# INEOS GROUP HOLDINGS S.A.

**Condensed consolidated interim financial statements**
**as of June 30, 2021**

**INEOS GROUP HOLDINGS S.A.**
**CONSOLIDATED INCOME STATEMENT**

| | Three-Month Period Ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| | *(€ in millions)* | |
| **Revenue** | **4,775.7** | **2,465.9** |
| Cost of sales | (3,763.4) | (2,234.0) |
| **Gross profit** | **1,012.3** | **231.9** |
| Distribution costs | (53.1) | (52.4) |
| Administrative expenses | (103.2) | (101.1) |
| **Operating profit** | **856.0** | **78.4** |
| Share of loss of associates and joint ventures using the equity accounting method | (22.4) | (60.6) |
| Loss on disposal of property, plant and equipment | (0.1) | - |
| **Profit before net finance costs** | **833.5** | **17.8** |
| Finance income | 11.9 | 13.9 |
| Finance costs | (9.5) | 14.1 |
| **Profit before tax** | **835.9** | **45.8** |
| Tax charge | (120.1) | (19.9) |
| **Profit for the period** | **715.8** | **25.9** |

The condensed notes on pages 8 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

**INEOS GROUP HOLDINGS S.A.**
**CONSOLIDATED INCOME STATEMENT**

| | Six-Month Period Ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| | *(€ in millions)* | |
| **Revenue** | **8,563.1** | **5,594.9** |
| Cost of sales | (6,881.5) | (5,025.9) |
| **Gross profit** | **1,681.6** | **569.0** |
| Distribution costs | (105.6) | (105.8) |
| Administrative expenses | (191.6) | (186.6) |
| **Operating profit** | **1,384.4** | **276.6** |
| Share of loss of associates and joint ventures using the equity accounting method | (14.9) | (178.1) |
| Profit on disposal of property, plant and equipment | 0.2 | - |
| **Profit before net finance costs** | **1,369.7** | **98.5** |
| Finance income | 24.3 | 29.2 |
| Finance costs | (151.3) | (146.8) |
| **Profit/(loss) before tax** | **1,242.7** | **(19.1)** |
| Tax charge | (198.8) | (29.9) |
| **Profit/(loss) for the period** | **1,043.9** | **(49.0)** |

The condensed notes on pages 8 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

**INEOS GROUP HOLDINGS S.A.**
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

| | Three-Month Period Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| | *(€ in millions)* | |
| **Profit for the period** | 715.8 | 25.9 |
| **Other comprehensive income/(expense):** | | |
| **Items that will not be recycled to profit and loss:** | | |
| Remeasurement of post employment benefit obligations net of tax | (5.0) | (54.0) |
| **Items that may subsequently be recycled to profit and loss:** | | |
| Foreign exchange translation differences | 8.2 | 27.8 |
| Net loss on translation of foreign operations and hedge of net investment in foreign operations net of tax | (124.4) | (129.1) |
| **Other comprehensive expense for the period net of tax** | **(121.2)** | **(155.3)** |
| **Total comprehensive income/(expense) for the period** | **594.6** | **(129.4)** |

| | Six-Month Period Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| | *(€ in millions)* | |
| **Profit/(loss) for the period** | 1,043.9 | (49.0) |
| **Other comprehensive income/(expense):** | | |
| **Items that will not be recycled to profit and loss:** | | |
| Remeasurement of post employment benefit obligations net of tax | 98.0 | (43.0) |
| **Items that may subsequently be recycled to profit and loss:** | | |
| Foreign exchange translation differences | (7.5) | (26.3) |
| Net gain on translation of foreign operations and hedge of net investment in foreign operations net of tax | 264.6 | (78.4) |
| **Other comprehensive income/(expense) for the period net of tax** | **355.1** | **(147.7)** |
| **Total comprehensive income/(expense) for the period** | **1,399.0** | **(196.7)** |

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**INEOS GROUP HOLDINGS S.A.**
**CONSOLIDATED BALANCE SHEET**

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| | *(€ in millions)* | |
| **Non-current assets** | | |
| Property, plant and equipment | 7,805.5 | 7,636.2 |
| Intangible assets | 923.7 | 927.2 |
| Investments in equity-accounted investees | 73.1 | 86.4 |
| Financial assets at fair value through other comprehensive income | 28.4 | 28.3 |
| Derivative financial instruments | 10.1 | - |
| Employee benefits | 80.1 | 82.7 |
| Trade and other receivables | 700.9 | 656.2 |
| Deferred tax assets | 152.1 | 183.2 |
| | 9,773.9 | 9,600.2 |
| **Current assets** | | |
| Inventories | 1,424.4 | 1,059.7 |
| Trade and other receivables | 2,226.5 | 1,394.0 |
| Tax receivables | 296.2 | 281.5 |
| Derivative financial instruments | 303.4 | 154.5 |
| Cash and cash equivalents | 1,518.6 | 1,342.2 |
| | 5,769.1 | 4,231.9 |
| **Total assets** | **15,543.0** | **13,832.1** |
| **Equity attributable to owners of the parent** | | |
| Share capital | 0.9 | 0.9 |
| Share premium | 585.6 | 585.6 |
| Other reserves | (2,291.6) | (2,646.7) |
| Retained earnings | 4,265.7 | 3,521.8 |
| **Total equity** | **2,560.6** | **1,461.6** |
| **Non-current liabilities** | | |
| Interest-bearing loans and borrowings | 7,305.2 | 7,343.2 |
| Lease liabilities | 768.6 | 772.8 |
| Trade and other payables | 110.5 | 112.9 |
| Employee benefits | 976.8 | 1,100.4 |
| Provisions | 53.0 | 52.3 |
| Deferred tax liabilities | 701.8 | 577.6 |
| Derivative financial instruments | - | 4.2 |
| | 9,915.9 | 9,963.4 |
| **Current liabilities** | | |
| Interest-bearing loans and borrowings | 402.0 | 238.6 |
| Lease liabilities | 137.6 | 120.5 |
| Trade and other payables | 2,090.5 | 1,634.0 |
| Tax payable | 257.6 | 307.4 |
| Derivative financial instruments | 172.7 | 96.9 |
| Provisions | 6.1 | 9.7 |
| | 3,066.5 | 2,407.1 |
| **Total liabilities** | **12,982.4** | **12,370.5** |
| **Total equity and liabilities** | **15,543.0** | **13,832.1** |

The condensed notes on pages 8 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

**INEOS GROUP HOLDINGS S.A.**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| | Share capital | Share premium | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | | *(€ in millions)* | | | |
| **Balance at December 31, 2020** | **0.9** | **585.6** | **(2,646.7)** | **3,521.8** | **1,461.6** |
| Profit for the period | - | - | - | 1,043.9 | 1,043.9 |
| **Other comprehensive income/(expense):** | | | | | |
| Foreign exchange translation differences | - | - | (7.5) | - | (7.5) |
| Net gain on translation and hedge of net investment in foreign operations | - | - | 264.6 | - | 264.6 |
| Remeasurement of post employment benefit obligations net of tax | - | - | 98.0 | - | 98.0 |
| **Transactions with owners, recorded directly in equity:** | | | | | |
| Dividends | - | - | - | (300.0) | (300.0) |
| **Balance at June 30, 2021** | **0.9** | **585.6** | **(2,291.6)** | **4,265.7** | **2,560.6** |

| | Share capital | Share premium | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | | *(€ in millions)* | | | |
| **Balance at December 31, 2019** | **0.9** | **585.6** | **(2,004.1)** | **2,945.6** | **1,528.0** |
| Loss for the period | - | - | - | (49.0) | (49.0) |
| **Other comprehensive income/(expense):** | | | | | |
| Foreign exchange translation differences | - | - | (26.3) | - | (26.3) |
| Net loss on translation and 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 June 30, 2020** | **0.9** | **585.6** | **(2,151.8)** | **2,896.6** | **1,331.3** |

