxes after the registration of Innovene's shares. With respect to all taxes for any tax period ending on or before April 1, 2005, BP generally will retain responsibility for any federal, foreign, and certain state taxes due and will benefit from tax refunds available. For any tax years subsequent to that date, Innovene will be responsible for federal, foreign, and state taxes due and will benefit from tax refunds available. Following April 1, 2005, Innovene will file tax returns, pay taxes due and receive the benefits from losses generated in foreign jurisdictions in which it operates. For the U.S., dependent on BP's

(3) Summary of Significant Accounting Policies (continued)

ownership share of Innovene, Innovene will either file its own U.S. tax return or Innovene will pay to BP its allocable share as if Innovene were a standalone taxpayer pursuant to the terms of the tax sharing agreements, for tax on income generated and BP will retain the benefits of tax losses, and will pay Innovene for the benefits BP obtains from such tax losses, as long as Innovene is part of any BP consolidated tax computations.

Effective April 1, 2005, Innovene received its assets from BP in a taxable asset transaction; accordingly, Innovene will obtain a depreciable basis equal to the fair market value of the assets received from BP. The majority of non-U.S. asset transfers were taxable such that the depreciable assets are recorded at fair market value for tax purposes. Accordingly, the existing deferred tax asset and liability balances were reversed through Parent Net Investment and a deferred tax asset recorded, with an offsetting entry to equity, to the extent that the tax depreciable basis exceeded the depreciable net book value. The net effect of these transactions was to increase Parent Net Investment by $483 million.

While BP's U.S. affiliates continue to own at least 80% of Innovene, BP will include Innovene in its consolidated U.S. Federal tax return and, pursuant to the terms of the U.S. Master Tax Agreement, Innovene will not be entitled to claim the benefits of the tax depreciation in excess of the historical BP U.S. group tax basis in the depreciable assets.

Earnings per share

Historical earnings per share are not presented since Innovene common stock was not part of the capital structure of BP for the periods presented. Innovene will present basic and diluted earnings per share in the first report it issues after the effective date of the initial public offering.

Adoption of New Accounting Standards

In 2002, the FASB issued FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. This standard requires companies to recognize costs associated with exit or disposal activities when they are incurred, rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, plant closing, or other exit or disposal activity. Statement 146 is required to be applied prospectively to exit or disposal activities initiated after December 31, 2002, with earlier application encouraged. Innovene adopted Statement 146 as of January 1, 2003. The adoption of Statement 146 did not have a significant impact on Innovene's financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45 *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 modifies existing disclosure requirements for most guarantees and requires at the time Innovene issues a guarantee, Innovene must recognize an initial liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of FIN 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a significant effect on Innovene's financial position or results of operations.

(3) Summary of Significant Accounting Policies (continued)

In June 2001, the FASB issued FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, which applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, or the normal operation of the asset. Statement 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Such estimates are generally determined based upon estimated future cash flows discounted using a credit-adjusted risk-free interest rate. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, Innovene will recognize a gain or loss on settlement. The adoption of Statement 143 did not have a significant impact on Innovene's financial position or results of operations.

In April 2003, the FASB issued FASB Statement No.149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which amends and clarifies the financial accounting and reporting of derivative instruments and hedging activities under Statement 133. Statement 149 applies to contracts entered into or modified after June 30, 2003, and hedging relationships designated after June 30, 2003. The adoption of Statement 149 did not have a significant effect on Innovene's financial position or results of operations.

In May 2003, the FASB issued FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity.* Statement 150 establishes standards for classifying and measuring certain financial instruments that have characteristics of both liabilities and equity. The adoption of Statement 150 did not have a significant impact on Innovene's financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). FIN 46 clarifies the application of existing consolidation requirements to entities where a controlling financial interest is achieved through arrangements that do not involve voting interests. Under FIN 46, a variable interest entity ("VIE") is consolidated if a company is subject to a majority of the risk of loss from the VIE's activities or entitled to receive a majority of the entity's residual returns.

Based on management's analysis of arrangements created prior to February 1, 2003, Innovene identified BP Solvay Polyethylene North America ("BP Solvay North America") and BP Solvay Polyethylene Europe ("BP Solvay Europe") (collectively, the "BP Solvay Ventures") as VIEs, based on the lack of equity at risk for Innovene's venture partner and its obligation to absorb losses if the venture partner elected to sell its interest to Innovene. Innovene further determined that it was the primary beneficiary of the BP Solvay Ventures. No other VIE's were identified.

Innovene retroactively applied the provisions of the FIN 46 upon its adoption of the Interpretation from inception of the BP Solvay Ventures. As a result, the consolidated assets, liabilities, and noncontrolling interests of the BP Solvay Ventures are reflected in Innovene's combined financial statements using values at which these amounts would have been carried in the consolidated financial statements if FIN 46 had been effective at the inception of the BP Solvay Ventures in November 2001.

(3) Summary of Significant Accounting Policies (continued)

In December 2003, the Staff of the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition*, which supersedes SAB No. 101. The primary purpose of SAB No. 104 is to rescind accounting guidance contained in SAB No. 101 and the SEC's *Revenue Recognition in Financial Statements Frequently Asked Questions and Answers* (the FAQ) related to multiple element revenue arrangements. Adoption of SAB No. 104 did not have a significant effect on Innovene's financial position or results of operations.

In December 2003, FASB Statement No. 132 (revised), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, was issued. Statement 132 (revised) prescribes employers' disclosures about pension plans and other postretirement benefit plans; it does not change the measurement or recognition of those plans. The Statement retains and revises the disclosure requirements contained in the original Statement 132. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. The new annual disclosure requirements became effective for Innovene as of the year ended December 31, 2004. Innovene's disclosures in Note 17 incorporate the requirements of Statement 132 (revised).

In accordance with FASB Staff Position Nos. 106-1 and 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, BP adopted the standard for the fiscal year beginning January 1, 2004. The provisions of the Medicare Act provide for a federal subsidy for post-retirement medical plans that provide prescription drug benefits and meet certain qualifications, and alternately would allow prescription drug plan sponsors to co-ordinate with the Medicare benefit. BP reflected the impact of the legislation by reducing its actuarially determined obligation for post-retirement medical benefits at December 31, 2004 and will reduce the net cost for post-retirement benefits in subsequent periods.

In November 2004, the EITF reached a consensus on Issue No. 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations* (EITF 03-13). Under EITF 03-13, a disposed component of an enterprise is classified as a discontinued operation only where the ongoing entity has no continuing direct cash flows and does not retain an interest, contract or other arrangement sufficient to enable the entity to exert significant influence over the disposed component's operating and financial policies after disposal. EITF 03-13 is effective for a component of an enterprise that is either disposed of or classified as held for sale in accounting periods beginning after December 15, 2004.

Recently Issued Accounting Standards

In December 2004, the FASB issued FASB Statement No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29*. Statement 153 eliminates the Accounting Principles Board Opinion No. 29 exception for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges of nonmonetary assets that do not have commercial substance. Statement 153 is effective for nonmonetary asset exchanges occurring in accounting periods beginning after June 15, 2005. Innovene does not expect the application of Statement 153 to have a material impact on its financial position or the results of operations.

(3) Summary of Significant Accounting Policies (continued)

In November 2004, the FASB issued FASB Statement No. 151, *Inventory Costs an amendment of ARB No. 43, Chapter 4*. Statement 151 requires that items, such as idle facility expense, excessive spoilage, double freight and re-handling costs, be recognized as current-period charges. Statement 151 also requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. Statement 151 is effective for accounting periods beginning after June 15, 2005. Innovene does not expect this Statement to have a material impact on its financial position or the results of operations.

In December 2004, the FASB issued FASB Statement No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R). Statement 123R, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation, supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees*. Under Statement 123R, share-based payments to employees and others are required to be recognized in the income statement based on their fair value. Pro forma disclosure of the anticipated impact of Statement 123R (as disclosed above) is no longer a permitted alternative. Statement 123R has been adopted for the first interim period beginning January 1, 2005.

In December 2004, the FASB issued Staff Position No. 109-1, *Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004* (FSP 109-1). FSP 109-1, effective upon issuance, requires that the manufacturers' deduction provided for under the American Jobs Creation Act of 2004 (the Jobs Creation Act) be accounted for as special deduction in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, rather than a tax rate reduction. Innovene will recognize the manufacturers' deduction in the year the benefit is earned.

In March 2005, the FASB issued FASB Interpretation No. 47 *Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143* (FIN 47). Under FIN 47, a conditional asset retirement obligation ("ARO") represents an unconditional obligation to perform an asset retirement activity where the timing or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 clarifies that an entity is required to recognize a liability, when incurred, for the fair value of a conditional ARO if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional ARO is factored into the measurement of the liability when sufficient information exists. Statement 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an ARO. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset ARO. FIN 47 is effective for fiscal years ending after December 15, 2005. Innovene has not yet completed its evaluation of the impact of adopting FIN 47.

Interim Financial Information (unaudited)

The financial statements as of September 30, 2005 and for the nine-month periods ended September 30, 2005 and 2004 are unaudited; however, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of the financial statements for the interim periods, have been included. The results of operations for the nine months

(3) Summary of Significant Accounting Policies (continued)

ended September 30, 2005 are not necessarily indicative of the results to be achieved for the full fiscal year.

(4) Relationship with BP

Innovene engages in transactions with BP and BP's subsidiaries in the normal course of business. These transactions include the purchase of feedstock used as raw material by Innovene as well as the sharing of certain infrastructure sites. Additionally, Innovene utilizes centralized functions of BP to support its operations and in return, BP allocates certain of its expenses to Innovene. Such intercompany transactions are included in Transfers from Parent net investment in the combined financial statements unless directly traceable to a third party.

