INEOS

INEOS GROUP HOLDINGS S.A.

Three month period ended June 30, 2020

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

	Three-Month Period Ended June 30,	
	2020	**2019**
	(€ in millions)	
Revenue	**2,465.9**	**3,573.9**
Cost of sales	(2,234.0)	(3,045.6)
Gross profit	**231.9**	**528.3**
Distribution costs	(52.4)	(56.2)
Administrative expenses	(101.1)	(133.3)
Exceptional administrative expenses	-	(13.0)
Operating profit	**78.4**	**325.8**
Share of loss of associates and jointly controlled entities using the equity accounting method	(60.6)	(20.0)
Profit before net finance costs	**17.8**	**305.8**
Finance income	13.9	16.6
Finance costs	14.1	(12.7)
Exceptional finance costs	-	(11.7)
Profit before tax	**45.8**	**298.0**
Tax charge	(19.9)	(56.9)
Profit for the period	**25.9**	**241.1**

The notes on pages 8 to 17 are an integral part of these interim condensed consolidated financial statements.

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

	Six-Month Period Ended June 30,	
	2020	**2019**
	(€ in millions)	
Revenue	**5,594.9**	**7,170.7**
Cost of sales	(5,025.9)	(6,120.4)
Gross profit	**569.0**	**1,050.3**
Distribution costs	(105.8)	(112.1)
Administrative expenses	(186.6)	(229.7)
Exceptional administrative expenses	-	(13.0)
Operating profit	**276.6**	**695.5**
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method	(178.1)	1.8
Profit on disposal of investments	-	2.6
Profit before net finance costs	**98.5**	**699.9**
Finance income	29.2	45.7
Finance costs	(146.8)	(139.2)
Exceptional finance costs	-	(11.7)
(Loss)/profit before tax	**(19.1)**	**594.7**
Tax charge	(29.9)	(106.4)
(Loss)/profit for the period	**(49.0)**	**488.3**

The notes on pages 8 to 17 are an integral part of these interim condensed consolidated financial statements.

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

	Six-Month Period Ended June 30,	
	2020	**2019**
	(€ in millions)	
(Loss)/profit for the period	(49.0)	488.3
Other comprehensive income/(expense):		
Items that will not be recycled to profit and loss:		
Remeasurement of post employment benefit obligations net of tax	(43.0)	(144.0)
Items that may subsequently be recycled to profit and loss:		
Foreign exchange translation differences	(26.3)	(3.4)
Net loss on hedge of net investment in foreign operations net of tax	(78.4)	(20.7)
Other comprehensive expense for the period net of tax	**(147.7)**	**(168.1)**
Total comprehensive (expense)/income for the period	**(196.7)**	**320.2**

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INEOS GROUP HOLDINGS S.A.
CONSOLIDATED BALANCE SHEETS

	June 30, 2020	December 31, 2019
	(Unaudited)	
	(€ in millions)	
Non-current assets		
Property, plant and equipment	7,397.7	6,964.8
Intangible assets	785.2	799.0
Investments in equity-accounted investees	192.1	371.4
Financial assets at fair value through other comprehensive income	28.3	28.3
Employee benefits	48.4	48.5
Trade and other receivables	642.8	742.4
Deferred tax assets	202.4	184.8
	9,296.9	9,139.2
Current assets		
Inventories	1,023.1	1,227.0
Trade and other receivables	1,404.7	1,544.9
Derivative financial instruments	48.2	15.3
Cash and cash equivalents	927.3	982.9
	3,403.3	3,770.1
Total assets	**12,700.2**	**12,909.3**
Equity attributable to owners of the parent		
Share capital	0.9	0.9
Share premium	585.6	585.6
Other reserves	(2,151.8)	(2,004.1)
Retained earnings	2,896.6	2,945.6
Total equity	**1,331.3**	**1,528.0**
Non-current liabilities		
Interest-bearing loans and borrowings	6,582.7	6,604.8
Lease liabilities	864.5	864.4
Trade and other payables	78.1	79.7
Employee benefits	1,061.5	984.2
Provisions	44.4	46.5
Deferred tax liabilities	290.7	291.2
Derivative financial instruments	4.7	-
	8,926.6	8,870.8
Current liabilities		
Interest-bearing loans and borrowings	206.6	248.0
Lease liabilities	118.1	125.4
Trade and other payables	1,668.4	1,772.0
Tax payable	325.1	278.0
Derivative financial instruments	104.8	59.5
Provisions	19.3	27.6
	2,442.3	2,510.5
Total liabilities	**11,368.9**	**11,381.3**
Total equity and liabilities	**12,700.2**	**12,909.3**

The notes on pages 8 to 17 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 2019 ...	**0.9**	**585.6**	**(2,004.1)**	**2,945.6**	**1,528.0**
Loss for the period	-	-	-	(49.0)	(49.0)
Other comprehensive expense:					
Foreign exchange translation differences	-	-	(26.3)	-	(26.3)
Net loss on hedge of net investment in foreign operations .	-	-	(78.4)	-	(78.4)
Remeasurement of post employment benefit obligations net of tax	-	-	(43.0)	-	(43.0)
Balance at 30 June 2020	**0.9**	**585.6**	**(2,151.8)**	**2,896.6**	**1,331.3**

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
		(€ in millions)			
Balance at 31 December 2018	**0.9**	**779.4**	**(1,957.9)**	**4,095.1**	**2,917.5**
Profit for the period	-	-	-	488.3	488.3
Other comprehensive income/(expense):					
Foreign exchange translation differences	-	-	(3.4)	-	(3.4)
Net loss on hedge of net investment in foreign operations	-	-	(20.7)	-	(20.7)
Remeasurement of post employment benefit obligations net of tax	-	-	(144.0)	-	(144.0)
Transactions with owners, recorded directly in equity:					
Dividend	-	-	-	(1,746.3)	(1,746.3)
Balance at 30 June 2019	**0.9**	**779.4**	**(2,126.0)**	**2,837.1**	**1,491.4**

The notes on pages 8 to 17 are an integral part of these interim condensed consolidated financial statements.

