INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Interim Financial Statements

Three and twelve month period ended 31 December 2019

INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Income for the three and twelve months ended 31 December 2019 and 2018

In millions of EUR	**1 Oct - 31 Dec 2019**	**1 Oct - 30 Dec 2018**	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Revenue	1,085.9	1,273.6	4,884.2	5,366.7
Cost of sales	(923.9)	(1,075.6)	(4,003.2)	(4,349.5)
Gross profit	**162.0**	**198.0**	**881.0**	**1,017.2**
Selling and distribution expenses	(66.4)	(73.1)	(286.8)	(280.7)
General and administrative expenses	(29.8)	(31.1)	(119.1)	(118.6)
Research and development expenses	(4.0)	(3.9)	(13.8)	(13.8)
Other operating (expense) / income	(8.2)	1.7	(11.9)	(0.5)
Operating profit	**53.6**	**91.6**	**449.4**	**603.6**
Interest income	3.3	2.5	17.4	6.5
Interest expense	(10.5)	(17.2)	(38.3)	(46.0)
Exchange movements	(2.7)	6.9	4.8	12.5
Net finance costs	**(9.9)**	**(7.8)**	**(16.1)**	**(27.0)**
Income before income tax	**43.7**	**83.8**	**433.3**	**576.6**
Income tax expense	(24.3)	(15.7)	(110.3)	(124.1)
Net income	**19.4**	**68.1**	**323.0**	**452.5**
Attributable to:				
Non-controlling interests	(1.4)	(0.7)	(1.4)	0.8
Owners of the company	**20.8**	**68.8**	**324.4**	**451.7**

The notes on pages 6 to 14 are an integral part of these unaudited condensed consolidated interim financial statements.

INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Comprehensive Income for the three and twelve months ended 31 December 2019 and 2018

In millions of EUR	**1 Oct - 31 Dec 2019**	**1 Oct - 30 Dec 2018**	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Net income	**19.4**	**68.1**	**323.0**	**452.5**
Other comprehensive (loss) / income:				
Items that will not be reclassified to profit and loss:				
Remeasurement of post-employment benefit obligations	12.0	(5.7)	(13.1)	(5.7)
Deferred taxes on remeasurements of post-employment benefit obligations	(4.5)	2.3	3.1	2.3
Items that might subsequently be reclassified to profit and loss:				
Exchange differences on translation of foreign operations	(24.7)	31.8	17.3	32.1
Other comprehensive (loss) / income, net of tax	**(17.2)**	**28.4**	**7.3**	**28.7**
Total comprehensive income	**2.2**	**96.5**	**330.3**	**481.2**
Attributable to:				
Non-controlling interests	(2.0)	0.3	(1.3)	(0.1)
Owners of the company	**4.2**	**96.2**	**331.6**	**481.3**

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INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Financial Position

In millions of EUR	**31 December 2019**	**31 December 2018**
Assets		
Property, plant and equipment*	1,282.1	942.7
Intangible assets and goodwill	1,372.8	1,415.2
Deferred tax assets	47.1	36.5
Other receivables and miscellaneous non-current assets	4.3	4.8
Non-current assets	**2,706.3**	**2,399.2**
Inventories	487.5	525.9
Trade receivables	465.2	556.3
Income tax receivables	14.1	25.0
Other receivables and miscellaneous current assets	64.9	66.4
Cash and cash equivalents	289.7	567.1
Current assets	**1,321.4**	**1,740.7**
Total assets	**4,027.7**	**4,139.9**
Equity		
Share capital	0.3	0.3
Share premium	2,389.7	2,389.7
Merger reserve	(1,281.2)	(1,281.2)
Other reserves	95.6	88.4
Retained earnings	769.3	1,027.1
Equity attributable to owners of the company	**1,973.7**	**2,224.3**
Non-controlling interest	16.1	17.5
Total equity	**1,989.8**	**2,241.8**
Liabilities		
Financial indebtedness	925.6	671.9
Employee benefits obligations	74.1	58.4
Deferred tax liabilities	308.5	324.0
Other liabilities and other long term provisions	41.3	45.1
Non-current liabilities	**1,349.5**	**1,099.4**
Trade payables	433.9	465.6
Financial indebtedness	35.6	39.3
Current tax liabilities	44.6	137.6
Other liabilities and short term provisions	174.3	156.2
Current liabilities	**688.4**	**798.7**
Total liabilities	**2,037.9**	**1,898.1**
Total equity and liabilities	**4,027.7**	**4,139.9**

* Including right-of-use assets.

The notes on pages 6 to 14 are an integral part of these unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Managing Directors on 21 February 2020.

INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Changes in Equity

In millions of EUR	Share capital	Share premium	Merger reserve	Other reserves Pension reserve	Other reserves Cumulative translation adjustment reserve	Retained earnings	Equity attributable to owners of the company	Non-controlling interest	Total Equity
1 January 2018	**0.3**	**2,389.7**	**(1,281.2)**	**2.1**	**56.7**	**740.9**	**1,908.5**	**17.8**	**1,926.3**
Net income	-	-	-	-	-	451.7	451.7	0.8	452.5
Other comprehensive income / (loss)	-	-	-	(3.4)	33.0	-	29.6	(0.9)	28.7
Total comprehensive income for the year	**-**	**-**	**-**	**(3.4)**	**33.0**	**451.7**	**481.3**	**(0.1)**	**481.2**
Transactions with owners in their capacity as owners: Dividends (note 20)	-	-	-	-	-	(165.5)	(165.5)	(0.2)	(165.7)
31 December 2018	**0.3**	**2,389.7**	**(1,281.2)**	**(1.3)**	**89.7**	**1,027.1**	**2,224.3**	**17.5**	**2,241.8**
1 January 2019	**0.3**	**2,389.7**	**(1,281.2)**	**(1.3)**	**89.7**	**1,027.1**	**2,224.3**	**17.5**	**2,241.8**
Net income	-	-	-	-	-	324.4	324.4	(1.4)	323.0
Other comprehensive income / (loss)	-	-	-	(10.0)	17.2	-	7.2	0.1	7.3
Total comprehensive income for the year	**-**	**-**	**-**	**(10.0)**	**17.2**	**324.4**	**331.6**	**(1.3)**	**330.3**
Transactions with owners in their capacity as owners: Dividends (note 20)	-	-	-	-	-	(582.2)	(582.2)	(0.1)	(582.3)
31 December 2019	**0.3**	**2,389.7**	**(1,281.2)**	**(11.3)**	**106.9**	**769.3**	**1,973.7**	**16.1**	**1,989.8**

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INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Cash Flows

In millions of EUR	**1 January – 31 Dec 2019**	**1 January – 31 Dec 2018**
Cash flows from operating activities		
Net income attributable to the owners of the company	324.4	451.7
Adjustments for:		
Depreciation and impairment of property, plant and equipment	172.0	133.4
Amortisation and impairment of intangible assets	75.9	75.6
Net finance costs	16.1	27.0
Loss from sale of property, plant and equipment	0.6	0.2
Income tax expense	110.3	124.1
Non-controlling interest	(1.4)	0.8
Increase in trade and other receivables	160.4	61.2
Increase in inventories	72.1	30.4
Decrease in trade and other payables	(90.0)	(32.1)
Decrease in provisions and employee benefits	(2.9)	(10.8)
Tax paid	(220.4)	(83.1)
Net cash flows generated from operating activities	**617.1**	**778.4**
Cash flows from investing activities		
Proceeds from sale of long-term assets	1.7	0.4
Interest and other finance income received	4.8	4.3
Business acquisition, net of cash acquired	(133.6)	-
Acquisition of intangible assets	(2.7)	(8.9)
Acquisition of property, plant and equipment	(242.8)	(167.1)
Net cash flows used in investing activities	**(372.6)**	**(171.3)**
Cash flows from financing activities		
Proceeds from external borrowings	288.0	29.6
Repayment of external borrowings	(179.7)	(172.9)
Interest paid	(34.9)	(26.6)
Debt issue costs	-	(0.9)
Capital element of lease payments	(21.5)	(0.8)
Dividends paid attributable to the owners of the company*	(574.9)	(165.5)
Dividends paid attributable to non-controlling interest	(0.1)	(0.2)
Net cash flows used in financing activities	**(523.1)**	**(337.3)**
Net (decrease) / increase in cash and cash equivalents	**(278.6)**	**269.8**
Cash and cash equivalents at 1 January	567.1	295.9
Effect of exchange rate fluctuations on cash held	1.2	1.4
Cash and cash equivalents at 31 December	**289.7**	**567.1**

* During 2019, INEOS Styrolution Group granted a loan of EUR 471.6 million to INEOS Industries Holdings Limited resulting in a cash outflow from the Group in a corresponding amount during the period. In December 2019 the Group declared a dividend to INEOS Industries Holdings Limited in the amount of EUR 470.8 million. INEOS Industries Holdings Limited directed the Group to apply EUR 470.6 million of the interim dividend in immediate repayment and discharge of the full amount of principal and interest owed by INEOS Industries Holdings Limited to the Group. Overall, there was no material cash impact resulting from the settlement of the loan and the settlement of the dividend. The cash outflows for these transactions excluding the cash-neutral interest settlement of EUR 7.3 million are presented in net cash flows used in financing activities (i.e. EUR 463.3 million).

The notes on pages 6 to 14 are an integral part of these unaudited condensed consolidated interim financial statements.

Notes

1. Reporting entity

INEOS Styrolution Holding Limited ('the Company') is a private company, limited by shares, incorporated, registered and domiciled in England and Wales, the United Kingdom and has its registered office at Chapel Lane, Lyndhurst, Hampshire, SO43 7FG. The Company was incorporated on 18 December 2015 as a subsidiary of INEOS Industries Holding Limited.