The condensed notes on pages 8 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

**INEOS GROUP HOLDINGS S.A.**
**CONSOLIDATED STATEMENT OF CASH FLOWS**

| | Six-month Period Ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| | *(€ in millions)* | |
| **Cash flows from operating activities** | | |
| Profit/(loss) before tax | 1,242.7 | (19.1) |
| Adjustments for: | | |
| Depreciation, amortisation and impairment | 356.3 | 348.9 |
| Net finance cost | 127.0 | 117.6 |
| Share of loss of equity-accounted investees | 14.9 | 178.1 |
| Profit on disposal of property, plant and equipment | (0.2) | - |
| (Increase)/decrease in trade and other receivables | (749.3) | 182.7 |
| (Increase)/decrease in inventories | (343.8) | 198.9 |
| Increase/(decrease) in trade and other payables | 434.7 | (126.6) |
| Increase in provisions and employee benefits | 9.4 | 0.8 |
| Tax (paid)/received | (156.4) | 31.4 |
| **Net cash from operating activities** | **935.3** | **912.7** |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | 0.4 | - |
| Interest and other finance income received | 90.8 | 1.8 |
| Dividends received | - | 2.2 |
| Acquisition of businesses, net of cash acquired | (0.4) | (15.6) |
| Acquisition of property, plant and equipment | (322.3) | (646.9) |
| Acquisition of intangible assets | (0.6) | (12.1) |
| (Payments)/receipts from other investments | (1.6) | 0.7 |
| **Net cash used in investing activities** | **(233.7)** | **(669.5)** |
| **Cash flows from financing activities** | | |
| Securitisation Facility | (99.1) | 11.5 |
| Inventory Facility | 122.4 | (41.8) |
| Proceeds from loans | 60.0 | - |
| Issue costs paid | (0.4) | - |
| Interest paid | (198.8) | (157.7) |
| Repayment of loans | (38.1) | (30.0) |
| Dividends paid | (300.0) | - |
| Capital element of lease payments | (65.3) | (71.5) |
| **Net cash used in financing activities** | **(519.3)** | **(289.5)** |
| Net increase in cash and cash equivalents | 182.3 | (46.3) |
| Cash and cash equivalents at January 1 | 1,342.2 | 982.9 |
| Effect of exchange rate fluctuations on cash held | (5.9) | (9.3) |
| **Cash and cash equivalents at June 30** | **1,518.6** | **927.3** |

The condensed notes on pages 8 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

## 1. BASIS OF PREPARATION

The 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.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities that have been measured at fair value, principally derivative financial instruments and the assets and liabilities of the Group's defined benefit pension schemes measured at fair value and using the projected unit credit method, respectively.

These condensed consolidated financial statements are presented in euro. The functional currency of the Company and its subsidiaries is determined in line with IAS 21 and is consistent with the audited financial statements for the year ended December 31, 2020.

The significant judgements and key sources of estimation uncertainty applicable to the preparation of the condensed consolidated financial statements are the same as those described within the Group's audited financial statements for the year ended December 31, 2020. In each case, judgements have been applied consistently and estimates made using a consistent methodology, with inputs and assumptions updated to reflect the Group's latest forecasts and prevailing market conditions at the balance sheet date as appropriate.

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

In early March 2020, the Group developed contingency plans for the COVID-19 pandemic, with the primary objectives of maintaining the safety of personnel and the reliable operation of the Group's plants. This resulted in a number of changes to standard working practices and shift patterns to reduce personnel on site to those defined as operationally critical in order to adhere to social distancing rules in line with local government advice. Any safety critical activity was formally risk assessed to take cognizance of additional controls necessary to protect core personnel from COVID-19, hence safeguarding safety critical work at all times.

The chemical industry is deemed as essential, critical infrastructure by governments across the world. Throughout the pandemic all of the Group's plants have continued to operate fully and supply chains have operated without significant disruption. Protecting employees and ensuring that they remain healthy has been the first priority of the Group. All plants have sufficient resources and have implemented measures to ensure that this remains the case throughout the pandemic.

Whilst there is uncertainty due to the ongoing COVID-19 pandemic the Directors have undertaken a rigorous assessment of the potential impact of COVID-19 on demand for its products and services and the impact on margins for the next 12 months. In addition, the Directors have implemented a series of programmes to preserve cash including the review of timing of turnarounds, reductions in the levels of non-essential capital expenditure and reductions in non-essential fixed cost expenditure. On the basis of this assessment together with cash balances of €1,518.6 million as at June 30, 2021 and access to the Receivables Securitisation Facility and the Inventory Financing Facility (see Note 8), the Directors have concluded that the Group can operate within its current facilities without the need to obtain new ones for a period of at least 12 months from the date of this report and have therefore prepared these condensed consolidated financial statements on a going concern basis.

## 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, 2021. In compliance with IAS 34, the Company has opted for a condensed scope of reporting in the condensed interim financial statements compared with the consolidated annual financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's audited consolidated annual report and accounts for the year ended December 31, 2020, except for the adoption of new standards, interpretations and amendments effective as of January 1, 2021. The adoption of new standards, interpretations and amendments in the current year has not had a material impact. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective at June 30, 2021.

## 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 EBITDA before exceptionals 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, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | *(€ in millions)* | | *(€ in millions)* | |
| *Revenue* | | | | |
| O&P North America | 1,388.2 | 598.8 | 2,361.8 | 1,275.5 |
| O&P Europe | 1,835.3 | 991.3 | 3,381.7 | 2,370.4 |
| Chemical Intermediates | 2,199.0 | 1,126.2 | 3,968.9 | 2,654.1 |
| Eliminations | (646.8) | (250.4) | (1,149.3) | (705.1) |
| | 4,775.7 | 2,465.9 | 8,563.1 | 5,594.9 |
| *EBITDA before exceptionals* | | | | |
| O&P North America | 427.9 | 102.8 | 672.2 | 218.9 |
| O&P Europe | 272.0 | 45.3 | 476.8 | 142.1 |
| Chemical Intermediates | 334.5 | 112.3 | 591.7 | 264.5 |
| | 1,034.4 | 260.4 | 1,740.7 | 625.5 |

EBITDA before exceptionals represents profit before net finance costs or income, tax charges, depreciation and amortization, impairment charges, share of profit or loss of associates and joint ventures using the equity accounting method, profit/loss on disposal of investments, profit/loss on disposal of fixed assets, and exceptional items.

EBITDA before exceptionals is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Reconciliation of earnings 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, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | *(€ in millions)* | | *(€ in millions)* | |
| EBITDA before exceptionals | 1,034.4 | 260.4 | 1,740.7 | 625.5 |
| Depreciation and amortisation | (178.4) | (182.0) | (356.3) | (348.9) |
| Operating profit | 856.0 | 78.4 | 1,384.4 | 276.6 |

## 4. FINANCE COSTS

| | Three-Month Period Ended June 30, | | Six-Month Period Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | *(€ in millions)* | | *(€ in millions)* | |
| Interest payable on senior notes | 25.7 | 23.6 | 51.4 | 47.1 |
| Interest payable on bank loans and overdrafts | 27.6 | 25.7 | 54.1 | 56.5 |
| Interest payable on securitisation | 1.5 | 2.1 | 3.1 | 4.5 |
| Interest payable on lease liabilities | 11.0 | 12.4 | 21.8 | 24.6 |
| Amortisation of issue costs | 2.8 | 2.0 | 5.4 | 4.0 |
| Other finance charges | 8.6 | 4.0 | 17.2 | 8.3 |
| Net fair value (gain)/loss on derivatives | (14.8) | (32.7) | (114.5) | 48.6 |
| **Finance costs before exchange movements** | 62.4 | 37.1 | 38.5 | 193.6 |
| Exchange movements | (51.0) | (49.5) | 117.1 | (43.4) |
| Borrowing costs capitalised in property, plant and equipment | (1.9) | (1.7) | (4.3) | (3.4) |
| **Finance costs** | 9.5 | (14.1) | 151.3 | 146.8 |

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 results from the share of associates and joint ventures, the underlying effective tax rate of approximately 16% reflects the anticipated tax rate for the Group for the full year. After adjusting for the results from the share of associates and joint ventures, the effective rate in the same period in 2020 was approximately 19%, which reflected the anticipated tax rate for the full year.