Funding is derived from intercompany transactions with BP, from operations, or other sources. Cash requirements met through transfers from BP include funds used to purchase investments, to fund operating losses and for other liquidity needs. All transaction activity between Innovene and BP is netted and recorded as Transfers to/from parent within Parent net investment. Except for interest accrued on a short term note extended upon legal separation on April 1, 2005, no intercompany interest charges have been recognized between BP and Innovene.

Transactions with BP Group are summarized in the table below:

	For the year ended December 31,		
	2002	2003	2004
	($ in millions)		
Sales to BP	3,589	4,385	6,145
Purchases from BP	(3,670)	(2,869)	(2,703)
Selling, general, and administrative[(1)]	(145)	(164)	(259)

(1) Selling, general and administrative comprises corporate cost allocations and recharges from functions hosted elsewhere within BP.

The BP Group was both Innovene's most significant customer and supplier, accounting for over 10% of Innovene's total revenues and purchases. The majority of sales were generated from Innovene's refining segment, all of which historically were sold on by BP to third parties. Purchases were made across all segments of Innovene.

Corporate Cost Allocations

Certain expenses reflected in the combined statement of operations include allocations of costs from BP. Such expenses represent costs related to treasury, legal, insurance, payroll administration, human resources, and other services. These costs, together with an allocation of central BP overhead costs, are included within selling, general, and administrative expenses, as described above. Where it is possible to specifically attribute such expenses to activities of Innovene, these amounts have been charged or credited directly to Innovene without allocation or apportionment. Allocation of all other such expenses is based on factors depending on the relevant respective activity.

(4) Relationship with BP (continued)

Where employees of Innovene participate in pension and other post-employment benefit arrangements sponsored by BP, Innovene has reflected the cost BP incurs on its behalf of providing the pensions as a charge (or credit) to income based on the number of Innovene's active employees.

BP also sponsors other benefit plans, including profit sharing plans, incentive plans and stock purchase plans in which Innovene employees participate. Costs related to these plans are allocated to Innovene according to an analysis of the number of current and historic employees.

In management's opinion, the methods used in allocating expenses are reasonable. However, resulting expenses may not represent the amounts that would have been incurred had such transactions been entered into with third parties at "arm's length".

For purposes of governing certain of the ongoing relationships between Innovene and BP at and after the Separation and to provide for an orderly transition, Innovene and BP have entered into various agreements. A brief description of each of the material agreements follows.

Reorganization Agreements

The following are some key reorganization agreements in connection with interfaces with BP.

Local Transfer Agreements

Effective April 1, 2005, BP transferred to separate legal entities substantially all of the assets and liabilities relating to the former olefins and derivatives business of BP's Petrochemicals segment, Innovene's refineries at Grangemouth, United Kingdom, and Lavéra, France, which formed part of BP's Refining and Marketing segment, and the gas fractionator located near Hobbs, New Mexico, which formed part of BP's Gas, Power and Renewables segment, in each case, together with associated infrastructure. The transfers were made on the basis of a series of Local Transfer Agreements for each country in which Innovene has operations. As a result of these transfers, the separate legal entities acquired BP's title or other interest in the relevant assets and, with limited exceptions, the unencumbered ability to operate and transfer their assets to third parties.

Master Reorganization Agreement

The amended and restated Master Reorganization Agreement sets out a framework for dealing with assets or liabilities not specifically covered by the Local Transfer Agreements described above, such as liabilities arising from Innovene's or BP's past and future conduct. Subject to the exceptions described in the agreement, Innovene generally has agreed to assume, and indemnify BP for, all liabilities relating to the assets BP has transferred to Innovene, and BP has agreed to retain, and indemnify Innovene for, all liabilities relating to assets BP has retained. In each case, these indemnities cover all losses arising from such liabilities, regardless of whether they arise from events occurring before or on or after April 1, 2005.

(4) Relationship with BP (continued)

New Common Terms Memorandum

Innovene also entered into a New Common Terms Memorandum with BP where it and BP have agreed to transfer restrictions on Innovene's assets in connection with certain of the commercial interface agreements as described below. Under these restrictions, neither Innovene nor BP can transfer an asset reasonably related to any relevant commercial interface agreement to a non-affiliated third party without assigning that commercial interface agreement to the same third party. Such assignment of the relevant commercial interface agreement by Innovene or BP will require prior consent of the other party, but the other party may refuse prior consent only if it is reasonable to believe that the unaffiliated transferee will not act as a reasonable and prudent operator under the agreement or does not have sufficient financial standing to perform the obligations under the agreement.

Intellectual Property and Information Technology Separation Agreement

Innovene has entered into an Intellectual Property and Information Technology Separation Agreement (IPITSA) with BP, which governs the transfer of intellectual property and intellectual property related agreements from BP to Innovene and addresses certain related third-party issues. The IPITSA provides for the transfer from BP to Innovene of certain registered patents, trademarks and domain names along with any other intellectual property relating exclusively to Innovene's petrochemical business, Innovene's refineries in Grangemouth, United Kingdom, and Lavéra, France, and Innovene's gas fractionator near Hobbs, New Mexico. In addition, BP has agreed to assign to Innovene all intellectual property-related contracts, such as licenses, research and development agreements, technology sharing agreements, software licenses and support agreements relating exclusively to Innovene's business. BP has also granted Innovene licenses in respect of certain intellectual property in which Innovene and BP have a common interest under separate common interest intellectual property agreements.

U.S. Master Tax Agreement

BP and Innovene have entered into a U.S. Master Tax Agreement pursuant to which BP has agreed to retain, and indemnify Innovene, for, among other things, the U.S. tax liabilities arising prior to April 1, 2005, including any income and franchise and other taxes measured by income incurred as a result of transferring assets to Innovene, and Innovene has agreed to assume, and indemnify BP for, among other things, the U.S. tax liabilities arising on or after April 1, 2005. Any other separation-related U.S. tax liabilities generally will be paid by the party legally responsible and BP and Innovene have agreed to cooperate in the resolution of such taxes. Innovene additionally will be liable should it take any actions that trigger recapture of taxes in respect of any foreign affiliate to the extent that prior losses claimed in relation to such affiliate by the BP U.S. Federal consolidated group were certified to only be deductible by the BP U.S. Federal consolidated group (i.e., dual consolidated losses). The U.S. Master Tax Agreement also deals with the ongoing relationship between Innovene and BP in relation to other U.S. tax matters, for example, in relation to tax compliance, and includes provisions which allow both parties to share tax assets, subject to appropriate compensation payments.

(4) Relationship with BP (continued)

Rest of the World Tax Agreement

Under the Rest of the World tax Agreement, BP has generally agreed to retain, and indemnify Innovene for, among other things, non-U.S. tax liabilities arising prior to April 1, 2005 including any income and other taxes measured by income which are incurred as a result of transferring assets to Innovene, and Innovene has generally agreed to assume, and indemnify BP for, among other things, non-U.S. tax liabilities arising on or after April 1, 2005. Any other separation-related non-U.S. tax liabilities generally will be paid by the party on which it has been assessed provided that all transfer taxes will be borne by Innovene. The Rest of the World Tax Agreement also deals with the ongoing relationship between Innovene and BP in relation to other non-U.S. tax matters, for example, in relation to tax compliance, and includes provisions which allow both parties to share tax assets, subject to appropriate compensation payments.

Net Transfers Upon and Post Legal Separation

Effective April 1, 2005, certain transactions occurred in accordance with the agreements between BP and Innovene. The results of these transactions have been recorded as adjustments to the parent company investment in Innovene. The result of these transactions was to increase the Parent Net Investment in Innovene by $589 million.

Additionally, a restructuring provision of $43 million related to the closure of the Pasadena site was retained by BP and reclassified to Parent Net Investment during the third quarter of 2005.

On the basis of the Local Transfer Agreements between Innovene and BP for each country in which Innovene has operations, the separate legal entities of Innovene acquired title to assets and operations from other entities of BP.

Income Taxes

On April 1, 2005, Innovene received its assets from BP in a taxable asset transaction; accordingly, Innovene will obtain a depreciable basis equal to the fair market value of the assets received from BP. The majority of non-U.S. asset transfers were taxable such that the depreciable assets are recorded at fair market value for tax purposes. Accordingly, the existing deferred tax asset and liability balances were reversed through Parent Net Investment and a deferred tax asset recorded, with an offsetting entry to equity, to the extent that the tax depreciable basis exceeded the depreciable net book value. The net effect of these transactions was to increase Parent Net Investment by $483 million.

In the U.S., pursuant to the terms of the U.S. Master Tax Agreement, Innovene will not be entitled to the benefits of the depreciation associated with this additional tax basis until Innovene is no longer included in the BP U.S. consolidated tax return. This will occur when BP's ownership in Innovene is less than 80%. As Innovene currently wholly-owned by BP no adjustment to the existing tax position was made as of April 1, 2005.

(4) Relationship with BP (continued)

Grangemouth assets and Geel Infrastructure

Certain of the asset transfers made in accordance with the Local Transfer Agreements resulted in BP transferring to Innovene certain assets and Innovene transferring to BP certain assets. Among those assets transferred to Innovene were certain logistic assets at the Grangemouth, UK site. Among the assets transferred by Innovene to BP were certain previously shared assets at the Grangemouth, UK site and the Geel, Belgium site. The net effect of these transfers was to decrease Parent Net Investment in Innovene by $25 million.

Pensions

In accordance with the Master Reorganization Agreement, BP agreed to retain the obligations for retirees related to Innovene's pension plans in Germany. The effect of this is to increase the Parent Net Investment by $262 million. Innovene has agreed to certain reimbursement arrangements with BP related to its U.S. post-retirement health care obligations and other unfunded arrangements related to the U.S. and France. The effect of this was to decrease Parent Net Investment by $52 million.