2. Basis for preparation

(a) Statement of compliance

These unaudited condensed consolidated Interim Financial Statements of INEOS Styrolution Holding Limited for the period ended 31 December 2019 (herein referred to as 'Interim Financial Statements') have been prepared on a going concern basis and in accordance with IAS 34 Interim Financial Reporting. They do not provide all of the information and disclosures included in complete consolidated Financial Statements and are therefore to be read in conjunction with the consolidated Financial Statements as of and for the period ending 31 December 2019. The same accounting policies, methods of computation and presentation have been followed in the preparation as were applied in the most recent annual financial statement except for the changes described below.

(b) Application of new standards

IFRS 16 Leases

As of 1 January 2019, the Group, complying with IFRS requirements, has adopted the IFRS 16 standard. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees by removing the distinction between operating and finance lease and requiring the recognition. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting in IFRS 16 Leases remains similar to the previous standard IAS 17 Leases, with lessors continuing to classify leases as finance or operating leases. Previously, the Group recognised either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee) or operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). For operating leases, expense were recognised on a straight-line basis over the term of the lease, and assets and liabilities were only recognised to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach and measuring the right of use asset equal to the lease liability. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The net impact on retained earnings on 1 January 2019 was EUR nil. On transition to IFRS 16, the Group did not apply the practical expedient to grandfather the definition of a lease on transition. Therefore, the new definition of a lease under IFRS 16 has been applied to all of the contracts in place on transition.

The Group has recognised additional lease liabilities of EUR 135.4 million as at 1 January 2019. The impact on EBITDA before special items* for the twelve months period ended 31 December 2019 was an increase of EUR 27.9 million.

* EBITDA represents income from operations before interest, taxation, depreciation of property, plant and equipment and amortisation of intangible assets. Although EBITDA before special items should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA before special items may not be comparable to similarly titled measures used by other companies. Special items refer to certain costs and benefits outside the usual course of business, which are expected to be non-recurring.

The following is a reconciliation of the IAS 17 operating lease commitment as at 31 December 2018 to the opening IFRS 16 lease liability as at 1 January 2019:

	Millions of EUR
Operating lease commitments disclosed as at 31 December 2018	**148.5**
Discounting impact using the incremental borrowing rate on transition	(48.5)
Adjustments due to different treatment of extension and termination options	63.1
Exempted low-value contracts, short-term contracts and non-lease components	(9.1)
Scope change (contracts in scope of IAS 17 but not regarded as a lease under IFRS 16)	(18.6)
IFRS 16 lease liability as at 1 January 2019	**135.4**

The recognised right-of-use assets consists mainly of tanks, railcars, production buildings, administrative offices, passenger cars and land.

IFRIC 23: Uncertainty over Income Tax Treatments

On 7 June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments. This Interpretation clarified application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. IFRIC 23 was adopted as from 1 January 2019 onwards without a material impact to the Interim Financial Statements.

(c) Basis of measurement

The basis of measurement for the Interim Financial Statements is generally the historical cost basis except for those financial instruments categories measured at fair value.

(d) Functional and presentation currency

These Interim Financial Statements are presented in EUR. The functional currency of the Company and its subsidiaries is determined in line with IAS 21. All financial information presented in EUR has been rounded to the nearest tenth of a million, except when otherwise indicated.

(e) Use of estimates and judgments

The preparation of the Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

(f) Segment information

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a basis considered reasonable. Unallocated items comprise mainly assets that are used across segments (primarily the Company's headquarters), head office expenses and tax assets and liabilities. The Company has defined the following operating segments:

- Polymers EMEA
- Polymers Americas
- Polymers Asia
- Styrene Monomer

Detailed information by segment for the three and twelve months ended 31 December 2019 is presented in the following tables. Inter-segment sales of the Styrene Monomer business contain internal cross-segment consumption of styrene monomer within the Company.

In millions of EUR	**External sales**		**Inter-segment sales**		**EBITDA before Special Items**	
	1 Oct – 31 Dec 2019	1 Oct – 31 Dec 2018	1 Oct – 31 Dec 2019	1 Oct – 31 Dec 2018	1 Oct – 31 Dec 2019	1 Oct – 31 Dec 2018
Polymers EMEA	328.4	424.8	25.0	32.8	33.2	41.2
Polymers Americas	267.5	331.1	6.9	9.7	37.6	51.8
Polymers Asia	319.2	262.7	6.4	13.9	16.5	(1.5)
Styrene Monomer	170.8	255.0	377.8	484.8	36.1	56.5
Corporate and eliminations	-	-	(416.1)	(541.2)	-	-
Total	**1,085.9**	**1,273.6**	**0.0**	**0.0**	**123.4**	**148.0**

In millions of EUR	**External sales**		**Inter-segment sales**		**EBITDA before Special Items**	
	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Polymers EMEA	1,507.3	1,780.2	105.8	141.8	177.7	214.1
Polymers Americas	1,138.7	1,305.6	36.3	39.2	191.9	228.4
Polymers Asia	1,413.7	1,234.0	39.3	69.7	105.7	82.8
Styrene Monomer	824.5	1,046.9	1,726.6	2,144.5	228.9	287.5
Corporate and eliminations	-	-	(1,908.0)	(2,395.2)	-	-
Total	**4,884.2**	**5,366.7**	**0.0**	**0.0**	**704.2**	**812.8**

Reconciliation of EBITDA before special items to income before income tax:

In millions of EUR	**1 Oct – 31 Dec 2019**	**1 Oct – 31 Dec 2018**	**1 Jan – 31 Dec 2019**	**1 Jan – 31 Dec 2018**
EBITDA before special items	123.4	148.0	704.2	812.8
Special items (exceptional expenses)	(6.3)	-	(6.3)	-
Depreciation and amortisation	(63.1)	(56.3)	(247.9)	(209.0)
Gain / (loss) on sale of tangible fixed assets	(0.4)	(0.1)	(0.6)	(0.2)
Operating profit	**53.6**	**91.6**	**449.4**	**603.6**
Net finance costs	(9.9)	(7.8)	(16.1)	(27.0)
Income before income tax	**43.7**	**83.8**	**433.3**	**576.6**

In 2019, the Group recognised exceptional expenses for planned site and line closures in India. In 2018, there were no special items recognised.

3. Acquisition of subsidiary

Effective 1 February 2019, INEOS Styrolution acquired Total S.A.s Polystyrene business in China. The acquisition covers the wholly owned Chinese polystyrene business including two production sites in Ningbo and Foshan and two related sales offices in Guangzhou and Shanghai. The transaction includes the purchase of 100% of the equity interests in Total Petrochemical (Foshan) Company Limited and Total Petrochemical (Ningbo) Company Limited. This acquisition is in line with the Company's Triple Shift growth strategy.

The final purchase price was agreed at EUR 186.2 million. The purchase agreement provides for corrections for actual net working capital contributions compared to target. In 2019, the Group did not incur significant acquisition-related costs on legal fees and due diligence costs. These costs have been included in "administrative expenses" when incurred.

The fair value of the consideration exchanged in the transaction has been allocated to the following identified assets acquired and liabilities assumed:

In millions of EUR	**Fair values**
Assets	
Intangible assets	13.4
Property, plant and equipment	98.7
Inventories	27.7
Cash and cash equivalents	52.6
Liabilities	
Employee benefits	-
Deferred tax liabilities	(10.0)
Other net assets and liabilities	(3.4)
Net assets of businesses acquired	**179.0**
Consideration paid	186.2
Thereof Goodwill	**7.2**

During 2019, the fair values assigned to the book values of the identifiable assets and liabilities were reviewed and the allocation of the purchase price was finalised without changes to the allocation as set out above.

The goodwill is the remaining difference between net assets acquired, adjusted for the fair value of the consideration and includes certain economic benefits that cannot be identified as separate intangible assets. The goodwill is attributable to the value of customer relations, intellectual property and the profitability of the acquired business. Goodwill has been allocated to the Asia polymers segment and is not expected to be deductible for income tax purposes.

The fair value of acquired trade receivables is EUR 61.2 million. The trade receivables comprise gross contractual amounts due of EUR 61.2 million, of which none was expected to be uncollectable at the date of acquisition.

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

4. Revenue

The development of the product groups on a global level for the three and twelve months period ended 31 December 2019 and 2018 was as follows:

In millions of EUR	1 Oct – 31 Dec 2019	1 Oct – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
Polystyrene	460.6	479.1	2,017.9	1,926.7
ABS Standard	166.4	201.3	743.2	922.3
Specialties	288.2	338.2	1,298.6	1,470.8
Styrene Monomer	170.8	255.0	824.5	1,046.9
Total	**1,086.0**	**1,273.6**	**4,884.2**	**5,366.7**

The development of the revenue by region for the three and twelve months period ended 31 December 2019 and 2018 was as follows:

In millions of EUR	1 Oct – 31 Dec 2019	1 Oct – 31 Dec 2018	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018
EMEA	339.5	433.3	1,548.3	1,854.9
Americas	411.4	569.2	1,862.7	2,206.2
Asia	335.1	271.1	1,473.2	1,305.6
Total	**1,086.0**	**1,273.6**	**4,884.2**	**5,366.7**

The second and third quarter sales volumes tend to be the highest of the calendar year, but that seasonal effect can be impacted by turnaround activities and anticipated feedstock price movements.

INEOS Styrolution is a chemical company producing and selling chemical products. The timing of revenue recognition for the vast majority of the Group’s sale transactions is at a point in time.

5. Property, plant and equipment

In the twelve month period ended 31 December 2019, the Company acquired EUR 242.8 million (YTD 31 December 2018: EUR 167.1 million) of property, plant and equipment. Investments in property, plant and equipment in 2019 mainly include the new ASA Specialties plant in Houston, the conversion of a Polystyrene line to a mass ABS line in France and the Moxi compounding investment in India.

6. Financial Indebtedness

In millions of EUR	31 December 2019	31 December 2018
Institutional term loans*	7.3	7.3
Lease liability under IFRS 16 / IAS 17	21.1	0.9
Short term borrowings other	7.5	31.4
Current financial indebtedness	**35.9**	**39.6**
Institutional term loans*	611.4	615.2
Borrowings from asset securitisation programme	190.0	50.0
Lease liability under IFRS 16 / IAS 17	125.1	7.9
Non-current financial indebtedness	**926.5**	**673.1**
Total gross debt	**962.4**	**712.7**
Discount and capitalised financing costs	(1.2)	(1.5)
Financial indebtedness	**961.2**	**711.2**

* Term Loans are denominated in EUR and USD.

