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University of Wales Trinity Saint David

Module: SBPD 7005 Strategic Change and Organizations

Assignment (100 %)

Report on Strategies Management of Ineos Group Holdings S.A.

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Report on Strategies Management of Ineos Group Holdings S.A.

“I came, I bought, I conquered.”--- Ineos’s motto

Presented to the board of directors of Ineos Group Holdings S.A.

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Hong Kong December 18, 2018

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M & A, O & P, Chemicals, Core Competence, Competitive Strategies, Sustainable Competitive Advantages, “B & R Initiative”, Blue oceans

Executive Summary

We, 【XYZ Consultants Hong Kong Ltd.】 (XYZ Consultants or we), as management consultants, are engaged to examine and report on the operation and management activities with focus on formulation, implementation and evaluation of strategies over the past years and years ahead of Ineos Group Holdings S.A. (Ineos or the Group). A case study approach was adopted; data and information were gathered and analyzed; and evaluations were conducted. We mainly looked into three core businesses of the Group, i.e. the O & P North America, O & P Europe and the chemical intermediates, and also its unrelated businesses. Ineos's sales of chemicals amounted to USD 3,465 millions ranked No.5 in the world's top 50 chemical producers in 2017 with a market share of 8.5% among the top ten. The Group is an industry leader, following the industry traditions in its development through mergers, acquisitions and divesting. Although the Group was able to turn around in 2015 after more than five years' of losing money; its sustainability of future growth is still not certain due to its high financial leverage, the integration complexities of acquired assets and the operations in global context. Ratio analyses for year 2017 showed that the Group has a sales growth rate of 20.6 % as compared with the average industry level of 10.6%, a net profit margin of 13.14 % as compared with the industry level of 13.4 %, and a financial leverage ratio of 96 % (2016) as compare with the average of 19% (2016) of the five giants (see Table 18). By 2017 the Group was able to outperform the industry in terms of sales, and performed consistently with the industry average profitability level, but Ineos faces intensified competition in business environment, and has many management challenges both internally and externally. We would suggest Ineos make changes in strategies, in view of its competition environment and internal resources and core competences available. Based on the facts, evidences, findings and analyses, we would recommend the following six strategies:

- 1) to go IPO in international financial markets for additional capital;
- 2) to enhance R & D efforts for sustainability;
- 3) to pursue technical innovation and AI technologies applications for product development and production efficiency;
- 4) to insist on system innovation for management effectiveness and efficiency;
- 5) to adopt “Blue oceans” strategy for new markets; and
- 6) to employ balanced scorecard method for performance evaluation.

THE MANDATE

Over the past two years, global political and economical situations have been changing rapidly, affecting both public and private sectors in the UK and the world as a whole. Under the Letter of Mandate (the Mandate) dated 【December XX, 2018】 entered by the Ineos Group Holdings S.A. (Ineos or the Group) and XYZ Consultants Hong Kong Ltd.(XYZ Consultants or we), we were given the authority to examine and report on the current operations and the effectiveness of the implementation of strategies employed. The purpose of this project is to identify weakens of the Group's operation and strategies. We are required to submit a report with our findings, conclusions and recommendations to the board of directors. Our services were performed on terms and conditions as agreed in the Letter of Mandate (see Appendix 1).

1. Introduction

Strategic management is a vital issue to business organizations (David and David 2017). Different companies pursue different strategies to compete in an ever changing environment. Ineos was able to turn around to profit after more than five years' of losing money. The purpose of this study is to report on the examination of strategies employed by Ineos, and recommend improvement measures. Answers were sought to the following questions: 1) what strategies does Ineos employ? 2) How effective and efficient does Ineos operate its business? 3) What are the new opportunities for the Group? and 4) what alternative strategies are proposed to capitalize on new opportunities? Adopting a case study approach, XYZ Consultants examined and studied the current operations and the effectiveness and efficiency of the strategies employed. The study includes both an external audit using SWOT techniques and internal audit using ratio analysis methods to examine and evaluate various factors relevant to the operation and the management of the Group. This report is based on the information obtained from auditors' for year 2010 to 2017 of the Group and other information or data gathered from the public sources where they were necessary and appropriate to conclude this report. Taking into consideration of the global political and economic changes, especially the important role played by China and the dramatic political changes of the US government, this study stressed on the sustainability of growth of the Group, specifically its competitive strategies for the purpose of achieving sustainable competitive advantages and hence the ultimate goal of return on equity. From the external audit, new business opportunities were emerged from the China's "Belt and Road Initiatives"; and from the internal audit, new challenges became aware in strategies

changes to cope with the rapid changing environments. Based on the results of the case study, we proposed six strategic changes: 1) going IPO in international financial markets for improving its financial positions, 2) enhancing R & D for sustainability, 3) pursuing technical innovation and AI technologies for product development and production efficiency, 4) insisting on system innovation for management effectiveness and efficiency, 5) adopting “Blue oceans” strategy for new markets, and 6) employing balanced scorecard for performance evaluation.

2. Methodology

XYZ Consultants adopted the case study approach to study the project issues, and looked into different aspects of the Group, including operation, management, financing, investment and strategy management. Interviews with staff of the Group were also conducted. Data and information collected were mainly from desk research on consultants’ reports, auditors’ annual reports, company’s website, industry publications, government publications, and interviews. The information and data were organized, analyzed and the results were presented in this report.

3. Findings and discussion

3.1 The Group

The vision of Ineos is “to become a leading chemical company and a significant player in the oil and gas market”. And the missions are “we produce the raw materials that are essential in the manufacture of a wide variety of goods. Our products make a significant contribution to saving life, improving health and enhancing standards of living for people around the world. Our business produces the raw materials that are essential in the manufacture of a wide variety of goods: from paints to plastics, textiles to technology, and medicines to mobile phones. Chemicals manufactured by Ineos enhance almost every aspect of modern life.”(Source: <https://www.Ineos.com>)

Ineos, founded by Mr. Jim Ratcliffe in 1998, is one of the world’s leading manufacturers of raw chemical materials and intermediates, and a key player in the global oil and gas industry. In addition to its core business as the No. 5 of the world’s 50 top producers in the O & P and chemical industry, the Group diversifies its business into unrelated industries, i.e. automobile, sports and clothes. Headquartered in London, UK, the Group operates three business segments in its core business namely O & P North America, O & P Europe and Chemical Intermediates in a total of 42

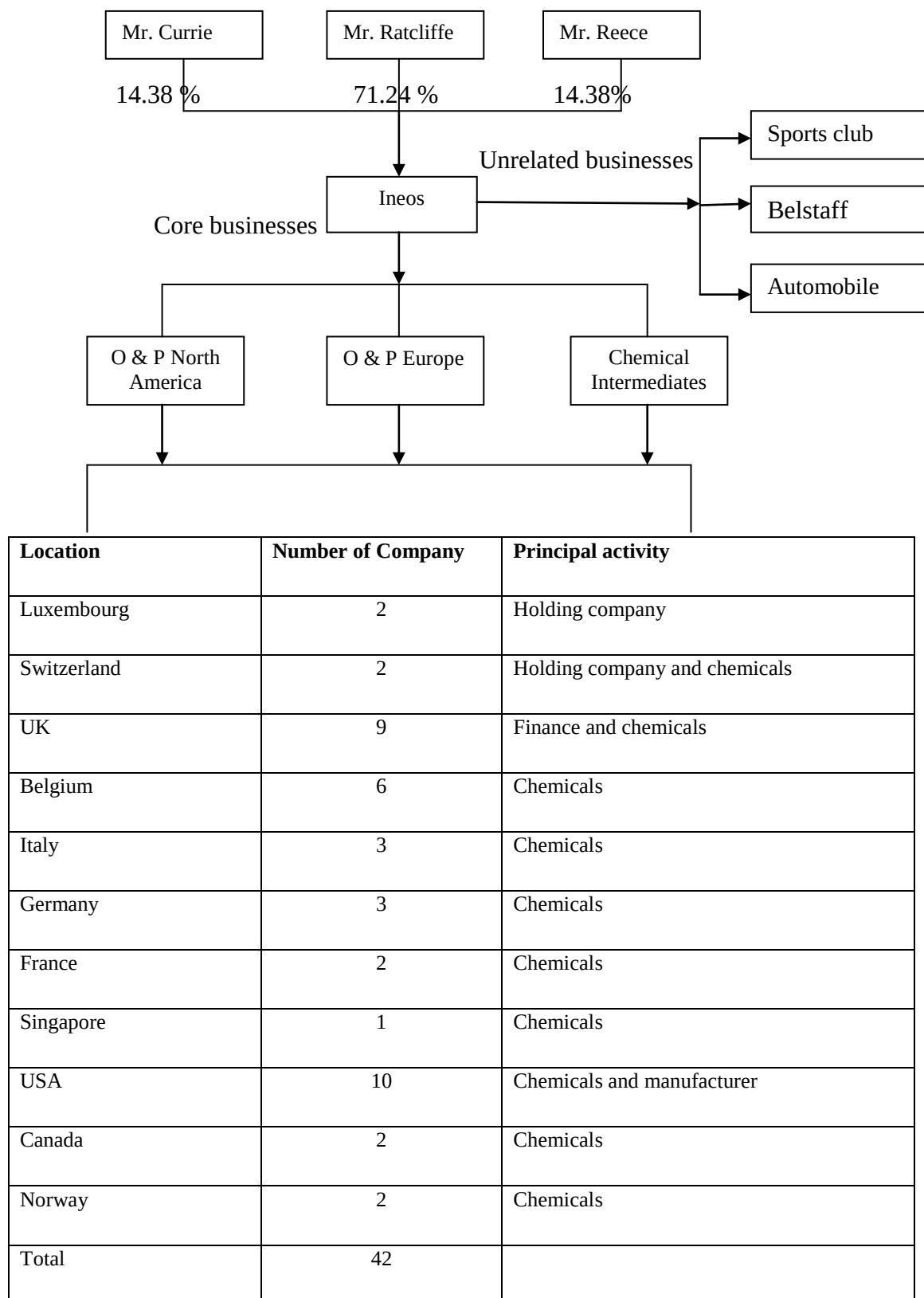
subsidiaries with 100% equity in 171 sites in 13 countries or regions, employing more than 20,000 people. After nearly 20 years' development, the Group's core business annual sale in 2017 was more than USD 60 billion, a record high in its history. By 2017 the total assets of the Group was more than Euro 11 billion, excluding sport and clothes business. In response to CSR and Corporate citizenship, Ineos has worked with the Chemical Industries Association and ITN Productions to help create 'Solutions for our Future' in programs for environment protection. The Company is now privately owned by Mr. Jim Ratcliffe, Mr. Andrew Currie and Mr. John Reece with shares holdings detailed in Table 1 below:

Table 1 Principal shareholders

Name	No. of ordinary management shares	No. of preferred shares	Percentage of total Ineos AG share capital
James Ratcliffe	66,666,033	72,624,709	71.24%
Andrew Currie	12,628,293	14,656,751	14.38%
John Reece	12,628,293	14,656,751	14.38%
Total	91,922,619	101,938,211	100%

By 2017, within its core businesses, Ineos has 42 subsidiaries with 100% equity (not exhaustive), under its three business segments (see Figure 1).

