INEOS GROUP HOLDINGS S.A.

Three month period ended September 30, 2016

INEOS GROUP HOLDINGS S.A.
INCOME STATEMENT (UNAUDITED)

	Three-Month Period Ended September 30,	
	2016	**2015**
	(€ in millions)	
Revenue	**3,195.3**	**3,452.6**
Cost of sales	(2,510.8)	(2,796.3)
Gross profit	**684.5**	**656.3**
Distribution costs	(46.9)	(51.9)
Administrative expenses	(96.7)	(94.0)
Operating profit	**540.9**	**510.4**
Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method	18.0	(25.8)
Profit before net finance costs	**558.9**	**484.6**
Finance income	27.9	18.2
Finance costs	(61.2)	(78.7)
Exceptional finance costs	(20.7)	-
Profit before tax	**504.9**	**424.1**
Tax charge	(147.9)	(179.9)
Profit for the period	**357.0**	**244.2**

The notes on pages 8 to 18 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
INCOME STATEMENT (UNAUDITED)

	Nine-Month Period Ended September 30,	
	2016	**2015**
	(€ in millions)	
Revenue	**9,388.7**	**10,812.2**
Cost of sales	(7,481.4)	(8,936.8)
Gross profit	**1,907.3**	**1,875.4**
Distribution costs	(155.1)	(157.0)
Administrative expenses	(278.3)	(277.3)
Operating profit	**1,473.9**	**1,441.1**
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method	5.3	100.4
Profit on disposal of fixed assets	4.4	-
Profit before net finance costs	**1,483.6**	**1,541.5**
Finance income	80.8	52.3
Finance costs	(175.4)	(497.3)
Exceptional finance costs	(20.7)	(131.6)
Profit before tax	**1,368.3**	**964.9**
Tax charge	(409.7)	(344.7)
Profit for the period	**958.6**	**620.2**

The notes on pages 8 to 18 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine-Month Period Ended September 30,	
	2016	**2015**
	(€ in millions)	
Profit for the period	958.6	620.2
Other comprehensive income/(expense):		
Items that will not be recycled to profit and loss:		
Remeasurement of post employment benefit obligations net of tax	-	-
Items that may subsequently be recycled to profit and loss:		
Foreign exchange translation differences	36.2	(230.3)
Net (loss)/gain on hedge of net investment in foreign operations	(182.9)	126.5
Other comprehensive expense for the period net of tax	**(146.7)**	**(103.8)**
Total comprehensive income for the period	**811.9**	**516.4**

The notes on pages 8 to 18 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
CONSOLIDATED BALANCE SHEETS

	September 30, 2016	December 31, 2015
	(Unaudited)	
	(€ in millions)	
Non-current assets		
Property, plant and equipment	3,723.4	3,508.8
Intangible assets	677.6	706.4
Investments in equity-accounted investees	119.1	101.4
Other investments	242.8	243.2
Other financial assets	29.2	29.2
Other receivables	1,035.8	1,114.0
Deferred tax assets	205.5	200.9
	6,033.4	5,903.9
Current assets		
Inventories	913.8	956.6
Trade and other receivables	1,678.6	1,772.4
Other financial assets	5.3	1.1
Cash and cash equivalents	2,471.6	1,648.0
	5,069.3	4,378.1
Total assets	**11,102.7**	**10,282.0**
Equity attributable to owners of the parent		
Share capital	0.9	0.9
Share premium	779.4	779.4
Other reserves	(1,861.4)	(1,714.7)
Retained earnings	1,328.8	370.2
Total shareholders' funds/(deficit)	**247.7**	**(564.2)**
Total equity	**247.7**	**(564.2)**
Non-current liabilities		
Interest-bearing loans and borrowings	7,711.5	8,008.5
Trade and other payables	85.1	91.7
Employee benefits	695.0	689.1
Provisions	24.5	25.6
Deferred tax liabilities	197.2	198.1
Other financial liabilities	-	12.6
	8,713.3	9,025.6
Current liabilities		
Interest-bearing loans and borrowings	284.1	291.8
Trade and other payables	1,469.6	1,445.1
Tax payable	382.9	75.8
Other financial liabilities	0.6	1.8
Provisions	4.5	6.1
	2,141.7	1,820.6
Total liabilities	**10,855.0**	**10,846.2**
Total equity and liabilities	**11,102.7**	**10,282.0**

The notes on pages 8 to 18 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
			(€ in millions)		
Balance at 31 December 2015	**0.9**	**779.4**	**(1,714.7)**	**370.2**	**(564.2)**
Profit for the period	-	-	-	958.6	958.6
Other comprehensive income:					
Foreign exchange translation differences	-	-	36.2	-	36.2
Net loss on hedge of net investment in foreign operations	-	-	(182.9)	-	(182.9)
Balance at 30 September 2016	**0.9**	**779.4**	**(1,861.4)**	**1,328.8**	**247.7**

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
			(€ in millions)		
Balance at 31 December 2014	**0.9**	**779.4**	**(1,662.0)**	**(381.6)**	**(1,263.3)**
Profit for the period	-	-	-	620.2	620.2
Other comprehensive income:					
Foreign exchange translation differences	-	-	(230.3)	-	(230.3)
Net gain on hedge of net investment in foreign operations	-	-	126.5	-	126.5
Transactions recorded directly in equity:					
Amounts arising on common control transactions	-	-	-	(85.3)	(85.3)
Balance at 30 September 2015	**0.9**	**779.4**	**(1,765.8)**	**(153.3)**	**(832.2)**

The notes on pages 8 to 18 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
STATEMENT OF CASH FLOWS (UNAUDITED)

	Nine-Month Period Ended September 30,	
	2016	**2015**
	(€ in millions)	
Cash flows from operating activities		
Profit for the period	958.6	620.2
Adjustments for:		
Depreciation, amortisation and impairment	297.6	283.8
Net finance cost	115.3	576.6
Share of profit of equity-accounted investees	(5.3)	(100.4)
Profit on disposal of fixed assets	(4.4)	-
Tax charge	409.7	344.7
Decrease in trade and other receivables	52.7	219.3
Decrease in inventories	29.6	117.0
Increase/(decrease) in trade and other payables	22.8	(353.9)
(Decrease)/increase in provisions and employee benefits	(5.8)	0.1
Tax paid	(109.6)	(143.1)
Net cash from operating activities	**1,761.2**	**1,564.3**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0.1	-
Proceeds from sale of investments	1.1	0.7
Interest and other finance income received	67.6	18.5
Dividends received	5.2	2.7
Loans granted to related parties	(250.0)	-
Loan repayments from related parties	343.3	-
Disposal of businesses, net of cash disposed of	-	79.3
Acquisition of businesses, net of cash acquired	(0.1)	(226.6)
Acquisition of intangible assets	(1.7)	(0.7)
Acquisition of property, plant and equipment	(525.3)	(268.6)
Acquisition of other investments	(13.5)	(0.3)
Net cash used in investing activities	**(373.3)**	**(395.0)**
Cash flows from financing activities		
Securitisation Facility	(130.5)	(59.8)
Proceeds from new Senior Secured Notes	-	770.0
Proceeds from new Senior Secured Term Loans	-	1,407.3
Proceeds from new Senior Notes	1,101.1	-
Redemption of Senior Secured Notes	-	(2,086.8)
Redemption of Senior Notes	(1,111.7)	-
Issue costs	(10.3)	(33.9)
Interest paid	(333.6)	(468.5)
Repayment of loans	(59.4)	(37.7)
Proceeds from Other Loans	13.1	-
Capital element of finance lease payment	(0.2)	(0.3)
Net cash used in financing activities	**(531.5)**	**(509.7)**
Net increase in cash and cash equivalents	856.4	659.6
Cash and cash equivalents at 1 January	1,648.0	1,434.6
Effect of exchange rate fluctuations on cash held	(32.8)	36.0
Cash and cash equivalents at September 30	**2,471.6**	**2,130.2**

The notes on pages 8 to 18 are an integral part of these interim condensed consolidated financial statements.