## 6. PROPERTY, PLANT AND EQUIPMENT

In the six month period ended June 30, 2021, the Group spent €322.3 million (six month period ended June 30, 2020: €646.9 million) on property, plant and equipment. The main capital expenditures in the six month period ended June 30, 2021 related to further expenditure within the O&P North America segment on a debottleneck project at the Chocolate Bayou, USA site. The main capital expenditures in the O&P Europe segment were at the Koln, Germany site on completion of the cogeneration project and the life cycle cracker project, together with turnaround spend at the Lillo, Belgium site. The main expenditure in the Chemical Intermediates segment was further growth expenditure by the Phenol business on the new cumene unit project at Marl and new Phenol terminal at Pasadena. There was further growth expenditure by the Oligomers business on the LAO and PAO platforms at Chocolate Bayou, USA. There was also expenditure within the Oxide business on a planned turnaround and catalyst change at the Koln, Germany site and a planned turnaround at the Antwerp site. The remaining capital expenditure related primarily to sustenance expenditure.

## 7. INVENTORIES

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| | *(€ in millions)* | |
| Raw materials and consumables | 685.6 | 392.7 |
| Work in progress | 26.7 | 17.8 |
| Finished products | 712.1 | 649.2 |
| | 1,424.4 | 1,059.7 |

## 8. BORROWINGS

Borrowing obligations as of June 30, 2021 and December 31, 2020 are as follows:

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| | *(€ in millions)* | |
| **Non-current liabilities** | | |
| Senior Secured Term Loans | 3,658.5 | 3,633.1 |
| Senior Secured Notes due May 2026 | 763.9 | 763.3 |
| Senior Secured Notes due March 2026 | 321.0 | 320.7 |
| Senior Secured Notes due 2025 | 546.7 | 546.4 |
| Senior Notes due 2024 | 1,066.1 | 1,051.9 |
| Gemini Facility | 469.3 | 463.2 |
| Receivables Securitisation Facility | 16.6 | 113.4 |
| Koln CoGen Facility | 120.0 | 72.0 |
| Rafnes Facility | 176.9 | 212.3 |
| Schuldschein Facility | 139.6 | 139.4 |
| Other loans | 26.6 | 27.5 |
| | 7,305.2 | 7,343.2 |

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Current liabilities** | | |
| Current portion of borrowings under Senior Secured Term Loans | 35.1 | 34.6 |
| Gemini Facility | 18.6 | 14.7 |
| Rafnes Facility | 70.7 | 35.0 |
| Koln CoGen Facility | 24.0 | 24.0 |
| Inventory Financing Facility | 251.2 | 128.8 |
| Other loans | 2.4 | 1.5 |
| | 402.0 | 238.6 |

## 8. BORROWINGS (Continued)

| | June 30, 2021 | | |
|---|---|---|---|
| | Gross loans and borrowings | Issue costs | Net loans and borrowings |
| | *(€ in millions)* | | |
| Senior Secured Term Loans | 3,706.6 | (13.0) | 3,693.6 |
| Senior Secured Notes due May 2026 | 770.0 | (6.1) | 763.9 |
| Senior Secured Notes due March 2026 | 325.0 | (4.0) | 321.0 |
| Senior Secured Notes due 2025 | 550.0 | (3.3) | 546.7 |
| Senior Notes due 2024 | 1,070.0 | (3.9) | 1,066.1 |
| Receivables Securitisation Facility | 17.2 | (0.6) | 16.6 |
| Koln CoGen Facility | 144.0 | - | 144.0 |
| Rafnes Facility | 250.0 | (2.4) | 247.6 |
| Schuldschein Loan | 141.0 | (1.4) | 139.6 |
| Inventory Financing Facility | 251.2 | - | 251.2 |
| Other | 29.0 | - | 29.0 |
| | **7,254.0** | **(34.7)** | **7,219.3** |
| Gemini Facility | 497.4 | (9.5) | 487.9 |
| **Total** | **7,751.4** | **(44.2)** | **7,707.2** |

| | December 31, 2020 | | |
|---|---|---|---|
| | Gross loans and borrowings | Issue costs | Net loans and borrowings |
| | *(€ in millions)* | | |
| Senior Secured Term Loans | 3,682.3 | (14.6) | 3,667.7 |
| Senior Secured Notes due May 2026 | 770.0 | (6.7) | 763.3 |
| Senior Secured Notes due March 2026 | 325.0 | (4.3) | 320.7 |
| Senior Secured Notes due 2025 | 550.0 | (3.6) | 546.4 |
| Senior Notes due 2024 | 1,056.5 | (4.6) | 1,051.9 |
| Receivables Securitisation Facility | 114.2 | (0.8) | 113.4 |
| Koln CoGen Facility | 96.0 | - | 96.0 |
| Rafnes Facility | 250.0 | (2.7) | 247.3 |
| Schuldschein Loan | 141.0 | (1.6) | 139.4 |
| Inventory Financing Facility | 128.8 | - | 128.8 |
| Other | 29.0 | - | 29.0 |
| | **7,142.9** | **(38.9)** | **7,103.9** |
| Gemini Facility | 487.8 | (9.9) | 477.9 |
| **Total** | **7,630.6** | **(48.8)** | **7,581.8** |

### Terms and debt repayment schedule

| | Currency | Nominal interest rate | Year of maturity |
|---|---|---|---|
| Senior Secured Term Loans | $/€ | LIBOR/ EURIBOR plus 2.00%-3.00% | 2024-2027 |
| Senior Secured Notes | € | 2.125%-3.375% | 2025-2026 |
| Gemini Facility | $ | LIBOR plus 3.00% | 2027 |
| Schuldschein Loan | € | EURIBOR plus 2.00% | 2024 |
| Senior Notes | $/€ | 5.375%-5.625% | 2024 |
| Receivables Securitisation Facility | $/€/£ | Variable | 2022 |
| Koln CoGen Facility | € | 2.00%-2.85% | 2024-2026 |
| Rafnes Facility | € | EURIBOR plus 2.10% | 2024 |
| Other | € | 2.20%-3.50% | 2021-2027 |

## 8. BORROWINGS (Continued)

***Senior Secured Term Loans***

The Group has outstanding borrowings under a senior credit facilities agreement dated April 27, 2012 (as amended and restated) which consist of Euro and US dollar denominated Term Loans maturing on March 31, 2024 and euro denominated Senior Secured Term Loans issued in October 2020 of €375 million which mature on October 27, 2027 (together referred to as the 'Senior Secured Term Loans' or 'Term Loans').