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

	Six-Month Period Ended June 30,	
	2020	2019
	(€ in millions)	
Cash flows from operating activities		
(Loss)/profit before tax	(19.1)	594.7
Adjustments for:		
Depreciation, amortisation and impairment	348.9	313.8
Net finance cost	117.6	105.2
Share of loss/(profit) of equity-accounted investees	178.1	(1.8)
Profit on disposal of investments	-	(2.6)
(Increase)/decrease in trade and other receivables	182.7	(194.7)
Decrease in inventories	198.9	192.8
Decrease in trade and other payables	(126.6)	(75.6)
Increase/(decrease) in provisions and employee benefits	0.8	(3.3)
Tax (paid)/received	31.4	(36.3)
Net cash from operating activities	**912.7**	**892.2**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	0.2
Proceeds from sale of investments	-	260.8
Interest and other finance income received	2.2	36.9
Dividends received	2.2	2.7
Acquisition of businesses, net of cash acquired	(15.6)	(40.7)
Acquisition of property, plant and equipment	(646.9)	(532.1)
Acquisition of intangible assets	(12.1)	(6.3)
Acquisition of other investments	0.7	-
Net cash used in investing activities	**(669.5)**	**(278.5)**
Cash flows from financing activities		
Securitisation Facility	11.5	66.7
Inventory Facility	(41.8)	185.9
Proceeds from new Senior Secured Notes	-	770.0
Redemption of Senior Secured Notes	-	(770.0)
Issue costs	-	(9.3)
Interest paid	(157.7)	(141.5)
Repayment of loans	(30.0)	(31.8)
Proceeds from other loans	-	141.0
Dividends paid	-	(1,746.3)
Capital element of lease payments	(71.5)	(66.0)
Net cash used in financing activities	**(289.5)**	**(1,601.3)**
Net decrease in cash and cash equivalents	(46.3)	(987.6)
Cash and cash equivalents at January 1	982.9	2,071.3
Effect of exchange rate fluctuations on cash held	(9.3)	32.4
Cash and cash equivalents at June 30	**927.3**	**1,116.1**

The notes on pages 8 to 17 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, 2020. 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, 2019.

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 June 30,		Six-Month Period Ended June 30,	
	2020	2019	2020	2019
	(€ in millions)		*(€ in millions)*	
Revenue				
O&P North America	598.8	778.8	1,275.5	1,647.7
O&P Europe	991.3	1,576.8	2,370.4	3,058.0
Chemical Intermediates	1,126.2	1,670.5	2,654.1	3,400.4
Eliminations	(250.4)	(452.2)	(705.1)	(935.4)
	2,465.9	3,573.9	5,594.9	7,170.7
EBITDA before exceptionals				
O&P North America	102.8	189.4	218.9	391.6
O&P Europe	45.3	150.7	142.1	293.4
Chemical Intermediates	112.3	161.2	264.5	337.3
	260.4	501.3	625.5	1,022.3

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 June 30,		Six-Month Period Ended June 30,	
	2020	2019	2020	2019
	(€ in millions)		*(€ in millions)*	
EBITDA before exceptionals	260.4	501.3	625.5	1,022.3
Depreciation and amortisation	(182.0)	(162.5)	(348.9)	(313.8)
Exceptional items	-	(13.0)	-	(13.0)
Operating profit	78.4	325.8	276.6	695.5

4. FINANCE COSTS

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2020	2019	2020	2019
	(€ in millions)		*(€ in millions)*	
Interest payable on senior notes	23.6	24.6	47.1	50.1
Interest payable on bank loans and overdrafts	25.7	31.6	56.5	61.9
Interest payable on securitisation	2.1	2.6	4.5	5.5
Interest payable on lease liabilities	12.4	12.8	24.6	24.4
Amortisation of issue costs	2.0	1.7	4.0	3.1
Other finance charges	4.0	4.2	8.3	8.8
Net fair value (gain)/loss on derivatives	(32.7)	20.3	48.6	26.8
Finance costs before exchange movements	37.1	97.8	193.6	180.6
Exchange movements	(49.5)	(84.3)	(43.4)	(39.7)
Borrowing costs capitalised in property, plant and equipment	(1.7)	(0.8)	(3.4)	(1.7)
Total finance costs	(14.1)	12.7	146.8	139.2

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

5. TAXATION

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

After adjusting for the profit from the share of associates and jointly controlled entities, the effective tax rate of approximately 19% for the first six months of 2020 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 2019 was approximately 18%, which reflected the anticipated tax rate for the full year.

6. INVENTORIES

	June 30, 2020	December 31, 2019
	(€ in millions)	
Raw materials and consumables	361.0	430.4
Work in progress	13.4	19.5
Finished products	648.7	777.1
	1,023.1	1,227.0

7. BORROWINGS

Borrowing obligations as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
	(€ in millions)	
Non-current liabilities		
Senior Secured Term Loans	3,406.5	3,428.6
Senior Secured Notes due 2026	762.7	762.1
Senior Secured Notes due 2025	546.0	545.6
Senior Notes due 2024	1,089.4	1,090.4
Receivables Securitisation Facility	307.3	295.9
Koln CoGen Facility	84.0	96.0
Rafnes Facility	247.1	246.5
Schuldschein Facility	139.1	138.9
Other loans	0.6	0.8
	6,582.7	6,604.8

	June 30, 2020	December 31, 2019
Current liabilities		
Current portion of borrowings under Senior Secured Term Loans	33.2	33.3
Koln CoGen Facility	24.0	24.0
Inventory Financing Facility	149.1	190.4
Other loans	0.3	0.3
	206.6	248.0

7. BORROWINGS (Continued)

	June 30, 2020		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	3,447.7	(8.0)	3,439.7
Senior Secured Notes due 2026	770.0	(7.3)	762.7
Senior Secured Notes due 2025	550.0	(4.0)	546.0
Senior Notes due 2024	1,094.6	(5.2)	1,089.4
Receivables Securitisation Facility	308.3	(1.0)	307.3
Koln CoGen Facility	108.0	-	108.0
Rafnes Facility	250.0	(2.9)	247.1
Schuldschein Loan	141.0	(1.9)	139.1
Inventory Financing Facility	149.1	-	149.1
Other	0.9	-	0.9
	6,819.6	(30.3)	6,789.3

	December 31, 2019		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	3,470.9	(9.0)	3,461.9
Senior Secured Notes due 2026	770.0	(7.9)	762.1
Senior Secured Notes due 2025	550.0	(4.4)	545.6
Senior Notes due 2024	1,096.3	(5.9)	1,090.4
Receivables Securitisation Facility	297.1	(1.2)	295.9
Koln CoGen Facility	120.0	-	120.0
Rafnes Facility	250.0	(3.5)	246.5
Schuldschein Loan	141.0	(2.1)	138.9
Inventory Financing Facility	190.9	(0.5)	190.4
Other	1.1	-	1.1
	6,887.3	(34.5)	6,852.8

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Secured Term Loans	$/€	LIBOR/ EURIBOR plus 2.00%	2024
Senior Secured Notes	€	2.125%-2.875%	2025-2026
Schuldschein Loan	€	EURIBOR plus 2.00%	2024
Senior Notes	$/€	5.375%-5.625%	2024
Receivables Securitisation Facility	$/€/£	Variable	2022
Koln CoGen Facility	€	2.85%	2024
Rafnes Facility	€	EURIBOR plus 2.10%	2024
Other	€	2.20%	2021

7. BORROWINGS (Continued)

Senior Secured Term Loans

The Group has outstanding borrowings under a senior credit facilities agreement (the 'Senior Secured Term Loans' or 'Term Loans') dated April 27, 2012 (as amended and restated). The term Loans are denominated in both Euros and US dollars and mature on June 30, 2024.