Net finance income / costs

The distribution of the main interest income and expenses is as follows:

In millions of EUR	1 Oct - 31 Dec 2019	1 Oct - 31 Dec 2018	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Interest payable and other finance charges	(10.6)	(7.6)	(36.4)	(27.6)
Amortisation of issue costs	(0.1)	(2.7)	(0.3)	(8.7)
Interest on employee benefit liabilities	0.2	1.0	(1.4)	(1.2)
Net fair value (loss) / gain on derivatives	(0.9)	(6.3)	4.3	(6.7)
Other interest receivables	4.2	0.9	12.9	4.7
Net finance costs before exchange movements	**(7.2)**	**(14.7)**	**(20.9)**	**(39.5)**
Exchange movements	(2.7)	6.9	4.8	12.5
Total net finance (costs) / income	**(9.9)**	**(7.8)**	**(16.1)**	**(27.0)**

The net finance costs before exchange movements decreased in the fourth quarter of 2019 to EUR (7.2) million compared to EUR (14.7) million in the fourth quarter of 2018. The main reason for this decrease was mainly the lower amortisation of debt issue costs and the positive result in the derivative valuation, partially offset by the increase in lease interest.

In the fourth quarter of 2019, the Company recorded net losses from foreign exchange valuation of mainly translation effects from intercompany loans, including financing between consolidated subsidiaries, of EUR (2.7) million (Q4 2018: EUR 6.9 million gain).

7. Related parties

Related parties comprise:

- Parent entities and their subsidiaries not included within the INEOS Styrolution Holding Limited Group;
- Entities controlled by the shareholders of INEOS Limited ('INEOS'), the ultimate parent company of INEOS Styrolution Holding Limited; and
- Key management personnel.

In millions of EUR	Transaction value 1 Jan – 31 Dec 2019	Balance outstanding 31 Dec 2019	Transaction value 1 Jan – 31 Dec 2018	Balance outstanding 31 Dec 2018
Sale of products	69.7	-	90.3	-
Purchase of raw materials	347.3	-	362.3	-
Services received	43.0	-	46.7	-
Trade and other receivables	-	11.2		11.2
Trade and other payables	-	(48.3)		(54.8)

8. Income tax expense

Income tax expense is recognised based on management's best estimate of the income tax rate expected for the year 2019 applied to the income before taxes of the fourth quarter 2019. The Group's year-to-date consolidated tax rate for 2019 is 25.5%. The effective tax rate is higher compared to the rate of 21.5% in the comparative period in 2018 due to withholding tax payments for foreign dividends within the Group and the increase of income tax provisions.

9. Financial Instruments

The carrying amount of all financial instruments is a reasonable approximation of the fair value.

The financial assets/liabilities categorised as Fair Value through Profit and Loss (FVTPL) presented in Level 2 and Level 3 constitute separate classes of derivative financial instruments. Level 2 contains foreign currency derivatives and Level 3 contains commodity derivatives.

Since there are no market prices available for the derivative financial instruments in the portfolio assigned to Level 2 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The fair value of derivatives is the value that INEOS Styrolution would receive or have to pay if the financial instrument were transferred at the reporting date. The carrying amount of the financial asset is zero. The carrying amount of the financial liability is zero (31 December 2019). The currency derivatives that were accounted for as of 31 December 2018 were settled during the first three months of 2019 (EUR 0.1 million).

The financial assets/liabilities assigned to Level 3 relate to commodity swaps on styrene monomer in order to hedge fix price forward polymer sales deals. Since there are no market prices available for the derivative financial instruments in the portfolio assigned to Level 3 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models. The calculation is based on observable and unobservable inputs, since there are no liquid forward prices available. The substantial input parameters are the price expectations regarding future monthly contract prices on styrene monomer. The carrying amount of the financial liability is EUR 2.1 million as of 31 December 2019. If the price expectations had been 10 percent lower at the reporting date, with otherwise unchanged parameters the fair value of the financial liability would have been EUR 1.5 million higher (i.e. the Fair Market Value of the open styrene monomer derivatives would have been EUR 3.6 million). If the price expectations had been 10% higher at the reporting date, with otherwise unchanged parameters, the fair value of the financial liability would have been EUR 1.5 million lower (the fair market value of the open styrene monomer derivatives would have been EUR 0.6 million).