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements include Ineos Group Holdings S.A. and all its subsidiaries (together referred to as the "Group"). Intra-group transactions and balances have been eliminated on consolidation. The financial and operating results for any period less than a year are not necessarily indicative of the results that may be expected for a full year. The Group does not experience any significant seasonality in its operating results.

The accompanying interim condensed consolidated financial statements of the Group are unaudited.

2. PRINCIPAL ACCOUNTING POLICIES

The financial information has been prepared and approved by the directors in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union in response to the IAS regulation (EC 1606/2002) effective from January 1, 2016. In compliance with IAS 34, the Company has opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. The accounting policies are set out in the INEOS Group Holdings S.A. annual report for the year ended December 31, 2015.

3. SEGMENTAL INFORMATION

Class of business

The Group reports under three business segments: O&P North America, O&P Europe and Chemical Intermediates.

The revenue and operating profit attributable to each different class of business as measured under IFRS is as follows:

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2016	2015	2016	2015
	(€ in millions)		*(€ in millions)*	
Revenue				
O&P North America	750.3	702.4	2,055.6	2,345.1
O&P Europe	1,234.0	1,573.7	3,791.5	4,402.6
Chemical Intermediates	1,561.3	1,755.8	4,564.4	5,458.6
Eliminations	(350.3)	(579.3)	(1,022.8)	(1,394.1)
	3,195.3	3,452.6	9,388.7	10,812.2
EBITDA before exceptionals				
O&P North America	279.8	258.6	734.6	808.4
O&P Europe	193.4	211.9	558.4	440.9
Chemical Intermediates	173.6	141.4	478.5	475.6
	646.8	611.9	1,771.5	1,724.9

Reconciliation of earnings from continuing operations before operating exceptional items, interest, taxation, depreciation and amortisation (‘EBITDA before exceptionals’) to operating profit:

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2016	2015	2016	2015
	(€ in millions)		*(€ in millions)*	
EBITDA before exceptionals	646.8	611.9	1,771.5	1,724.9
Depreciation and amortisation	(105.9)	(101.5)	(297.6)	(283.8)
Operating profit	540.9	510.4	1,473.9	1,441.1

4. FINANCE COSTS

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2016	2015	2016	2015
	(€ in millions)		*(€ in millions)*	
Interest payable on senior notes	43.5	41.6	126.7	159.9
Interest payable on bank loans and overdrafts	48.0	48.5	143.3	126.5
Interest payable on securitisation	2.1	3.0	6.5	9.1
Amortisation of issue costs	2.6	2.6	8.0	8.2
Other finance charges	14.4	7.1	25.1	22.5
Net fair value (gain)/loss on derivatives	(4.1)	-	(11.6)	-
Finance costs before exchange movements	106.5	102.8	298.0	326.2
Exchange movements	(45.3)	(24.1)	(122.6)	171.1
Total finance costs	61.2	78.7	175.4	497.3

The exchange movements reflect net foreign exchange gains or losses associated with short term intra group funding.

5. EXCEPTIONAL FINANCE COSTS

On March 27, 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €850 million and $625 million. The proceeds of the additional Term Loans were used to redeem the Senior Secured Notes due 2019. As a result of the early redemption of the Senior Secured Notes due 2019 an exceptional finance cost of €85.4 million has been recognised, which included an early prepayment premium of €66.0 million and the write-off of deferred issue costs associated with the redeemed Notes of €19.4 million.

In May 2015, the Group issued €770 million of Senior Secured Notes due 2023. The proceeds of the Notes were used to redeem the Senior Secured Notes due 2020. As a result of the early redemption of the Senior Secured Notes due 2020 an exceptional finance cost of €46.2 million has been recognised, which includes an early prepayment premium of €39.1 million and the write-off of deferred issue costs associated with the redeemed Notes of €7.1 million.

In August 2016, the Group issued €650 million and $500 million of Senior Notes due 2024. The proceeds of the Notes together with cash in hand were used to redeem in full the Senior Notes due 2018. As a result of the early redemption of the Senior Notes due 2018 an exceptional finance cost of €20.7 million has been recognised, which includes an early prepayment premium of €17.5 million and the write-off of deferred issue costs associated with the redeemed Notes of €3.2 million.

6. ACQUISITIONS

On July 1, 2015 the Group completed the purchase of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group, a related party, for a gross consideration of €200 million. This represents a business combination between two entities held under common control and therefore the transaction has been accounted for using book values. The difference between the consideration paid and the book value of net assets acquired was €85.3 million and has been recognised directly in retained earnings. The Noretyl cracker provides 570,000 tons per annum of ethylene, as well as propylene to the INEOS system. It supplies the Bamble site in Norway via a dedicated pipeline and is one of only four gas crackers in Europe. This acquisition forms part of the O&P Europe - North segment.

On September 30, 2015 the Group acquired the aromatics business and cumene assets from Axiall Corporation for an initial consideration of $52.4 million (€46.7 million). Additional consideration of $10.5 million may become payable after closing, dependent upon the satisfaction of certain conditions.

6. ACQUISITIONS (Continued)

The acquisition includes a cumene plant, based in Pasadena, Texas, producing 900,000 tonnes of product. In addition the phenol, acetone and alpha-methylstyrene business will transfer to the Group's phenol facility at Mobile, Alabama. This acquisition forms part of the Chemical Intermediates segment.

7. TAXATION

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

After adjusting for the profit from the share of associates and jointly controlled entities, the effective tax rate of approximately 30% for the first nine months of 2016 reflects the anticipated tax rate for the Group for the full year. After adjusting for the profit from the share of associates and jointly controlled entities the effective rate in the same period in 2015 was approximately 40%, which reflected the anticipated tax rate for the full year.

8. INVENTORIES

	September 30, 2016	December 31, 2015
	(€ in millions)	
Raw materials and consumables	331.2	353.4
Work in progress	19.2	17.7
Finished products	563.4	585.5
	913.8	956.6

9. BORROWINGS

Borrowing obligations as of September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016	December 31, 2015
	(€ in millions)	
Non-current liabilities		
Senior Secured Term Loans	4,374.4	4,476.9
Senior Secured Notes due 2023	763.6	762.9
Senior Notes due 2018	-	1,117.1
Senior Notes due 2019	1,121.0	1,134.8
Senior Notes due 2024	1,085.4	-
Securitisation Facility	291.0	426.9
Noretyl Facility	60.5	83.1
Finance lease liabilities	1.2	1.4
Other loans	14.5	5.4
	7,711.5	8,008.5

	September 30, 2016	December 31, 2015
Current liabilities		
Current portion of borrowings under Senior Secured Term Loans	252.3	261.0
Noretyl Facility	26.9	26.9
Other loans	4.7	3.6
Current portion of finance lease liabilities	0.2	0.3
	284.1	291.8

9. BORROWINGS (Continued)

	September 30, 2016		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	4,652.1	(25.4)	4,626.7
Senior Secured Notes due 2023	770.0	(6.4)	763.6
Senior Notes due 2019	1,125.4	(4.4)	1,121.0
Senior Notes due 2024	1,095.2	(9.8)	1,085.4
Securitisation Facility	292.1	(1.1)	291.0
Noretyl Facility	89.4	(2.0)	87.4
Other	20.6	-	20.6
	8,044.8	(49.1)	7,995.7

	December 31, 2015		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	4,767.2	(29.3)	4,737.9
Senior Secured Notes due 2023	770.0	(7.1)	762.9
Senior Notes due 2018	1,121.3	(4.2)	1,117.1
Senior Notes due 2019	1,140.6	(5.8)	1,134.8
Securitisation Facility	428.1	(1.2)	426.9
Noretyl Facility	110.0	-	110.0
Other	10.7	-	10.7
	8,347.9	(47.6)	8,300.3