Other

Other Reorganization Agreements between BP and Innovene resulted in an increase in Parent Net Investment of $14 million. These primarily relate to BP agreeing to assume certain obligations previously recorded by Innovene's predecessor operations.

The tax affects of transactions other than tax related to the legal separation reduced Parent Net Investment by $93 million.

Commercial Interface Agreements

Innovene has entered into a series of commercial interface agreements with BP to maintain and enhance its existing relationships by establishing medium to long-term arrangements for services, utilities and infrastructure access rights in situations where Innovene or BP depend on each other or where reasonable alternatives do exist but it is nevertheless economical for Innovene and BP to continue pre-existing arrangements. Innovene has also established agreements for the sale and purchase of refining and petrochemical feedstocks and refined products in situations where Innovene or BP have an interest in establishing a secure source of feedstock supply or ensure the off-take of products, with the term of these agreements in part depending on the availability of third-party alternatives. In addition, Innovene has entered into various agreements for the provision by BP to Innovene of short-term transitional services, such as information technology infrastructure, which Innovene cannot readily replicate as a new company but which it expects to have the ability to provide in-house or outsource to a third party at the end of the initial term of these agreements.

Each of the major commercial interface agreements are briefly summarized below.

(4) Relationship with BP (continued)

Hydrocarbons Sale and Purchase Agreements

The Hydrocarbons Sale and Purchase Agreements govern the sale and purchase of petrochemical and refining feedstocks at or between sites where Innovene and BP have a continuing relationship with each other. Each of the agreements is in substantially the same form, with only minor jurisdiction and site-specific differences. Each agreement is a master agreement describing the general terms and conditions on which the relevant feedstocks are sold and purchased as between Innovene and BP. The commercial terms for each relevant petrochemical or refining feedstock are set out in a separate term sheet appended to the relevant agreement.

Supply and Trading Agreements

Innovene has entered into various Supply and Trading Agreements with BP under which BP will, for a limited period of time, provide Innovene with certain supply, trading and optimization services in areas in which Innovene currently has no, or limited, in-house capability. The agreements have been structured so as to enable Innovene to develop the necessary capabilities in-house by the end of the initial term of these agreements. The main agreements may be divided into Master Services Agreements and Sale and Purchase Agreements. Innovene has also entered into a series of Foreign Exchange and Precious Metals Agreements with BP for the provision of foreign exchange and interest rate services and services relating to the sale and/or lease of certain precious metals used as catalysts.

Inland Refined Products Sale and Purchase Agreements

Innovene has entered into Inland Refined Products Sale and Purchase Agreements with BP for the domestic sale of certain refined products. Innovene has entered into separate agreements for its Grangemouth, United Kingdom, and Lavéra, France, refineries. Under each agreement, BP has agreed to purchase all of the refined products Innovene sells into the relevant domestic market at market-based prices for the term of the respective agreements and related term sheets.

Framework Interface Agreements

Innovene has entered into various Framework Interface Agreements for the provision by Innovene to and vice-versa BP of services and utilities at certain shared sites and in some cases between our respective sites. These agreements range from short-term, transitional arrangements for services which Innovene will eventually establish on an in-house basis or will outsource to an alternative supplier to long-term arrangements in areas where Innovene and BP depend on each other.

Site Cooperation Agreements

Innovene has entered into various Site Cooperation Agreements with BP to establish rules and procedures to facilitate its operations at certain key sites that Innovene shares with BP. Innovene has agreements in place for its sites in Carson, California, Naperville, Illinois, Texas City, Texas, Whiting, Indiana, Geel, Belgium, and Grangemouth, United Kingdom.

(5) Other Income (Expense)

Other income (expense) consisted of the following:

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Gain (loss) from disposals of interest in ARG pipeline	25	(7)	—	—	—
Gain (loss) from foreign exchange revaluation net of gains (losses) from derivatives	20	49	78	21	3
Decrease (increase) in the fair value of the BP Solvay Ventures put liabilities	(128)	(168)	(105)	(9)	—
Accelerated interest on loan termination	—	—	—	—	(45)
Other	18	3	3	7	1
Total	(65)	(123)	(24)	19	(41)

(6) Inventories

Inventories consisted of the following:

	As of December 31,		As of September 30,
	2003	2004	2005
	($ in millions)		
Crude oil	251	323	530
Oil products	196	235	410
Petrochemicals products	792	1,061	1,002
Total inventories	1,239	1,619	1,942
Stores	154	127	167
	1,393	1,746	2,109

As disclosed in Note 3, Innovene values the majority of inventories in the United States using the LIFO method. At December 31, 2003 and 2004 and September 30, 2005, the excess of current cost over the stated LIFO value was $102 million, $228 million, and $227 million, respectively.

(7) Other Current Assets

Prepayments and other current assets are summarized as follows:

	As of December 31,		As of September 30,
	2003	2004	2005
	($ in millions)		
Prepayments and other accrued income	73	77	114
Taxes and duties	83	98	196
Derivative instruments	204	155	—
Other	124	337	118
Total	484	667	428

(8) Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows:

	As of December 31,	
	2003	2004
	($ in millions)	
Land	106	115
Buildings	415	472
Machinery and equipment	11,466	12,054
Construction in progress	403	493
Total	12,390	13,134
Less accumulated depreciation	(5,218)	(5,877)
Net	7,172	7,257

Depreciation expense from continuing operations for the years ended December 31, 2002, 2003, and 2004 was $406 million, $492 million, and $527 million, respectively.

(9) Consolidation of Variable Interest Entities

Innovene adopted FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, which addresses the consolidation of variable interest entities ("VIEs"). Under FIN 46, arrangements that are not controlled through voting or similar rights are accounted for as VIEs. An enterprise is required to consolidate a VIE if it is the primary beneficiary of the VIE.

Under FIN 46, a VIE is created when (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or (ii) equity holders either (a) lack direct or indirect ability to make decisions about the entity through voting or similar rights, (b) are not obligated to absorb expected losses of the entity or (c) do not have the right to receive expected residual returns of the entity if they occur. If an entity is deemed

(9) Consolidation of Variable Interest Entities (continued)

to be a VIE, pursuant to FIN 46, an enterprise that absorbs a majority of the expected losses or residual returns of the VIE is considered the primary beneficiary and must consolidate the VIE.

Innovene's analysis of its arrangements identified BP Solvay North America and BP Solvay Europe as VIEs. This determination primarily was based on a put instrument held by Innovene's venture partner allowing the partner to put its interest in the BP Solvay Ventures to Innovene at specified dates and at specified prices. The pricing of the put arrangement effectively resulted in the obligation by Innovene to absorb losses of the BP Solvay Ventures. Innovene further determined that it was the primary beneficiary as a result of its obligations under the put instrument.

The BP Solvay Ventures were formed for the purpose of manufacturing and selling high density polyethylene in Europe and North America. Innovene held a 50% voting interest in BP Solvay Europe entities and a 49% interest in the BP Solvay North America entity.

Innovene retroactively applied the provisions of FIN 46 upon its adoption of the Interpretation from inception of the BP Solvay Ventures. As a result the assets, liabilities and non-controlling interests have been consolidated in Innovene's combined financial statements from November, 2001. The noncontrolling interests have been included as minority interest in the combined Balance Sheets. Charges in the fair value of the BP Solvay Ventures put liabilities from the date of initial consolidation to exercise of the put have been recognized as Other income (expense) in the Combined Statement of Operations.

On November 2, 2004, Innovene's former venture partner in the BP Solvay Ventures exercised its option to sell its interests in the two joint ventures to Innovene at the previously determined and established prices based on the terms of the put instrument. On completion, the two ventures, which manufacture and market high-density polyethylene, became wholly-owned subsidiaries of BP.

(10) Discontinued Operations

During 2004, Innovene's management conducted a strategic review of its business portfolio. This review culminated in a decision to dispose of the butanediol ("BDO") operations based in Lima, Ohio, primarily as a result of its continuing operating losses. As a result of this commitment, Innovene recorded a charge of $148 million to record the BDO asset group at fair value less cost to sell. For reporting purposes, the results of operations related to BDO, including the 2004 impairment charge, are classified as discontinued operations for all periods presented. In the first quarter of 2005, Innovene signed a definitive sales agreement and closed the sale. There was no gain or loss on disposal following the impairment charge recorded in 2004.

(10) Discontinued Operations (continued)

The major classes of assets and liabilities of discontinued operations included in the Combined Balance Sheets are summarized as follows:

	As of December 31,	
	2003	2004
	($ in millions)	
Current assets	34	15
Non-current assets	144	—
Total assets of discontinued operations	178	15
Current liabilities	(6)	(10)
Non-current liabilities	(34)	—
Total liabilities of discontinued operations	(40)	(10)

(11) Goodwill and Other Intangible Assets

Goodwill

Upon adoption of FASB Statement No. 142 on January 1, 2002, Innovene ceased to amortize goodwill.

Innovene's goodwill balance relates solely to the Olefins and Polymers Europe segment.