Figure 1 Organizational chart



Source: Ineos's annual reports.

3.2. Management

Key member of the management

Ineos, registered in Switzerland, is the ultimate holding company of the Group. The key members of directors and officers are as follows as at 2015:

Name	Age	Position
James A. Ratcliffe	63	Chairman
Andrew Currie	60	Member of the board
John Reece	58	Member of the board
Jim Dawson	71	Non Executive director of Ineos Capital

Mr. Ratcliffe is characterized by leadership traits including command, symbolic, rational, transactive and generative (Bennis and Nanus, 1985). In addition, Mr. Ratcliffe has the competence of vision, communication, trust, self-knowledge, responsiveness to the situation, and creativity. Mr. Ratcliffe has the ability to shape the organization's decisions, and identify and achieve the goal of Ineos. As the Group grows bigger and more complex, Mr. Ratcliffe transformed from being a chemical engineer to being a successful entrepreneur. He changed his working and life style by delegating duties of routine business management to his subordinates, and settled down in Switzerland, and he travelled around on luxurious private yachts. These changes would benefit him for having more time to think about the future of the Group or think deeper or discuss business with his partners. Travelling around would let him have more time to meet his business counterparts around the world, so he would widen his vision and senses more business opportunities. Luxurious yachts were also good business venues for getting social with people in the world. Mr. Ratcliffe like other rich and successful entrepreneurs enjoys luxurious yachts as part of their life style and business activities; because such venues can service several functions at the same time. It provides leisure, sports, socializing, and transportation.

The acquisition of the assets from BP in 1999 by Mr. Ratcliffe was a management buy-out. Despite of risking all his wealth in the deal, he had some reasons to take the it. Firstly, Mr. Ratcliffe was an outstanding figure characterized by his leadership traits in his career. He had the vision, the ability

to grasp opportunities, and the ability to persuade business partners for the venture, his two partners, Mr. Currie and Mr. Reece. Secondly, he had chemistry background, and had insights in the industry. Thirdly he had the knowledge and the practical experiences of merger and acquisition process during his former employment. And lastly, he had the ambition and enthusiasm in his venture. All these features contributed to his early successes in assets acquisitions and the management of the Group after M & A deals. His vision guided the direction of the development of the Group; his chemistry engineering background helped him operate effectively and efficiently and capitalized on business opportunities e.g. acquisitions of target projects; and his leadership ensures overall performance of the Group. Mr. Ratcliffe is characterized by “thinking out of the box”, his insights in doing business and the courage to adventure.

3.3. **SWOT analysis** (Mckinsey’s model)

The global chemical and petroleum industry is very competitive and the market conditions of the industry are affected by many factors, namely, system risks such as political, economic, social, culture and environmental factors; and subject to non-system risks, namely internal issues of organizations, such as management, possession of resources, competences and its sustainable competitive advantages (Porter 1985). From a long term perspective, companies’ competitive strategies (Porter 1980) play a vital role; because they help achieve goals and objectives, guide actions, and utilize company resources in order to achieve sustainable competitive advantages for the purpose of maximizing shareholders’ return. Because the nature of the business, the Group faces the most turbulent global environment, and its operation is subject to many external and internal challengers. Taking into account of the current environmental and internal conditions, the following factors are essential:

Strengths of the Group

- Operational competence --- The Group have strong operational abilities, because it has satisfactory operational activities’ ratios: namely, ROCE 22.89 % in 2017 from the lowest of 14.51%, ROE 117.77 % in 2017 and 286.77 in 2016 turned around from negative ratios in years before 2016, gross profit margin 18% from the lowest of 5.3% in 2012, and net profit margin 13.14 in 2017. All these ratios are above the industrial average of ROCE 6.36 %, and net profit margin 5.45 %.

- Marketing competence---The Group has effectively marketed its products to an increasing base of customers, and increased its market shares.
- Integration competence---The Group has the strong capability to integrate those acquired assets from upstream operations and downstream operations to make synergy effect and profit contributions to the Group, through effective and efficient managing of its value chain and supply chain.
- Financial competence---The Group could be able to generate sufficient funds to cover its financial costs and expenses; because its liquidity ratios are in light with market practice with current ratio of 1.96 times in 2017, quick ratio of 1.9 in 2017 and interest cover ratio of 7.74 in 2017 the highest from 0.77 in 2012.
- Investment competence---The Group has acquired and maintained sound operating assets through merger and acquisition deals as well as divesting actions.
- Production competence---The Group has a solid and strong production capacity to meet customers' demands.
- Committed and loyal management and key personnel --- The Group upholds a principle to attract and maintain a highly talent work force with attractive benefits.
- Sustainable competitive advantages ---The Group has maintained its sustainable competitive advantages by its effective competitive strategies and core competences.

Weakness of the Group

- Unstable profitability---Although the Group has generally maintained its sustainable competitive advantages and made profits for three years after five years' period of loss money due to changes of market conditions and internal integration after major merger and acquisition projects; it is still uncertain that the Group could be able to maintain its profitability due to rapid and severe environmental changes and its high capital gearing and debt structure.
- High capital gearing --- The Group relies extensively on borrowing from financial institutions to finance its M & A deals, and committed heavy debt services. Although the Group could generate enough funds from operation to cover its interest obligations over the years, it still exposes to significant debt service obligations.

- Limitations imposed on indebtedness --- The Group's borrowing is subject to strict restrictions imposed on the usage of the funds, accordingly, any departures of application of the funds from the purposes of the borrowings shall be prohibited.
- R & D and innovation --- As the Group mainly produces the homogeneous products with its competitors, it has less competitive edges in products.
- Scale of economy --- The Group does not possess the advantages of scale of economy, as compared with industrial leaders and competitors.
- Securing of customers and materials --- The Group faces uncertainties of customers and raw materials, because of the changes of global economy.
- Improving or upgrading of technological and manufacturing assets --- Due to the rapid changes of market conditions and customers' needs, plants and equipment could obsolete, accordingly, plants and equipment should be improved or upgraded as it is required.
- Utilization of fixed operating assets and integration of acquired business --- The Group took more than five years before it could operate profitably after a consecutive acquisitions of assets.
- Relationship with shareholders and affiliates and joint ventures --- Good relationship with JV and affiliates is essential to create synergy to the Group; but it is difficult to build and maintain such good relationships; because of different political, economic, legal, social and cultural environment in different countries.
- Human resources --- HR is the most important resource for company success, but due to increasing HR costs in UK, EU and USA, the competition for talent people is more and more intense.
- Securing of supplies --- The global prices of raw materials of the Group, mainly raw oil, petroleum and gas are the most fluctuated, thus creating uncertainties in its supply channels.
- Responses to fluctuations of interest rates and foreign currency --- Since the business of the Group is capital extensive, the Group's operation is very sensitive to changes of interest rates and major currencies, which is impossible to be predicted.

- Hazard, health and environmental issues --- Since most of the products of the Group are chemicals which are poisonous and harm to environment. The Group is vulnerable, because any adverse incidents of this kind of nature would affect severely the Group.

Threats of the Group

- Industry cycle --- Although industrial cycle is a broadly accepted concept, the actual time phases and length of changes of market demand and prices could never be properly predicted. Hence the business of the Group is subject to the industry cycle.
- Competition --- Although the Group ranked No.5 in terms of sales in 2017 among the 10 World's top chemical producers; the Group's market share is less than 8.6%. It still faces severe competition (five forces) with industry leaders, existing key market players (suppliers and buyers), new comers or substitutes products or services in the market (Porter 1979).
- Environment protection requirements --- Severe regulations on environmental protection, such as emissions allowances, will create barriers for market entry or adversely affect the operation of the Group.
- Impacts of climate change --- Dramatic climate changes will affect the operation of the Group, due to the risky nature of the business in terms of transportation, storage and refining process.
- Dramatic political and economic changes --- The rapid economic and political changes in the USA, which may affect the global economic and political conditions and intensions among countries.
- Brexit --- The Group's operation in UK and EU would face difficulties in terms of restrictions on free flows of goods, funds and people among UK and countries of EU. Barriers of tariff and technologies would be inevitable.
- Operation hazards --- Accidents, injury or damage or contamination of environment and damage to properties may occur.
- Exchange rate fluctuations and currency changes --- These changes will directly affect the operation of the Group
- Litigation and product liabilities --- Liabilities or disputes with customers, third parties may occur.

- Potential hazards--- This means the operation liabilities resulting from use, storage, transportation and disposal of raw materials, products and wastes.
- International operations— The Group generally faces many risks in its international operations. These risks would include legal, political, social, regulatory requirements, economic conditions, local jurisdictions, taxes change, foreign exchange control, tariff, foreign investment restrictions, export duties, quotas and export licenses, intellectual property rights enforcement, shipping costs, staffing, labor strikes, labor dispute, imposition of price controls, and debt collection difficulties etc.
- Default of customers or debtors --- These problems of payment from customers, debtors may happen.
- Product stewardship regulation---Chemical safety regulations of products and raw materials could be restricted; and thus creating barriers for market entry.

Opportunities of the Group

- China’s “Belt and Road initiatives” (“BRI”) --- China’s “BRI” provides a good opportunity for the Group to enhance its business presence in China. The Group can further cooperate with its JV PetroChemical in Shanghai to explore or deepen business cooperation in the Chinese market and in those countries along the “BRI”.
- Entering emerging countries along the “BRI” will create “Blue Oceans” where by the Group could leverage its core competences in new markets where the competition is less intense.
- M & A deals --- The Group can capitalize on the development opportunities in countries along the “BRI”, because these countries will be future markets and provide cheaper labor and land.
- Application of automation or Artificial Intelligences technologies --- As technology advances available, the Group should consider to use advanced technologies in plants and product developments.

Table 2. below synthesizes the SWOT analysis with alternative strategies.

Table 2 SWOT matrix

Internal External Analysis	<u>Strength</u> Core competences of Operation, Management and facilities etc.	<u>Weakness</u> Gearing, R & D, Integration, Liability, etc.
	<u>Opportunities</u> China's "Belt and Road Initiative", Blue Ocean, AI technologies etc.	<u>WO strategy</u> To overcome the weakness and to capitalize on the opportunities.
	<u>Threats</u> Environmental factors, Competition etc.	<u>WT strategy</u> To minimize weakness and avoid threats.

Obviously there are mainly four types of strategies available for the Group to considered based on the SWOT analysis. They are SO strategy, WO strategy, ST strategy and WT strategy. Further discussions will be found in the strategy analysis section.