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Secured Term Loans	$/€	LIBOR plus 2.50%-3.25%	2016-2022
Senior Secured Notes	€	4.0%	2023
Senior Notes	$/€	5.375%-5.875%	2019-2024
Securitisation Facility	$/€/£	Variable	2018
Noretyl Facility	€	EURIBOR plus 2.75%	2019
Other	€/$	3.75% – 9.0%	2016-2023

Senior Secured Term Loans

The Company had original borrowings under a senior facilities agreement (the "Senior Secured Term Loans") which consisted of Term Loans comprising of $375 million of short-dated term loans (the ''Short-Dated Dollar Term Loans''), €500 million of term loans (the ''Euro Term Loans'') and $2.0 billion of term loans (the ''Dollar Term Loans''). In May 2013 the Group completed the re-pricing and up-sizing of the Senior Secured Term Loan facility. The refinancing comprised of a $640 million and a €350 million, five-year add-on term loans. In February 2014 the Group completed a further re-pricing of its Euro Term Loans and Dollar Term Loans. The margins on the Euro Term Loans and the Dollar Term Loans both maturing in May 2018 were reduced by 25bps. In addition the Dollar Term Loans were reduced by $84.1 million and the Euro Term Loans were increased by €61.4 million. In November 2014 the Short-Dated Dollar Term Loans were split resulting in $122.0 million remaining under the Short-Dated Dollar Term Loans and $243.7 million under a new tranche of extended term loans (the ''Tranche 1 Extended Dollar Term Loans'') maturing December 31, 2016. On December 31, 2014 the outstanding amounts under the Short-Dated Dollar Term Loans were fully redeemed. On

9. BORROWINGS (Continued)

March 27, 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €850 million and $625 million (the "Incremental Term Loans"). The final maturity date for these incremental term loans is March 2022. In June 2015 the Group amended and extended a proportion of the Senior Secured Term Loans due 2018. The maturities of €1,115 million and $890 million of Term Loans were extended from May 2018 to December 2020 (the "2020 Extended Term Loans").

The Senior Secured Term Loans outstanding at September 30, 2016 before issue costs were €4,652.1 million of which €257.5 million is due within one year. The total amounts outstanding on Dollar Term Loans were €1,172.4 million, Tranche 1 Extended Dollar Term Loans were €212.2 million, Incremental Term Loans were €1,384.8 million and on the 2020 Extended Term Loans were €1,882.7 million.

The Term Loans are to be repaid in equal quarterly instalments, in aggregate annual amounts equal to 1% of the original principal amount of the Term Loans. The balance of Dollar Term Loans are payable, subject to certain exceptions, on the date that is six years after the original Issue Date. The Dollar Term Loans mature in May 2018. The Tranche 1 Extended Dollar Term Loans are payable, subject to certain exceptions in December 2016. The Incremental Term Loans are payable, subject to certain exceptions in March 2022. The 2020 Extended Term Loans are payable, subject to certain exceptions in December 2020.

The outstanding Tranche 1 Extended Dollar Term Loans and Dollar Term Loans will bear interest a rate per annum equal to LIBOR (subject to a floor of 1.00% per annum on the Dollar Term Loans) plus the Applicable Margin. The euro-denominated Incremental Term Loans and 2020 Extended Term Loans, bear interest at a rate per annum to LIBOR (subject to a floor of 1.00% per annum) plus the Applicable Margin and in the case of the dollar-denominated Incremental Term Loans and 2020 Extended Term Loans, bear interest at a rate per annum equal to LIBOR (subject to a floor of 1.00% per annum) plus the Applicable Margin.

As at September 30, 2016 the Applicable Margin for the Dollar Term Loans is 2.75%, the Tranche 1 Extended Dollar Term Loans is 2.50%, the Incremental Term Loans is 3.25%, the euro-denominated 2020 Extended Term Loans is 3.00% and the dollar-denominated 2020 Extended Term Loans is 2.75%.

The Senior Secured Term Loans rank pari passu with the Senior Secured Notes due 2023 and are structurally senior to the Senior Notes due 2019 and Senior Notes due 2024. The notes are guaranteed by INEOS Group Holdings S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The Term Loans and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure INEOS Holdings Limited's obligations under the senior secured notes.

The Term Loans have numerous customary operating and financial incurrence covenants including 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 have no financial maintenance covenants.

The Senior Secured Term Loans are stated net of debt issue costs of €25.4 million (December 31, 2015: €29.3 million). These costs are allocated to the profit and loss account over the term of the Term Loans in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Senior Secured Notes due 2019

On March 27, 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €850 million and $625 million. The proceeds of the additional Term Loans were used to redeem the Senior Secured Notes due 2019. As a result of the early redemption of the Senior Secured Notes due 2019 an exceptional finance cost of €66.0 million was recognised in respect of an early prepayment premium in March 2015.

9. BORROWINGS (Continued)

Before redemption the Senior Secured Notes due 2019 were listed on the Luxembourg Stock Exchange and comprised of €500.0 million Floating Rate Senior Secured Notes due 2019 (the "2019 Euro Floating Rate Notes") and $1,000.0 million Senior Secured Notes due 2019 (the "2019 Dollar Fixed Rate Notes"). The 2019 Euro Floating Rate Notes beared interest at a rate per annum, reset quarterly, equal to the sum of (i) the greater of (x) three-month EURIBOR and (y) 1.25% per annum plus (ii) 6.0%. Interest on the 2019 Euro Floating Rate Notes was payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning May 15, 2012. The 2019 Dollar Fixed Rate Notes beared interest at a rate of 8.375% per annum. Interest on the 2019 Dollar Fixed Rate Notes was payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 2012.

Following the full redemption of the Senior Secured Notes due 2019 the Group recognised an exceptional finance cost of €19.4 million in March 2015 in relation to the write-off of the associated unamortised debt issue costs (see note 5).

Senior Secured Notes due 2020

In May 2015 the Group issued €770 million of Senior Secured Notes due 2023. The proceeds of the refinancing were used to redeem in full the Senior Secured Notes due 2020. As a result of the early redemption of the Senior Secured Notes due 2020 an exceptional finance cost of €39.1 million was recognised in respect of an early prepayment premium in May 2015 (see note 5).

Before redemption the Senior Secured Notes due 2020 were listed on the Luxembourg Stock Exchange and comprised of $775.0 million Senior Secured Notes. The Senior Secured Notes due 2020 beared interest at 7.5% per annum, payable semi-annually in arrears on May 1 and November 1 of each year.

Following the full redemption of the Senior Secured Notes due 2020 unamortised debt issue costs of €7.1 million were charged to exceptional finance costs in May 2015 (see note 5).

Senior Secured Notes due 2023

In May 2015 the Group issued €770 million of Senior Secured Notes due 2023. The Senior Secured Notes due 2023 are listed on the Luxembourg Stock Exchange. The Senior Secured Notes due 2023 bear interest at 4.0% per annum, payable semi-annually in arrears on May 1 and November 1 of each year. Unless previously redeemed as noted below, the Senior Secured Notes due 2023 will be redeemed by the Group at their principal amount on May 1, 2023.

The Senior Secured Notes due 2023 will be subject to redemption at any time on or after May 1, 2018, at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' prior notice at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning May 1 of the year indicated below:

Year	2023 Dollar Fixed Rate Notes Redemption Price
2018	102.000%
2019	101.000%
2020 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 Secured Notes due 2023 rank pari passu with the Senior Secured Term Loans and are structurally senior to the Senior Notes due 2019 and the Senior Notes due 2024. The notes are guaranteed by INEOS Group Holdings S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The notes and the guarantees are secured by first ranking liens on the same

9. BORROWINGS (Continued)

assets (subject to certain exceptions) that secure INEOS Holdings Limited’s obligations under the senior secured term loans.