The Senior Secured Term Loans outstanding at June 30, 2020 before issue costs were €3,447.7 million (December 31, 2019: €3, 470.9 million) of which €35.4 million (December 31, 2019: €35.4 million) is due within one year. The total amounts outstanding on the Euro denominated Term Loans were €2,008.5 million (December 31, 2019: €2,018.8 million) and the US dollar denominated Term Loans were €1,439.2 million (December 31, 2019: €1,452.1 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 until the final repayment on maturity. The Term Loans mature on June 30, 2024.

The outstanding Term Loans denominated in US dollars bear interest at a rate per annum equal to LIBOR plus the Applicable Margin. The Term Loans denominated in Euros bear interest at a rate per annum equal to EURIBOR (subject to a floor of 0.50% per annum) plus the Applicable Margin. As at June 30, 2020 the Applicable Margin for the Euro denominated Term Loans and the US dollar denominated Term Loans was 2.00%.

The Senior Secured Term Loans rank pari passu with the Senior Secured Notes due 2026, Senior Secured Notes due 2025 and the Schuldschein Loan and are structurally senior to 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 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 all of which have been complied with during the year, 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 €8.0 million (December 31, 2019: €9.0 million). These costs are allocated to the profit and loss account over the term of the Term Loans.

Senior Secured Notes due 2023

In April 2019 the Group redeemed in full the Senior Secured Notes due 2023 with the proceeds from the issuance of the Senior Secured Notes due 2026 along with cash on hand. Before redemption the Senior Secured Notes due 2023 were listed on the Euro MTF - Luxembourg Stock Exchange. The Senior Secured Notes due 2023 bore interest at 4.0% 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 2023, unamortised debt issue costs of €4.0 million and an early prepayment premium of €7.7 million were charged to exceptional finance costs in April 2019.

Senior Secured Notes due 2025

In November 2017 the Group issued €550 million of Senior Secured Notes due 2025. The proceeds from the new Notes were used to partially repay the Senior Secured Term Loans. The Senior Secured Notes due 2025 are listed on the Euro MTF - Luxembourg Stock Exchange. The Senior Secured Notes due 2025 bear interest at 2.125% per annum, payable semi-annually in arrears on May 15 and November 15 of each year. Unless previously redeemed as noted below, the Senior Secured Notes due 2025 will be redeemed by the Group at their principal amount on November 15, 2025.

7. BORROWINGS (Continued)

The Senior Secured Notes due 2025 can be subject to redemption at any time on or after November 15, 2020, at the option of the Issuer, in whole or in part, on not less than 10 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 November 15 of the year indicated below:

Year	Redemption Price
2020	101.0625%
2021	100.53125%
2022 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 2025 rank pari passu with the Senior Secured Term Loans and Senior Secured Notes due 2026 and the Schuldschein Loan and are structurally senior to the Senior Notes due 2024. The notes are guaranteed by INEOS Group Holdings S.A., INEOS Luxembourg I S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The notes and the guarantees are secured by first ranking liens on the same 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 2025 are stated net of debt issue costs of €4.0 million (December 31, 2019: €4.4 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2025.

Senior Secured Notes due 2026
In April 2019, the Group issued €770 million of Senior Secured Notes due 2026. The Senior Secured Notes due 2026 are listed on the Euro MTF - Luxembourg Stock Exchange. The Senior Secured Notes due 2026 bear interest at 2.875% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, beginning November 1, 2019. Unless previously redeemed as noted below, the Senior Secured Notes due 2026 will be redeemed by the Group at their principal amount on May 1, 2026.

The Senior Secured Notes due 2026 can be subject to redemption at any time on or after May 1, 2022, at the option of the Issuer, in whole or in part, on not less than 10 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	Redemption Price
2022	101.4375%
2023	100.71875%
2024 and thereafter	100.000%

7. BORROWINGS (Continued)

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 2026 rank pari passu with the Senior Secured Term Loans, Senior Secured Notes due 2025 and the Schuldschein Loan and are structurally senior to the Senior Notes due 2024. The notes are guaranteed by INEOS Group Holdings S.A., INEOS Luxembourg I S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The notes and the guarantees are secured by first ranking liens on the same 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 2026 are stated net of debt issue costs of €7.3 million (December 31, 2019: €7.9 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2026.

Senior Notes due 2024

The Senior Notes due 2024 are listed on the Euro MTF - 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
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 Luxembourg I S.A., INEOS Holdings Limited and their 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 €5.2 million (December 31, 2019: €5.9 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2024.

7. BORROWINGS (Continued)

Receivables Securitisation Facility

The Group has entered into a €800 million receivables securitisation facilities agreement ("Receivables Securitisation Facility") which matures on December 31, 2022. The total amount outstanding at June 30, 2020 before issue costs was €308.3 million (December 31, 2019: €297.1 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 €1.0 million (December 31, 2019: €1.2 million).

Koln CoGen Facility

As part of a project at the Group's Koln site to replace part of its incineration or cogeneration unit, the Group has entered into a €120 million loan facility ("Koln CoGen Facility"). The facility matures in December 2024. There are no scheduled interest or amortization payments during the first two years of the facility. The total amount outstanding at June 30, 2020 was €108.0 million (December 31, 2019: €120.0 million).

The Koln CoGen Facility is to be repaid in equal quarterly instalments of €6 million, with the first payment being made in April 2020. The facility is secured by pledges over the plant and equipment of INEOS Manufacturing Deutschland GmbH's new cogeneration assets. The outstanding Koln CoGen Facility bears a fixed interest rate of 2.85% per annum.

Rafnes 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. In November 2019 following the repayment of the initial loan the term loan facility was amended and restated with a new facility amount ("Rafnes Facility") of €250.0 million. The total amount outstanding at June 30, 2020 before issue costs was €250.0 million (December 31, 2019: €250.0 million).

The Rafnes Facility is to be repaid in equal semi-annual instalments of €35.7 million starting on December 15, 2021. The facility matures in November 2024. The facility is secured by pledges over the property, plant and equipment of INEOS Rafnes AS (previously Noretyl AS). The outstanding Rafnes Facility bears interest a rate per annum equal to EURIBOR (subject to a floor of 0% per annum) plus a margin of 2.10%.

The Rafnes Facility is stated net of debt issue costs of €2.9 million (December 31, 2019: €3.5 million).

Schuldschein Loan

In March 2019 the Group entered into a €141 million floating rate loan facility ("Schuldschein Loan"). The facility matures in March 2024.

The Schuldschein Loan bears interest at a rate per annum equal to EURIBOR for an interest period of six months (subject to a floor of 0.50% per annum) plus a margin of 2.00%. Interest on the Schuldschein Loan is payable semi-annually in arrears in September and March of each year.