3.4. Operations

In 2017, the sales of the top 50 chemical companies in the world amounted to USD 851 billion, an increase of 10.6% compared to that of 2016, and the average profit margin for these companies is 13.4%. BASF was the world's largest chemical producer for twelfth year in a row. In 2017, more than half of the companies on the list (see Table 3 and Appendix 2) were headquartered in the USA (12), Japan (eight), and Germany (six) representing 18 countries. Within this international environment, Ineos ranked the fifth in the list of top 50 in terms of sales in 2017. The Group has

three production and operation segments in its core business; and three unrelated operations in clothes, sports and automobile industries.

- O & P North America segment--- in North America, the group's Olefins and Olymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas.
- O & P Europe segment--- in Europe, the Group owns and operates two major cracker complexes, in Koln, Germany and Rafines, Norway. This includes polymers and derivatives units.
- Chemical Intermediates--- This segment is the aggregation of a number of different business units with similar economic and other characteristics. Chemical intermediates are high-value added chemical products used as key components in a variety of consumer and industrial products. The Group's chemical intermediates businesses are exposed to similar key commodities, namely oil and gas. They produce a range of products including phenol, alpha olefins, solvents, industrial chemicals and nitriles. The chemical intermediates customer base is similar in that the customers are generally manufacturers of consumer and industrial products in developed markets and mature industrial economies. *(From Ineos' website)*

Ineos’s market position in terms of sales and profit margin

Figure 2. Perceptual market positions of world’s top ten chemical producers

Sales in 2017 (USD million)

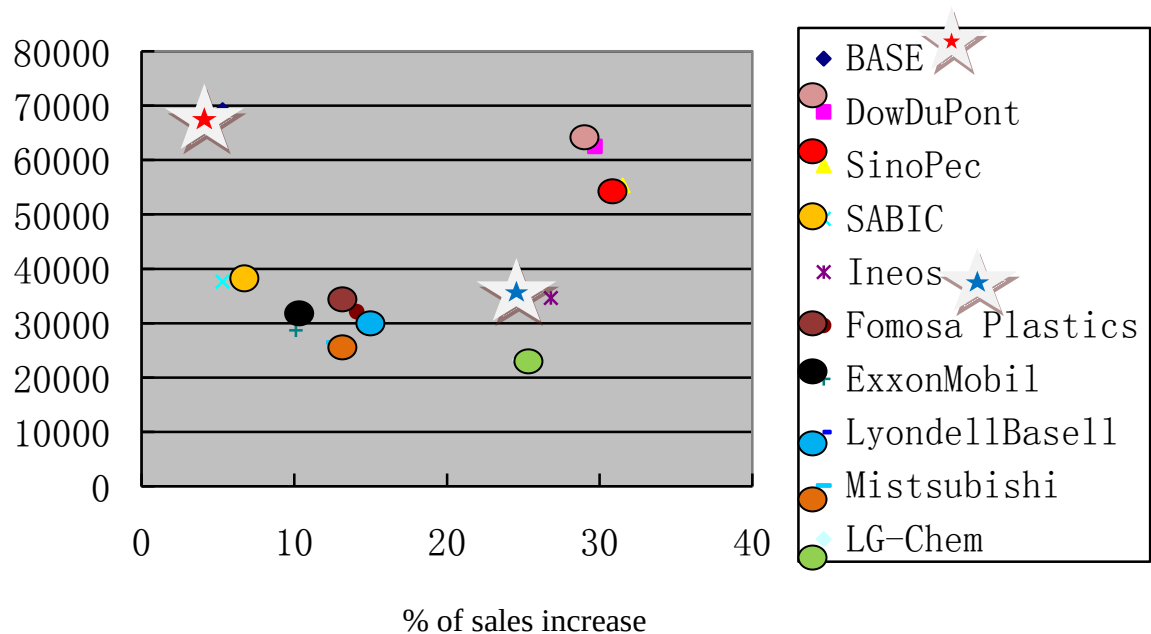


Figure 3. Market share in percentage of the top ten chemical producers

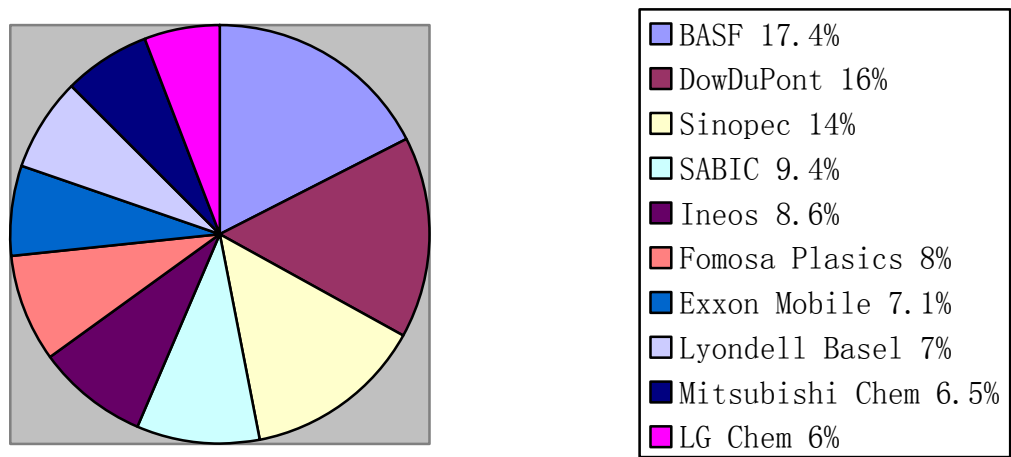


Table 3 The World's top ten chemical producers in 2017 by sales

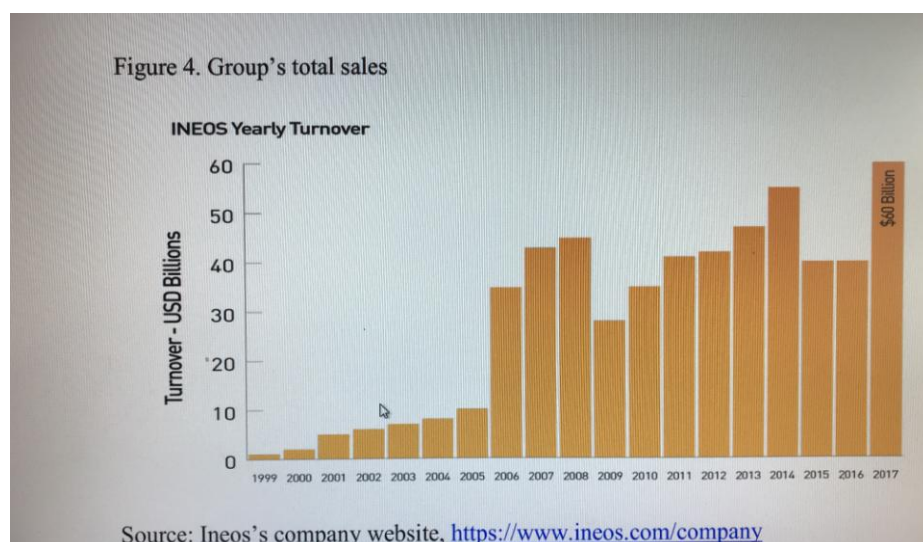
Rank	Company	Chemical sales in 2017 USD millions	Market Share %	Change from 2016 in percent	Headquarters
1	<u>BASF</u>	69,195	17.4	11.80	 <u>Ludwigshafen</u> , Germany
2	<u>DowDuPont</u>	62,484	16	29.7	 <u>Midland</u> , USA
3	<u>Sinopec</u>	55,323	14	31.5	 <u>Beijing</u> , China
4	<u>SABIC</u>	37,620	9.4	5.3	 <u>Riyadh</u> , Saudi Arabia
5	<u>Ineos</u>	34,635	8.6	26.8	 London, UK
6	<u>Formosa Plastics</u>	32,118	8	14.1	 <u>Taipei</u> , Taiwan
7	<u>ExxonMobil</u>	28,694	7.1	10.1	 <u>Irving</u> , USA
8	<u>LyondellBasell</u>	28,319	7	15	 <u>Rotterdam</u> , Netherlands
9	<u>Mitsubishi Chemical</u>	26,422	6.5	12.6	 <u>Tokyo</u> , Japan
10	<u>LG Chem</u>	23,217	6	24.8	 <u>Seoul</u> , South Korea
	Total	398,027	100		

Sources: The American Chemistry Council, Chemical & engineering News and Wikipedia.

The above Figure 2 and Figure 3 and Table 3 show that in the case of total sales of the top 50 world's chemical producers (see Appendix 2), each of the top 10's market share including Ineos's marketing share shall be much smaller. This means that the competition is very competitive and it is in "Red Oceans" as the simile by Kim and Mauborgne (2004).

In 2017, the total group's sales was more than USD 60 billion after two years' stagnation in sales as showed below by Figure 4.

Figure 4. Group's total sales



Source: Ineos's company website, <https://www.ineos.com/company>

Table 4 Product lines and mix analysis

Key products	Annual production capacity (Kilo Metric Tons)	Selected market positions
Ethylene	4,837	No.1 Western Europe, No. 6 USA
Propylene	1,517	No.5 W. Europe, No. 13 USA
Polyethylene	3,086	No.1 W. Europe, No.6. USA
Polypropylene	1,721	No.5 W. Europe, No.5 USA
Ethylene Oxide	935	No.1 W. Europe, No.8 Globally
Ethanolamines	233	No.1 USD, No.1 Global
Phenol	1,870	No.1 Globally, No.1 W. Europe
Acetone	1,139	No.1 Globally, No.1 W. Europe, No.2 USA
Acrylonitrile	1,287	No.1 Globally, No.1 W. Europe, No.1. USA
Linear Alpha Olefins	595	No.3 Globally, No.1 W. Europe
Poly Alpha Olefins	205	No.3 Globally, No.1 W. Europe, No.3 USA

Sources: Nexant and INEOS—2017

The Group mainly produces 11 key chemical products; and the total annual production capacity is 17,425 metric tons with most production capacities of products ranking among the top ten globally, in west Europe or in USA (See Table 4). These production capacities support its annual sales ranking at No.5 in the world (see Table 3).

Figure 5 .Trend of Group sales, operating profit and net profit (Euros in millions)

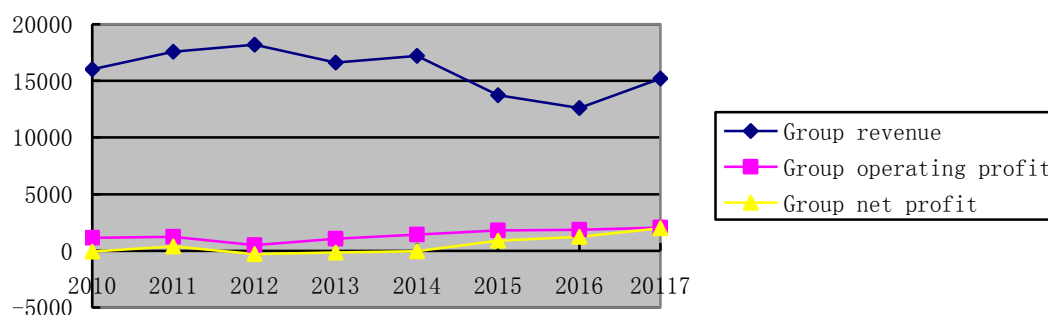


Table 5. Group sales, operating profit and net profit (Euros in millions)

	2010	2011	2012	2013	2014	2015	2016	2017
Group revenue	16007.8	17586.4	18188.2	16622.7	17220.5	13729.4	12609.9	15210.4
Operating profit	1148	1224.2	492.3	1073.2	1446.6	1810.6	1866.6	2061.1
Net profit	(56.5)	376.4	(286.5)	(134.2)	(36.7)	910.5	1233.4	1998.3

Capital expenditure

The Group has invested huge funds in capital investment through M & A or alliance projects for the purpose of long term growth.