The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

The Senior Secured Notes due 2023 are stated net of debt issue costs of €6.4 million (December 31, 2015: €7.1 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2023 in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Senior Notes due 2018

Before redemption the Senior Notes due 2018 were listed on the Luxembourg Stock Exchange and comprised of €500 million Senior Notes due 2018 (the “Euro Notes”) and $678 million Senior Notes due 2018 (the “Dollar Notes”). The Senior Notes due 2018 beared interest at 6.50% per annum for the Euro Notes and 6.125% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year.

In August 2016 the Group issued €650 million and $500 million of Senior Notes due 2024. The proceeds of the refinancing were used to redeem in full the Senior Notes due 2018. As a result of the early redemption of the Senior Notes due 2018 an exceptional finance cost of €17.5 million was recognised in respect of an early redemption premium in August 2016 (see note 5).

Following the full redemption of the Senior Secured Notes due 2018 unamortised debt issue costs of €3.2 million were charged to exceptional finance costs in August 2016 (see note 5).

Senior Notes due 2019

The Senior Notes due 2019 are listed on the Luxembourg Stock Exchange and comprise €600 million Senior Notes due 2019 (the “Euro Notes”) and $590 million Senior Notes due 2019 (the “Dollar Notes”). The Senior Notes due 2019 bear interest at 5.75% per annum for the Euro Notes and 5.875% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year.

Unless previously redeemed as noted below, the Senior Notes due 2019 will be redeemed by the Group at their principal amount on 15 February 2019.

The Senior Notes due 2019 are subject to redemption at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning 15 February of the years indicated below:

Year	Euro Notes redemption price	Dollar Notes redemption price
2016	102.875%	102.938%
2017	101.438%	101.469%
2018 and thereafter	100.000%	100.000%

In each case, the redemption premium will be in addition to accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

The Senior Notes due 2019 are secured by junior pledges of all of the shares of INEOS Holdings Limited. The Senior Notes due 2019 are guaranteed by INEOS Holdings Limited and its material operating subsidiaries on an unsecured senior subordinated basis. Such guarantees only become due 179 days after an event of default on the Senior Notes due 2019 has occurred or earlier under certain circumstances.

9. BORROWINGS (Continued)

The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

The Senior Notes due 2019 are stated net of debt issue costs of €4.4 million (December 31, 2015: €5.8 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2019 in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Senior Notes due 2024

The Senior Notes due 2024 are listed on the Luxembourg Stock Exchange and comprise €650 million Senior Notes due 2024 (the "Euro Notes") and $500 million Senior Notes due 2024 (the "Dollar Notes"). The Senior Notes due 2024 bear interest at 5.375% per annum for the Euro Notes and 5.625% for the Dollar Notes, payable semi-annually in arrears on 1 February and 1 August of each year.

Unless previously redeemed as noted below, the Senior Notes due 2024 will be redeemed by the Group at their principal amount on 1 August 2024.

The Senior Notes due 2024 are subject to redemption at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning 1 August of the years indicated below:

Year	Euro Notes redemption price	Dollar Notes redemption price
2019	102.688%	102.813%
2020	101.344%	101.406%
2021 and thereafter	100.000%	100.000%

In each case, the redemption premium will be in addition to accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

The Senior Notes due 2024 are secured by junior pledges of all of the shares of INEOS Holdings Limited. The Senior Notes due 2024 are guaranteed by INEOS Holdings Limited and its material operating subsidiaries on an unsecured senior subordinated basis. Such guarantees only become due 179 days after an event of default on the Senior Notes due 2024 has occurred or earlier under certain circumstances.

The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

The Senior Notes due 2024 are stated net of debt issue costs of €9.8 million. These costs are allocated to the profit and loss account over the term of the Senior Notes due 2024 in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Receivables Securitisation Facility

The Company has entered into a €800 million receivables securitisation facilities agreement ("Receivables Securitisation Facility") which matures in December 2018. The total amount outstanding at September 30, 2016 before issue costs was €292.1 million (December 31, 2015: €428.1 million). The facility is secured by pledges over the trade receivables sold in to the programme. Interest is charged on the facility at a rate per annum of either EURIBOR or short term commercial paper rates plus a margin.

The Receivables Securitisation Facility is stated net of debt issue costs of €1.1 million (December 31, 2015: €1.2 million).

9. BORROWINGS (Continued)

Noretyl Facility

As part of the Group's purchase of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group on July 1, 2015, the Group also assumed the obligations of a €140 million loan facility ("Noretyl Facility") that Noretyl had in place. The total amount outstanding at September 30, 2016 before issue costs was €89.4 million (December 31, 2015: €110.0 million), of which €28.7 million (December 31, 2015: €26.9 million) is due within one year.

The Noretyl Facility is to be repaid in equal quarterly instalments, in aggregate annual amounts equal to 6.25% of the original principal amount of the facility starting on March 31, 2016. The facility matures in November 2019. The facility is secured by pledges over the property, plant and equipment of Noretyl AS. The outstanding Noretyl Facility will bear interest a rate per annum equal to EURIBOR (subject to a floor of 0% per annum) plus a margin of 2.75%.

The Noretyl Facility is stated net of debt issue costs of €2.0 million.

10. 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.

11. RELATED PARTIES

Mr JA Ratcliffe, Mr AC Currie and Mr J Reece are shareholders in INEOS AG. INEOS AG provides operational management services to the Group through a management services agreement. INEOS AG management fees of €20.4 million (September 30, 2015: €20.3 million) were charged to the income statement during the three month period ended September 30, 2016. As at September 30, 2016 amounts owed to INEOS AG were €20.7 million (September 30, 2015: €20.5 million). Amounts due from INEOS Holdings AG, a wholly owned subsidiary of INEOS AG, were €91.8 million (September 30, 2015: €50.5 million).

INEOS AG owns and controls a number of operating subsidiaries that are not included in the INEOS Group Holdings S.A. group, including INOVYN Limited, INEOS Industries Limited, the Grangemouth petrochemical subsidiaries which were divested on October 1, 2013 and the Lavera petrochemical assets and businesses, together with the other French and Italian assets of O&P South which were divested on July 1, 2014. During the three month period ended September 30, 2016 the Group has made sales to these subsidiaries of €111.1 million (September 30, 2015: €421.0 million), recovered costs of €47.6 million (September 30, 2015: €109.3 million) and made purchases of €187.8 million (September 30, 2015: €850.1 million). As at September 30, 2016, €410.9 million (September 30, 2015: €491.7 million) was owed by and €166.8 million (September 30, 2015: €152.1 million) was owed to these subsidiaries (excluding the Grangemouth shareholder loan, the Ineos Upstream Limited loan and transactions and balances with Styrolution).

During the three month period ended December 31, 2015 the Group provided a loan of $623.7 million to INEOS Upstream Limited, a related party, in connection with its acquisition of natural gas assets in the North Sea. The loan facility is unsecured and matures on October 26, 2020 and bears interest at 7% per annum. During September 2016 a loan repayment of $161.6 million (€143.3 million) was received, leaving $462.1 million (€411.5 million) outstanding under the facility as at September 30, 2016.

Following the divestment of the Grangemouth petrochemical business in 2013 the Group put in place a €200 million shareholder loan agreement to fund the ongoing operations and investments required at the site. This facility matures on July 28, 2021 and is secured on a second lien basis on the assets of the Grangemouth petrochemical business. As at September 30, 2016 €122.6 million (September 30, 2015: €129.7 million) was outstanding under the facility, which includes capitalized interest of €14.1 million (September 30, 2015: €8.2 million). The total consideration for the sale of the Lavera businesses amounted to €200 million and was initially provided in the form of vendor loans, although all of the

11. RELATED PARTIES (Continued)

outstanding consideration has now been paid (September 30, 2015: all of the outstanding consideration was paid).