The Schuldschein Loan ranks pari passu with the Senior Secured Term Loans and the Senior Secured Notes due 2025 and 2026.

The Schuldschein Loan is stated net of debt issue costs of €1.9 million (December 31, 2019: €2.1 million).

7. BORROWINGS (Continued)

Inventory Financing Facility

In June 2019 the Group entered into an inventory monetisation agreement with J Aron & Company LLC (‘J Aron’), for an initial term of one year but extendable by mutual agreement. In June 2020, the Facility was extended to mature on June 30, 2021. Under this arrangement, the Group sells certain inventory to J Aron and agreed to buy-back equivalent inventory at the end of the term at the same price. During the term, and subject to certain covenants and rights of J Aron, J Aron provides the Group with a just-in-time service for use of the inventory, and the ability to substitute used inventory with equivalent inventory, in return for a transaction fee. The arrangement is supported by a Group parent company guarantee and a cash collateral mechanism.

The total amount outstanding at June 30, 2020 before issue costs was €149.1 million (December 31, 2019: €190.9 million).

The Inventory Financing Facility is stated net of debt issue costs of €nil (December 31, 2019: €0.5 million).

8. 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.

9. RELATED PARTIES

Related parties comprise:

- Parent entities and their subsidiaries not included within the INEOS Group Holdings S.A. group;
- Entities controlled by the shareholders of INEOS Limited, the ultimate parent company of INEOS Group Holdings S.A.;
- Key management personnel; and
- Joint ventures.

Mr JA Ratcliffe, Mr AC Currie and Mr J Reece are shareholders in INEOS Limited.

INEOS Limited and INEOS AG, a subsidiary of INEOS Limited, provide operational management services to the Group through a management services agreement. Management fees of €22.7 million (June 30, 2019: €21.9 million) were charged to the income statement during the three month period ended June 30, 2020. As at June 30, 2020 amounts owed to INEOS AG were €23.1 million (June 30, 2019: €22.6 million). Amounts owed by INEOS Holdings AG, a wholly owned subsidiary of INEOS AG, were €0.9 million (June 30, 2019: €0.1 million owed to).

INEOS Limited 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, Ineos Enterprises Holdings Limited and the Lavéra petrochemical assets and businesses together with other French and Italian assets of O&P South.

During the three month period ended June 30, 2020 the Group has made sales to these subsidiaries of €207.1 million (June 30, 2019: €379.6 million), recovered costs of €38.6 million (June 30, 2019: €32.5 million) and made purchases of €215.1 million (June 30, 2019: €262.7 million). As at June 30, 2020, €396.9 million (June 30, 2019: €532.7 million) was owed by and €140.3 million (June 30, 2019: €178.7 million) was owed to these subsidiaries (excluding the INEOS Upstream Limited loans).

9. RELATED PARTIES (Continued)

During 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 in June 2024 and bears interest at 7% per annum. On September 29, 2017, INEOS Upstream Limited, a related party, acquired further natural gas assets in the North Sea through its acquisition of the entire oil and gas business of DONG Energy A/S. In connection with the DONG Acquisition, the Group advanced a loan of $376.2 million (€315.7 million) to INEOS Upstream Limited, the proceeds of which were on-lent to certain of its subsidiaries. The loan is unsecured and matures in June 2024 and bears interest at 7% per annum. As at June 30, 2020 $617.1 million (€548.7 million) was outstanding under these facilities (June 30, 2019: $617.1 million (€542.8 million)).

Following the divestment of the Grangemouth petrochemical business in 2013, the Group put in place a €200 million shareholder loan facility to fund the ongoing operations and investments required at the site. In July 2019 INEOS Grangemouth plc entered into a new €350.0 million Senior Term Loan and Revolving Credit Facility and the shareholder facility was cancelled in full.

INEOS Limited 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 an HDPE plant at the Battleground site in Texas, USA which became operational at the end of 2017.

The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the three month period ended June 30, 2020 the Group has recovered costs of €2.3 million (June 30, 2019: €2.5 million) and made purchases of €16.7 million (June 30, 2019: €48.0 million). As at June 30, 2020, €0.9 million (June 30, 2019: €0.8 million) was owed by the Refining joint ventures and €4.0 million (June 30, 2019: €9.2 million) was owed to the Refining joint ventures.

During the three month period ended June 30, 2020 the Group has recovered costs of €12.7 million (June 30, 2019: €12.3 million) and made purchases of €11.6 million (June 30, 2019: €12.0 million) from the HDPE joint venture. As at June 30, 2020, €5.9 million (June 30, 2019: €5.2 million) was owed to the HDPE joint venture and €6.5 million (June 30, 2019 : €5.0 million) was owed by the HDPE joint venture.

The Group has entered into a number of derivative contracts with INEOS UK SNS Limited and INEOS Energy Trading Limited, both related parties. The net fair value gain on these derivatives during the three month period ended June 30, 2020 was €24.6 million. As at June 30, 2020, the mark to market derivative liability was €92.4 million in respect of these related party derivative financial instruments.

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 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 32 manufacturing sites in six countries throughout the world. As of December 31, 2019, our total chemical production capacity was approximately 22,300 kta, of which 56% was in Europe and 44% 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 June 30,			
	2020		2019	
	€m	%	€m	%
Revenue	**2,465.9**	**100.0**	**3,573.9**	**100.0**
Cost of sales	(2,234.0)	(90.6)	(3,045.6)	(85.2)
Gross profit	**231.9**	**9.4**	**528.3**	**14.8**
Distribution costs	(52.4)	(2.1)	(56.2)	(1.6)
Administrative expenses	(101.1)	(4.1)	(133.3)	(3.7)
Exceptional administrative expenses	-	-	(13.0)	(0.4)
Operating profit	**78.4**	**3.2**	**325.8**	**9.1**
Share of loss of associates and jointly controlled entities	(60.6)	(2.5)	(20.0)	(0.6)
Profit before net finance costs	**17.8**	**0.7**	**305.8**	**8.6**
Finance income	13.9	0.6	16.6	0.5
Finance costs	14.1	0.6	(12.7)	(0.4)
Exceptional finance costs	-	-	(11.7)	(0.3)
Profit before tax	**45.8**	**1.9**	**298.0**	**8.3**
Tax charge	(19.9)	(0.8)	(56.9)	(1.6)
Profit for the period	**25.9**	**1.1**	**241.1**	**6.7**

Three-Month Period Ended June 30, 2020, Compared to Three-Month Period Ended June 30, 2019

Revenue. Revenue decreased by €1,108.0 million, approximately 31.0%, to €2,465.9 million in the three month period ended June 30, 2020 as compared to €3,573.9 million for the same period in 2019. The decrease in revenues was driven primarily by lower prices. The decrease in selling prices followed the significant fall in crude oil prices, which decreased to an average of $30/bbl for the three month period ended June 30, 2020 as compared to $69/bbl in the same period in 2019. Sales volumes were approximately 3% lower in the three month period ended June 30, 2020 as compared to the same period in 2019 as the current COVID-19 virus pandemic impacted demand across all regions, as numerous countries entered lockdown. Nevertheless, demand for packaging, medical, food and cleaning applications was strong, largely offsetting the automotive and construction downturn. The biggest decrease was in the Chemical Intermediates segment as volumes were adversely impacted by lower market demand, as well as volumes in the Nitriles business, which were lower as a result of the closure of the Seal Sands facility in December 2019.