The Senior Secured Term Loans outstanding at June 30, 2021 before issue costs were €3,706.6 million (December 31, 2020: €3,682.3 million) of which €38.3 million (December 31, 2020: €37.8 million) is due within one year. The total amounts outstanding on the Euro denominated Term Loans were €2,361.1 million (December 31, 2020: €2,373.2 million) and the US dollar denominated Term Loans were €1,345.5 million (December 31, 2020: €1,309.1 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 up to the final maturity date. The euro denominated Senior Secured Term Loans issued in October 2020 of €375.0 million mature on October 27, 2027, with the remaining Term Loans maturing on March 31, 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, 2021 the Applicable Margin for the Euro denominated Term Loans and the US dollar denominated Term Loans maturing March 2024 was 2.00% and for the Euro denominated Term Loans maturing October 2027 was 3.00%.

The Senior Secured Term Loans rank pari passu with the Senior Secured Notes due May 2026, Senior Secured Notes due March 2026, Senior Secured Notes due 2025 and the Schuldschein Loan and are structurally senior to the Senior Notes due 2024. The Term Loans 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 €13.0 million (December 31, 2020: €14.6 million). These costs are allocated to the profit and loss account over the term of the Term Loans.

***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.

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:

## 8. BORROWINGS (Continued)

| 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 May 2026, Senior Secured Notes due March 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 €3.3 million (December 31, 2020: €3.6 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 May 2026***
In April 2019, the Group issued €770 million of Senior Secured Notes due May 2026. The Senior Secured Notes due May 2026 are listed on the Euro MTF - Luxembourg Stock Exchange. The Senior Secured Notes due May 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 May 2026 will be redeemed by the Group at their principal amount on May 1, 2026.

The Senior Secured Notes due May 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% |

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 May 2026 rank pari passu with the Senior Secured Term Loans, Senior Secured Notes due March 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 Luxembourg I S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior

## 8. BORROWINGS (Continued)

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 May 2026 are stated net of debt issue costs of €6.1 million (December 31, 2020: €6.7 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due May 2026.

***Senior Secured Notes due March 2026***

In October 2020, the Group issued €325 million of Senior Secured Notes due March 2026. The Senior Secured Notes due March 2026 are listed on the Euro MTF - Luxembourg Stock Exchange. The Senior Secured Notes due March 2026 bear interest at 3.375% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, beginning May 15, 2021. Unless previously redeemed as noted below, the Senior Secured Notes due March 2026 will be redeemed by the Group at their principal amount on March 31, 2026.

The Senior Secured Notes due March 2026 can be subject to redemption at any time on or after November 15, 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 November 15 of the year indicated below:

| Year | Redemption Price |
|---|---|
| 2022 | 101.688% |
| 2023 | 100.844% |
| 2024 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 March 2026 rank pari passu with the Senior Secured Term Loans, Senior Secured Notes due May 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 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 March 2026 are stated net of debt issue costs of €4.0 million (December 31, 2020: €4.3 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due March 2026.

**8. BORROWINGS (Continued)**

***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 €3.9 million (December 31, 2020: €4.6 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2024.

***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, 2021 before issue costs was €17.2 million (December 31, 2020: €114.2 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 €0.6 million (December 31, 2020: €0.8 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 entered into a €120 million loan facility which matures in December 2024. In May 2021 the Group entered into an additional facility of €60 million which matures in June 2026. The total amount outstanding under the loan facilities ("Koln CoGen Facility") at June 30, 2021 was €144.0 million (December 31, 2020: €96.0 million) of which €24.0 million (December 31, 2020: €24.0 million) is due within one year.

## 8. BORROWINGS (Continued)

The €120 million loan facility is to be repaid in equal quarterly instalments of €6 million, starting from March 2020 and bears a fixed interest rate of 2.85% per annum.

The €60 million additional loan facility is to be repaid in equal quarterly payments of €3.75 million starting in September 2022 and bears a fixed interest rate of 2.00% per annum.

The Koln CoGen Facility is secured by pledges over the plant and equipment of INEOS Manufacturing Deutschland GmbH's new cogeneration assets.

***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 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 of €250.0 million. The total amount outstanding at June 30, 2021 before issue costs was €250.0 million (December 31, 2020: €250.0 million) of which €71.4 million (December 31, 2020: €35.7 million) is due within one year.

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 €2.4 million (December 31, 2020: €2.7 million).

***Schuldschein Loan***
In March 2019 the Group entered into a €141.0 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, Senior Secured Notes due 2025, Senior Secured Notes due March 2026 and the Senior Secured Notes due May 2026.

The Schuldschein Loan is stated net of debt issue costs of €1.4 million (December 31, 2020: €1.6 million).

***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 April 2021, the Facility was extended to mature on June 30, 2022. 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, 2021 before issue costs was €251.2 million (December 31, 2020: €128.8 million).

## 8. BORROWINGS (Continued)

***Gemini Facility***

As part of the Group's purchase of the remaining 50% interest in the Gemini HDPE plant in Texas, USA, from Sasol Chemicals on December 31, 2020, the Group amended and upsized the existing Term Loan facility within the acquired Gemini HDPE LLC legal entity. The amended loan facility was upsized to $600.0 million ("Gemini Facility") and the maturity was extended to October 31, 2027. The total amount outstanding at June 30, 2021 before issue costs was €497.4 million ($592.2 million) (December 31, 2020: €487.8 million ($600.0 million)) of which €20.2 million ($24.0 million) (December 31, 2020: €15.1 million ($19.7 million)) is due within one year.

The Gemini Facility is to be repaid in quarterly instalments starting on April 30, 2021 with a final payment of $420.0 million on October 31, 2027 when the facility matures. The facility is secured by pledges over the plant and equipment of Gemini HDPE LLC. The outstanding Gemini Facility bears interest at a rate per annum equal to LIBOR (subject to a floor of 0.50% per annum) plus a margin of 3.0%. Gemini HDPE LLC has been designated as an unrestricted subsidiary in accordance with the Group's Senior Secured Term Loans, Schuldschein Facility and Senior Secured Notes.

The Gemini Facility is stated net of debt issue costs of €9.5 million (December 31, 2020: €9.9 million).

## 9. FINANCIAL INSTRUMENTS

The carrying amount is a reasonable approximation of fair value of trade receivables and payables.

The financial assets/liabilities categorised as Fair Value through Profit and Loss (FVTPL) presented in Level 2 contains commodity and interest rate swap derivatives. The financial assets/liabilities categorised as Fair Value through Other Comprehensive Income (FVOCI) presented in Level 3 contains equity securities.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels, determined in accordance with IFRS 13 "Fair Value Measurement", have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 9. FINANCIAL INSTRUMENTS (Continued)

| | Fair value | Level 1 | Level 2 | Level 3 | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | | | December 31, 2020 | | | |
| | (€ in millions) | | | | | | | |
| **Financial assets held at fair value through profit or loss:** | | | | | | | | |
| Derivative commodity contracts | 303.4 | - | 303.4 | - | 154.5 | - | 154.5 | - |
| Interest rate swap contracts | 10.1 | - | 10.1 | - | - | - | - | - |
| **Financial assets held at fair value through other comprehensive income:** | | | | | | | | |
| Equity investments | 28.4 | - | - | 28.4 | 28.3 | - | - | 28.3 |
| **Financial liabilities held for trading at fair value through profit and loss:** | | | | | | | | |
| Derivative commodity contracts | (172.7) | - | (172.7) | - | (96.9) | - | (96.9) | - |
| Interest rate swap contracts | - | - | - | - | (4.2) | - | (4.2) | - |
| **Total financial assets and (liabilities) held at fair value** | **169.2** | **-** | **140.8** | **28.4** | **81.7** | **-** | **53.4** | **28.3** |

The commodity derivatives are fair valued using rates in a quoted market. There have been no transfers between levels during the six month period ended June 30, 2021 (2020: no transfers between levels).