Styrolution was previously a 50-50 joint venture between Ineos Industries Limited, a related party, and BASF. On November 17, 2014 Ineos Industries Limited completed the acquisition of BASF's 50% share in Styrolution for a purchase price of €1.1 billion. As part of the funding for the acquisition the Group provided Ineos Styrolution Holding GmbH, a related party, with a Second Lien PIK Toggle Loan of €200.0 million. The loan beared interest at a rate per annum of 9.5% for cash interest payments or 10.25% for PIK interest and had a scheduled maturity date of November 2020. During the three month period ended September 30, 2016 Styrolution paid €9.5 million (September 30, 2015: €nil million) of interest relating to the Second Lien PIK Toggle Loan. During September 2016 Styrolution refinanced its capital structure and repaid the €200 million Second Lien PIK Toggle Loan. The Group used the proceeds from the loan together with €50 million of cash in hand to invest €250 million in Styrolution Term Loan B debt which was issued during September 2016. The new Term Loan B will bear interest at a rate per annum equal to EURIBOR (subject to a floor of 1.00% per annum) plus a margin of 3.75% and matures on September 30, 2021. During the three month period ended September 30, 2016 the Group has made sales to Styrolution of €90.2 million (September 30, 2015: €97.1 million), recovered costs of €0.8 million (September 30, 2015: €3.9 million) and made purchases of €0.1 million (September 30, 2015: €nil million. As at September 30, 2016, €280.6 million which includes the Group's €250 million Term Loan B holding (September 30, 2015: €264.0 million, which included €200.0 million under the Second Lien PIK Toggle Loan) was owed by Styrolution.

INEOS AG owns interests in a number of joint ventures that are not included in the INEOS Group Holdings S.A. group, including the French joint ventures associated with the Lavera petrochemical assets and businesses which were divested by the Group on July 1, 2014, the refining joint ventures between PetroChina and INEOS Investments (Jersey) Limited, a related party and a joint venture with Sasol Limited to build and operate a HDPE plant at Battleground site in Texas, USA which is expected to be operational in late 2016.

As at September 30, 2016, €nil million (September 30, 2015: €0.9 million) was owed by the French joint ventures.

There were a number of transactions with the Refining joint ventures, all of which arose in the normal course of business. The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the three month period ended September 30, 2016 the Group has made sales to the Refining joint ventures of €nil million (September 30, 2015: €0.3 million), recovered costs of €39.7 million (September 30, 2015: €0.5 million) and made purchases of €71.2 million (September 30, 2015: €241.0 million). As at September 30, 2016, €4.0 million (September 30, 2015: €1.5 million) was owed by the Refining joint ventures and €17.2 million (September 30, 2015: €16.3 million) was owed to the Refining joint ventures.

During the three month period ended September 30, 2016 the Group has recovered costs of €0.7 million from the HDPE joint venture. As at September 30, 2016, €0.9 million was owed by the HDPE joint venture.

FORWARD-LOOKING STATEMENTS

The Company includes “forward-looking statements,” within the meaning of the US securities laws, based on our current expectations and projections about future events, including:

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

All statements other than statements of historical facts included in this report including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business 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.

The following discussion is based upon the unaudited consolidated historical financial statements of INEOS prepared in accordance with IFRS. 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.

Overview

Combined Business

We are one of the world's largest chemical companies as measured by revenue. Our business has highly integrated world class chemical facilities and production technologies. We have leading global market positions for a majority of our key products, a strong and stable customer base and a highly experienced management team. We currently operate 25 manufacturing sites in 6 countries throughout the world. As of December 31, 2015, our total chemical production capacity was approximately 21,200 kta, of which 59% was in Europe and 41% was in North America.

Results of Operations

Consolidated

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

	Three-Month Period Ended September 30,			
	2016		2015	
	€m	%	€m	%
Revenue	**3,195.3**	**100.0**	**3,452.6**	**100.0**
Cost of sales	(2,510.8)	(78.6)	(2,796.3)	(81.0)
Gross profit	**684.5**	**21.4**	**656.3**	**19.0**
Distribution costs	(46.9)	(1.5)	(51.9)	(1.5)
Administrative expenses	(96.7)	(3.0)	(94.0)	(2.7)
Operating profit	**540.9**	**16.9**	**510.4**	**14.8**
Share of profit/(loss) of associates and jointly controlled entities	18.0	0.6	(25.8)	(0.7)
Profit before net finance costs	**558.9**	**17.5**	**484.6**	**14.0**
Finance income	27.9	0.9	18.2	0.5
Finance costs	(61.2)	(1.9)	(78.7)	(2.3)
Exceptional finance costs	(20.7)	(0.6)	-	-
Profit before tax	**504.9**	**15.8**	**424.1**	**12.3**
Tax charge	(147.9)	(4.6)	(179.9)	(5.2)
Profit for the period	**357.0**	**11.2**	**244.2**	**7.1**

Three-Month Period Ended September 30, 2016, Compared to Three-Month Period Ended September 30, 2015

Revenue. Revenue decreased by €257.3 million, approximately 7.5%, to €3,195.3 million in the three month period ended September 30, 2016 as compared to €3,452.6 million for the same period in 2015. The decrease in revenues was driven primarily by a decrease in selling prices which followed the fall in crude oil prices which decreased to an average of $46/bbl for the three month period ended September 30, 2016 as compared to $50/bbl in the same period in 2015. This was partially offset by higher sales volumes for the Group which increased by approximately 4% in the three month period ended September 30, 2016 as compared to the same period in 2015, primarily due to increased sales within the O&P North America, O&P Europe and Nitriles businesses.

Cost of sales. Cost of sales decreased by €285.5 million, approximately 10.2%, to €2,510.8 million in the three month period ended September 30, 2016 as compared to €2,796.3 million for the same period in 2015. The decrease in cost of sales is largely due to the fall in crude oil prices, which has meant lower feedstock prices across the Group in the three month period ended September 30, 2016, as compared to the same period in 2015.

Gross profit. Gross profit increased by €28.2 million, approximately 4.3%, to €684.5 million in the three month period ended September 30, 2016 as compared to €656.3 million for the same period in 2015. The increase in profitability was primarily driven by higher sales volumes across the Group and increased inventory holding gains. Sales volumes for the Group increased by approximately 4% in the three month period ended September 30, 2016 as compared to the same period in 2015, primarily due to increased sales within the O&P North America, O&P Europe and Nitriles businesses. The Nitriles and Phenol businesses also experienced an increase in margins in the three month period ended September 30, 2016 as compared to the same period in 2015 as markets were tight following a number of planned and unplanned outages at competitors' plants during the quarter. The O&P segments also had higher inventory holding gains of approximately €10 million in the three month period ended September 30, 2016, as compared to inventory holding losses of approximately €59 million in the same period in 2015.

Distribution costs. Distribution costs decreased by €5.0 million, approximately 9.6%, to €46.9 million in the three month period ended September 30, 2016 as compared to €51.9 million for the same period in 2015. The decrease in distribution costs for the Group is primarily due to lower exports for the Oxide business in the three month period ended September 30, 2016 as compared to the same period in 2015 which has led to lower freight costs.

Administrative expenses. Administrative expenses increased by €2.7 million, approximately 2.9%, to €96.7 million in the three month period ended September 30, 2016 as compared to €94.0 million for the same period in 2015. The increase in administrative expenses is primarily due to a decrease in other operating income and an increase in other operating expenses in the three month period ended September 30, 2016 as compared to the same period in 2015. In addition expenditure on research and development was higher in the third quarter of 2016 as compared to the same period in 2015.

Operating profit. Operating profit increased by €30.5 million, approximately 6.0%, to €540.9 million for the three month period ended September 30, 2016 as compared to €510.4 million for the same period in 2015.