Cost of sales. Cost of sales decreased by €811.6 million, approximately 26.6%, to €2,234.0 million in the three month period ended June 30, 2020 as compared to €3,045.6 million for the same period in 2019. The decrease in cost of sales is largely due to the decrease in crude oil prices, which has meant lower feedstock prices across the Group in the three month period ended June 30, 2020, as compared to the same period in 2019.

Gross profit. Gross profit decreased by €296.4 million, approximately 56.1%, to €231.9 million in the three month period ended June 30, 2020 as compared to €528.3 million for the same period in 2019. The decrease in profitability was driven by lower volumes, lower margins and higher inventory holding losses. In addition, there were scheduled major turnarounds of one of the Chocolate Bayou crackers and one of the Koln crackers in the second quarter of 2020, which adversely impacted results in the period by approximately €65 million. Ethylene markets for O&P North America generally remained long, with reduced margins in the three month period ended June 30, 2020 due to lower demand levels and decreased prices in the quarter. Polymer margins were lower, driven by weak durable demand and increased supply, which adversely impacted margins for both the polymers and the pipe business for the three month period ended June 30, 2020 as compared to the same period in 2019. O&P Europe had lower margins in the three month period ended June 30, 2020 as compared to the same period in 2019, driven by the olefins business which suffered from reduced demand in the quarter as a result of COVID-19 disruption. Polymer margins were higher with strong demand from the consumables sector, specifically healthcare and food packaging consumables. Chemical Intermediates also experienced a decrease in profitability in the three month period ended June 30, 2020 as compared to the same period in 2019 driven by inventory holding losses and lower sales volumes as the current COVID-19 pandemic impacted demand across all businesses, which was only partially offset by higher margins. Overall inventory holding losses were approximately €60 million in the three month period ended June 30, 2020, as compared to inventory holding losses of approximately €31 million in the same period in 2019, reflecting the significant fall in raw material costs during the period.

Distribution costs. Distribution costs decreased by €3.8 million, approximately 6.8%, to €52.4 million in the three month period ended June 30, 2020 as compared to €56.2 million for the same period in 2019. The fall in distribution costs in the period ended June 30, 2020 as compared to the same period in 2019 reflects the lower sales volumes in the period, particularly in the Chemical Intermediates segment.

Administrative expenses. Administrative expenses decreased by €32.2 million, approximately 24.2%, to €101.1 million in the three month period ended June 30, 2020 as compared to €133.3 million for the same period in 2019. The decrease in administrative expenses is primarily due to an increase in other operating income in the three month period ended June 30, 2020 as compared to the same period in 2019.

Exceptional administrative expenses. Exceptional administrative expenses of €13.0 million were charged in the three month period ended June 30, 2019, which related to a settlement of an intellectual property dispute in respect of the former Technologies business.

Operating profit. Operating profit decreased by €247.4 million, approximately 75.9%, to €78.4 million in the three month period ended June 30, 2020 as compared to €325.8 million for the same period in 2019.

Share of loss of associates and jointly controlled entities. Share of loss of associates and jointly controlled entities was a loss of €60.6 million in the three month period ended June 30, 2020 as compared to a loss of €20.0 million for the same period in 2019. The share of loss from associates and jointly controlled entities primarily reflected the Group's share of the results of the Refining joint venture with PetroChina. Margins in the European refining market have weakened in the three month period ended June 30, 2020 as compared to the same period in 2019 driven by falling crude oil prices, which have resulted in significant inventory holding losses in the period.

Profit before net finance costs. Profit before net finance costs decreased by €288.0 million, approximately 94.2%, to €17.8 million in the three month period ended June 30, 2020 as compared to €305.8 million for the same period in 2019.

Finance income. Finance income decreased by €2.7 million, approximately 16.3%, to €13.9 million in the three month period ended June 30, 2020 as compared to €16.6 million for the same period in 2019. The income in the three month period ended June 30, 2020 primarily related to interest income from loans to related parties, including INEOS Upstream.

Finance costs. Finance costs decreased by €26.8 million to a credit of €14.1 million in the three month period ended June 30, 2020 as compared to a charge of €12.7 million for the same period in 2019. The decrease in finance costs for the three month period ended June 30, 2020 reflects a net fair value gain on derivatives, which amounted to a net gain of €32.7 million in the three month period ended June 30, 2020 as compared to a loss of €20.3 million in the same period in 2019. This was partially offset by a reduction in exchange gains primarily associated with short term intra group funding, which was a gain of €49.5 million in the three month period ended June 30, 2020 as compared to a gain of €84.3 million for the same period in 2019.

Exceptional finance costs. Exceptional finance costs of €11.7 million were charged in the three month period ended June 30, 2019 as a result of the early redemption of the Senior Secured Notes due 2023, which included an early prepayment premium of €7.7 million and the write-off of deferred issue costs associated with the redeemed Notes of €4.0 million.

Profit before tax. Profit before tax decreased by €252.2 million, approximately 84.6%, to a profit of €45.8 million in the three month period ended June 30, 2020 as compared to a profit of €298.0 million for the same period in 2019.

Tax charge. Tax charge decreased by €37.0 million, approximately 65.0%, to a charge of €19.9 million in the three month period ended June 30, 2020 as compared to a charge of €56.9 million for the same period in 2019, primarily due to the decreased profitability of the Group. After adjusting for the results from the share of associates and jointly controlled entities, the effective tax rate of approximately 19% for the three month period ended June 30, 2020 reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended June 30, 2019 was approximately 18% 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 2019.

Profit for the period. Profit for the period decreased by €215.2 million, approximately 89.2%, to a profit of €25.9 million in the three month period ended June 30, 2020 as compared to a profit of €241.1 million for the same period in 2019.