***Credit risk***
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, deposits with financial institutions and derivatives.

Group Treasury policy and objectives in relation to credit risk is to minimize the likelihood that the Group will experience financial loss due to counterparty failure. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

***Liquidity risk***
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group's exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long-term borrowings from the Group's lenders.

The Group is reliant on committed funding from a variety of sources at Group and subsidiary company level to meet the anticipated needs of the Group for the period covered by the Group's budget.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. On a monthly

## 9. FINANCIAL INSTRUMENTS (Continued)

basis the level of headroom on existing facilities is reported and forecast forward until the end of the financial period.

***Currency risk***
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. A substantial portion of the Group's revenue is generated in, or linked to, the U.S. dollar and the euro. In the European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and sterling. In the U.S. petrochemical and specialty chemicals businesses, product prices, raw materials costs and most other costs are primarily denominated in U.S. dollars.

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

***Commodity price risk***
The Group and its Refining joint venture are exposed to commodity price risk through fluctuations in raw material prices and sales of products. The raw material exposures result primarily from the price of crude oil and base chemicals linked to the price of crude. The sales price exposures are primarily related to petrochemicals where prices are in general linked to the market price of crude oil.

The Group enters into contracts to supply or acquire physical volumes of commodities at future dates during the normal course of business that may be considered derivative contracts. Where such contracts exist and are in respect of the normal purchase or sale of products to fulfil the Group's requirements, the own use exemption from derivative accounting is applied.

The Group manages commodity price exposures through trading refined products and chemical feedstock and using commodity swaps, options and futures as a means of managing price and timing risks. As at June 30 ,2021 there was a net mark to market derivative asset in respect of commodity contracts of €130.7 million entered into by the Group to manage such risk (December 31, 2020: net derivative asset of €57.6 million).

The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised.

## 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

*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 €45.9 million

## 11. RELATED PARTIES (Continued)

(June 30, 2020: €45.1 million) were charged to the income statement during the six month period ended June 30, 2021. As at June 30, 2021 amounts owed to INEOS Limited were €23.3 million (June 30, 2020: nil) and amounts owed to INEOS AG were €3.9 million (June 30, 2020: €23.1 million). Amounts owed by INEOS Holdings AG, a wholly owned subsidiary of INEOS AG, were €31.8 million (June 30, 2020: €0.9 million).

INEOS Limited owns and controls a number of operating subsidiaries that are not included in the INEOS Group Holdings S.A. group, including INEOS Industries Limited (which from December 31, 2020 includes INOVYN 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 six month period ended June 30, 2021 the Group has made sales to these subsidiaries of €802.2 million (June 30, 2020: €437.5 million), received net cost recoveries of €68.8 million (June 30, 2020: net costs recovered of €54.6 million) and made purchases of €609.5 million (June 30, 2020: €435.1 million). As at June 30, 2021, €514.8 million (June 30, 2020: €396.9 million) was owed by and €272.8 million (June 30, 2020: €140.3 million) was owed to these subsidiaries (excluding the INEOS Upstream Limited loans).

During 2015 the Group provided a loan of $623.7 million via INEOS Industries Holdings Limited 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 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) via INEOS Industries Holdings Limited to INEOS Upstream Limited, the proceeds of which were on-lent to certain of its subsidiaries. The loan is unsecured, matures in June 2024 and bears interest at 7% per annum. As at June 30, 2021 $617.1 million (€518.4 million) was outstanding under these facilities (June 30, 2020: $617.1 million (€548.7 million)).

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 and the refining joint ventures between PetroChina and INEOS Investments (Jersey) Limited, a related party. Prior to becoming a fully owned subsidiary on December 31, 2020 the Group had a joint venture with Sasol Limited to build and operate an HDPE plant at 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 six month period ended June 30, 2021 the Group has received cost recoveries of €13.2 million (June 30, 2020: net costs recovered of €3.9 million) and made purchases of €65.6 million (June 30, 2020: €102.8 million). As at June 30, 2021, €2.1 million (June 30, 2020: €0.9 million) was owed by the Refining joint ventures and €8.2 million (June 30, 2020: €4.0 million) was owed to the Refining joint ventures.

Before the HDPE joint venture became a fully owned subsidiary of the Group on December 31, 2020 the Group has recovered costs of €33.2 million and made purchases of €24.2 million from the HDPE joint venture for the six month period ended June 30, 2020. As at June 30, 2020, €5.9 million was owed to the HDPE joint venture and €6.5 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 loss and settlements on these derivatives during the six month period ended June 30, 2021 was €59.0 million (June 30, 2020: loss of €61.4 million). As at June 30, 2021, the mark to market derivative liability was €163.0 million (June 30, 2020: €92.4 million) and the mark to market derivative asset was €89.8 million (June 30, 2020: nil) 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, 2020, our total chemical production capacity was approximately 22,800 kta, of which 55% was in Europe and 45% 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,** | | | |
|---|---|---|---|---|
| | **2021** | | **2020** | |
| | €m | % | €m | % |
| **Revenue** | **4,775.7** | **100.0** | **2,465.9** | **100.0** |
| Cost of sales | (3,763.4) | (78.8) | (2,234.0) | (90.6) |
| **Gross profit** | **1,012.3** | **21.2** | **231.9** | **9.4** |
| Distribution costs | (53.1) | (1.1) | (52.4) | (2.1) |
| Administrative expenses | (103.2) | (2.2) | (101.1) | (4.1) |
| **Operating profit** | **856.0** | **17.9** | **78.4** | **3.2** |
| Share of loss of associates and joint ventures | (22.4) | (0.5) | (60.6) | (2.5) |
| Loss on disposal of property, plant and equipment | (0.1) | - | - | - |
| **Profit before net finance costs** | **833.5** | **17.5** | **17.8** | **0.7** |
| Finance income | 11.9 | 0.2 | 13.9 | 0.6 |
| Finance costs | (9.5) | (0.2) | 14.1 | 0.6 |
| **Profit before tax** | **835.9** | **17.5** | **45.8** | **1.9** |
| Tax charge | (120.1) | (2.5) | (19.9) | (0.8) |
| **Profit for the period** | **715.8** | **15.0** | **25.9** | **1.1** |

***Three-Month Period Ended June 30, 2021, Compared to Three-Month Period Ended June 30, 2020***

***Revenue.*** Revenue increased by €2,309.8 million, approximately 93.7%, to €4,775.7 million in the three month period ended June 30, 2021 as compared to €2,465.9 million for the same period in 2020. The increase in revenues was driven primarily by higher prices and increased volumes. The increase in selling prices followed the increase in crude oil prices, which increased to an average of $69/bbl for the three month period ended June 30, 2021 as compared to $30/bbl in the same period in 2020. Overall sales volumes for the Group were approximately 13% higher in the three month period ended June 30, 2021 as compared to the same period in 2020, which was impacted by the effects of the COVID-19 pandemic on the global economy.

***Cost of sales.*** Cost of sales increased by €1,529.4 million, approximately 68.5%, to €3,763.4 million in the three month period ended June 30, 2021 as compared to €2,234.0 million for the same period in 2020. The increase in cost of sales was largely due to the increase in crude oil prices, which has meant higher feedstock prices across the Group in the three month period ended June 30, 2021, as compared to the same period in 2020.