Figure 6. Trend of capital expenditure

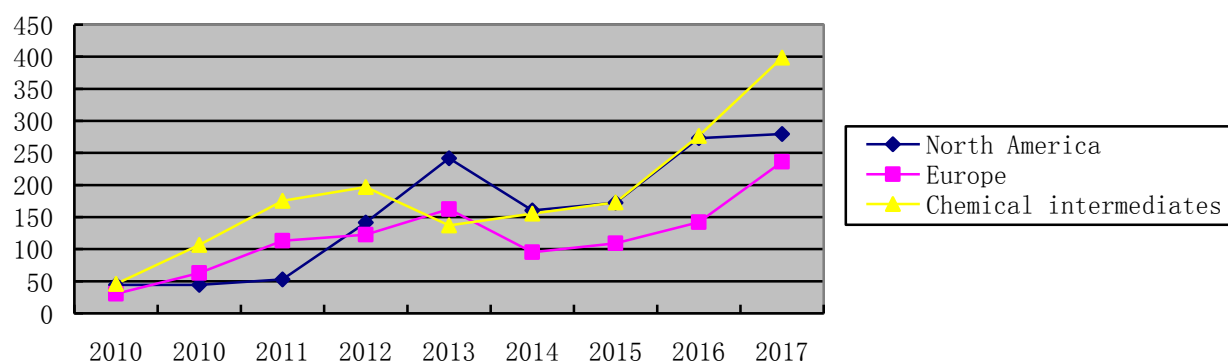


Figure 7. Capital expenditure in segments (%)

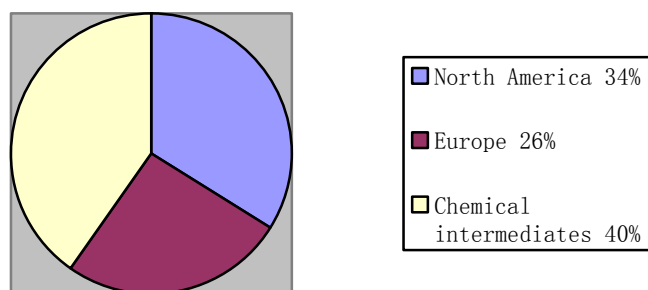


Table 6. Capital expenditures

Segments	2017	2016	2015	2014	2013	2012	2011	2010
North America	279.7	273.2	172.3	160.7	241.5	141.7	52.8	44.6
Europe	236.1	142.2	108.9	95.1	162.3	122.4	113	63
Chemical intermediate	398.8	276.5	172.8	155.6	136.8	197	175.6	106.5
Total:	914.6	691.9	454	411.4	540.6	461.1	341.4	214.1

Figure 6, Figure 7 and Table 6 show the trend, the percentage and the actual amount of capital expenditures in three segments over the past eight years; as a result of its pursuing of the strategy of expansion and divesting through merger and acquisition transactions. In that period, the Group made a total amount of Euros 4,029.01 millions with an upward trend of each segment. The

investment in chemical intermediates segment is 40%, which is more than the O & P North America segment of 34% and O & P Europe segment of 26%. The effect of this strategy is reflected in its operation performance, more specifically in segment revenues, and customer base.

Segment contribution of revenue to Group results

The Group operates three segments. Figure 8, Figure 9 and Table 7 show respectively the trend of revenue, the percentage and actual figures of segment revenue.

Figure 8. Trend of segment revenue

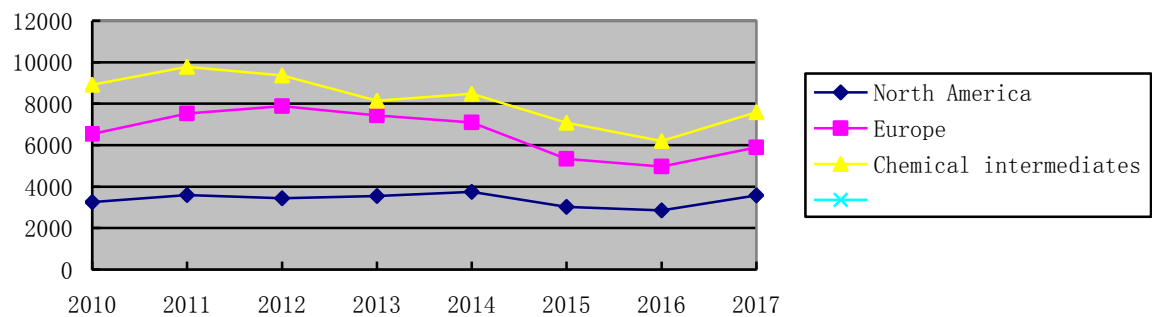


Figure 9. Segment revenue percentage

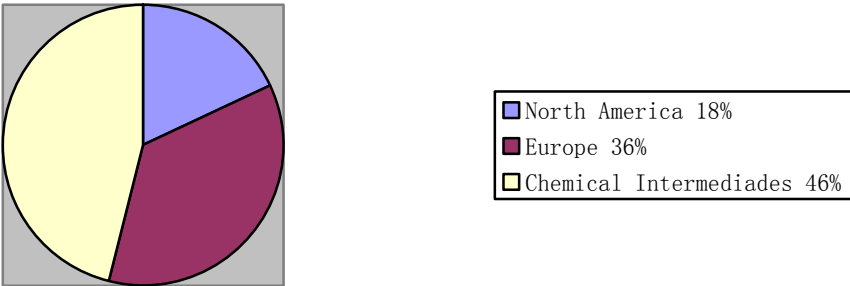


Table7. Segment revenue (Euros in millions)

Segment	2017	2016	2015	2014	2013	2012	2011	2010
North America	3,573.9	2,855.9	3,025.9	3,748.7	3,551.2	3,443.1	3,591.2	3,253.8
Europe	5,896.7	4,966.5	5,331.1	7088.6	7,437.5	7,889	7,523.3	6,543.7
Chemical intermediate	7,589.4	6,204.3	7,085.1	8,480.4	8,146.2	9,367	9,775.4	8,917.3
Total:	17,060	14026.	15,442.	19,317.	19,134.	20,699.	20,889.	18,714.
		7	1	7	9	1	9	8

In terms of EBITDA, Figure 10, Figure 11 and Table 8 show respectively the trend, percentage and actual figure of segment EBTDA.

Figure 10. Trend of segment EBITDA (Euros in millions)

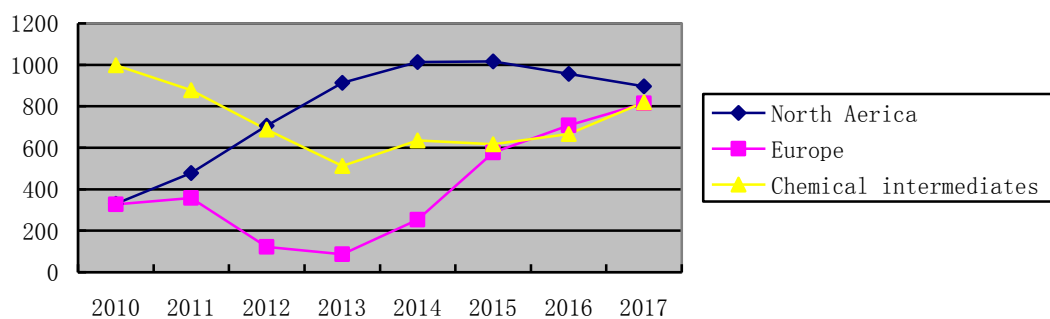


Figure 11. Segment EBITDA percentage



Table 8 Segment EBITDA (Euros in millions)

	2017	2016	2015	2014	2013	2012	2011	2010
North America	896	956.4	1016.7	1,014.9	913.6	706	477.6	330.8
Europe	814	708.7	576.8	253.5	86.5	122.2	358.3	326.5
Chemical intermediates	819.4	665.7	616.5	635.1	511.4	688.6	877.6	997.5
Total:	2529.4	2330.8	2210	1,903.5	1,511.5	1,516.8	1,713.5	1,654.8

The above figures and table show a positive correlation between capital expenditure and revenue and EBITDA of these three segments. More capital expenditures enhance capacities for current production capacity and therefore future growth. It also means that the Group commits to continuing huge capital expenditures; and the Group would expose to financing problems if financial market conditions change globally.

Figure 12, Figure 13 and Table 9 show respectively the trend, percentage and actual figure of segment revenue by customers.

Figure 12 Revenue by customers

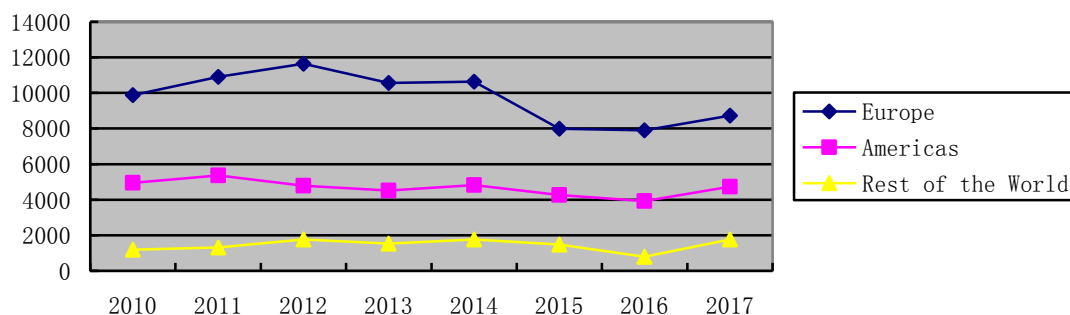


Figure 13. Segment revenue percentage by customer

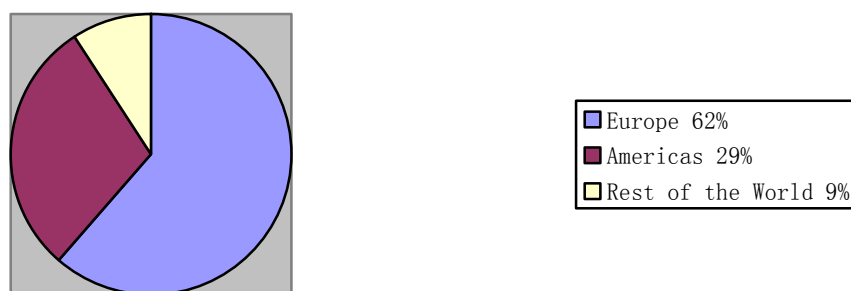


Table 9. Segment revenue by customers

Segment	2017	2016	2015	2014	2013	2012	2011	2010
Europe	8720.3	7903.3	7986.5	10,643.5	10,561.6	11,643.6	10,911.8	9,879.5
Americas	4724.3	3916.2	4262.2	4,817	4,524.9	4,789.5	5,360.2	4,943.5
Rest of World	1765.8	790.4	1480.7	1,760	1,536.2	1,764.1	1,314.4	1,184.8

In terms of revenue by location, Figure 14, Figure 15 and Table 10 show respectively the trend, percentage and actual figure of segment revenue by location.