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 June 30,		Six-Month Period Ended June 30,	
	2020	2019	2020	2019
	(€ in millions)		*(€ in millions)*	
Revenue				
O&P North America	598.8	778.8	1,275.5	1,647.7
O&P Europe	991.3	1,576.8	2,370.4	3,058.0
Chemical Intermediates	1,126.2	1,670.5	2,654.1	3,400.4
Eliminations	(250.4)	(452.2)	(705.1)	(935.4)
	2,465.9	3,573.9	5,594.9	7,170.7
EBITDA before exceptionals				
O&P North America	102.8	189.4	218.9	391.6
O&P Europe	45.3	150.7	142.1	293.4
Chemical Intermediates	112.3	161.2	264.5	337.3
	260.4	501.3	625.5	1,022.3

O&P North America

Revenue. Revenue in the O&P North America segment decreased by €180.0 million, or 23.1%, to €598.8 million in the three month period ended June 30, 2020, as compared to €778.8 million for the same period in 2019. The decrease was driven by lower prices in the three month period ending June 30, 2020 as compared to the same period in 2019. The weighted average sales price for the whole business was lower by approximately 29% in the three month period ended June 30, 2020 as compared to the same period in 2019, as olefins, polymers and the pipe business all experienced a fall in prices with the latter seeing the biggest relative decrease with a fall of 33%. Sales volumes rose by approximately 4% in the three month period ended June 30, 2020 as compared to the same period in 2019, largely due to higher polypropylene and olefins sales volumes, partially offset by lower polyethylene volumes. The pipe business also experienced lower sales volumes in the three month period ended June 30, 2020 as compared to the same period in 2019 due to weaker demand during the COVID-19 pandemic.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P North America segment decreased by €86.6 million, or 45.7%, to €102.8 million in the three month period ended June 30, 2020 as compared to €189.4 million in the same period in 2019. The fall in profitability in the three month period ended June 30, 2020 as compared to the same period in 2019 was largely due to lower margins offset by lower inventory holding losses. In addition, there was a scheduled major turnaround of one of the Chocolate Bayou crackers in the second quarter of 2020, which adversely impacted results in the period by approximately €40 million. Overall margins were lower in the three month period ended June 30, 2020 as compared to the same period in 2019 as polymer margins were lower, driven by decreased polyethylene and polypropylene margins, largely as a result of weaker demand due to COVID-19 disruption and additional polypropylene capacity coming online. The pipe business experienced lower margins in the three month period ended June 30, 2020 as compared to the same period in 2019, due to more capacity coming online and weaker demand. Inventory holding gains were approximately €35 million in the three month period ended June 30, 2020, as compared to inventory holding losses of approximately €22 million in the same period in 2019. Total sales volumes rose marginally in the three month period ending June 30, 2020 as compared to the same period in 2019, largely driven by higher polypropylene and olefins sales volumes, partially offset by lower polyethylene volumes. Polypropylene volumes were higher in the three month period ended June 30, 2020 as a result of scheduled maintenance in the same period in 2019. Olefins sales volumes rose as a result of higher propylene sales in the three month period ended June 30, 2020 as compared to the same period in 2019.

O&P Europe

Revenue. Revenue in the O&P Europe segment decreased by €585.5 million, or 37.1%, to €991.3 million in the three month period ended June 30, 2020 as compared to €1,576.8 million for the same period in 2019. The decrease in revenues was driven predominately by lower selling prices and to a lesser extent lower volumes in the three month period ended June 30, 2020 as compared to the same period in 2019. The decrease in selling prices was driven by the general price environment, which was lower in the three month period ended June 30, 2020 as compared to the same period in 2019, as crude oil prices fell to an average of $30/bbl for the three month period ended June 30, 2020 as compared to an average of $69/bbl for the three month period ended June 30, 2019, which in turn led to a fall in prices across most product lines. Butadiene prices experienced the most significant price decrease compared to the same period in 2019, due to a considerably weaker automotive market. Other olefin products also experienced a price reduction compared to the same period in 2019, generally as a result of oversupply and weaker demand. Polymers also experienced price reductions in the quarter, especially in the automotive and construction markets. The fall in these markets was partially offset by continued high demand for medical and food packaging consumables as a result of the COVID-19 pandemic. The business experienced slightly lower sales volumes in the three month period ending June 30, 2020 as compared to the same period in 2019 primarily due to the reduced demand for olefins. Additionally, there was a scheduled major turnaround of one of the Koln crackers in the quarter. Partially offsetting this decrease was the polymers business which experienced higher volumes in the three month period ending June 30, 2020 as compared to the same period in 2019 as the piping business began to rebound and demand remained high in the medical and food packaging consumables sectors.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P Europe segment decreased by €105.4 million or 69.9% to €45.3 million in the three month period ended June 30, 2020, as compared to €150.7 million in the same period in 2019. The results for the three month period ended June 30, 2020 have decreased compared to the same period in 2019, due to higher inventory holding losses, lower sales volumes and lower margins. Inventory holding losses were approximately €68 million in the three month period ended June 30, 2020 as compared to a loss of approximately €9 million in the three month period ended June 30, 2019. Higher inventory holding losses in the second quarter of 2020 were driven by the the significant reduction in feedstock prices, especially naphtha, in the period. Volumes were lower for the three month period ended June 30, 2020 as compared with the same period in 2019, mainly due to reduced demand in the olefins business, especially in the automotive and constructions sectors. Olefins margins were also lower for the three month period ended June 30, 2020 as compared with the same period in 2019 as a result of reduced demand due to the COVID-19 pandemic. There was a scheduled major turnaround of one of the Koln crackers in the second quarter of 2020 which adversely impacted results in the period by approximately €25 million. This was partially offset by higher polymer margins which benefitted from strong demand from the consumables sector, specifically healthcare and food packaging consumables. In addition the Trading and Shipping business experienced higher margins in the three month period ended June 30, 2020 compared to the same period in 2019 as a result of the commencement of operations of the Mariner East 2 LPG pipeline in the first quarter of 2020.