***Gross profit.*** Gross profit increased by €780.4 million, approximately 336.5%, to €1,012.3 million in the three month period ended June 30, 2021 as compared to €231.9 million for the same period in 2020. The increase in profitability was driven by higher margins as well as volumes which were approximately 13% higher in the three month period ended June 30, 2021 as compared to the same period in 2020. In O&P North America margins increased significantly, driven by a combination of strong demand and industry supply constraints as a result of the after-effects of the extreme weather in Texas in the first quarter of 2021. Volumes increased due to the acquisition of the remaining 50% of the Gemini HDPE joint venture in December 2020 and the continued recovery of the US economy from the COVID-19 pandemic. Olefin markets for O&P Europe saw a significant increase in margins due to much stronger demand in the market in the three month period ended June 30, 2021 as compared to the same period in 2020, which was helped by some supply constraints from the industry turnaround season. Inventory holding gains within the O&P segments were approximately €22 million in the three month period ended June 30, 2021, as compared to inventory holding losses of approximately €33 million in the same period in 2020, reflecting the rebound of raw material costs during the three month period ended June 30, 2021. Chemical Intermediates experienced an increase in profitability in the three month period ended June 30, 2021 as compared to the same period in 2020 driven by both higher volumes and margins across all of the businesses with the exception of Oxide which saw a slight reduction in sales volumes as a result of a scheduled turnaround in the quarter. The Phenol business experienced the biggest increase in profitability where strong demand in both Europe and the US led to significantly higher sales prices and margins.

***Distribution costs.*** Distribution costs increased by €0.7 million, approximately 1.3%, to €53.1 million in the three month period ended June 30, 2021 as compared to €52.4 million for the same period in 2020. The small increase in distribution costs reflected the additional costs in relation to increased sales volumes in the period, partly offset by the depreciation of the US dollar by approximately 9% against the euro in the three month period ended June 30, 2021 as compared to the same period in 2020 which has decreased the reported euro costs.

***Administrative expenses.*** Administrative expenses increased by €2.1 million, approximately 2.1%, to €103.2 million in the three month period ended June 30, 2021 as compared to €101.1 million for the same period in 2020, mainly as a result of lower other operating income in the three month period ended June 30, 2021, as compared to the same period in 2020.

***Operating profit.*** Operating profit increased by €777.6 million to €856.0 million in the three month period ended June 30, 2021 as compared to €78.4 million for the same period in 2020.

***Share of loss of associates and joint ventures.*** Share of loss of associates and joint ventures was €22.4 million in the three month period ended June 30, 2021 as compared to a loss of €60.6 million for the same period in 2020. The share of loss from associates and joint ventures primarily reflected the Group's share of the results of the Refining joint venture with PetroChina. The results of the Refining joint venture in the three month period ended June 30, 2020 were adversely impacted by significant inventory holding losses as compared to inventory holdings gains during the three month period ended June 30, 2021.

***Loss on disposal of property, plant and equipment.*** There was a loss on disposal of property, plant and equipment of €0.1 million in the three month period ended June 30, 2021. The loss related to the sale of certain tangible fixed assets in the O&P North America segment.

***Profit before net finance costs.*** Profit before net finance costs increased by €815.7 million to €833.5 million in the three month period ended June 30, 2021 as compared to €17.8 million for the same period in 2020.

***Finance income***. Finance income decreased by €2.0 million, approximately 14.4%, to €11.9 million in the three month period ended June 30, 2021 as compared to €13.9 million for the same period in 2020. The income in the three month period ended June 30, 2021 primarily related to interest income from loans to related parties, including INEOS Upstream.

***Finance costs***. Finance costs increased by €23.6 million, to a charge of €9.5 million in the three month period ended June 30, 2021 as compared to a credit of €14.1 million for the same period in 2020. The increase in finance costs for the three month period ended June 30, 2021 reflected a decrease in net fair value gains on derivatives and additional interest on the Senior Secured Terms Loans and Senior Secured Notes due March 2026 issued in October 2020. The net fair value gain on derivatives was €14.8 million in the three month period ended June 30, 2021, as compared to a gain of €32.7 million for the same period in 2020.

***Profit before tax.*** Profit before tax increased by €790.1 million to €835.9 million in the three month period ended June 30, 2021, as compared to €45.8 million for the same period in 2020.

***Tax charge.*** Tax charge increased by €100.2 million to €120.1 million in the three month period ended June 30, 2021, as compared to €19.9 million for the same period in 2020 primarily due to the increased profitability of the Group. After adjusting for the profit from the share of associates and joint ventures, the underlying effective tax rate of approximately 16% reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended June 30, 2020 was approximately 19% after adjusting for the loss from the share of associates and joint ventures, which reflected the anticipated tax rate for the full year for 2020. The lower anticipated tax rate for the three month period ended June 30, 2021 as compared to the same period in 2020 reflected the increased level of profitability of the Group in countries with lower corporate tax rates.

***Profit for the period.*** Profit for the period increased by €689.9 million to €715.8 million in the three month period ended June 30, 2021, as compared to €25.9 million for the same period in 2020.

***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, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | *(€ in millions)* | | *(€ in millions)* | |
| *Revenue* | | | | |
| O&P North America | 1,388.2 | 598.8 | 2,361.8 | 1,275.5 |
| O&P Europe | 1,835.3 | 991.3 | 3,381.7 | 2,370.4 |
| Chemical Intermediates | 2,199.0 | 1,126.2 | 3,968.9 | 2,654.1 |
| Eliminations | (646.8) | (250.4) | (1,149.3) | (705.1) |
| | 4,775.7 | 2,465.9 | 8,563.1 | 5,594.9 |
| *EBITDA before exceptionals* | | | | |
| O&P North America | 427.9 | 102.8 | 672.2 | 218.9 |
| O&P Europe | 272.0 | 45.3 | 476.8 | 142.1 |
| Chemical Intermediates | 334.5 | 112.3 | 591.7 | 264.5 |
| | 1,034.4 | 260.4 | 1,740.7 | 625.5 |

*O&P North America*

***Revenue.*** Revenue in the O&P North America segment increased by €789.4 million, or 131.8%, to €1,388.2 million in the three month period ended June 30, 2021, as compared to €598.8 million for the same period in 2020. The increase was primarily driven by higher prices in the three month period ended June 30, 2021 as compared to the same period in 2020. The weighted average sales price for the whole business was higher by approximately 132% in the three month period ended June 30, 2021 as compared to the same period in 2020, driven higher by a tight market coupled with high demand for both polypropylene and polyethylene. Sales volumes were higher in the three month period ended June 30, 2021 as compared to the same period in 2020 due to higher volumes of olefins, polyethylene, polypropylene and HDPE pipe. The higher olefin volumes were mainly due to higher chemical grade and polymer grade propylene sales. The acquisition of the remaining 50% interest in the Gemini HDPE joint venture on December 31, 2020 was the main driver for the higher polyethylene sales volumes in the three month period ended June 30, 2021 as compared to the same period in 2020. Higher volumes of polypropylene were primarily due to volumes being adversely impacted in three month period ended June 30, 2020 as customers cancelled orders as a result of the COVID-19 pandemic.

***EBITDA before exceptionals.*** EBITDA before exceptionals in the O&P North America segment increased by €325.1 million, or 316.2%, to €427.9 million in the three month period ended June 30, 2021 as compared to €102.8 million in the same period in 2020. The increase in profitability in the three month period ended June 30, 2021 as compared to the same period in 2020 was largely due to higher margins, partly offset by inventory holding losses. The increase in margins was seen across all products, though particularly in polyethylene and polypropylene, due to a combination of strong demand from a resurgent US economy and industry supply constraints. Inventory holding losses were approximately €8 million in the three month period ended June 30, 2021, as compared to inventory holding gains of approximately €35 million in the same period in 2020. 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. The increase in profitability was partly offset by the depreciation of the US dollar by approximately 9% against the euro in the three month period ended June 30, 2021 as compared to the same period in 2020, which has decreased the reported euro results.