The following table summarizes the changes in Innovene's goodwill balance during 2003 and 2004:

	($ in millions)
Balance at January 1, 2003	26
Effect of exchange rate on translation	5
Balance at December 31, 2003	31
Effect of exchange rate on translation	3
Balance at December 31, 2004	34

(11) Goodwill and Other Intangible Assets (continued)

Other Intangible Assets

Innovene does not have any indefinite-lived Other Intangible Assets. The gross carrying amounts and accumulated amortization in total and by major class of other intangible assets are as follows:

	As of December 31, 2003		
	Gross	Accumulated Amortization	Net
		($ in millions)	
Intangible assets subject to amortization (definite-lived):			
Pension—unamortized prior service costs	32	—	32
Capitalized software development costs	78	(13)	65
Favorable contracts (customer lists, distribution logistics)	194	(16)	178
Technology	25	(3)	22
Other	33	(24)	9
	362	(56)	306

	As of December 31, 2004		
	Gross	Accumulated Amortization	Net
		($ in millions)	
Intangible assets subject to amortization (definite-lived):			
Pension—unamortized prior service costs	32	—	32
Capitalized software development costs	90	(18)	72
Favorable contracts	194	(23)	171
Technology	25	(5)	20
Other	37	(27)	10
	378	(73)	305

Amortization expense from continuing operations for the years ended December 31, 2002, 2003, and 2004 was $17 million, $25 million, and $18 million, respectively.

Estimated future amortization expense for intangible assets through December 31, 2009 is $16 million annually.

(12) Other Current Liabilities

Other current liabilities consist of the following:

	As of December 31, 2003	As of December 31, 2004	As of 30 September 2005
	($ in millions)		
Deferred income	8	6	4
Restructuring	84	97	33
Taxes and duties	3	31	25
Short term debt held in affiliate	—	82	—
Other	101	136	43
Total	196	352	105

Short term debt was held from December 27, 2004 and repaid on January 3, 2005.

(13) Debt

Long-term debt

The combined balance sheets include long-term loans of $1,585 million and $1,729 million at December 31, 2003 and 2004, respectively, for borrowings secured by certain of the Olefins & Polymers Europe assets located at the Grangemouth site in the United Kingdom.

The borrowings had terms of between 20 and 30 years and would have matured between 2018 to 2022. The average rate of interest for these loans was 3.14%, 3.16% and 3.58% for the years ended December 31, 2002, 2003 and 2004, respectively. The related interest charges total $37 million, $45 million and $58 million for the years ended December 31, 2002, 2003 and 2004, respectively.

According to the terms of the long term loans, Innovene was required to pledge assets to secure a portion of the outstanding loan balance. In accordance with the loan terms, the net book value of the assets securing these loans was $643 million and $652 million at December 31, 2003 and 2004, respectively.

Short term debt

In anticipation of the separation of Innovene from BP, the long-term debt was repaid in full by Innovene on March 22, 2005 for $1,755 million. This funding was replaced with a $1,700 million short-term interest-bearing loan from the Parent, with an interest rate of LIBOR plus five basis points. The termination payment on the debt exceeded the book value resulting in a loss being recognised on extinguishment of the debt of $45 million which is included in Other income (expense) in the Combined Statements of Operations.

(14) Other Non-current Liabilities

Other non-current liabilities consist of the following:

	As of December 31,	
	2003	2004
	($ in millions)	
Pension and other post-employment benefits	443	528
Deferred income	14	10
Other	24	15
Total	481	553

(15) Impairments and Restructuring Charges

Restructuring activities represent the integration of acquisitions into the business, divestment activities, as well as ongoing cost rationalization programs at manufacturing sites and other locations.

As of December 31, 2003, Innovene had reserves for severance related cost and site exit and other costs of $51 million and $33 million, respectively. During the year ended December 31, 2004, Innovene recorded additional charges of $345 million, including $280 million of charges for asset impairment and write downs, and $65 million of costs for workforce reductions, demolition and decommissioning and other restructuring costs. For the purposes of measuring impairment charges, the fair value of the assets was largely determined by using the present value of expected cash flows or

(15) Impairments and Restructuring Charges (continued)

expected sales proceeds, depending on the circumstances. During the 2004 period, Innovene made cash payments against reserves of $56 million.

	Write-down of assets	Severance-related costs	Site exit and other costs	Total
		($ in millions)		
Accrued liabilities as of January 1, 2002	—	64	64	128
Charges during the period	32	32	29	93
Payments during the period	—	(39)	(32)	(71)
Asset write offs	(32)	—	—	(32)
Exchange rate movements	—	3	2	5
Accrued liabilities as of December 31, 2002	—	60	63	123
Charges during the period	36	26	10	72
Payments during the period	—	(42)	(47)	(89)
Asset write offs	(36)	—	—	(36)
Exchange rate movements	—	7	7	14
Accrued liabilities as of December 31, 2003	—	51	33	84
Charges during the period	280	19	46	345
Payments during the period	—	(33)	(23)	(56)
Asset write offs	(280)	—	—	(280)
Exchange rate movements	—	3	1	4
Accrued liabilities as of December 31, 2004	—	40	57	97
Charges during the period	15	21	—	36
Payments during the period	—	(21)	(7)	(28)
Asset write offs	(15)	—	—	(15)
Transfer to parent net investment	—	(14)	(43)	(57)
Accrued liabilities as of September 30, 2005 (unaudited)	—	26	7	33

(15) Impairments and Restructuring Charges (continued)

Restructuring accruals by reportable segments are summarized as follows:

	Olefins and Polymers		Global Derivatives	Refining	Corporate and Other	Total
	Europe	North America				
	($ in millions)					
Accrued liabilities as of January 1, 2002	101	8	16	—	3	128
Charges during the period	32	20	1	12	28	93
Payments during the period	(45)	(6)	(4)	—	(16)	(71)
Asset write offs	—	(20)	—	(12)	—	(32)
Exchange rate movements	5	—	—	—	—	5
Accrued liabilities as of December 31, 2002	93	2	13	—	15	123
Charges during the period	26	—	4	41	1	72
Payments during the period	(67)	—	(4)	(5)	(13)	(89)
Asset write offs	—	—	—	(36)	—	(36)
Exchange rate movements	12	—	1	—	1	14
Accrued liabilities as of December 31, 2003	64	2	14	—	4	84
Charges during the period	83	—	228	7	27	345
Payments during the period	(39)	(2)	(5)	(7)	(3)	(56)
Asset write offs	(76)	—	(185)	—	(19)	(280)
Exchange rate movements	3	—	1	—	—	4
Accrued liabilities as of December 31, 2004	35	—	53	—	9	97
Charges during the period	—	15	—	—	21	36
Payments during the period	(6)	—	(6)	—	(16)	(28)
Asset write offs	—	(15)	—	—	—	(15)
Transfer to parent net investment	—	—	(43)	—	(14)	(57)
Accrued liabilities as of September 30, 2005 (unaudited)	29	—	4	—	—	33

Nine months to September, 30 2005 Segmental Restructuring Activity and Impairments

As of December 31, 2004, the Olefins and Polymers Europe segment reserve consisted of $35 million related to the restructuring activities at the Grangemouth, UK site (as announced in 2003), the restructuring activities at the Lavéra, France site (as announced in 2000 and 2002), the restructuring activities at the Geel, Belgium site (as announced in 2000 and 2003) and the integration of the BP Solvay entities. During the nine months ended September 30, 2005, the segment made cash payments of $6 million.

(15) Impairments and Restructuring Charges (continued)

During the nine months ended September 30, 2005, the Olefin and Polymers North America segment recorded a $15 million asset impairment following a fire at the Chocolate Bayou, US site,

As of December 31, 2004, the Corporate and Other segment reserve consisted of $9 million related to the restructuring of the global Research & Technology support function and facilities and liabilities in respect of workforce reduction across the global operations. During the nine months ended September 30, 2005, the segment recorded additional restructuring charges of $21 million in respect of further global workforce reductions. Cash payments were $16 million in the nine months ended September 30, 2005. The reserve balance as of April 1, 2005 was retained by BP and the $14 million was reclassified to Parent net investment.

As of December 31, 2004, the Global Derivatives segment reserve consisted of $53 million, related to the closure of the Pasadena, North America site (as announced in 2004) and the restructuring activities at the Feluy, Belgium site (as announced in 2001). Cash payments were $6 million in the nine months ended September 30, 2005. The remaining provision for the restructuring at Pasadena ($43 million) is retained by BP and is reclassified to parent net investment.

2004 Segmental Restructuring Activity and Impairments

As of December 31, 2003, the Olefins and Polymers Europe segment reserve consisted of $64 million related to the restructuring activities at the Grangemouth, UK site (as announced in 2003), the restructuring activities at the Lavéra, France site (as announced in 2000 and 2002), the restructuring activities at the Geel, Belgium site (as announced in 2000 and 2003) and the integration of the BP Solvay entities. During the year ended December 31, 2004, the segment recorded additional charges of $83 million consisting of assets impairments at the Grangemouth site ($69 million) and within the Solvay JV, Belgium ($7 million) and $7 million of other charges and made cash payments of $39 million. As of December 31, 2004 the balance of the Olefins and Polymers Europe segment reserve totaled $35 million.

As of December 31, 2003, the Global Derivatives segment reserve consisted of $14 million related to the restructuring activities at the sites in Feluy, Belgium (as announced in 2001), Texas City, North America (as announced in 2001), and Whiting, North America (as announced in 2001). During the year ended December 31, 2004, the segment recorded additional charges of $228 million consisting of $185 million of asset impairment and $43 million of other charges and made cash payments of $5 million. The charges followed Innovene's decision to exit the Pasadena, North America site (as announced in December 2004). As of December 31, 2004 the balance of the Global Derivatives segment reserve totaled $53 million.

During the year ended December 31, 2004, the Refining segment recorded restructuring charges and made cash payments of $7 million relating to the Grangemouth, UK site.

As of December 31, 2003, the Corporate and Other segment reserve consisted of $4 million related to the restructuring of the global Research & Technology support function and facilities. During the year ended December 31, 2004, the segment recorded additional charges of $27 million consisting of $19 million of asset impairment and $8 million of other charges and made cash payments of $3 million. The asset impairment in the Licencing business relates to the decision to exit the butanediol

(15) Impairments and Restructuring Charges (continued)

("BDO") business (see Note 10). The charges are in respect of workforce reductions across the global operation. Further workforce reductions resulted in additional restructuring charges of approximately $21 million in 2005. As of December 31, 2004 the balance of the Corporate and Other segment reserve totaled $9 million.