Share of profit/(loss) of associates and jointly controlled entities. Share of profit of associates and jointly controlled entities was €18.0 million for the three month period ended September 30, 2016 as compared to a loss €25.8 million for the same period in 2015. The share of profits from associates and jointly controlled entities primarily reflects our share of the results of the Refining joint venture with PetroChina. Margins in the European refining market have strengthened in the three month period ended September 30, 2016 as compared to the same period in 2015.

Profit before net finance costs. Profit before net finance costs increased by €74.3 million, approximately 15.3%, to €558.9 million for the three month period ended September 30, 2016 as compared to €484.6 million for the same period in 2015.

Finance income. Finance income increased by €9.7 million to €27.9 million for the three month period ended September 30, 2016 as compared to €18.2 million for the same period in 2015. The income in the three month period ended September 30, 2016 primarily relates to interest income on the Group's investment in INEOS Investments Partnership, together with interest income from loans to related parties (including Styrolution, Ineos Upstream and Grangemouth).

Finance costs. Finance costs decreased by €17.5 million, approximately 22.2%, to €61.2 million for the three month period ended September 30, 2016 as compared to a charge of €78.7 million for the same period in 2015. The decrease in finance costs for the three month period ended September 30, 2016 reflects an increase in net foreign exchange gains associated with short term intra group funding, which was a gain of €45.3 million in the three month period ended September 30, 2016 as compared to a gain of €24.1 million in the same period in 2015.

Exceptional finance costs. Exceptional finance costs of €20.7 million were charged in the three month period ended September 30, 2016 as a result of the early redemption of the Senior Notes due 2018 which included an early prepayment premium of €17.5 million and the write-off of deferred issue costs associated with the redeemed Notes of €3.2 million.

Profit before tax. Profit before tax increased by €80.8 million, approximately 19.1%, to €504.9 million for the three month period ended September 30, 2016 as compared to €424.1 million for the same period in 2015.

Tax charge. Tax charge decreased by €32.0 million, approximately 17.8%, to a charge of €147.9 million for the three month period ended September 30, 2016 as compared to a charge of €179.9 million for the same period in 2015. The decrease in the tax charge is a result of a lower anticipated effective tax rate during the three month period ended September 30, 2016 as compared to the same period in 2015. After adjusting for the results from the share of associates and jointly controlled entities the effective tax rate of approximately 30% for the three month period ended September 30, 2016 reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended September 30, 2015 was approximately 40% after adjusting for the profits from the share of associates and jointly controlled entities, which reflected the anticipated tax rate for the full year for 2015.

Profit for the period. Profit for the period increased by €112.8 million, approximately 46.2%, to a profit of €357.0 million for the three month period ended September 30, 2016 as compared to €244.2 million for the same period in 2015.

Business segments

The Group reports under three business segments: O&P North America, O&P Europe and Chemical Intermediates.

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

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2016	2015	2016	2015
	(€ in millions)		*(€ in millions)*	
Revenue				
O&P North America	750.3	702.4	2,055.6	2,345.1
O&P Europe	1,234.0	1,573.7	3,791.5	4,402.6
Chemical Intermediates	1,561.3	1,755.8	4,564.4	5,458.6
Eliminations	(350.3)	(579.3)	(1,022.8)	(1,394.1)
	3,195.3	3,452.6	9,388.7	10,812.2
EBITDA before exceptionals				
O&P North America	279.8	258.6	734.6	808.4
O&P Europe	193.4	211.9	558.4	440.9
Chemical Intermediates	173.6	141.4	478.5	475.6
	646.8	611.9	1,771.5	1,724.9

O&P North America

Revenue. Revenue in the O&P North America segment increased by €47.9 million, or 6.8%, to €750.3 million for the three month period ended September 30, 2016, as compared to €702.4 million for the same period in 2015. The increase was driven primarily by higher sales volumes as the weighted average prices remained relatively flat for the three month period ended September 30, 2016 as compared to the same period in 2015. Overall sales volumes increased by approximately 6% in the three month period ending September 30, 2016 as compared to the same period in 2015, driven by record sales volumes of ethylene, which saw sales volumes increase compared to the the third quarter of 2015 which was also adversely impacted by a power outage at the Chocolate Bayou plant in September 2015. Polypropylene sales volumes increased by approximately 11% in the three month period ended September 30, 2016 as compared to the same period in 2015 driven by another strong quarter of production. These increases were partially offset by lower sales volumes of polyethylene of approximately 5% in the three month period ended September 30, 2016 as compared to the same period in 2015, which was largely due to the business recording record production levels of polyethylene in the third quarter of 2015.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P North America segment increased by €21.2 million, or 8.2%, to €279.8 million for the three month period ended September 30, 2016 as compared to €258.6 million in the same period in 2015. The business has continued to benefit from its flexibility to be able to utilise cheaper gas feedstock to maintain healthy margins. Both ethane and propane have continued to be advantaged feedstocks. The US cracker business environment was solid, with healthy margins and high operating rates throughout the three month period ended September 30, 2016. The results for the three month period ended September 30, 2016 were higher than the same period in 2015, due to a combination of higher sales volumes and inventory holding gains, partially offset by lower margins. Increased sales volumes were driven by record ethylene sales in the quarter as markets were tight following a number of planned and unplanned outages at competitors' plants. Polypropylene sales also increased in the three month period ended September 30, 2016 following strong demand and high production levels. In addition the business experienced inventory holding gains of approximately €16 million in the three month period ended September 30, 2016, as compared to inventory holding losses of approximately €18 million in the same period in 2015. Partially offsetting these increases were lower overall margins in the three month period ended September 30, 2016 as compared to the same period in 2015, driven primarily by lower polypropylene and polyethylene margins, partially offset by higher ethylene margins.

O&P Europe

Revenue. Revenue in the O&P Europe segment decreased by €339.7 million, or 21.6%, to €1,234.0 million for the three month period ended September 30, 2016 as compared to €1,573.7 million for the same period in 2015. The decrease in revenues was driven by lower selling prices and product mix, partially offset by higher volumes during the three month period ended September 30, 2016 as compared to the same period in 2015. The decrease in revenues for the O&P North business was driven by the general price environment which was lower in the third quarter of 2016 as compared to the same quarter in 2015 as crude oil prices fell to an average of $46/bbl for the three month period ended September 30, 2016 as compared to an average of $50/bbl for the three month period ended September 30, 2015 which led to a fall in both olefin and polymer prices. The fall in olefin prices was a result of the cracker demand environment no longer remaining at the exceptional levels seen in the third quarter of 2015, which was a result of firm demand and operational problems experienced by most other European cracker operators during that quarter. Polymer prices followed the fall in the monomer prices. The change in product mix also led to a decrease in revenues as the exceptionally low Rhine water levels in the third quarter of 2015 meant an increase in the trading of naphtha in the Rotterdam and Ghent areas during that quarter. Partially offsetting these decreases were higher sales volumes of finished goods during the third quarter of 2016 as compared to the same period in 2015, driven by higher olefin sales, particularly ethylene which offset the lower polymer sales volumes, particularly HDPE volumes as compared to the record levels in the third quarter of 2015.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P Europe segment decreased by €18.5 million or 8.7% to €193.4 million for the three month period ended September 30, 2016, as compared to €211.9 million in the same period in 2015. The results for the three month period ended September 30, 2016 have decreased compared to the same period in 2015, primarily due to lower margins and higher fixed costs, partially offset by lower inventory holding losses. Polymer margins were at similar levels in the third quarter of 2016 as compared to the same period in 2015; however olefin margins, whilst still being strong, saw a decline in the three month period ended September 30, 2016 as compared to the same period in 2015 due to the exceptional margins experienced in the third quarter of 2015 as a result of strong demand and limited supply arising from the operational problems of several other European cracker operators. Business profitability was also impacted in the third quarter of 2016 due to higher fixed costs primarily due to additional costs of the Group's new Dragon ships along with the associated US infrastructure costs in respect of shipping ethane from the US to Europe. Partially offsetting the decrease were lower inventory holding losses of approximately €6 million in the three month period ended September 30, 2016 as compared to losses of €41 million in the three month period ended September 30, 2015.