Figure 14. Trends of segment revenue

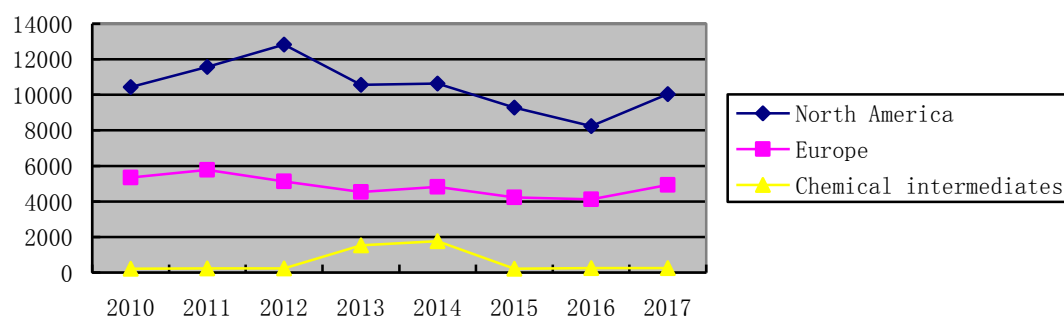


Figure 15. Segment revenue percentage by location

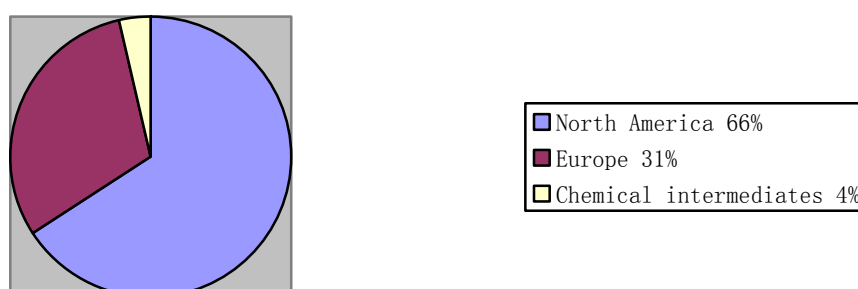


Table 10. Segment revenue by location

	2017	2016	2015	2014	2013	2012	2011	2010
Europe	10,034.6	8,240.9	9,291.1	10,643.5	10,561.6	12,826.8	11,575.3	10,440.3
Americas	4,923.3	4,120.3	4,230.8	4,817	4,524.9	5,128.4	5,779	5,345.9
Rest of World	252.5	248.7	207.5	1,760	1,536.2	233	232.1	221.6
Total:	15,210.4	12,609.9	13,729.4	17,220.5	16,622.7	18,188.2	17,586.4	16,007.8

Activity ratios analysis

For internal analysis, the following ratios were computed according to information and data from the auditors' report from 2010 to 2017. These ratios show intuitively the effectiveness and efficiency of operations.

Table 11. Activity ratio analysis

Year	2017	2016	2015	2014	2013	2012	2011	2010
Net asset turnover	8.96	7.43	negative	negative	negative	negative	negative	negative
Stockholding period (days)	36.33	38.44	30.85	24.27	32	29.5	30.6	57.3
Debtor collection period	41.1	43.47	47.12	38.61	42.4	38.3	42.7	51.18
Creditor payment period (days)	45	45	38.4	35.1	39.5	38.3	40.5	79

Table 12. Revenue from geographical customers

	2017	2016	2015	2014	2013	2012	2011	2010
Europe	8720.3	7903.3	7986.5	10643.5	10561.6	11634.6	10911.8	9879.5
Americas	4724.3	3916.2	4262.2	4817	4524.9	4789.5	5360.2	4943.5
Rest of World	1765.8	790.4	1480.7	1760	1536.2	1764.1	1314.4	1184.8
Total	15210.4	12609.9	13,729.4	17220.5	16622.7	18188.2	17586.4	16007.8

Table 13. Profitability ratio analysis

Year	2017	2016	2015	2014	2013	2012	2011	2010
ROCE	22.89	20.7	21.49	20.93	16.54	15.76	18.45	14.51
ROE	117.77	286.77	negative	negative	negative	negative	negative	negative
Gross profit margin	17.66	19.58	17.56	11.88	9.6	5.3	9.9	10.33
Net profit margin	13.14	9.78	6.63	negative	negative	negative	2.1	negative
Industry top 50's average net profit margin: 13.4%								

In 2017, the top 50's total sale was USD 851 billion with an average increase of 10.6% and an average profit margin of 13.4%. Ineos ranked the No.5 among the top 10 in terms of chemicals sales with a market share 8.6%. The Group operates three business segments, namely O & P North America, O & P Europe and Chemical intermediates. In the same year the Group's total sale (all business inclusive) was USD 60 billion a record high in its history after two years' growth stagnation in sales in 2015 and 2016. Over the past ten years, the capital expenditure in chemical intermediate segment was significant and followed by the O & P in North America and the Europe segments. The main capital expenditure was in the chemical intermediate segment which took a share of 40%, North America 34% and Europe took the 26% of the total capital expenditure. (see Figure 7). Chemical intermediate contributed 46%, North America 18% and 36% Americas. Segment EBITDA in North America was declining, in Europe it was increasing, and the Chemical intermediate segment was also declining. The trends of the revenue of customer of three segments follow the same upward trends in 2016 and 2017, but contribution in Europe was 62% and America 29%, and the rest of the world was 9%. In revenue by location, North America contributed to 66%, Europe 31% and Chemical intermediate contributed 4%. Furthermore, the ratio analyses on the operation of the Group showed that the Group has outperformed those five leaders in terms of average ratios of ROCE (6.36%), net profit margin (5.45%), but much higher than the average level of financial leverage (19%) (see Table 19). The Group has been making profits; and in 2017 it ranked No. 5 among the world's top 20 chemical producers in terms of sales of chemical products

with a market of 8.6% among the top 10 companies. The Group has been operating successfully, but has a risky financial leverage.

3.5 . Investment

In the first ten years of Ineos's development, the Group did not consider any organic growth strategies, but mainly relying on expanding strategy through merger and acquisition deals with industry giants, such as BP. During the period from 1998 to 2008, the Group acquired 22 companies from upstream or downstream operations. Since 2014, the group began to adopt organic growth strategy by investing its own subsidiaries (with majority holding shares); nevertheless, the Group continues this strategy and in the recent years, the Group acquired further assets. Some recent major deals including organic growth investments were shown in Table 14 below. The success of this external expanding strategy enabled the Group grow quickly by substantially increasing its production capacity and the multiple increases in its Group sales.

Table 14. Investments

Year	Acquisition	Consideration
2016	WLP, 100% equity, one of the largest high density polyethylene (HDPE) pipe manufacturers in North America, production capacity: 500 million pounds of plastics.	Euros 162.1 millions (initial consideration)
2015	Norethylene cracker at Rafnes, Norway, 50% remaining interest, annual production capacity: 570,000 tons of ethylene	Euros: 200 millions
2015	Axiall, USA, annual production capacity: 900,000 tones of phenol, acetone and alpha-methylstyrene.	Euros: 51.9 millions
2014	Set up a JV with Sasol to operate HDPE plant, in Texas, USA	Euros: 20 millions plus

	Investment in JV	Principal activities
	Petroineos Refining Limited, Scotland 50.1% equity	Refining
	Petrolineos Trade Limited, Scotland 49.9%	Refining
	Ineos Infrastructure (Grangemouth) Ltd. Scotland 75% equity	Refining
	Ineos Gemini HDPE Co., LLC, USA, 50%	Chemicals
	Disposals	Consideration received
2011	Disposed Refining business to PetroChina and Ineos Investment, 50% equity	Euros: 420 millions
From 1990 to 2008, the group acquired 20 operations from giant chemical companies.		

Ineos followed the development traditions of the industry by acquiring operating assets or business to build up its own production capacities. In the first ten years the Group acquired 20 operations from giant companies, like BASF, DowChemical, and ICI; and the assets size and sales increased rapidly. Over the period, Ineos gradually built up its solid production facilities; but commonly known internal operation problems followed, such as legal, trade union, environmental or government policies. These were barriers or risks confronted the Group in a global business context, because these operations were in different countries, and subject to different social, economical, labor, environment and jurisdictions which were all quite different from that in the UK. Eventually, these problems were resolved, but it took many years' efforts. In addition to the investment in core business, the Group also invested in unrelated business, when Mr. Ratcliff seized the opportunities. In 2017, the Group bought two businesses, the Belstaff and the FC Lausanne-Sport Club. Belstaff, founded in 1924, is a British well known brand of luxury motorcycle were maker, it was sold on liquidation due to the financial distress of the former owner. FC Lausanne-Sport Club, founded in

1896, is well known in Europe with a long history. Although these two assets were unrelated with the core business, Mr. Ratcliffe considered that these were worth of money, because they are rare, valuable, and non-perfect imitated assets (RIV) (Barney 1991 and Wernerfelt, 1984). As a consultant of Ineos, XYZ holds that these investments are sensible. Ineos also planned to invest £ 600 million in Land Rover Defender, but the plan was withdrawn in 2016.

3.6. Finance

The Group relies largely on borrowed funds to finance its M & A deals and operations. Although the Group could generate sufficient cash flows to cover interest payments, it should not be considered sustainable due to most fluctuated international financial market conditions. The following financial information and ratio analyses show the Group's financial strengths and weaknesses.