2003 Segmental Restructuring Activities and Impairments

During the year ended December 31, 2003, the Olefins and Polymers Europe and Refining segments announced a joint transformation program at the Grangemouth, UK site. Restructuring charges of $20 million were recorded for estimated workforce reductions of 190 employees.

During the year ended December 31, 2003, the Refining segment recorded $36 million of asset impairment in respect of units at the Grangemouth, UK site.

During the year ended December 31, 2003, the Olefins and Polymers Europe segment recorded $11 million of charges in respect of the restructuring of the Solvay, UK and Geel, Belgium sites.

2002 Segmental Restructuring Activities and Impairments

During the year ended December 31, 2002, the Olefins and Polymers Europe segment recorded $38 million of charges in respect of the integration of the BP Solvay entities ($28 million, announced 2001), the cessation of Ethylene Oxide-based Glycol Ether manufacturing at the Lavéra site ($8 million, fourth quarter of 2002) and the anticipated final costs associated with the closure of a sales and administrative office in Geneva, Switzerland ($2 million, announced 2000). The net charge included the reversal of a $6 million historical provision relating to the Grangemouth, UK site (announced in 2000).

During the year ended December 31, 2002, the Olefins and Polymers North America segment recorded a $20 million asset impairment following the decision to close a polypropylene production line at the Chocolate Bayou, North America site in the first quarter of 2002.

During the year ended December 31, 2002, the Refining segment recorded a $12 million asset impairment in respect of a redundant pipeline at the Grangemouth, UK site.

During the year ended December 31, 2002, the Corporate and Other segment recorded $28 million of charges in respect of the restructuring of the global Research & Technology support function and facilities ($21 million, announced second quarter of 2002), the refit of an administrative office at Naperville, North America ($3 million) and sundry functional transformation projects.

(16) Employee Benefit Plans

BP Pension and Other Post-employment Benefit Plans (Group Plans)

A number of Innovene's employees in the United States, the United Kingdom, Canada and Belgium participate in BP pension and other post-employment benefit plans (the Group Plans). BP pension plans typically provide pension payments that depend on an employee's length of service and earnings at, or near, retirement or have a "cash balance" design. Such plans are funded by the

(16) Employee Benefit Plans (continued)

employer, and in certain countries employee contributions to external funds, with contributions and costs being determined after receiving advice from independent actuaries.

BP also provides post-retirement healthcare benefits and post-retirement life insurance that reimburse healthcare costs for retirees and dependants, or pay a lump sum to a beneficiary's spouse upon death. Entitlement to these benefits is generally based on an employee's service at retirement. The cost of providing post-retirement healthcare benefits and post-retirement life insurance is assessed annually by independent actuaries.

BP determines pension and post-employment benefit cost for its Group Plans on a consolidated basis and therefore accurate information relating to Innovene's assets and obligations cannot be determined with any certainty prior to April 1, 2005. For the years ended December 31, 2002, 2003 and 2004 and the three months ended March 31, 2005 the Statements of Operations include an allocation to Innovene of the benefit costs of the Group Plans. The costs for retirees and former employees of the BP Group Plans were allocated based on Innovene's active employee population from each of the periods presented.

In relation to Innovene's participation in the Group Plans, Innovene recorded pension and other post-employment benefit amounts for the three years ended December 31, 2004 as follows:

	For the year ended December 31,		
	2002	2003	2004
	($ in millions)		
Pension expense/(credit)	(25)	(23)	32
Other post-employment benefits	17	22	23
Total expense/(credit)	(8)	(1)	55

Prior to January 1, 2004, a net pension credit is reported due to the combined effect of the unrecognized actuarial gain and unrecognized transitional gain being amortized through the pension expense. The transitional obligation was fully amortized by December 31, 2003 and the actuarial gain recorded in prior years has reversed to become an actuarial loss for the year ended December 31, 2004.

The pension and other post-employment benefit amounts recognized in future periods could be materially different from these amounts, principally because pension and other post-employment obligations relating to retired and terminated vested Group Plan employees prior to April 1, 2005 remained the responsibility of BP, and Innovene has generally continued to participate in the Group Plans from April 1, 2005 under the terms of the Master Reorganization Agreement. From April 1, 2005 and until BP's shareholding in Innovene falls below 50% (80% in the US) Innovene will pay to BP the International Financial Reporting Standards ("IFRS") Service Cost for Innovene employees who continue to participate in the BP Group funded plans and reimburse BP for benefits paid to Innovene employees who continue to participate in the BP Group unfunded arrangements and who reach eligibility after March 31, 2005.

(16) Employee Benefit Plans (continued)

BP's U.S. tax-qualified pension plan has a design that is based in part upon a "cash balance" formula. It should be noted that in 2003, a Federal district court in Illinois ruled that the benefit formula used in International Business Machines Corporation's (IBM) cash balance pension plan violated the age discrimination provisions of ERISA and that IBM must make back payments to workers covered under the plan. The IBM decision conflicts with decisions of at least three other district courts, including most recently a June 2004 decision of the Federal district court in Maryland. Proposed regulations validating the cash balance design have been withdrawn by the Treasury Department while Congress considers legislative action to clarify the legal status of cash balance plans under age discrimination rules. At this time, it is unclear what effect, if any, these decisions or Congressional or regulatory action may have on BP's tax-qualified pension plan.

Innovene Pension and Other Post-employment Benefit Plans

Innovene sponsors pension and other post-employment benefit plans for certain of its employees in the U.S., France and Germany. The pension plans provide payments to eligible employees upon retirement. Pension benefits for employees are generally based on an employee's length of service, and in the case of France, earnings at or near retirement. Other post-employment benefits are in the form of lump sum benefits that depend on an employee's length of service and earnings at, or near retirement, and post-employment healthcare benefits that reimburse healthcare costs for retirees and dependants. The BP Solvay North America Pension Plan is funded by Innovene. Contributions to external funds are determined after receiving advice from independent actuaries. The other pension and other post-employment benefit plans are unfunded in line with local practice.

The cost of providing pension and other post-employment benefits is assessed annually by independent actuaries.

Pension plan assets for funded arrangements are generally held in trusts. The primary objective of the trusts is to accumulate pools of assets sufficient to meet the obligations of the various plans. The assets of the trusts are invested in a manner consistent with fiduciary obligations and principles that reflect current practices in portfolio management.

A significant proportion of the assets are held in equities owing to a higher expected level of return over the long term with an acceptable level of risk. In order to provide a reasonable assurance that no single security or type of security has an unwarranted impact on the total portfolio, the investment portfolios are diversified.

The asset allocation for the major funded Innovene pension plan (BP Solvay North America) at December 31, 2002, 2003 and 2004 was as follows:

Asset category	2002	2003	2004
Equities	66%	66%	67%
Bonds	34%	34%	33%

Return on asset assumptions reflect Innovene's expectations built up by asset class. Innovene's expectation is derived from a combination of historical returns over the long term and forecasts of market professionals.

(16) Employee Benefit Plans (continued)

Plan Obligations, Assets and Funded Status at December 31:

	Pension Benefits			Other Post-employment Benefits		
Change in benefit	**2002**	**2003**	**2004**	**2002**	**2003**	**2004**
	($ in millions)					
Benefit obligation at beginning of year	222	324	443	17	21	21
Service cost	5	15	18	1	1	1
Interest cost	14	20	24	1	1	1
Benefits paid	(15)	(24)	(29)	—	—	—
Plan amendments	19	—	7	—	—	—
Curtailments	—	31	4	—	—	—
Actuarial loss (gain)	34	8	35	1	(3)	1
Foreign currency exchange rate changes	45	69	42	1	1	1
Benefit obligation at end of year	324	443	544	21	21	25

	Pension Benefits			Other Post-employment Benefits		
Change in plan assets	**2002**	**2003**	**2004**	**2002**	**2003**	**2004**
	($ in millions)					
Fair value of plan assets at beginning of year	1	4	4	—	—	—
Employer contributions	18	24	33	—	—	—
Plan participants' contributions	—	—	—	—	—	—
Benefits paid	(15)	(24)	(29)	—	—	—
Fair value of plan assets at end of year	4	4	8	—	—	—
Funded status at end of year	(320)	(439)	(536)	(21)	(21)	(25)
Unrecognized prior service cost	36	41	50	—	—	(1)
Unrecognized net actuarial loss	40	56	94	5	2	5
Net amount recognized	(244)	(342)	(392)	(16)	(19)	(21)

Amounts recognized in the Combined Financial Statements at December 31:

	Pension Benefits			Other Post-employment Benefits		
	2002	**2003**	**2004**	**2002**	**2003**	**2004**
	($ in millions)					
(Accrued) benefit cost	(305)	(424)	(507)	(16)	(19)	(21)
Intangible assets	29	32	32	—	—	—
Accumulated other comprehensive income	32	50	83	—	—	—
Net amount recognized	(244)	(342)	(392)	(16)	(19)	(21)

(16) Employee Benefit Plans (continued)

The Accumulated Benefit Obligation for defined benefit pension plans was $297 million, $414 million and $505 million respectively as of December 31, 2002, 2003 and 2004, respectively.