Chemical Intermediates

Revenue. Revenue in the Chemical Intermediates segment decreased by €194.5 million, or 11.1%, to €1,561.3 million for the three month period ended September 30, 2016 as compared to €1,755.8 million for the same period in 2015. The Oxide business revenues decreased in the three month period ended September 30, 2016 as compared to the same period in 2015, driven by a fall in selling prices and a decline in sales volumes. Overall prices decreased in the three month period ended September 30, 2016 as compared to the same period in 2015, as pricing closely followed the fall in underlying raw material costs of ethylene and propylene due to lower crude oil and naphtha pricing, although the speciality products experienced much more stable pricing with smaller decreases. Glycols experienced more significant decreases due to greater competition from other regions, especially Asia and the slowing down of the China market. Sales volumes decreased approximately 3% in the three month period ended September 30, 2016, although the positive effects of lower oil prices and a weaker euro helped the competitive position of the mainly European business compared to other regions in the world. Revenues for the Oligomers business were effectively flat in the three month period ended September 30, 2016 as compared to the same period in 2015, as lower selling prices were offset by higher volumes. The overall demand trend was strong in most product sectors and markets, most notably in the polymer co-monomer segment, supporting the strong polymer markets. The lower sales prices followed the decline in the underlying raw material prices since feedstock related contract prices make up the majority of the Oligomers pricing arrangements. Nitriles revenues decreased in the three month period ended September 30, 2016 as compared to the same period in 2015 driven by lower selling prices partially offset by higher sales volumes. Average acrylonitrile sales prices fell approximately 11% in the three month period ended September 30, 2016 as compared to the same period in 2015, reflecting the ongoing fall in the feedstock costs of propylene in the third quarter of 2016 as compared to the same quarter in 2015. Partially offsetting this decrease was higher acrylonitrile sales volumes, which were up approximately 7% in the three month period ended September 30, 2016 as compared to the same period in 2015, largely due to the third quarter of 2015 being adversely impacted by an unplanned outage at the Seal Sand site. Revenues of the Phenol business decreased in the three month period ended September 30, 2016 as compared to the same period in 2015, primarily driven by lower prices and to a lesser extent lower sales volumes. The decrease in prices of finished goods moved in line with the underlying raw material prices which have fallen in the three month period ended September 30, 2016 as compared to the same period in 2015. Benzene prices decreased in both the US and Europe resulting in phenol prices decreasing by approximately 2% in the three month period ended September 30, 2016 as compared to the same period in 2015. In addition the average acetone price decreased by approximately 14% in the three month period ended September 30, 2016 as compared to the same period in 2015, following lower propylene prices in Europe, partially offset by higher propylene prices in the US. In addition sales volumes were down for both phenol and acetone in the three month period ended September 30, 2016 as compared to the same period in 2015, although the overall decrease in sales volumes was partially offset by the inclusion of cumene sales from the Pasadena plant which was acquired at the end of September 2015.

EBITDA before exceptionals. EBITDA before exceptionals in the Chemical Intermediates segment increased by €32.2 million, or 22.8%, to €173.6 million for the three month period ended September 30, 2016 as compared to €141.4 million for the same period in 2015. The Oxide business results in the three month period ended September 30, 2016 were effectively flat as compared with the same period in 2015, mainly due to lower volumes, offset by slightly higher margins. Despite demand remaining solid, sales volumes have fallen approximately 3% in the three month period ended September 30, 2016 as compared to the same period in 2016, although this was partially offset by higher margins on EtAc due to some price increases as well as further growth of specialised products which have increased average margins for the business. The Oligomers business profitability decreased in the three month period ended September 30, 2016 as compared to the same period in 2015, primarily driven by lower margins and the phasing of some fixed costs. Demand was strong across most products' sectors and markets, leading to improved underlying margins in the third quarter of 2016 as compared to the same period in 2015; however overall margins were lower as the third quarter of 2015 benefitted from the receipt os some insurance proceeds relating to the Feluy fire in 2014. PAO margins continued to be top of cycle on good core product sales and strong high viscosity sales particularly in North America. LAO core sales were good and oilfield sales were steady. SO margins were on a par, with good sales in core products and record sales of high margin IHD cosmetic grade product. The increased IHD sales were a direct result of the capacity expansion completed at the Koln plant in June 2016. The Nitriles business experienced an increase in profitability in the three month period ended September 30, 2016 as compared to the same period in 2015, primarily due to higher margins. Overall acrylonitrile margins were up approximately 40% during the three month period ended September 30, 2016 as compared to the same period in 2015, driven by tighter market conditions aided by industry supply side issues as there were a number planned and unplanned competitor outages, which led to firmer pricing. The Phenol business profitability increased for the three month period ended September 30, 2016 as compared to the same period in 2015, primarily due to improved margins, partially offset by higher fixed costs and lower sales volumes. The increase in margins was mainly driven by higher acetone margins and the impact of the Pasadena acquisition which occurred in September 2015, since it has had a positive impact on raw material purchasing following the increase in feedstock availability for the business as a result of the additional cumene capacity of the Pasadena site. Partially offsetting this increase were higher fixed costs in the third quarter of 2016 as compared to the same quarter in 2015, primarily as a result of the additional fixed costs from the Pasadena acquisition. In addition lower sales volumes during the third quarter of 2016 have adversely impacted profitability as compared to the same period in 2015.

Liquidity and Capital Resources

Capital Resources

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

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

We believe that our operating cash flows, together with the cash resources and future borrowings under the Securitization Program, will be sufficient to fund our working capital requirements, anticipated capital expenditures and debt service requirements as they become due, although this may not be the case.

Financing Arrangements

The Group has a €800 million Receivables Securitization Program in place, which matures in December 2018.

The Group has a €300.0 million Letter of Credit facility. Under the terms of the facility the Group undertakes to provide cash collateral to cover any letters of credit, guarantees, bonds or indemnities issued under the facility.

Following the Group’s purchase of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group in July 2015, the Group assumed the obligations of a €140 million loan facility of Noretyl AS. The facility matures in November 2019.

As of September 30, 2016, the Group had a total of €4,652.1 million Senior Secured Term Loans, €1,125.4 million Senior Notes due 2019, €770.0 million Senior Secured Notes due 2023, and €1,095.2 million Senior Notes due 2024 outstanding.

Capital Expenditures

As part of our strategy to focus capital investments on improving returns, we have instituted measures to ensure the most efficient uses of capital investment. We intend to manage capital expenditures to maintain our well-invested asset base.

Capital expenditure incurred during the nine months ended September 30, 2016 was €525.3 million (€268.6 million in the nine months ended September 30, 2015) analysed by business segment as follows:

	Nine-month period ended September 30,	
	2016	**2015**
	(€ in millions)	
O&P North America	245.3	101.3
O&P Europe	94.4	62.8
Chemical Intermediates	185.6	104.5
	525.3	268.6

The main capital expenditures in the nine month period ended September 30, 2016 related to expenditure within the O&P North America segment on a cogeneration project at the Chocolate Bayou site, together with expenditure for a scheduled major cracker turnaround at the same site. There were also a number of smaller projects within the O&P North America and O&P Europe segments. There was additional growth expenditure by the Oligomers business on a DIB debottlenecking project at the site in Koln, Germany and growth expenditure on the PAO HiVis plant at Laporte, USA and on the LAO platform at Chocolate Bayou, USA together with a turnaround on the LAO plant at Joffre, Canada. There were also turnarounds at the Nitriles sites in Lima, USA and Seal Sands, United Kingdom and at the Phenol site in Antwerp, Belgium. The remaining capital expenditure related primarily to sustenance expenditure.