Table 15. Liquidity ratio

Year	2017	2016	2015	2014	2013	2012	2011	2010
Current ratio(times)	1.96	2.69	2.40	2.47	2.21	2.16	1.64	1.28
Quick asset ratio	1.9	2.09	1.88	1.88	1.54	1.5	1.09	0.83

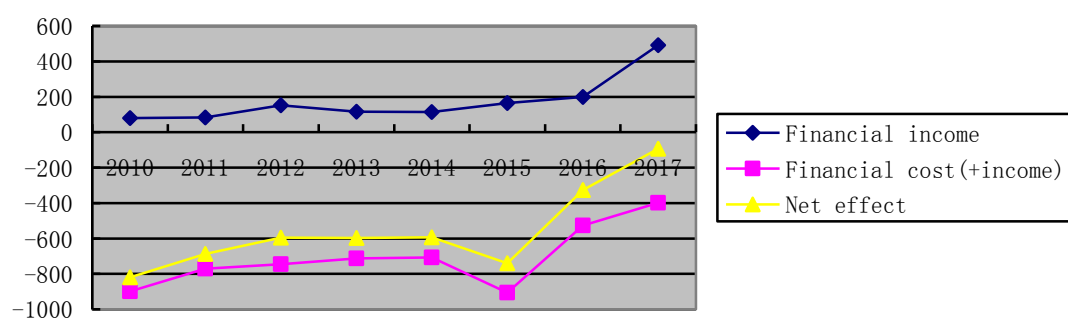
Table 16 Gearing ratio

Year	2017	2016	2015	2014	2013	2012	2011	2010
Gearing ratio	0.7839	0.95	107.3	119.6	115.3	111.5	105.1	108.8
Debt to equity ratio (%)	306.9	1865	(1471)	(610)	(751.7)	(962)	(2044)	(1238)
Interest cover ratio (times)	7.74	4.79	4.64	2.04	1.21	0.77	1.69	1.41

Table 17. Investor ratio

Year	2017	2016	2015	2014	2013	2012	2011	2010
Earnings per share (EPS, Euros)	2160	133.7	984.5	(39.7)	(145)	(309)	407	(61)
Dividend cover	8.46	7.87	25.73	22.81	22.8	19.1	83.9	47.1
Price-earnings ratio (PE ratio)	Not market price available							
Dividend yield	No market price available							

Figure 16 Financial income/costs



Net effect means financial income minus financial costs.

Table 18. Financial income /costs:

	2017	2016	2015	2014	2013	2012	2011	2010
Financial income	491.9	200	165.1	114.6	115.7	151.7	83.5	79.2
(Financial costs)	(399.3)	(526)	(905.7)	(707.7)	(712.4)	(746.2)	(771.2)	(898.1)
Net effect	92.6	(326)	(740.6)	(593.1)	(596.7)	(594.6)	(687.7)	(818.9)

The registered capital of the Group is Euros 0.9 million; the total equity was Euros 1,696.8 millions, and the total assets was Euros 11,048.2 millions in 2017. Other financial ratios are: liquidity 1.9, interest cover 7.74, gearing 0.78, and debt to equity 7.74 in 2017. These ratios as showed in the above tables indicate that the Group was able to make improvements in financing activities in 2017, meaning that the company had taken measures to lower the gearing ratio, cut costs and expenses through internal integration and effective marketing efforts.

Although the ratios show that the Group could generate sufficient funds to cover its interests expenses in short term; XYZ Consultants consider that the Group could be very difficult to sustain its huge long term indebtedness (gearing ratio 306.9% in 2017) due to the structure of such financial instruments when adverse changes occur from global financial or economic environments. The Group's financial leverage ratio was 85% (D/TA) in 2017, which means that the Group exposes to huge interests obligations, and subject to limitations imposed on the usage of the funds borrowed. In particular, the registered capital of the Group was 0.9 million, meaning that this small portion is the long term capital which would not be returnable. The substantial portion to support the operations was from its equity, which is not legally regarded as capital by law, because the application of equity is subject to relevant regulations and laws. Because of such a small capital structure, it also means that the costs of using equity funds other than paid up capital could be very high.

3.7. Strategies

Along with the motto of "I came, I bought, I conquered", the vision and mission of the Group for the ultimate goal of maximizing shareholders' equity (ROE) guide its operation, management and development, whereby Ineos adopted different types of strategies including development strategy, investment strategy, competitive strategy, financial strategy at corporate level and business levels.

Development strategy

Generally, the Group follows the same traditions in the industry by producing homogeneous products, locating facilities in identical places, marketing to similar customers, competing generic resources including human resources, and expanding with applications of common strategies of merger and acquisition and divestiture (David and David 2017). Ineos adopted two general corporate development strategies: 1) pursuing the core business as Oil and Petroleum, and chemical producer; and 2) investing in unrelated business, such as the clothes (Belstaff) and sport (FC-

Lausanne-Sport) industries, and automobile (Land Rover Defender) industry. The Group has pursued successfully the core business strategy by taking M & A and divesting strategies in business expansion and building up its operating assets capacity rapidly. The Group has been successfully acquired strategic resources including assets and business to build up its asset base and business scale of economy. These strategies adopted are entrepreneurial, because assets deals are for long term purpose, not on buy and sell short term basis. Ratcliffe's strategy should not be regarded as the asset-stripping, but entrepreneurial opportunity; because he had the vision of his business. In pursuing this strategy, he can carefully craft his strategies to make successful acquisitions when opportunities arise and divest non-performing assets when the asset became obsolete or did not fit the strategies. The risks could be that when acquisitions projects fail because of inappropriate structure or inadequate integration with other existing projects to create synergy for the group. The core businesses made a profit in 2015 after more than five years' of losing money. In addition to these expansion strategies, the Group's efforts in internal integration of acquired assets and business also contributed to the success of the Group's performance which ranked the No.5 of the world's top 50 in 2017, one of the world's leading producers in oil & gas and chemical industry.

Financial strategies

Table 19. Peer performance comparison

Company	Moody's/S & P Credit Rating	Net profit margin (%)	ROCE (%)	Leverage (%)
ExxonMobil	Aaa/AA+	8.3	4	10
Total	Aa3/A+	6.6	9.4	20
Chevron	Aa2/AA-	6.5	8	15
Shell	Aa2/A	4.4	5.4	25
BP	A2/A-	1.44	5	25
Average		5.45	6.36	19
Ineos	n/a	13.14	20	96

Notes:

1. Moody's and S & P's credit ratings as of January 31, 2017
2. Net profit margins: 2017
3. Leverage 2016: Net debt/(net debt+ Market capitalization)
4. ROCE and leverage as of 2016

Source: <https://cdn.exxonmobil.com> , <https://reports.shell.com>

From Table 19 above, it shows that although Ineos has a very dangerous leverage; it has performed above the average of the other five giants in operations. A company with a lower leverage means that it is safer financially, because it can better cope with financial crisis, or dramatic changes of interest rates etc. It also means that those five companies are much cautious financially; on the other hand, Ineos's high leverage puts it in a dangerous financial position, even it can generate enough funds temporarily to cover its financial obligation, it is considered not sustainable with such a high leverage ratio. A company with a high leverage also means that the firm is aggressive in investments or in financial distress. In Ineos's case, the operation is profitable, so the high gearing ratio is attributed to its huge borrowing for its ambitious investments plans. Nevertheless Ineos is financially not safe with such a high ratio, because some unpredictable changes or impacts may occur from the operation or the environment. In that case Ineos will be very difficult to cope with. In order to mitigate this risk, we suggest that an IPO should be considered to increase its capital; because sufficient capital would reduce the interest services, improve the financial position, and is safer to deal with changes occurred from operation and the environment.

Despite of its high financial leverage ratio, Ineos has been making profit for the last three years. The above financial ratios analyses show that the Group has been operating successfully in the market; XYZ Consultants considered that the strategy of borrowing long term or short term funds is not sustainable, because of the fluctuation of the interest rates in the financial market. In case of dramatic changes of economic conditions, creditors may require early repayments due to third parties' actions or default, and further more, the use of the borrowed funds are subject to limitations. To accommodate the development of the business, Ineos needs more capital, because its registered capital of Euros 0.9 million is not sufficient, taking into account of the size and momentum of the business and the needs for capital. Ineos is the only one, among the top ten chemical producers, has

not yet listed its shares in stock exchanges. XYZ consultants suggested that Ineos to go initial public offering (IPO) for long term capital financing, because the existing financial borrowing arrangements shall not be last for long, and its capital gearing 96% is considered too higher as compare to the average of international giants of about 19%. When macro economic conditions change adversely, creditors may be forced to request repayment due to third parties actions. While funds raised from capital markets would not be liable for repayment, accordingly the Group could obtain further funds to finance its M & A deals. Furthermore, stock exchange markets would provide liquidity for indebtedness or bonds, thereby allowing investors to maximize their market returns. More specifically, listed status of the Group would attract more investors and appreciation of its assets. In particular, raising capital from stock exchange markets would save a large amount of interest payments, thereby reducing collateral arrangement which would hinder the optimal utilization of production facilities in case of a financial default. XYZ Consultants suggested that Ineos should go to the capital market to raise at least 30% of its total shares through Initial Public Offer (IPO). Using the P/E valuation method, Ineos could be able to raise at least Euros 600 millions at a 10 P/E which is about seven times of its initial registered capital of Euros 0.9 million. IPO could reduce its long term borrowings and thus saving interest payments with a reduction of at least 10%, while allowing the Group with more funds for operation or as part of the cost of acquisition deals. The improved operating and financial ratios for the last years justified and supported the IPO plan.

Competitive strategy

The Group adopted the green strategy as its general competitive strategy together with its safety, health and environment policies (SHE) to compete in the market, in addition to following the ISO standards. These strategies are considered as effective in response to its market position, social responsibility and corporate citizenship issues. This competitive strategy embraces the Best-Value strategy and the integration with efforts to reduce costs and focus on customers' needs as described in the mission statement, enabling the Group to achieve sustainable competitive advantages with the position of No.5 in the market. For corporate social responsibility, the Group obeyed strictly to ISO International Standards in respect of quality, environmental and energy management systems in its daily operation and management. Ineos upheld policies of safe, reliable, and efficiency in all its operating activities; it also contributed to the community to achieve many common industry targets for energy efficiency, safety, emission reductions, and innovation for sustainable growth in economics, environmental protection and social development. The settlement of the problems of the

labor dispute between the Group and employees over pay and pensions in the Grangemouth petrochemical project is a good example of management competence to solve problems relating to labor disputes. All these strategies, which are relevant and have been executed successfully for the turnaround to profits after several years of losing money, attributed to Mr. Ratcliffe's dominant style of leadership. However industry entry barriers or environment legal restrictions are becoming more and more important to the Group. By 2017, the Group was still involved in legal proceedings with the Scottish government over the banning on its fracking operations in Scotland. From a long term perspective, if Mr. Ratcliffe steps down from the management, strategies should be revised, taking into account of the more and more complexity of the economic and political environments. In the last two years, the global political and economic changes dramatically, such as the emergence of trade protectionism, and the trade wars among USA, China, EU and other major countries, as well as the changes in international political order. USA's withdraws from major international organizations, and the Brexit are dynamic factors attributing to these global changes, eventually the Group's competitive strategies should be changed accordingly.

Although the Group's diversification to two unrelated industries was considered sensible, these operations have dilution impacts on its core competence and effective utilization of resources as the Group is already No.5 in the market. XYZ Consultants would suggest the Group stay with its core business and divest those unrelated business when profitable opportunities arise; especially the automobile industry which is also a capital intensive industry. Instead, XYZ Consultants would propose the Group to enter the same industry in the emergent countries, where its competitive advantages will be sustained and prevail. In particular, Ineo should look for opportunities arising from countries along the China's "Belt and Road" initiatives, whereby it could be described as "Blue Oceans" for business.