Components of net periodic benefit cost:

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Pension benefits:					
Service cost	5	15	18	14	17
Interest cost	14	20	24	18	13
Amortization of prior service cost	1	2	2	1	1
Amortization of net loss (gain)	(1)	3	3	2	3
Curtailments	—	31	4	—	—
Net periodic benefit cost for pension benefits	19	71	51	35	34
Other Post-employment benefits:					
Service cost	1	1	1	—	2
Interest cost	1	1	1	1	2
Amortization of prior service cost	—	—	—	—	—
Amortization of net loss (gain)	—	—	—	—	—
Curtailments	—	—	—	—	—
Net periodic benefit cost for other post-employment benefits	2	2	2	1	4
Total net periodic benefit cost	21	73	53	36	38

Pension plan contributions paid during the nine months ended September 30, 2004 and September 30, 2005 were $23 million and $13 million respectively. Expected contributions for the year ending December 31, 2005 are $15 million. Expected other post-employment benefit contributions for the year ending December 31, 2005 are $0.

Additional information:

	Pension Benefits		
	2002	2003	2004
	($ in millions)		
Increase in minimum liability included in other comprehensive income	24	18	33

(16) Employee Benefit Plans (continued)

Weighted average assumptions used to determine benefit obligations at December 31:

	Pension Benefits			Other Post-employment Benefits		
	2002	2003	2004	2002	2003	2004
Discount rate	5.79%	5.53%	5.04%	6.32%	5.98%	5.50%
Rate of compensation increase	4.01%	4.00%	4.00%	4.14%	4.00%	4.00%
Healthcare cost trend rate	—	—	—	7.02%–4.15%(1)	5.89%–3.98%(1)	6.02%–4.01%(1)

(1) Reduction in average assumed healthcare trend rate occurs in period until 2009.

Weighted average assumptions used to determine net periodic benefit cost for years ended December 31:

	Pension Benefits			Other Post-employment Benefits		
	2002	2003	2004	2002	2003	2004
Discount rate	6.12%	5.79%	5.53%	6.68%	6.32%	5.98%
Expected long-term return on plan assets	5.75%	8.11%	7.98%	n/a	n/a	n/a
Rate of compensation increase	3.21%	4.01%	4.00%	3.78%	4.14%	4.00%
Healthcare cost trend rate	—	—	—	6.60%–3.72%(1)	7.02%–4.15%(1)	5.89%–3.98%(1)

(1) Reduction in average assumed healthcare trend rate occurs in period until 2009.

A one percentage point change in the assumed healthcare cost trend rate would have the following effect:

	One percentage point increase	One percentage point decrease
	($ in millions)	
Effect on service and interest cost in 2004	1	(1)
Effect on postretirement benefit obligation at December 31, 2004	4	(4)

Actuarial gains and losses are amortized on a straight-line basis over current employees' average remaining service lives.

The following benefit payments, which reflect expected future service, as appropriate, are anticipated to be paid:

	Benefits Pension	Other Post-employment Benefits
	($ in millions)	
2005	15	—
2006	10	—
2007	11	—
2008	14	—
2009	17	—
2010–2014	98	2

(16) Employee Benefit Plans (continued)

The pension and other post-employment benefit amounts recognized in future periods could be materially different from these amounts, principally because pension obligations relating to retired and terminated vested German employees prior to April 1, 2005, remained the responsibility of BP under the terms of the Master Reorganization Agreement.

Defined Contribution Plans

Innovene contributed to defined contribution pension plans for the three years ended December 31, 2004 as follows:

	For the year ended December 31,		
	2002	2003	2004
	($ in millions)		
Defined contribution pension expense	10	10	10

(17) Stock-based Compensation

During the years ended December 31, 2002, 2003, and 2004, a number of Innovene employees participated in BP sponsored long term incentive plans. Under the plans, employees received various stock-based compensation awards, including stock options, restricted stock, stock opportunity grants and performance units.

Under these plans, BP offered most of its employees the opportunity to acquire a shareholding in BP through savings-related and/or matching share plan arrangements. BP also used long-term performance plans and the granting of share options as elements of remuneration for executive directors and senior employees.

BP Share Option and Share Save Plans

Share options were granted under the BP Share Option Plan to certain categories of employees. Subject to certain vesting requirements, the options are exercisable between the third and 10th anniversaries of the date of grant. There are no performance conditions attaching to the options granted during the year.

Under the BP ShareSave Plan (a savings-related share option plan), employees save on a monthly basis over a three- or five-year period towards the purchase of shares at a price fixed when the option is granted. The option must be exercised within six months of maturity of the savings contract; otherwise it lapses. The plan is run in the UK and a small number of other countries.

No compensation expense is recognized by Innovene for the BP ShareSave Plan or in respect of share options granted to employees under the BP Share Option Plan. Innovene has made pro forma disclosure in Note 3 of the impact on the results of operations had compensation costs attributable to awards granted to employees of Innovene been determined using the fair value-based accounting method in accordance with FASB Statement No. 123, as amended.

(17) Stock-based Compensation (continued)

BP ShareMatch Plan

Under the BP ShareMatch Plan, BP matches employees' own contributions of shares, up to a predetermined limit. The shares are then held in trust for a defined minimum period. The plan is run in the UK and in over 70 other countries.

Long-term Performance Plans

During 2004, BP operated two long-term performance plans: the Executive Directors' Incentive Plan (EDIP) for executive directors and the Long Term Performance Plan (LTPP) for senior employees. Executive directors participated in the LTPP prior to 2002 or to their appointment as an executive director, whichever was the later. Both plans are incentive schemes under which Innovene may award shares to participants or fund the purchase of shares for participants if long-term targets are met. Awards were made in 2004 in respect of the 2001-2003 LTPP.

The costs of potential future awards for both the EDIP and LTPP are accrued over the three-year performance periods of each plan and have been allocated to the Innovene statement of operations based on Innovene senior executive headcount.

Employee Share Ownership Plans (ESOPs) have been established to acquire BP shares to satisfy any awards made to participants under the EDIP and LTPP and then to hold them for the participants during the retention period of the plan. BP provides funding to the ESOPs.

BP's own shares held by the ESOP have not been included in the Innovene balance sheet.

(18) Income Taxes

Current and deferred income tax expense (benefit) consisted of the following:

	For the year ended December 31,		
	2002	2003	2004
	($ in millions)		
Income tax expense			
Federal and state			
Current	—	—	—
Deferred	—	—	(87)
Foreign			
Current	40	41	152
Deferred	78	49	63
Income tax expense from continuing operations	118	90	128

(18) Income Taxes (continued)

Income before income taxes consists of the following:

	For the year ended December 31,		
	2002	2003	2004
	($ in millions)		
Continuing operations			
Domestic	(48)	(51)	(312)
Foreign	—	(74)	307
Net income (loss) from continuing operations	(48)	(125)	(5)
Discontinued operations			
Domestic	(29)	(25)	(180)
Foreign	—	—	—
Net income (loss) from discontinued operations	(29)	(25)	(180)
	(77)	(150)	(185)

Income taxes reflected in owner's equity are as follows:

	For the year ended December 31,		
	2002	2003	2004
	($ in millions)		
AOCI—minimum pension liability	(9)	(8)	(14)

Deferred income taxes result from temporary differences between the financial and tax bases of Innovene's assets and liabilities.

(18) Income Taxes (continued)

The tax effect of temporary differences giving rise to the significant components of deferred tax assets and liabilities is as follows:

	As of December 31,	
	2003	2004
	($ in millions)	
Deferred tax assets:		
Net operating losses		
Foreign	80	70
Domestic	101	169
Restructuring reserves	4	12
Other reserves	33	30
Employee benefit plans	149	190
Research and development	10	17
Other	1	8
Total deferred tax assets	378	496
Valuation allowance	(66)	(134)
Net deferred tax assets	312	362
Deferred tax liabilities:		
Financial instruments	(61)	(47)
Property	(866)	(908)
Other reserves	(39)	(45)
Other	(20)	(2)
Total deferred tax liabilities	(986)	(1,002)
Net deferred tax liabilities	(674)	(640)
Reported as:		
Deferred tax assets—non-current	167	106
Deferred tax liabilities—current	(61)	(47)
Deferred tax liabilities—non-current	(746)	(699)
Discontinued operations		
Deferred tax liabilities—non-current	(34)	—
	(674)	(640)

As more fully described in Note 3, Summary of Significant Accounting Policies, Income Taxes, Innovene assesses the realizability of deferred tax assets by consideration of the potential for future taxable income in the jurisdiction to which the deferred tax asset relates. Deferred tax assets in respect of operating loss carryforwards and tax credits arising in periods before those covered by these financial statements have been reduced by valuation allowances. To the extent that deferred tax expense is recognized in respect of current period increases in deferred tax liabilities during the same period in which losses are incurred, a current tax benefit is recognized to the extent of the increase in deferred

(18) Income Taxes (continued)

tax liabilities. Any excess amounts were assessed against the ability to realize these tax benefits in the future. As a result, Innovene has provided valuation allowances to the extent that it was not likely to be realized in the future.

Innovene's actual tax charge from continuing activity differs as follows from the expected tax charge calculated at a statutory federal income tax rate of 35% for the following periods:

	For the year ended December 31,		
	2002	2003	2004
	($ in millions)		
Expected tax charge/(benefit) at statutory tax rate	(17)	(44)	(2)
State income tax	(2)	(2)	(15)
Change in valuation allowances	17	30	53
Foreign tax rate differential	15	10	3
Change in fair value of Solvay put liabilities and losses	54	77	53
Charitable contribution	—	(11)	—
Foreign currency transactions	34	47	37
Income tax rate changes	—	(7)	(6)
Other	17	(10)	5
Actual income tax charge	118	90	128

As at September 30, 2005, Innovene had loss carryforwards in respect of its businesses in Sweden and the United States. The losses in respect of the business in Sweden are available for carryforward without limit of time. Those losses relating to the Unites States business arose in the period ended September 30, 2005 and will, if unutilized by then, expire in 2025. Differences between the effective and statutory tax rates arise due principally to the effects of management's assessment of the realizability of tax loss carryforwards, Innovene's inability to determine its deferred tax asset balances in respect of operating and tax loss carryforwards for periods before those covered by these financial statements, the inability to offset carryforwards from one jurisdiction against income arising in other jurisdictions on a separate return basis, the non-deductibility of losses associated with the accounting for the Solvay put liabilities, foreign exchange rate losses on the long term debt, and higher rates and currency-related items in foreign jurisdictions.