31 December 2019				*Amounts recognised in the statement of financial position*		
In millions of EUR	**Category***	**Level**	**Carrying amounts**	**Amortised cost**	**Fair value recognised in equity**	**Fair value recognised in profit or loss**
Assets						
Trade receivables	AMC		465.2	465.2	-	-
Cash and cash equivalents	AMC		289.7	289.7	-	-
Other assets			83.3	83.3	-	-
of which long-term	AMC		4.3	4.3	-	-
of which short-term	AMC		79.0	79.0	-	-
of which: Derivatives	*FVTPL*	*2*	*-*	*-*	*-*	*(0.1)*
of which: Derivatives	*FVTPL*	*3*	*0.3*	*-*	*-*	*0.3*
Liabilities						
Trade payables	AMC		433.9	433.9	-	-
Financial indebtedness	AMC		961.2	961.2	-	-
Other short-term liabilities	AMC		174.3	174.3	-	-
of which: Derivatives	*FVTPL*	*2*	*-*	*-*	*-*	*-*
of which: Derivatives	*FVTPL*	*3*	*2.1*	*-*	*-*	*4.1*

***Categories:** AMC = Amortised cost, FVTPL = Fair Value Through Profit and Loss*

31 December 2018

As of 31 December 2018, EUR 0.1 million financial assets were categorised as Level 2 FVTPL and none were categorised as Level 3. There were no financial liabilities categorised as FVTPL assigned to Level 2, but EUR 6.2 million in Level 3 as of 31 December 2018.

All other financial assets and liabilities as of 31 December 2018 were stated at amortised cost.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and INEOS, its ultimate owner, and cash and cash equivalents.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval; these limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with working capital requirements, capital expenditure or its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable investments at an amount in excess of expected cash outflows on financial liabilities over the succeeding 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the EUR, but also US Dollars. The currencies in which these transactions primarily are denominated are USD, EUR, INR and KRW.

The Group has established a currency risk policy under which material currency flows are analysed and if management considers it needed the risks are mitigated. The Group looks at transactional and translation currency risks.

10. Subsequent events

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

On 31 January 2020, the Group successfully completed an amend-and-extend transaction of the existing term loans increasing the principal amount of the EUR tranche to EUR 450 million while keeping the USD tranche at USD 202 million. In addition, the Group issued a fixed coupon senior secured note with a principal amount of EUR 600 million. The maturity of the instruments is January 2027.

On 4 February 2020, the Company's shareholder approved an interim dividend of EUR 350 million from INEOS Styrolution Holding Limited to the shareholder INEOS Industries Holdings Limited.

On 11 February 2020, the Group repaid the drawn amount under the securitisation programme in the amount of EUR 190 million.

The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Group has its parent companies in the United Kingdom. The Group has trading activities in United Kingdom, but does not have production facilities and no warehouses in the UK. The Group does not expect a significant financial impact on its business from Brexit.

INEOS Styrolution is closely monitoring the evolution of the Coronavirus and is following the World Health Organisation travel advice. With regards to business impact, China has a dominant role as largest producer and consumer of styrenics materials. The Group operates two Polystyrene plants in China which are currently operating at reduced rates and may have to be shut temporarily if circumstances require this. The main reason for reduced production is external logistics constraints as travel restrictions limit freight in the country. The effect the virus will have on the global economy and styrenics industry is difficult to assess at this point in time. INEOS Styrolution is constantly evaluating the situation and monitoring any potential effects on production and deliveries.

No further significant subsequent events occurred for the period between the reporting date of these Consolidated Financial Statements and their authorisation by the Board of Directors on 21 February 2020.

Forward Looking Statements

The following report includes “forward-looking statements”, based on our current expectations and projections about future events, including:

- the cyclical nature of our businesses and their sensitivity to changes in supply and demand;
- raw material availability and costs, as well as supply arrangements, including arrangements with principal feedstock suppliers;
- the highly competitive nature of our principal industries;
- current or future environmental requirements, including those related to greenhouse gas and other air emissions, and the related costs of maintaining compliance and addressing liabilities;
- currency fluctuations and economic downturns in the countries in which we operate;
- our ability to implement our business and cost reduction strategies;
- our ability to successfully integrate acquired businesses and realise anticipated synergies and cost savings; and
- our indebtedness may affect our ability to service our outstanding indebtedness, which would likely impact the way we operate our business.

All statements other than statements of historical facts included in this report, without limitation, statements regarding our future financial position, risks and uncertainties related to our Company and the notes, 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. 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), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF THE INEOS STYROLUTION FOURTH QUARTER 2019 BUSINESS RESULTS OF OPERATION

The Company prepared this discussion and analysis of its results of operations by comparing its unaudited consolidated Interim Financial Statements of income and cash flows for the fourth quarters of 2019 and 2018.