Blue oceans strategy

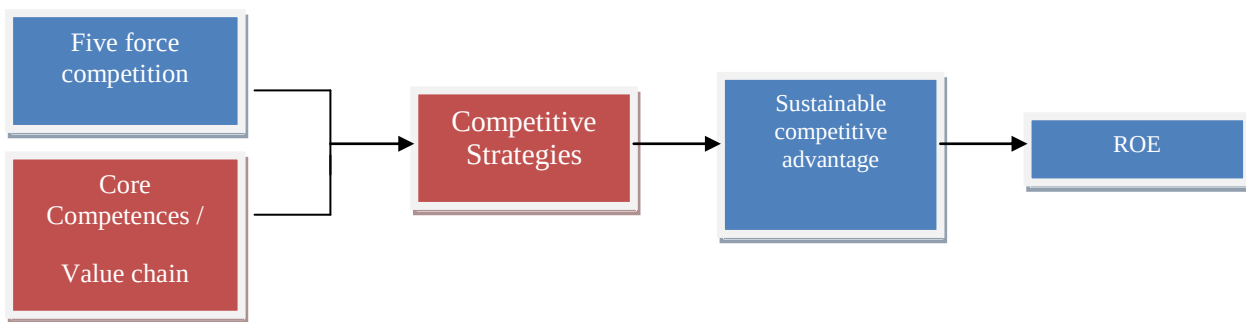
Kim and Mauborgne (2004) argued that companies can succeed by creating "blue oceans" of uncontested market spaces as opposed to "red oceans" where competitors fight for dominance just like an ocean full of vicious competition. They assert that these strategies create high value added opportunities for company to serve those yet uncontested markets. XYZ Consultants suggested that the Group should go and capture the "blue oceans" opportunity, obviously occurring in those

emerging countries along the “BRI”, since the Group already possesses the abilities to systematically create and capture “Blue Oceans” for future growth. Kim and Mauborgne asserted that companies can create “Blue Oceans” by taking first move through differentiation or innovation in products or systems. Kim and Mauborgne also argued that according to their statistics for new successful business launched, 86% of the business was in “Red Ocean” wherein the market is matured, market players fight deadly for dominance positions with homogeneous products or services, and the competition is intensified; 14% of the business was in “Blue Ocean” wherein competition is trifling or the business is even uncontested. However, 61% of the profit of those new businesses came from operations in “Blue Oceans” and the rest from “Red Oceans”. According to this theory, for successful operations in “Blue Oceans”, market players should follow several principles: namely, 1) redefining the market boundary of “Blue Ocean”, 2) focusing on the whole market, 3) transcending thinking in respect of market demands, 4) following rational strategic orders, 5) overcoming key organizational barriers, and 6) effective execution of strategies. However, for entering these new markets, certain barriers or risks should be carefully weighted and considered, which include mainly political, local regulations on taxes, labor, environment, foreign currency, interest rate differences, economic system, local infrastructure, cultural, and social factors etc. Which needs diligent care and greater efforts, but the potentials and prospects are obvious. The Group’s core competences are considered as adequately to support these new moves. In fact, Ineos has a JV with PetroChina in Shanghai, China, following projects could be considered in those countries along the “Belt and Road”.

Core competences

Ineos’s success can largely attribute to its core competences, which include high-quality and low-cost production facilities, well-invested plants, benefits of economies of scale, favorable locations, experienced management, and leading market position. In particular, the leading market position allowed Ineos to be the preferable supplier for customers, which can secure the relationship with long term customers. These competences can be further categorized as core competences of facility, production, systems, marketing and innovation (Prahalad and Hamel, 1990 and Wernerfelt, 1984). Since the core competences were identified, the Group should maintain the capabilities by M & A or divesting of those existing resources. Based on these core competences, the Group should formulate and change its competitive strategies and leverage core competences to achieve sustainable competitive advantages for the ultimate object of maximize shareholders return as illustrated by Figure 17 below.

Figure 17. Competitive strategy analysis framework



4. Conclusions and recommendations

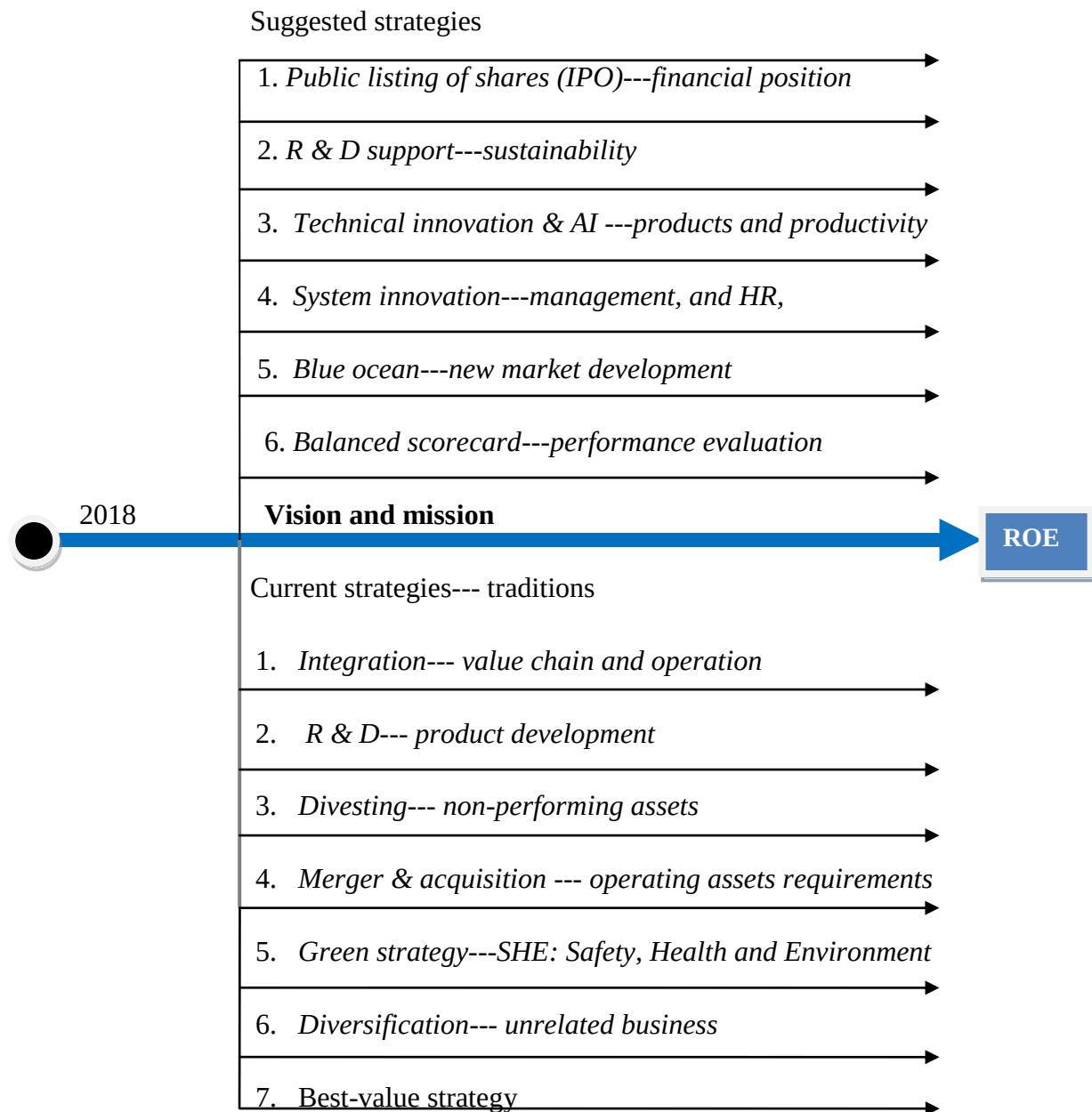
Based on the above analyses on strategies of three dimensions: namely, operation and management, investment, and finance; XYZ Consults holds that Ineos has been successfully operating profitably for the last three years with solid and strong production capacities, and achieved its sustainable competitive advantages in the market as an industry leader ranked No. 5 in terms of sale of USD 60 billion among the worlds' top 50 oil and chemical producers. However its weakness in financing and the threat from intensified competition would affect severely the operation of the Group when adverse environmental changes occur, including but not limited to politics, economic, interest rates, foreign currency, and environment protection requirements. To cope with these changes, XYZ Consultants would propose the following six new strategies (see Figure 18 below):

- 1) to go IPO for increasing the capital base;
- 2) to reinforce R & D for product development;
- 3) to apply advanced technology such AI in production;
- 4) to enhance system innovation;
- 5) to create “Blue Oceans” for new markets; and
- 6) to apply balanced score card as a tool to evaluate the overall performances of the Group.

These suggested strategies and the current strategies should be considered as an integrated profile of strategies. This is the preliminary report on strategies, and more concrete action plans to these six strategies shall be worked out after further detailed analyses are completed, which are not included

in this report, but those barriers and risk factors were mentioned in the relevant sections of international operations in the SWOT analyses. Further detailed analyses would include barriers to be overcome, and the resources including budgets required.

Figure 18. Strategies profile



Acknowledgment

XYZ consultants would express their heartfelt thanks to the management of Ineos for their full support to this study; and be grateful to staff of the Group for their assistances and updated data and information.

Appendices

Appendix 1. Letter of mandate

Letter of Mandate

Ref. No.

Date: **【December XX, 2018】**

To board of directors

Ineos Group Holdings S.A.

58, Rue Charles Martel, L-2134, Luxembourg,

Grand-Duchy, Luxembourg, Switzerland.

Dear Sir or Madam,

Re: **Consultancy Report on Corporate Strategies and Policies**

We are pleased to submit this Letter of Mandate for your consideration and acceptance. Our services are outlined as follows:

1. Parties to this Mandate

Ineos Group Holdings S.A.

Address:

【XYZ Consultants Ltd. Hong Kong】

Address:

2. Purpose of the services

- 3.** It is agreed that our report shall be used for internal reference only and it is subject to our General Service Terms.

4. Services to be provided

Our professional services are outlined as follows:

1. To examine and analyze the effectiveness and efficiency of current operations and the existing strategies employed by the Group.
2. To propose strategies and plans for further actions.

5. Submission of the report

Our draft of the report will be submitted to the Group within two months after your confirmation of acceptance of this Mandate. The final version shall be on your schedule.

6. Fee and Expenses

As arranged

7. Confidentiality and Independence Statement

We maintain a strict policy of confidentiality for our clients on documents, information and conversations we obtained during our engagement.

We hereby declare that we have no present or prospective interests of conflict of any nature with the Group.

8. Law & jurisdiction

Any disputes arose from this Mandate shall be governed by the laws of _____ and subject to the jurisdiction of courts in _____ (place).