Chemical Intermediates

Revenue. Revenue in the Chemical Intermediates segment decreased by €544.3 million, or 32.6%, to €1,126.2 million in the three month period ended June 30, 2020 as compared to €1,670.5 million for the same period in 2019. The Oxide business revenues decreased in the three month period ended June 30, 2020 as compared to the same period in 2019 driven by lower prices, partially offset by higher volumes. Overall prices decreased in the three month period ended June 30, 2020 as compared to the same period in 2019, as pricing closely followed the sharp fall in underlying raw material costs of ethylene and propylene with EO and EO derivative product prices falling by between 17% and 28%. Alkox products also experienced a fall in prices in the three month period ended June 30, 2020 as compared to the same period in 2019 driven by weaker demand. Sales volumes increased by approximately 3% in the three month period ended June 30, 2020 as compared to the same period in 2019, as the impact of COVID-19 on commodity products was offset by an increase of specialised products in the cleaning and surfactant sectors. The Oligomers business revenues were lower in the three month period ended June 30, 2020 as compared to the same period in 2019, as a result of both lower sales volumes and lower prices. Sales volumes were approximately 16% lower in the three month period ended June 30, 2020 as compared to the same period in 2019 as all products experienced a decrease. The lower sales volumes were the result of the COVID-19 impact on market demand. This was especially felt in PAO low viscosity and LAO products, although core co-monomer and PAO high viscosity product sales remained strong. Prices decreased in line with the movement in the underlying raw material prices in the three month period ended June 30, 2020 as compared to the same period in 2019, however an effective product mix strategy was utilised such that the reduction in realisation levels was smaller than that of the underlying raw material prices. Nitriles revenues decreased in the three month period ended June 30, 2020 as compared to the same period in 2019, driven by both decreased sales volumes and lower selling prices. Sales volumes of acrylonitrile decreased by approximately 18% in the three month period ended June 30, 2020 as compared to the same period in 2019, as volumes in the quarter were impacted by the closure of the Seal Sands facility in December 2019 as well as weaker demand in all regions due to the COVID-19 pandemic. The average acrylonitrile sales price fell by approximately 25% in the three month period ended June 30, 2020 as compared to the same period in 2019, driven by market weakness, especially in the ABS and acrylic fibre sectors as a result of the pandemic. Revenues of the Phenol business decreased in the three month period ended June 30, 2020 as compared to the same period in 2019, driven primarily by decreased prices, but also lower sales volumes. Phenol and acetone sales volumes were lower in the three month period ended June 30, 2020 as compared to the same period in 2019 as a result of falling market demand, intensified by the global COVID-19 pandemic. Selling prices moved in line with the underlying raw material prices, with phenol prices decreasing by approximately 44% in the three month period ended June 30, 2020 as compared to the same period in 2019, in line with a sharp decline in benzene prices, whilst acetone prices were approximately 24% lower, reflecting the fall in propylene feedstock prices.

EBITDA before exceptionals. EBITDA before exceptionals in the Chemical Intermediates segment decreased by €48.9 million, or 30.3%, to €112.3 million in the three month period ended June 30, 2020 as compared to €161.2 million for the same period in 2019. The Chemical Intermediates segment was impacted by inventory holding losses of approximately €27 million in the three month period ended June 30, 2020. The Oxide business results in the three month period ended June 30, 2020 decreased as compared to the same period in 2019, mainly driven by inventory holding losses, which were only partially offset by higher margins. The inventory holding losses in the three month period ended June 30, 2020 were due to the sharp reduction in feedstock prices in the quarter as a result of the decrease in crude oil prices. The increase in margins in the three month period ended June 30, 2020 as compared to the same period in 2019 was driven by the fall in feedstock prices which had a positive effect on commodity products such as glycol as it allowed the business to compete with regions outside of Europe where feedstock prices have been lower. The Oligomers business profitability declined in the three month period ended June 30, 2020 compared with the same period in 2019, primarily due to lower volumes, partially offset by higher margins. Volumes were lower in the three month period ended June 30, 2020 than the same period in 2019 as a result of the impact of the COVID-19 pandemic on market demand. Partially offsetting this decrease was an increase in PAO margins in the three month period ended June 30, 2020 as compared to the same period in 2019, taking advantage of lower feedstock prices in North America and Europe that offset lower margins in Asia. LAO margins were lower across North America, Europe and Asia as supply into the automotive, drilling fluid and lubricant markets were weak, although there was particular strength in co-monomers supporting polyethylene for medical, film and packaging applications. SO margins were significantly higher in the three month period ended June 30, 2020 compared with the same period in 2019, benefitting from holding realisations above declining feedstock costs. The Nitriles business experienced a decrease in profitability in the three month period ended June 30, 2020 as compared to the same period in 2019, primarily due to lower sales volumes, offset by higher margins and lower fixed costs. Sales volumes of acrylonitrile decreased by approximately 18% in the three month period ended June 30, 2020 as compared to the same period in 2019, impacted by the closure of the Seal Sands facility in December 2019 and general market weakness from the COVID-19 pandemic. Margins increased slightly in the three month period ended June 30, 2020 as compared to the same period in 2019 due to feedstock costs falling quicker than selling prices, leading to middle of the cycle margins being achieved in some regions. The Phenol business profitability decreased in the three month period ended June 30, 2020 as compared to the same period in 2019, primarily due to inventory holding losses and lower volumes, partially offset by higher margins. The inventory holding loss during the quarter was driven by a significant fall in US benzene prices. Volumes were lower in the three month period ended June 30, 2020 as compared to the same period in 2019, primarily due to lower market demand and the effects of the COVID-19 pandemic. Margins were higher in the three month period ended June 30, 2020 as compared to the same period in 2019, driven by improved acetone margins and lower energy costs.

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 Receivables Securitization Program and Inventory Financing Facility. 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 Receivables Securitization Program and Inventory Financing Facility, 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's capital structure includes a mixture of secured term loans and secured notes, together with unsecured notes. These various debt instruments are denominated in both Euros and US Dollars where appropriate, to approximately match the main currencies of the cash flows generated by the Group's operations.

The Group has a €800.0 million Receivables Securitization Facility in place, which matures in December 2022.

The Group has an Inventory Financing Facility in place, which matures in June 2021, although this is extendable by mutual agreement.

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 loan facility of Noretyl AS. In November 2019 following the repayment of the initial loan the term loan facility was amended and restated with a new facility amount of €250.0 million (the 'Rafnes Facility'). The facility matures in November 2024.

As part of a project at the Group's Koln site to replace part of its incineration or cogeneration unit, the Group has entered into a €120.0 million loan facility. The facility matures in December 2024.

As of June 30, 2020, the Group had a total of €3,447.7 million Senior Secured Term Loans, €1,094.6 million Senior Notes due 2024, €550.0 million Senior Secured Notes due 2025 and €770.0 million Senior Secured Notes due 2026 and a €141.0 million Schuldschein Loan facility 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 six months ended June 30, 2020 was €646.9 million (€532.1 million in the six months ended June 30, 2019) analysed by business segment as follows:

	Six-month period ended June 30,	
	2020	**2019**
	(€ in millions)	
O&P North America	289.0	209.0
O&P Europe	190.6	114.5
Chemical Intermediates	167.3	208.6
	646.9	532.1

The main capital expenditures in the six month period ended June 30, 2020 related to further expenditure within the O&P North America segment on a furnace replacement project, debottleneck and major scheduled turnaround on one of the crackers at Chocolate Bayou, USA, together with a number of smaller turnarounds and projects. The main capital expenditures in the O&P Europe segment were at the Koln, Germany site on completion of the cogeneration project and further expenditure on the new jetty, together with a major scheduled turnaround on one of the crackers at the site. The main expenditure in the Chemical Intermediates segment was further growth expenditure by the Oligomers business on the LAO and PAO platforms and a barge dock at Chocolate Bayou, USA. There was also expenditure within the Oxide business at the Antwerp, Belgium site in respect of a planned turnaround. The Phenol business also had expenditure on the new cumene unit project at Marl, Germany, whilst the Nitriles business had expenditure on a new research and development building in Chicago, USA. The remaining capital expenditure related primarily to sustenance expenditure.