The main capital expenditures in the nine month period ended September 30, 2015 related to a number of smaller projects within the O&P North America and O&P Europe segments. There was also expenditure on a DIB debottlenecking project at the Oligomers site in Koln, Germany. The remaining capital expenditure related primarily to sustenance expenditure.

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 Receivables Securitization Facility.

Cash Flows

During the nine month period ended September 30, 2016 and 2015, our cash flow was as follows:

	Nine-month period ended September 30,	
	2016	**2015**
	(€ millions)	
Cash flow from operating activities	1,761.2	1,564.3
Cash flow from investing activities	(373.3)	(395.0)
Cash flow from financing activities	(531.5)	(509.7)

Cash flows from operating activities

Net cash flow from operating activities was an inflow of €1,761.2 million for the nine month period ended September 30, 2016 (inflow of €1,564.3 million in the nine month period ended September 30, 2015). The inflow was due to the profit generated from operations and working capital inflows of €105.1 million in the nine month period ended September 30, 2016 (outflow of €17.6 million in the nine month period ended September 30, 2015). The increase in working capital inflows primarily reflects the lower working capital levels of the Group as a result of lower raw material costs in the nine month period ended September 30, 2016 as compared to the same period in the prior year.

Taxation payments of €109.6 million were made in the nine month period ended September 30, 2016 (payments of €143.1 million in the nine month period ended September 30, 2015). The payments in the nine month period ended September 30, 2016 primarily reflect payments made to the tax authorities in Germany following a tax audit and in Canada and the US. The payments in the nine month period ended September 30, 2015 primarily reflect payments made to the tax authorities in the US, and to a lesser extent Belgium.

Cash flows from investing activities

On July 1, 2014, the Group successfully completed the Lavera Divestiture for a total consideration of €200 million. During the nine month period ended September 30, 2015 the Group received a further €79.3 million of proceeds which meant that as at September 30, 2015 all of the disposal proceeds had been received.

On July 1, 2015 the Group completed the purchase of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group, a related party, for a gross consideration of €200.0 million. Cash balances acquired with the business were €20.1 million.

On September 30, 2015 the Group acquired the aromatics business and cumene assets from Axiall Corporation for an initial consideration of $52.4 million (€46.7 million).

On November 17, 2014 Ineos Industries Limited completed the acquisition of BASF's 50% share in Styrolution for a purchase price of €1.1 billion. As part of the funding for the acquisition the Group provided Ineos Styrolution Holding GmbH, a related party, with a Second Lien PIK Toggle Loan of €200.0 million. The loan beared interest at a rate per annum of 9.5% for cash interest payments or 10.25% for PIK interest and had a scheduled maturity date of November 2020. During the nine month period ended September 30, 2016 Styrolution paid €19.0 million (September 30, 2015: €nil million) of interest relating to the Second Lien PIK Toggle Loan.

During September 2016 Styrolution refinanced its capital structure and repaid the €200 million Second Lien PIK Toggle Loan. The Group used the proceeds from the loan together with €50 million of cash in hand to invest €250 million in Styrolution Term Loan B facility which was issued during September 2016. The new Term Loan B is secured on the assets of Styrolution, will bear interest at a rate per annum equal to EURIBOR (subject to a floor of 1.00% per annum) plus a margin of 3.75% and matures on September 30, 2021.

During the three month period ended December 31, 2015 the Group provided a loan of $623.7 million to INEOS Upstream Limited, a related party, in connection with its acquisition of natural gas assets in the North Sea. The loan facility is unsecured, matures on October 26, 2020 and bears interest at 7% per annum. During the nine month period ended September 30, 2016 INEOS Upstream has made a loan repayment of €143.3 million ($161.6 million) and paid interest of €22.9 million relating to the loan.

There were no other significant cash flows from investing activities in the nine month period ended September 30, 2016 and 2015 other than the acquisition of property, plant and equipment (refer to the "Capital Expenditure" section).

Cash flows from financing activities

Interest payments of €333.6 million were made in the nine month period ended September 30, 2016 (€468.5 million in the nine month period ended September 30, 2015). The interest payments during the first nine months of 2016 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2019 and Senior Secured Notes due 2023 and a final interest payment and early prepayment premium of €17.5 million on the 2018 Senior Notes which were redeemed in August 2016. Interest payments of €468.5 million were made in the nine month period ended September 30, 2015. The interest payments during the first nine months of 2015 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2018 and Senior Notes due 2019, a final interest payment and early prepayment premium of €66.0 million on the 2019 Senior Secured Notes which were redeemed in March 2015 and a final interest payment and early prepayment premium of €39.1 million on the 2020 Senior Secured Notes which were redeemed in May 2015.

The Group made a repayment of €130.5 million on the Securitization Program during the nine month period ended September 30, 2016 (repayment of €59.8 million in the nine month period ended September 30, 2015). Debt issue costs of €0.3 million in relation to the Securitization Program amendment agreement in December 2015 were paid during the nine month period ended September 30, 2016.

The Group made scheduled repayments of €35.9 million on the Senior Secured Term Loans during the nine month period ended September 30, 2016 (scheduled repayments of €35.0 million in the nine month period ended September 30, 2015). The Group also made scheduled repayments of €20.6 million on the Noretyl Facility during the nine month period ended September 30, 2016.

The Group made scheduled repayments of €2.7 million on a bilateral bank loan agreement to fund some specific capital expenditure at the Koln, Germany site, during the nine month period ended September 30, 2016 (scheduled repayments of €2.7 million in the nine month period ended September 30, 2015).

In June 2016, the Group entered into a separate bank loan agreement to fund specific capital expenditure on a freight rail car fleet covering North America for the Oligomers business, resulting in an inflow of €13.1 million in the nine month period ended September 30, 2016. The Group has subsequently made scheduled repayments of €0.2 million on the bank loan agreement during the nine month period ended September 30, 2016.

In August 2016 the Group issued €650 million and $500 million of Senior Notes due 2024 resulting in an inflow of €1,101.1 million. The proceeds of the Notes together with cash in hand were used to redeem in full the Senior Notes due 2018 of €1,111.7 million. The Group paid associated debt issue costs of €10.0 million in relation to the issue of Senior Notes due 2024 during the nine month period ended September 30, 2016.

In March 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €850 million and $625 million, resulting in a combined cash inflow of €1,407.3 million. The proceeds of the additional Term Loans were used to redeem the Senior Secured Notes due 2019 of €1,391.7 million. The Group paid associated debt issue costs of €18.2 million in relation to the issue of the incremental term loan facility during the nine month period ended September 30, 2015.

In May 2015 the Group issued €770 million of Senior Secured Notes due 2023. The proceeds of the refinancing were used to redeem in full the Senior Secured Notes due 2020 of €695.1 million. The Group paid associated debt issue costs of €8.7 million in relation to the issue of Senior Secured Notes due 2023 during the nine month period ended September 30, 2015.

In June 2015 the Group amended and extended a proportion of the Senior Secured Term Loans due 2018. The maturities of €1,115 million and $890 million of Term Loans were extended from May 2018 to December 2020. The Group paid associated debt issue costs of €7.0 million in relation to the issue of the extended term loan facility during the nine month period ended September 30, 2015.

Net debt

Total net debt as at September 30, 2016 was €5,573.2 million (December 31, 2015: €6,699.9 million). The Group held net cash balances of €2,471.6 million as at September 30, 2016 (December 31, 2015: €1,648.0 million) which included restricted cash of €150.8 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €284.4 million as at September 30, 2016.

The Group entered into two interest rate caps in May 2012 to hedge the variable interest rate exposures on the €500.0 million Floating Rate Senior Secured Notes due 2019. The interest rate caps had a strike price of 1.25% per annum, which was in line with the EURIBOR floor on the Floating Rate Notes of 1.25% per annum. These derivative instruments expired in May 2015.