For the periods 2002, 2003, and 2004 Innovene has followed its parent's policy to permanently reinvest the earnings of its non-US operations. Innovene intends to partially reinvest the earnings of its non-U.S. subsidiaries after deduction of non-U.S. income taxes, to maintain and enhance its international operations. New non-U.S. investments will generally be held from the U.S. Because non-U.S. income taxes are, on average, equal to or higher than the comparable U.S. rates, and in accordance with the U.S. foreign tax credit assumptions described in Note 3, no provision has been made for U.S. income taxes that might be payable upon repatriation of such earnings.

(19) Commitments and Contingencies

Operating Leases

Innovene is obligated under operating leases with remaining non-cancelable terms of one year or more for property, office equipment, rail cars, storage facilities and automobiles. Rental expense for these operating leases for the years ended December 31, 2002, 2003, and 2004 was $37 million, $68 million, and $89 million, respectively.

At December 31, 2004, future payments under under non-cancelable operating leases with a remaining term greater than one-year are as follows over each of the next five years and thereafter:

	Operating Leases ($ in millions)
2005	73
2006	49
2007	40
2008	39
2009	42
Thereafter	304
Total minimum lease payments	547
Less executory costs	(9)
Less sub-lease receivables	(6)
Total maximum contract payments	532

Environmental Matters

As at December 31, 2004, Innovene had accrued $17 million which relates to environmental liability provisions for various sites.

Innovene is subject to numerous national and local environmental laws and regulations concerning its products, operations and other activities.

These laws and regulations may require Innovene to take future action to remediate the effects on the environment of prior disposal or release of chemicals or other substances by Innovene or other parties. The ultimate requirement for remediation and its cost are inherently difficult to estimate. However, the estimated cost of known environmental obligations has been accrued in accordance with Innovene's accounting policies. While the amounts of future costs could be significant to Innovene's results of operations in the period in which they are recognized, Innovene does not expect these costs to have a material effect on Innovene's financial position or liquidity.

During 2005, Innovene was cited by the US Environmental Protection Agency (EPA No. 05-OPA178) in respect of preliminary findings which allege clean-air violations at Innovene's chemical plant at Lima, Ohio. As part of this citation, the EPA alleges that Innovene failed to comply with federal leak detection and repair requirements at its plant. Whilst no penalty has been issued at this stage, the EPA may issue a compliance order, assess an administrative penalty or bring suit against Innovene. Innovene continues to exchange information with the EPA to seek resolution of this issue.

(19) Commitments and Contingencies (continued)

Tax Matters

As part of the separation from BP, Innovene will incur liability for stamp duty in various countries related to the transfer of assets from BP to Innovene. In the United Kingdom, liability for stamp duty land tax will be chargeable to Innovene when BP's interest in the assets transferred falls below 75%. This potential future liability for stamp duty land tax in the United Kingdom and other stamp duties is estimated to be approximately $100 million to $150 million.

Committed Capital Expenditures

Externally committed and internally authorized future capital expenditure by Innovene as at December 31, 2004 amounted to $149 million.

(20) Subsequent Events

In May 2005, Innovene signed the previously announced transaction with NOVA Chemicals Corporation to combine their European polystyrene and expandable polystyrene ("EPS") businesses into a joint venture named NOVA Innovene. In accordance with the terms of the agreement, on October 1, 2005, Innovene contributed its polystyrene and EPS assets at Marl, Germany and Trelleborg, Sweden while NOVA contributed four polystyrene and EPS plants located in France, the Netherlands and the United Kingdom. Each party received a 50% equity interest in NOVA Innovene as consideration in the exchange. In addition, Innovene has entered into an agreement which provides for put and call options for the purchase by Innovene, and transfer to NOVA Innovene, of BP's polystyrene and EPS assets and liabilities at Wingles in the first quarter of 2007. On the exercise of either a put or call option, the consideration for the transfer is the fair market value of such assets and liabilities at the time of any transfer.

On October 7, 2005, BP announced the sale of Innovene to Ineos for $9 billion. Completion of the sale is expected on December 16, 2005.

(21) Financial Instruments and Derivative Contracts

Innovene is exposed to a number of different market risks arising from Innovene's normal business activities. Market risk is the possibility that changes in currency exchange rates, interest rates, or commodity prices will adversely affect the value of Innovene's financial assets, liabilities or expected future cash flows. Innovene has developed policies aimed at managing the volatility inherent in certain of these natural business exposures and, in accordance with these policies, Innovene enters into various transactions using derivative financial and commodity instruments (derivatives), including conventional exchange-traded derivative instruments such as futures and option contracts, as well as non-exchange-traded instruments such as swaps, "over-the-counter" options, and forward contracts. Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices, or prices that are defined in the contract.

Innovene accounts for derivatives and hedging activities in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities*, as amended, which requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

(21) Financial Instruments and Derivative Contracts (continued)

The purpose for which a derivative contract is used is identified at inception. To qualify as a hedge for accounting purposes, the contract must comply with established guidelines that ensure that it is effective in achieving its objective. In such circumstances where Innovene designates a derivative as a hedge against changes in the value of a recognized asset or liability, Innovene's exposure to market risk created by the derivative is offset by the opposite exposure arising from the asset or liability being hedged. In other circumstances where Innovene designates a derivative as a cash flow hedge of an anticipated transaction, the changes in value of the derivative are included in Other Comprehensive Income until the occurrence of the future transaction, and then are offset by the effects of the transaction being hedged in the period it occurs. In all other cases where derivatives are not designated as a hedge for accounting purposes, changes in market value give rise to realized and unrealized gains and losses, which are recognized in current period operating results. For the periods presented herein, none of Innovene's derivative instruments were designated as hedges for accounting purposes.

All derivative activity, whether designated as a hedge for accounting purposes or not, is carried out by specialist teams that have the appropriate skills, experience and supervision. These teams are subject to close financial and management control, meeting generally accepted industry practice and reflecting the principles of the Group of Thirty Global Derivatives Study recommendations.

The estimated fair value of financial instruments has been determined by using available market information and appropriate valuation methodologies. The following table provides the fair values of all material derivatives instruments outstanding as at each period.

Derivative instruments fair value and notional amounts

	As of December 31,			As of September 30, 2005
	2002	2003	2004	
	($ in millions)			
Foreign exchange contracts				
Purchased options	—	—	—	—
Foreign exchange swaps	116	204	155	—
Contractual notional amounts	1,318	1,402	1,595	375
Commodity contracts				
Margin swaps				(34)
Contractual quantity (in millions of bbl)				11

Foreign Currency Exchange Rate Risk

BP and Innovene's foreign exchange management policy is to minimize economic and material transactional exposures arising from currency movements against the U.S. dollar.

Until December 31, 2004, Innovene did not separately manage these risks, with the exception of specific risks around the sterling-denominated debt, as all exposures were managed centrally by BP on a net BP Group basis. The BP Group coordinated the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible, to reduce the risks, and then dealing with any material residual foreign exchange risks.

(21) Financial Instruments and Derivative Contracts (continued)

Innovene entered into foreign exchange derivative contracts to manage the exposure related to the sterling-denominated debt as this was a specific identifiable risk. These contracts, which all have a maturity of less than one year, were not designated as hedges for financial reporting purposes and were recorded at fair value. As of December 31, 2002, 2003, and 2004, the fair value of outstanding foreign exchange derivative contracts was $116 million, $204 million, and $155 million, respectively. Settlement of the foreign exchange swaps resulted in net pre-tax gains of $16 million, $2 million, and $4 million in 2002, 2003, and 2004 respectively.

In early 2005, Innovene began separately managing its significant non-U.S. dollar economic exposures using derivative contracts that have not been designated as hedges for accounting purposes. The most significant of such exposures are the net cash flows of the Euro and Sterling related to Innovene's activities within Continental Europe and the UK. The following table provides information about Innovene's foreign currency purchased options that were negotiated at the beginning of 2005 for a premium cost of $20 million. These financial instruments are sensitive to changes in the Sterling/U.S. dollar, Euro/U.S. dollar exchange rates.

The fair values for the foreign exchange options in the table below are based on pricing models that take into account relevant market data.

Purchased options

	Notional amount by expected maturity date				Fair value	
As of September 30, 2005	**2005**	**2006**	**2007**	**Total**	**Asset**	**Liability**
Receive Sterling/pay U.S. dollars						
Contract amount ($ in millions)	125	—	—		—	—
Weighted average strike price ($)	1.90	—	—	1.90		
Receive Euro/pay U.S. dollars						
Contract amount ($ in millions)	250	—	—		—	—
Weighted average strike price ($)	1.35	—	—	1.35		

Currency options which matured during the first three quarters of 2005 resulted in a realized loss of $9 million from inception to September 30, 2005. Changes in fair values of outstanding options accounted for an unrealized loss of $10 million.

Commodity Prices

Within Innovene's normal business activities, Innovene is exposed to commodity prices that could adversely affect the value of Innovene's financial assets, liabilities or expected future cash flows. Commodity price trading and hedging activities have been carried out by BP's supply and trading function. Service agreements have been negotiated in order to ensure the continuity of such activities.