*O&P Europe*

***Revenue.*** Revenue in the O&P Europe segment increased by €844.0 million, or 85.1%, to €1,835.3 million in the three month period ended June 30, 2021 as compared to €991.3 million for the same period in 2020. The increase in revenues was driven predominantly by higher selling prices but also by higher volumes in the three month period ended June 30, 2021 as compared to the same period in 2020. The increase in selling prices was driven by the general price environment, which was higher in the three month period ended June 30, 2021 as compared to the same period in 2020, as crude oil prices rose to an average of $69/bbl for the three month period ended June 30, 2021 as compared to an average of $30/bbl for the three month period ended June 30, 2020, whilst naphtha prices almost doubled, which in turn led to a rise in prices across most product lines. In the olefins business, butadiene and benzene prices experienced the most significant price increase compared to the same period in 2020, with butadiene doubling in price and benzene increasing six-fold. This came as demand remained high in a tight market throughout most of the period, compared with the same period in 2020 where a slump in demand as a result of the COVID-19 pandemic led to historically low prices. The ethylene market continued to strengthen through the quarter amid strong demand for derivative products and several planned and unplanned competitor outages in Europe. The propylene market also saw strong derivative demand in the quarter, driving the resulting price increases. The polymers business experienced price increases in the quarter as compared to the same period in 2020, due to strong seasonal demand and an improved automotive market. Total sales volumes were approximately 14% higher in the three month period ended June 30, 2021 as compared to the same period in 2020. Olefin sales volumes were higher in the three month period ended June 30, 2021 as compared to the same period in 2020, due to very strong demand as well as a turnaround at a cracker in Koln which had adversely impacted volumes in the second quarter of 2020. The Trading and Shipping business experienced higher sales volumes in the second quarter of 2021 as compared to same period in 2020, primarily due to higher ethane sales to China. Polymer sales volumes were lower in the three month period ended June 30, 2021 as compared to the same period in 2020, primarily due to a planned turnaround performed at the Lillo, Belgium site during the quarter.

***EBITDA before exceptionals.*** EBITDA before exceptionals in the O&P Europe segment increased by €226.7 million or 500.4% to €272.0 million in the three month period ended June 30, 2021, as compared to €45.3 million in the same period in 2020. The results for the three month period ended June 30, 2021 increased compared to the same period in 2020, primarily due to increased margins, inventory holding gains and higher volumes. The higher margins were mainly derived from the olefins business, where the strong market in the second quarter of 2021 led to much higher margins than those experienced in the unfavourable market conditions in the second quarter of 2020. The polymers business experienced an increase in margins due to logistical challenges in the market and strong US and European demand. The Trading and Shipping business saw margin reduction as butane prices rose, with a lag between increasing purchase prices and sales prices. Inventory holding gains were approximately €30 million in the three month period ended June 30, 2021 as compared to losses of approximately €68 million in the three month period ended June 30, 2020. Higher inventory holding gains in the second quarter of 2021 were driven by a rise in feedstock prices, particularly ethane, as a more positive economic outlook strengthened the markets after winter COVID-19 waves. Olefin sales volumes were higher in the three month period ended June 30, 2021 as compared to the same period in 2020, due to strong demand. In addition 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. Polymer sales volumes were lower in the three month period ended June 30, 2021 as compared to the same period in 2020 primarily due to a planned turnaround performed at the Lillo, Belgium site during the quarter. The Trading and Shipping business experienced higher sales volumes in the first quarter of 2021 as compared to same period in 2020, due to higher ethane sales to China.

*Chemical Intermediates*

***Revenue.*** Revenue in the Chemical Intermediates segment increased by €1,072.8 million, or 95.3%, to €2,199.0 million in the three month period ended June 30, 2021 as compared to €1,126.2 million for the same period in 2020. The Oxide business revenues increased in the three month period ended June 30, 2021 as compared to the same period in 2020 driven by higher prices, partly offset by lower volumes. The increase in pricing was driven by very high demand and limited supply. Sales volumes decreased by approximately 3% in the three month period ended June 30, 2021 as compared to the same period in 2020, mainly due to a planned turnaround at the Antwerp, Belgium site during the quarter. Excluding the impact from the turnaround, volumes were very strong. The underlying increase in volumes and prices was most visible in the commodity area where ethylene and propylene glycols performed much stronger due to the absence of US imports as a result of the extreme weather seen in Texas earlier in the year, outages at some competitors and improved demand due to the resurgence of the economy from the COVID-19 pandemic. The Oligomers business revenues were higher in the three month period ended June 30, 2021 as compared to the same period in 2020, as a result of higher prices and volumes. Regional prices in the quarter ordinarily move in line with the underlying raw material prices of ethylene and naphtha. Regional feedstock prices were higher in the three month period ended June 30, 2021 as compared to the same period in 2020 with higher European and US ethylene prices impacting PAO and LAO and increased naphtha prices impacting PIB and SO. Sales volumes were approximately 19% higher in the three month period ended June 30, 2021 as compared to the same period in 2020 as LAO, PAO and SO all experienced higher sales volumes. The increase in sales volumes were primarily due to strong demand across most customer industries as economies began to open up again from COVID-19 related disruptions. Nitriles revenues increased in the three month period ended June 30, 2021 as compared to the same period in 2020, driven by higher prices and volumes. The average acrylonitrile sales price increased by approximately 75% in the three month period ended June 30, 2021 as compared to the same period in 2020, driven by strengthened market demand and higher propylene prices. Sales volumes of acrylonitrile increased by approximately 31% in the three month period ended June 30, 2021 as compared to the same period in 2020 due to higher demand as the recovery from the COVID-19 pandemic continued. This was partly offset by limited product availability from unplanned outages at Green Lake and a force majeure declaration in Koln. The Phenol business revenues increased in the three month period ended June 30, 2021 as compared to the same period in 2020, driven primarily by higher prices and to a lesser extent increased volumes. Selling prices moved in line with the underlying raw material prices with acetone and phenol prices moving significantly higher due to historically high US and European propylene and benzene feedstock prices. Sales volumes were approximately 23% higher in the three month period ended June 30, 2021 as compared to the same period in 2020 as a result of higher phenol and acetone sales, partly offset by lower cumene sales. The increased volumes were driven by much improved European, and to a lesser extent US, demand in the three month period ended June 30, 2021 as compared to the same period in 2020.

***EBITDA before exceptionals.*** EBITDA before exceptionals in the Chemical Intermediates segment increased by €222.2 million, or 197.9%, to €334.5 million in the three month period ended June 30, 2021 as compared to €112.3 million for the same period in 2020. The Oxide business results in the three month period ended June 30, 2021 increased as compared to the same period in 2020, mainly driven by higher margins. The increase in margins in the three month period ended June 30, 2021 as compared to the same period in 2020 was driven by commodity products with glycol margins and volumes both increasing due to lower US imports related to the after-effects of the earlier freezing weather conditions in Texas, competitor outages and strong European and Asian demand. EO and EO derivatives also experienced increased margins due to improved European demand from a resurgent economy. The Oligomers business profitability increased in the three month period ended June 30, 2021 compared with the same period in 2020, as a result of increased sales volumes and margins. Margins were slightly higher in the three month period ended June 30, 2021 compared with the same period in 2020, driven by LAO realisation levels increasing faster than feedstock prices. Additionally, a shift in PAO sales mix towards higher margin Hi Viscosity products also generated a margin increase. Volumes were higher in the three month period ended June 30, 2021 compared with the same period in 2020, primarily due to strong demand across most customer industries as economies began to open up again from COVID-19 related disruptions. The Nitriles business experienced an increase in profitability in the three month period ended June 30, 2021 as compared to the same period in 2020, due to higher margins and volumes. Volumes were higher in the three month period ended June 30, 2021 as compared to the same period in 2020 due to higher demand as recovery from the COVID-19 pandemic continued. Margins were higher as a result of strong demand in all sectors and regions and some industry supply constraints. The Phenol business profitability increased in the three month period ended June 30, 2021 as compared to the same period in 2020, due to increased margins and volumes. Volumes were higher in the three month period ended June 30, 2021 as compared to the same period in 2020, driven by higher phenol and acetone volumes following significantly improved European, and to a lesser extent US, demand. Margins were higher in the three month period ended June 30, 2021 as compared to the same period in 2020, driven by higher benzene prices and strong demand, particularly in the construction, electronics and automotive sectors.