The main capital expenditures in the six month period ended June 30, 2019 related to further expenditure within the O&P North America segment on a furnace replacement project, debottleneck on one of the crackers at Chocolate Bayou, USA and a number of smaller turnarounds and projects. The main capital expenditures in the O&P Europe segment were at the Koln, Germany site on a cogeneration project and new office buildings and jetty, together with a turnaround on a small butadiene unit, also at Koln. The main expenditure in the Chemical Intermediates segment was additional growth expenditure by the Oligomers business on the LAO and PAO platforms and a barge dock at Chocolate Bayou, USA. There was also expenditure within the Oxide business at the Antwerp, Belgium site in respect of commissioning the alkox 6 unit and EO storage project which came into operation during the first quarter as well as some turnaround costs. The Phenol business also had expenditure on a new cumene unit project at Marl, 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 and Inventory Financing Facilities.

Cash Flows

During the six month period ended June 30, 2020 and 2019, our cash flow was as follows:

	Six-month period ended June 30,	
	2020	**2019**
	(€ millions)	
Cash flow from operating activities	912.7	892.2
Cash flow from investing activities...	(669.5)	(278.5)
Cash flow from financing activities	(289.5)	(1,601.3)

Cash flows from operating activities

Net cash flow from operating activities was an inflow of €912.7 million for the six month period ended June 30, 2020 (inflow of €892.2 million in the six month period ended June 30, 2019). The inflow was due to the profit generated from operations and working capital inflows of €255.0 million in the six month period ended June 30, 2020 (outflow of €77.5 million in the six month period ended June 30, 2019). The working capital inflows in the six month period ended June 30, 2020 primarily reflected the lower working capital levels of the Group due to raw material prices, and consequently product prices, decreasing significantly during the six month period ended June 30, 2020.

Taxation receipts of €31.4 million were received in the six month period ended June 30, 2020 (payments of €36.3 million in the six month period ended June 30, 2019). The net receipts in the six month period ended June 30, 2020 primarily reflected tax refunds from the US and French tax authorities, partially offset by payments made to the tax authorities in Germany, Belgium, Canada and the UK. The net payments in the six month period ended June 30, 2019 primarily reflected payments made to the tax authorities in the US, Germany, Canada and Switzerland, partially offset by contributions received from related parties.

Cash flows from investing activities

On March 1, 2019 the Group acquired the INESCO combined heat and power plant from RWE Generation NL B.V for cash consideration of €70.4 million. Cash balances acquired with the business were €41.9 million.

In March 2019 the Group received cash proceeds of €260.5 million ($296.5 million) following the repayment of the Group's preferential interest in INEOS Investments Partnership following the sale by INEOS Investments Partnership of its assets (shares in PQ Corporation) to INEOS Limited, a related party.

In the second quarter of 2020, the Group paid €15.6 million (€12.2 million in the six month period ended June 30, 2019) of contingent consideration in respect of the WL Plastics business originally acquired in 2016. The contingent consideration was based on the business achieving certain targets over a three year period.

During the six month period ended June 30, 2020 the Group received interest of nil million (six month period ended June 30, 2019: €19.5 million) from INEOS Upstream, a related party.

There were no other significant cash flows from investing activities in the six month period ended June 30, 2020 and 2019 other than the acquisition of property, plant and equipment (refer to the "Capital Expenditure" section).

Cash flows from financing activities

Interest payments of €157.7 million were made in the six month period ended June 30, 2020 (€141.5 million in the six month period ended June 30, 2019). The interest payments during the first six months of 2020 related primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2024, Senior Secured Notes due 2025 and Senior Secured Notes due 2026 and interest paid on lease liabilities of €24.0 million. The interest payments during the first six months of 2019 related primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2024, Senior Secured Notes 2023 and Senior Secured Notes due 2025 and interest paid on lease liabilities of €24.4 million.

In June 2019 the Group entered into an Inventory Financing Facility. During the six month period ended June 30, 2020 the Group made a repayment of €41.8 million (drawdown of €185.9 million) under the facility.

In March 2019 the Group entered into a €141.0 million floating rate loan facility ("Schuldschein Loan"). The facility matures in March 2024. The Group paid associated debt issue costs of €1.7 million in relation to the Schuldschein Loan during the six month period ended June 30, 2019.

In April 2019 the Group issued €770 million Senior Secured Notes due 2026. The proceeds of the refinancing were used to redeem in full the €770 million Senior Secured Notes due 2023 on May 1, 2019. The Group paid associated debt issue costs of €7.6 million in relation to the refinancing of the Senior Secured Notes during the six month period ended June 30, 2019.

The Group made a drawdown of €11.5 million on the Securitization Program during the six month period ended June 30, 2020 (drawdown of €66.7 million in the six month period ended June 30, 2019).

The Group made scheduled repayments of €17.8 million on the Senior Secured Term Loans during the six month period ended June 30, 2020 (scheduled repayments of €17.7 million in the six month period ended June 30, 2019).

The Group made scheduled repayments of €13.8 million on the Noretyl Facility during the six month period ended June 30, 2019. As at December 31, 2019 the loan agreement had been fully repaid.

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. The Group has subsequently made scheduled repayments of €0.3 million on the loan agreement during the six month period ended June 30, 2019. As at December 31, 2019 the loan agreement had been fully repaid.

As part of a Koln, Germany project to replace part of the site's incineration and cogeneration unit, the Group entered into a €120.0 million loan facility. The Group has made scheduled loan repayments of €12.0 million on the Koln CoGen Facility during the six month period ended June 30, 2020 (nil repayments during the six month period ended June 30, 2019).

In October 2019 the Group entered into a new IKB facility to fund some specific capital expenditure within the Nitriles business. The Group has made scheduled loan repayments of €0.2 million on the IKB facility during the six month period ended June 30, 2020.

During the six month period ended June 2020 the Group made payments of €71.5 million (€66.0 million in the six month period ended June 2019) in respect of the capital element of lease liabilities.

The Group made a dividend payment of €1,746.3 million in the six month period ended June 30, 2019.

Net debt

Total net debt as at June 30, 2020 was €5,892.3 million (December 31, 2019: €5,904.4 million). The Group held net cash balances of €927.3 million as at June 30, 2020 (December 31, 2019: €982.9 million) which included restricted cash of €196.5 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €124.7 million as at June 30, 2020.

The Group entered into three interest rate swap contracts effective June 2020 to hedge the variable interest rate exposure on $1.2 billion of the USD denominated Senior Secured Term Loans. On a quarterly basis, the Group will pay 3 month USD LIBOR and receive a fixed rate. These derivative instruments expire in June 2025.