BP risk management policy with respect to commodity price risk is to manage certain short-term exposures in respect of its business activities. To this end, BP's supply and trading function uses the full range of conventional financial and commodity derivatives available in the relevant markets. The derivative instruments used for hedging purposes do not expose Innovene to market risk

(21) Financial Instruments and Derivative Contracts (continued)

because the change in their market value is offset by an equal and opposite change in the market value of the asset, liability or transaction being hedged.

A Trading Risk Management Committee has oversight of the quality of internal control in BP's supply and trading function. Independent control functions monitor compliance with BP's policies. The control framework includes prescribed trading limits that are reviewed regularly by senior management, daily monitoring of risk exposure using value-at-risk principles, marking trading exposures to market and stress testing to assess the exposure to potentially extreme market situations. BP's supply and trading activities in oil, natural gas, power and financial markets are managed within a single integrated function. This function has the responsibility for ensuring high and consistent standards of control, making investments in the necessary systems, and supporting infrastructure and providing professional management oversight.

Innovene measures its market risk exposure, i.e. potential gain or loss in fair values, on its trading activity using value-at-risk techniques. These techniques are based on a variance/covariance model or a Monte Carlo simulation and make a statistical assessment of the market risk arising from possible future changes in market values over a 24-hour period. The calculation of the range of potential changes in fair value takes into account a snapshot of the end-of-day exposures, and the history of one-day price movements over the previous twelve months, together with the correlation of these price movements. The potential movement in fair values is expressed to three standard deviations, equivalent to a 99.7% confidence level. This means that, in broad terms, one would expect to see an increase or a decrease in fair values greater than the value-at-risk on only one occasion per year if the portfolio were left unchanged.

Innovene calculates value-at-risk on all instruments that are held for trading purposes and that therefore give an exposure to market risk. The value-at-risk models take account of derivative financial instruments such as interest rate forward and futures contracts and swap agreements; foreign exchange forward and futures contracts and swap agreements; and oil, natural gas and power price futures and swap agreements. Financial assets and liabilities and physical crude oil and refined products that are treated as trading positions are also included in these calculations. For options a linear approximation is included in the value-at-risk models. The value-at-risk calculation for oil, natural gas and power price exposure also includes derivative commodity instruments (commodity contracts that permit settlement either by delivery of the underlying commodity or in cash), such as forward contracts.

(21) Financial Instruments and Derivative Contracts (continued)

Commodity

The following table provides the gain and losses, excluding any costs relating to such activities, that have been recognized in Innovene's income statement due to hedging and trading activities performed by BP's supply and trading function.

	For the year ended December 31,			As of September 30, 2005
	2002	2003	2004	
		($ in millions)		
Hedging				
Petrochemicals	8	12	15	8
Refining	(3)	—	1	—
Trading				
Petrochemicals	4	4	5	7
Refining	13	—	—	—

In the third quarter of 2005, Innovene began hedging a proportion (30%) of its 2005 fourth quarter refining margins using swap agreements with BP's supply and trading function. The fair values for the swap contracts in the table below are based on the relevant market data.

Margin Swaps

	Contract volume (quantity) by expected maturity date				Fair value ($m)	
As of September 30, 2005	2005	2006	2007	Total	Asset	Liability
Pay floating/receive fixed					—	(34)
Contract quantity (in bbl million)	11	—	—	11		
Weighted average fixed price ($/bbl)	11	—	—	11		

The margin swaps will all mature during the fourth quarter of 2005. As of September 30, 2005, changes in fair values of outstanding swaps account for a net unrealized loss of $34 million.

(22) Geographic and Segment Information

Innovene derives its revenues, earnings and cash flows from the manufacture and sale of a wide variety of specialty and commodity chemical products and refined oil products. Innovene has five reportable operating segments: Olefins and Polymers North America, Olefins and Polymers Europe, Global Derivatives, Refining, and Corporate. The major products of each reportable operating segment are as follows:

Segment	Primary Products
Olefins and Polymers North America	Ethylene, Propylene, Butadiene, Polypropylene, High Density Polyethylene, Styrene Monomer
Olefins and Polymers Europe	Ethylene, Propylene, Butadiene, Benzene, Polypropylene, Low-, Linear Low- and High-Density Polyethylene, Styrene Monomer, Polystyrene, Expandable Polystyrene, Solvents and Industrial Chemicals
Global Derivatives	Acrylonitrile, and Linear and Poly Alpha Olefins
Refining	Gasoline, Diesel, Jet Fuel, Naphtha, LPG, Gas Oil
Corporate and other	Polymers and Acrylonitrile licensing

In addition to Licensing operations, the Corporate segment includes centralised overhead costs that could not be allocated into the other Segments on a meaningful basis. These costs primarily relate to management functions including strategic projects and legal; treasury and financing costs; and the cost of employee incentive schemes.

The BDO business has historically been included in the Global Derivatives operating segment and is included in this segment in this note.

(22) Geographic and Segment Information (continued)

Financial information for each of Innovene's geographic regions is as follows:

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Revenues:					
United States	3,060	3,346	4,400	3,123	3,734
United Kingdom	3,353	3,887	6,180	4,226	5,025
Germany	1,190	1,438	1,935	1,260	2,110
France	2,529	2,569	3,352	2,419	3,992
Belgium	430	800	1,261	791	1,175
Rest of world	1,253	1,434	868	583	939
Total revenues	11,815	13,474	17,996	12,402	16,975
Less discontinued operations	(39)	(52)	(59)	(47)	(11)
Total continuing operations	11,776	13,422	17,937	12,355	16,964

	As of December 31,		As of September 30, 2005
	2003	2004	
	($ in millions)		
Long-lived Assets[1]			
United States	2,320	2,056	2,030
United Kingdom	2,501	2,528	2,214
Germany	1,000	1,113	966
France	519	705	558
Belgium	560	476	570
Rest of world	416	379	511
Total long-lived assets	7,316	7,257	6,849
Less discontinued operations	(144)	—	—
Total continuing operations	7,172	7,257	6,849

(1) Represents property, plant and equipment, net of accumulated depreciation.

(22) Geographic and Segment Information (continued)

Revenue by geographic region was determined based on the location of the manufacturing facility generating the revenues. Long-lived assets by geographic region were determined based on where these assets were physically located.

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Revenues[1]:					
Olefins and Polymers					
North America	2,341	2,698	3,680	2,618	3,100
Europe	4,863	5,609	7,424	4,983	6,450
Global Derivatives	1,788	1,821	2,149	1,573	1,892
Refining	3,876	4,779	6,555	4,566	7,149
Corporate and Other	112	69	97	35	91
Eliminations	(1,165)	(1,502)	(1,909)	(1,373)	(1,707)
Total revenues	11,815	13,474	17,996	12,402	16,975
Less discontinued operations	(39)	(52)	(59)	(47)	(11)
Total continuing operations	11,776	13,422	17,937	12,355	16,964
Adjusted EBITDA[2]:					
Olefins and Polymers					
North America	91	171	181	166	293
Europe	148	54	410	319	441
Global Derivatives	188	58	(16)	47	242
Refining	44	199	410	320	698
Corporate and Other	(52)	(26)	(137)	(115)	(344)
Total adjusted EBITDA	419	456	848	737	1,330
Add back (deduct) adjusted EBITDA from discontinued operations	23	16	21	3	(3)
Total adjusted EBITDA from continuing operations	442	472	869	740	1,327
Reconciliation of adjusted EBITDA from continuing operations to net income (loss) from continuing operations					
Interest expense	(35)	(44)	(49)	(39)	(35)
Provision for income taxes for continuing operations	(118)	(90)	(128)	(159)	(269)
Asset impairments	(32)	(36)	(280)	—	(15)
Depreciation and amortization	(423)	(517)	(545)	(431)	(415)
Net income (loss) from continuing operations	(166)	(215)	(133)	111	593

(1) Revenues on products sold between operating segments are recorded at market prices.

(2) Adjusted EBITDA represents income (loss) before income tax benefit (expense), adjusted for interest expense, depreciation and amortization, and asset impairments.

(22) Geographic and Segment Information (continued)

	For the year ended December 31,			For the nine months ended September 30,	
	2002	2003	2004	2004	2005
	($ in millions)				
Depreciation and Amortization:					
Olefins and Polymers					
North America	95	112	116	116	82
Europe	184	232	248	190	198
Global Derivatives	92	107	125	80	60
Refining	51	54	54	42	55
Corporate and Other	8	19	11	7	20
Total depreciation and amortization	430	524	554	435	415
Less discontinued operations	(7)	(7)	(9)	(4)	—
Total continuing operations	423	517	545	431	415
Capital Expenditures:					
Olefins and Polymers					
North America	153	174	191	124	102
Europe	261	209	164	139	138
Global Derivatives	90	47	69	52	18
Refining	58	110	117	99	77
Corporate and Other	54	18	29	2	41
Total capital expenditures	616	558	570	416	376
Less discontinued operations	(2)	(2)	(3)	(2)	—
Total continuing operations	614	556	567	414	376

(22) Geographic and Segment Information (continued)

	As of December 31, 2003	As of December 31, 2004	As of September 30, 2005
	($ in millions)		
Total Assets:			
Olefins and Polymers			
North America	2,221	2,513	2,477
Europe	5,738	6,376	5,853
Global Derivatives	1,790	1,520	1,596
Refining	1,354	1,609	3,498
Corporate and Other	553	395	179
Eliminations	—	—	(815)
Total assets	11,656	12,413	12,788
Less discontinued operations	(178)	(15)	—
Total continuing operations	11,478	12,398	12,788

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€1,750,000,000 7⅞% Senior Notes due 2016
$750,000,000 8½% Senior Notes due 2016

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Lloyds TSB
Mizuho
UBS Investment Bank

January 31, 2006