## 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 also has an Inventory Financing Facility in place, which matures in June 2022, 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 entered into a €120.0 million loan facility which matures in December 2024, together with a €60.0 million additional loan facility which matures in June 2026.

As part of the Group's purchase of the remaining 50% interest in the Gemini HDPE plant in Texas, USA, from Sasol Chemicals on December 31, 2020, the Group amended and upsized the existing Term Loan facility within the acquired legal entity. The amended loan facility was upsized to $600.0 million and matures on October 31, 2027.

As of June 30, 2021, the Group had a total of €3,706.6 million Senior Secured Term Loans, €1,070.0 million Senior Notes due 2024, €550.0 million Senior Secured Notes due 2025, €325.0 million Senior Secured Notes due March 2026 and €770.0 million Senior Secured Notes due May 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, 2021 was €322.3 million (€646.9 million in the six months ended June 30, 2020) analysed by business segment as follows:

| | Six-month period ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| | *(€ in millions)* | |
| O&P North America | 60.3 | 289.0 |
| O&P Europe | 106.7 | 190.6 |
| Chemical Intermediates | 155.3 | 167.3 |
| | 322.3 | 646.9 |

In the six month period ended June 30, 2021, the Group spent €322.3 million (six month period ended June 30, 2020: €646.9 million) on property, plant and equipment. The main capital expenditures in the six month period ended June 30, 2021 related to further expenditure within the O&P North America segment on a debottleneck project at the Chocolate Bayou, USA site. The main capital expenditures in the O&P Europe segment were at the Koln, Germany site on completion of the cogeneration project and the life cycle cracker project, together with turnaround spend at the Lillo, Belgium site. The main expenditure in the Chemical Intermediates segment was further growth expenditure by the Phenol business on the new cumene unit project at Marl and new Phenol terminal at Pasadena. There was further growth expenditure by the Oligomers business on the LAO and PAO platforms at Chocolate Bayou, USA. There was also expenditure within the Oxide business on a planned turnaround and catalyst change at the Koln, Germany site and a planned turnaround at the Antwerp site. The remaining capital expenditure related primarily to sustenance expenditure.

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.

***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 Securitisation Facility and Inventory Financing Facilities.

***Cash Flows***

During the three month period ended June 30, 2021 and 2020, our cash flow was as follows:

| | Six-month period ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| | *(€ millions)* | |
| Cash flow from operating activities | 935.3 | 912.7 |
| Cash flow used in investing activities | (233.7) | (669.5) |
| Cash flow used in financing activities | (519.3) | (289.5) |

*Cash flows from operating activities*

Net cash flow from operating activities was an inflow of €935.3 million for the six month period ended June 30, 2021 (inflow of €912.7 million in the six month period ended June 30, 2020). The inflow was due to the profit generated from operations offset by working capital outflows of €658.4 million in the six month period ended June 30, 2021 (inflow of €255.0 million in the six month period ended June 30, 2020). The working capital outflows in the six month period ended June 30, 2021 primarily reflected the higher working capital levels of the Group due to increased raw material prices, and consequently product prices, in the period, together with increased sales volumes.

Taxation payments of €156.4 million were made in the six month period ended June 30, 2021 (receipts of €31.4 million in the six month period ended June 30, 2020). The payments in the six month period ended June 30, 2021 primarily reflected tax payments in Switzerland, Germany, Belgium, UK, Canada and the US, some of which had been deferred from 2020 in response to the coronavirus pandemic. 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.

*Cash flows used in investing activities*

Following the settlement of derivative commodity contracts, the Group received €90.5 million during the six month period ended June 30, 2021 (nil in the six month period ended June 30, 2020).

The Group purchased €0.6 million of carbon emission credits in the six month period ended June 30, 2021 (€12.0 million in the three month period ended June 30, 2020).

In the six month period ended June 30, 2020 the Group paid €15.6 million 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.

There were no other significant cash flows from investing activities in the six month period ended June 30, 2021 and 2020 other than the acquisition of property, plant and equipment (refer to the "Capital Expenditure" section).

*Cash flows used in financing activities*

Interest payments of €198.8 million were made in the six month period ended June 30, 2021 (€157.7 million in the six month period ended June 30, 2020). The interest payments during the first six months of 2021 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 €19.8 million, together with the settlement of derivative commodity contracts of €58.5 million. 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 Group made a repayment of €99.1 million on the Securitization Program during the six month period ended June 30, 2020 (drawdown of €11.5 million in the six month period ended June 30, 2020).

The Group made a drawdown of €122.4 million on the Inventory Financing Facility during the six month period ended June 30, 2021 (repayment of €41.8 million in the six month period ended June 30, 2020).

The Group made scheduled repayments of €19.0 million on the Senior Secured Term Loans during the six month period ended June 30, 2021 (scheduled repayments of €17.8 million in the six month period ended June 30, 2020). Additional debt issue costs of €0.1 million were paid during the six month period ended June 30, 2021.

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, 2021 (scheduled repayments of €12.0 million during the six month period ended June 30, 2020). As part of this project the Group also entered into an additional loan facility of €60.0 million in May 2021. The first repayments under this additional facility start in September 2022. The Group paid associated debt issue costs of €0.3 million in relation to the additional loan facility during the six month period ended June 30, 2021.

In August 2020, the Group entered into a new €19.2 million bank loan agreement to fund capital expenditure on a freight rail car fleet covering North America for the Oligomers business. The Group has made scheduled loan repayments of €0.4 million during the six month period ended June 30, 2021.

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 €0.1 million on the IKB facility during the six month period ended June 30, 2021 (scheduled repayments of €0.1 million during the six month period ended June 30, 2020).

As part of the Group's purchase of the remaining 50% interest in the Gemini HDPE plant in Texas, USA, from Sasol Chemicals on December 31, 2020, the Group amended and upsized the existing Term Loan facility within the acquired Gemini HDPE LLC legal entity. The Group has made scheduled loan repayments of €6.7 million during the six month period ended June 30, 2021 (nil in the six month period ended June 30, 2020).

During the six month period ended June 30, 2021 the Group made payments of €65.3 million (€71.5 million in the six month period ended June 30, 2020) in respect of the capital element of lease liabilities.

The Group made a dividend payment of €300.0 million in the six month period ended June 30, 2021 (nil million in the six month period ended June 30, 2020).

*Net debt*

Total net debt as at June 30, 2021 was €6,232.8 million (December 31, 2020: €6,288.4 million). The Group held net cash balances of €1,518.6 million as at June 30, 2021 (December 31, 2020: €1,342.2 million) which included restricted cash of €116.5 million used as collateral against bank guarantees and letters of credit. The Group had availability under the undrawn receivables securitization facility of €782.8 million as at June 30, 2021.

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 receive 3-month USD LIBOR and pay a fixed rate. These derivative instruments expire in June 2025.