In millions of EUR	**1 Oct – 31 Dec 2019**	**1 Oct - 31 Dec 2018**	**%**	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**	**%**
Revenue	1,085.9	1,273.6	(14.7)	4,884.2	5,366.7	(9.0)
Cost of sales	(923.9)	(1,075.6)	(14.1)	(4,003.2)	(4,349.5)	(8.0)
Gross profit	**162.0**	**198.0**	**(18.2)**	**881.0**	**1,017.2**	**(13.4)**
Selling and distribution expenses	(66.4)	(73.1)	(9.3)	(286.8)	(280.7)	2.2
General and administrative expenses	(29.8)	(31.1)	(4.2)	(119.1)	(118.6)	0.4
Research and development expenses	(4.0)	(3.9)	2.6	(13.8)	(13.8)	-
Other operating income / (expense)	(8.2)	1.7	n/a	(11.9)	(0.5)	>100.0
Operating profit	**53.6**	**91.6**	**(41.5)**	**449.4**	**603.6**	**(25.5)**
Interest income	3.3	2.5	32.0	17.4	6.5	>100.0
Interest expense	(10.5)	(17.2)	(39.0)	(38.3)	(46.0)	(16.7)
Exchange movements	(2.7)	6.9	n/a	4.8	12.5	(61.6)
Net finance (costs) / income	**(9.9)**	**(7.8)**	**26.9**	**(16.1)**	**(27.0)**	**(40.4)**
Income before income tax	**43.7**	**83.8**	**(47.9)**	**433.3**	**576.6**	**(24.9)**
Income tax expense	(24.3)	(15.7)	54.8	(110.3)	(124.1)	(11.1)
Net income	**19.4**	**68.1**	**(71.5)**	**323.0**	**452.5**	**(28.6)**
Attributable to:						
Non-controlling interests	(1.4)	(0.7)	100.0	(1.4)	0.8	n/a
Owners of the company	**20.8**	**68.8**	**(69.8)**	**324.4**	**451.7**	**(28.2)**

Revenue in the fourth quarter of 2019 was EUR 1,085.9 million, which is a decrease of EUR (187.7) million or (14.7)% compared to EUR 1,273.6 million in the fourth quarter of 2018. Revenue declined because of lower sales volumes and lower raw material price base for our raw material inputs, mainly benzene and styrene monomer. These reductions in raw material prices were also reflected in the sales prices.

External sales volumes were 839kt, which is a decrease of 7.0% compared to 903kt in the fourth quarter of 2018. The decrease mainly came from lower Styrene sales. Polymer sales volumes increased in the fourth quarter of 2019 compared to the same period last year because of 84kt of inorganic growth from the two recently acquired Chinese Polystyrene assets. Specialties demand reduced because of weakening seen in the market from lower GDP growth. The geographical and focus industry spread did enable to sustain solid sales volumes in most key markets. The Standard ABS sales decreased due to an uncertain market environment from US trade regulation policies, reduced GDP growth and weak automotive sales. The sales in Asia increased as markets seem to have absorbed the tariff effects. Automotive sales were stable in Europe and the US, but weak in Asia. Arbitrage from Asian products affected the business in both Americas and EMEA region. The organic growth in Polystyrene was partly offset by planned turnarounds that curtailed the output of 3 our sites and subsequently our sales volumes. Styrene sales reduced as downstream demand softened. Despite some industry outages, the styrene market was long.

The revenue of INEOS Styrolution decreased in the fourth quarter of 2019 compared to the same period in 2018. Revenue is not a key performance indicator in our business, while sales volumes are.

Fourth quarter sales volumes tend to be impacted by seasonal weaker year-end demand, but that seasonal effect can be impacted by turnaround activity and anticipated feedstock price movements.

Cost of Sales: Cost of sales decreased by EUR (151.6) million or (14.1)% to EUR (923.9) million in the fourth quarter 2019 compared to EUR (1,075.6) million in the previous year. The cost of sales decreased because of lower raw material prices.

Gross profit: Gross profit of the fourth quarter of 2019 decreased by EUR (36.1) million or 18.2% to EUR 162.0 million compared to EUR 198.0 million in the same period of the previous year.

Styrene and Polymer demand reduced as markets weakened. The weaker demand put pressure on the gross margins of our commodity and standard products businesses. Our Specialties segment reported consistent gross margin results based on its diversified portfolio. Gross margins improved as feedstock prices declined and quarterly pricing was fixed. Polystyrene volumes increased because of the acquired China plants, which improved the gross profit.

The underlying styrene margins in the fourth quarter of 2019 weakened compared to the same period in 2018. Margins were at low to bottom-of-cycle levels in Americas and Europe as demand was low from softer downstream market. All INEOS Styrolution plants were available in the fourth quarter of 2019. Gross profit was negatively impacted by EUR 21 million non-cash COSA ('Cost Of Sales Adjustment') loss in the fourth quarter of 2019 compared to a COSA loss in the fourth quarter of 2018 of EUR 64 million. The negative COSA effect or inventory holding result, was realised because the Company sold products at lower market prices that were procured and produced at higher costs.

Selling and distribution expenses: Selling and distribution expenses decreased by EUR 6.8 million or 9.3% to EUR (66.4) million in the fourth quarter of 2019 compared to EUR (73.1) million in the previous year. Selling and distribution expenses decreased mainly because of lower volumes sold.

General and administrative expenses: General and administrative expenses in the fourth quarter of 2019 increased by EUR 1.3 million or 4.2% to EUR (29.8) million compared to EUR (31.1) million in the fourth quarter of 2018.

Research and development expenses: Research and development expenses increased to EUR (4.0) million compared to EUR (3.9) million in the same period of 2018. The research and development costs are relatively stable, but can be impacted by the phasing of projects and the usage of external consultants. As integral part of its Triple Shift growth strategy the Group continuously invests in new products and product applications.

Other operating income/(expenses): Other operating expense was EUR (8.2) million, compared to an other operating income of EUR 1.7 million in the previous year. The other operating expenses in the fourth quarter of 2019 mainly relate to exceptional expenses recognised for planned site and line closures in India.

EBITDA before special items: EBITDA before special items decreased by EUR 24.6 million or 16.6% from EUR 148.0 million in the fourth quarter of 2018 to EUR 123.4 million in the fourth quarter of 2019. Our trading results in fourth quarter of 2019 decreased versus the third quarter 2019. Sales revenues reduced compared to both the third quarter 2019 and fourth quarter 2018. The main reasons were the lower GDP growth. This was partly offset by our expanded Polystyrene footprint in China.

LIQUIDITY AND CAPITAL RESOURCES

The cash flow statement was prepared in accordance with the indirect method. Cash and cash equivalents do not include deposits and guarantees that are not immediately available. These amounts are included in other receivables.

In millions of EUR	1 Jan – 31 Dec 2019	1 Jan - 31 Dec 2018
Cash flow from operating activities	617.1	778.4
Cash flow from investing activities	(372.6)	(171.3)
Cash flow from financing activities	(523.1)	(337.3)

Cash provided from operating activities

Cash provided from operating activities by INEOS Styrolution in the twelve months of 2019 was EUR 617.1 million. Positive cash flow was generated because of the strong business performance. Working capital requirements decreased in 2019 compared to year-end 2018 due to lower feedstock prices, partly offset by the integration of the acquired Chinese polystyrene business.

Cash used in investing activities

The total cash outflow for investing activities in the twelve months of 2019 was EUR 372.6 million compared to EUR 171.3 million in the same period in 2018. Thereof, cash used for investments in property, plant and equipment as well as intangible assets was EUR 245.5 million. That is 39.5% higher than the amount spent in the same period prior year (EUR 176.0 million). Investments in property, plant and equipment in 2019 mainly include the new ASA Specialties plant in Houston, the conversion of a Polystyrene line to a mass ABS line in France and the Moxi compounding investment in India.

In February 2019, the Group paid EUR 186.2 million for the acquisition of the Total S.A. Polystyrene business. The acquired business did have a cash balance of EUR 52.6 million, which led to a net cash outflow from this business acquisition of EUR 133.6 million.

The cash used in investing activities was invested in the following areas:

In millions of EUR	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
TAR	(2.9)	(19.2)
Sustenance / SHE	(63.6)	(81.0)
Expansion	(176.0)	(66.9)
Right-of-use assets (initial direct costs)	(0.3)	-
Intangible fixed assets	(2.7)	(8.9)
Total property, plant and equipment and Intangible fixed assets	**(245.5)**	**(176.0)**
Business acquisition, net of cash acquired	(133.6)	-
Other investing activities	6.5	4.7
Total cash used in investing activities	**(372.6)**	**(171.3)**

Cash used in financing activities

The total cash outflow for financing activities for the twelve months of 2019 was EUR (523.1) million.

On 23 January 2019, INEOS Styrolution agreed to increase the drawn amount under the asset securitisation programme from EUR 50.0 million to EUR 250.0 million. During 2019, INEOS Styrolution's drawn amount under the asset securitisation programme has reduced to EUR 190 million.

During 2019, INEOS Styrolution Group granted a loan of EUR 471.6 million to INEOS Industries Holdings Limited resulting in a cash outflow from the Group in a corresponding amount during the period. In December 2019 the Group declared a dividend to INEOS Industries Holdings Limited in the amount of EUR 470.8 million. INEOS Industries Holdings Limited directed the Group to apply EUR 470.6 million of the interim dividend in immediate repayment and discharge of the full amount of principal and interest owed by INEOS Industries Holdings Limited to the Group. Overall, there was no material cash impact resulting from the settlement of the loan and the settlement of the dividend. The cash outflows for these transactions excluding the cash-neutral interest settlement of EUR 7.3 million are presented in net cash flows used in financing activities (i.e. EUR 463.3 million).

On 17 December 2019, the Company's Directors' approved an interim dividend of EUR 111.4 million from INEOS Styrolution Holding Limited to the shareholder INEOS Industries Holdings Limited.

Financing of INEOS Styrolution

The financing of the Group is through the issuance of Institutional Term Loans and a Trade Receivables Securitisation Facility (up to EUR 450 million) and ancillary working capital lines.

The financing of INEOS Styrolution and the use of funds at the end of December 2019 of the Group was as follows (the amounts below differ from the consolidated statement of financial position due to the accounting for discounts and capitalised financing costs):

In millions of EUR	**31 Dec 2019**	**31 Dec 2018**
Institutional term loans	618.7	622.5
Borrowings from asset securitisation programme	190.0	50.0
Lease liability under IFRS 16 / IAS 17	146.2	8.8
Other borrowings	7.5	31.5
Total gross debt	**962.4**	**712.7**
Cash and cash equivalents	(289.7)	(567.1)
Net Debt*	**672.7**	**145.7**

* Net debt includes the notional amount of the institutional term loans rather than the carrying amount in accordance with IFRS which is lower than the notional amount due to debt issuance cost that are amortised over the term of the loans. Term Loans are denominated in EUR and USD.