This Letter of Mandate is subject to our General Service Terms.

Yours faithfully,

For and on behalf of

【XYZ Consultants Ltd. Hong Kong】

Signed Director

Confirmed and Accepted by

Ineos Group Holdings S.A.

Authorized signature & Company Stamp

General Service Terms

Our consultancy services will be performed in accordance with professional standards. We assume that all information or documents you have provided to us are true and correct. Our engagement

shall include due diligence, collection of necessary documents or information, and our own research as well, for analysis purpose.

Our report is prepared to the board of directors of the Group for consideration of immediate or future actions. Our report including information and documents we have gathered shall not be disclosed to any third parties, in whole or in part, without our consent.

All information or documents we received from you shall be retained by us for at least three years.

Our engagement shall be modified subject to agreements reached by both parties.

Appendix 2. List of world's top 50 chemical producers

Rank	Company	Chemical sales in 2017 USD millions ^[A]	Change from 2016 in percent	Headquarters
1	BASF	69,195	11.80	 Ludwigshafen , Germany
2	DowDuPont ^{[B][C]}	62,484	29.7	 Midland , USA
3	Sinopec	55,323	31.5	 Beijing , China
4	SABIC	37,620	5.3	 Riyadh , Saudi Arabia
5	Ineos	34,635	26.8	 London, UK
6	Formosa Plastics	32,118	14.1	 Taipei , Taiwan
7	ExxonMobil	28,694	10.1	 Irving , USA
8	LyondellBasell	28,319	15	 Rotterdam , Netherlands
9	Mitsubishi Chemical	26,422	12.6	 Tokyo , Japan
10	LG Chem	23,217	24.8	 Seoul , South Korea
11	Air Liquide	22,617	13.3	 Paris , France
12	Reliance Industries	17,555	31.9	 Mumbai , India
13	DuPont ^[B]	17,281	-25.5	 Wilmington , USA
14	The Linde Group	16,938	0.6	 Munich , Germany
15	Toray Industries	16,903	8.8	 Tokyo , Japan
16	AkzoNobel ^[B]	16,471	2.7	 Amsterdam , Netherlands
17	Evonik Industries	16,294	13.3	 Essen , Germany
18	Covestro	15,977	18.8	 Leverkusen , Germany
19	Braskem	15,437	3.3	 São Paulo , Brazil
20	PPG Industries	14,750	3.4	 Pittsburgh , USA
21	Sumitomo Chemical	14,572	12.2	 Tokyo , Japan
22	Lotte Chemical	14,060	20	 Seoul , South Korea

23	Shin-Etsu Chemical	12,858	16.5	 Tokyo , Japan
24	Solvay	12,308	-4.5	 Brussels , Belgium
25	Mitsui Chemicals	11,851	9.6	 Tokyo , Japan
26	Praxair	11,437	8.6	 Danbury , USA
27	Yara International	11,347	-3.5	 Oslo , Norway
28	Lanxess	10,921	25.5	 Cologne , Germany
29	Bayer	10,823	-3.4	 Leverkusen , Germany
30	DSM	9,755	9	 Heerlen , Netherlands
31	Asahi Kasei	9,703	11.3	 Tokyo , Japan
32	Eastman Chemical	9,549	6	 Kingsport , USA
33	Arkema	9,409	10.5	 Colombes , France
34	Syngenta	9,244	-2.4	 Basel , Switzerland
35	Chevron Phillips Chemical	9,063	7.2	 The Woodlands , USA
36	Borealis	8,548	4.8	 Vienna , Austria
37	Indorama Ventures	8,443	12.5	 Bangkok , Thailand
38	SK Innovation	8,272	21.5	 Seoul , South Korea
39	Huntsman	8,208	-15	 The Woodlands , USA
40	Air Products & Chemicals	8,188	-4.3	 Allentown , USA
41	Ecolab	8,078	5.6	 St. Paul , USA
42	Westlake Chemical	8,041	58.4	 Houston , USA
43	Wanhua Group	7,862	76.5	 Yantai , China
44	Sasol	7,743	-1.9	 Sandton , South Africa
45	Mosaic	7,409	3.4	 Plymouth , USA
46	PTT Global Chemical	7,385	15.5	 Bangkok , Thailand
47	Tosoh	7,340	10.7	 Tokyo , Japan

48	DIC	7,042	5.1	 Tokyo , Japan
49	Hanwha Chemical	6,858	-0.5	 Seoul , South Korea
50	Clariant	6,479	9.1	 MuttENZ , Switzerland

Sources: The American Chemistry Council, Chemical & engineering News and Wikipedia.

INEOS Group Holdings S.A.
Consolidated Income Statement for Year Ended December 31, Euro Dollar in Million

	2017	2016	2015	2014	2013	2012	2011	2010
Revenue	15210.4	12609.9	13729.4	17220.5	16622.7	18188.2	17586.4	16007.8
Cost of sales	-12524.2	-10141.1	-11318.4	-15173.9	-15027.3	-17233.1	-15844.5	-14354.9
Gross profit	2686.2	2468.8	2411	2046.6	1595.4	955.1	1741.9	1652.9
Distribution costs	-206.5	-195.3	-212.1	-203.8	-222.2	-228.4	-240.6	-257.4
Adm exp. before exceptional items	-418.6	-385.6	-372.3	-396.2	-300	-234.4	-277.1	-246.6
Total adm. expenses	-418.6	-406.9	-388.3	-600	-522.2			
Total expenses	-625.1	-602.2	-600.4	-600	-522.2			
Operating profit	2061.1	1866.6	1810.6	1446.6	1073.2	492.3	1224.2	1148.9
Share of profit of associates and JV	143.5	29.3	74.4	-216.9	-49.8	-14.7	-67.8	10
Profit on disposal of fixed assets	2.6	3.7	3.8	-1.4	0.1		3.5	
Profit on disposal of business				-349	-248.1		-2.1	-74.7
Profit before net finance costs	2207.2	1899.6	1888.8	879.3	775.4	477.6	1157.8	1084.2
Net finance income	92.6	-32.6	-740.6	-593.1	-596.7	-594.6	-687.7	-818.9
Profit before tax from continuing operations	2299.8	1573.6	1148.2	286.2	178.7	-117	470.1	265.3
Tax charge	-301.5	-340.2	-237.7	-322.9	-312.9	-158.5	-234.4	-243.6
Profit for the year from continuing operation	1998.3	1233.4	910.5	-36.7	-134.2	-275.5	235.7	21.7
Profit from discontinued operations, net of tax						-11	140.7	-78.2
Profit/(Loss) for the year	1998.3	1233.4	910.5	-36.7	-134.2	-286.5	376.4	-56.5
Other financial data								
EBITDA before exceptionals	2529.4	1866.6	1810.6			1516.8	1713.5	1654.8
Depreciation, amortization and impairment	468.3	442.9	383.4			1009	453.5	484.7
Capital expenditure						461.1	396.2	344.3
Total indebtedness						7399.5	6666.8	7450.6
Net debt						6164.1	6084.4	6851.4

Prepared by XYZ Consultants based on information from Ineos
Source: Ineos company website: <https://ineos.com>

INEOS Group Holdings S.A.
Consolidated Balance Sheet as at December 31, Euro Dollars in Million

	2017	2016	2015	2014	2013	2012	2011	2010
Fixed assets								
Property, plant and equipment	4255.4	4007.4	3508.8	3067.5	3151.2	3093.8	3566.3	4402.3
Intangible assets	731	763.9	706.4	648.2	623.6	673.2	695.6	993.8
Investments in equity-accounted investees	351.1	161.7	101.4	96.8	374.6	423.2	432.3	105.6
Other investments	238.5	262.2	243.2	210.2	181.4	175.9	166.7	152.2
Other financial assets	28.3	29.2	29.2	28.7	52.3	51	47.5	90.1
Other receivables	957.4	1146.8	1114	546.5	101.9	164.8	19.5	29.3
Deferred tax assets	160.2	205.1	200.9	229.8	288.2	507.4	391.5	522.3
	6722.5	6576.3	5903.9	4827.7	4773.2	5089.3	5319.4	6295.6
Current assets								
Inventories	1246.5	1068.1	956.6	1008.8	1319.8	1392.2	1329.6	2254.9
Trade and other receivables	1712.9	1501.8	1772.4	1821.7	1913.4	1908.7	2056.5	2244.4
Other financial assets			1.1	2.5	0.4	0.5	0	8.2
Cash and cash equivalents	1366.3	2204.1	1648	1434.6	1130	1235.4	582.4	599.2
Total current assets	4325.7	4782.2	4378.1	4267.6	4363.6	4536.8	3968.5	5106.7
Total assets	11048.2	11358.5	10282	9095.3	9136.8	9626.1	9287.9	11402.3
Equity attributable to owners of the parent								
Share capital	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Share premium	779.4	779.4	779.4	779.4	779.4	779.4	779.4	779.4
Other reserves	-2183.2	-1712.5	-1714.7	-1662	-1464.1	-1427.2	-1303.2	-1211
Retained earnings	3099.7	1362.3	370.2	-381.6	-279.3	-111.1	200.4	-162.2
Total shareholders' deficit	1696.8		-564.2	-1263.3	-963.1	-758	-322.5	-592.9
Non-current liabilities								
Total equity	1696.8	430.1	-564.2	-1263.3	-963.1	-758	-322.5	-592.9
Non-current liabilities								
Interest-bearing loans and borrowings	6094.9	7947.5	8008.5	7672.9	7207.4	7272.2	6284.1	6954.9
Trade and other payables	120.1	107.2	91.7	89	95.8	120.3	85.2	91.2
Employee benefits	701	789.5	689.1	661.2	635	702.5	581.3	687.2
Provisions	28.8	28.5	25.6	8.3	19.9	19.4	25.9	46.5
Deferred tax liabilities	202.3	275.6	198.1	196.8	162.9	170.8	207.2	239.5
Other financial liabilities	2.3	0.9	12.6	0	0	0	0	0
Total non-current liabilities	7149.4	9149.2	9025.6	8628.2	8121	8285.2	7183.7	8019.3
Current liabilities								
Interest-bearing loans and borrowings	63	72.6	291.8	34.9	32.1	16.7	309.2	387.9
Trade and other payables	1877.9	1563.4	1445.1	1657.3	1798.4	1909	1953.9	3466.3
Tax payable	248.4	124	75.8	32	137.2	157.4	136.8	86.3
Other financial liabilities	0.2		1.8		0.3	0.3	12.7	6.7
Provisions	12.5	19.2	6.1	6.2	10.9	15.5	14.1	28.7
Total current liabilities	2202	1779.2	1820.6	1730.4	1978.9	2098.9	2426.7	3975.9
Total liabilities	9351.4	10928.4	10846.2	10358.6	10099.9	10384.1	9610.4	11995.2
Total equity and liabilities	11048.2	11358.5	10282	9095.3	9136.8	9626.1	9287.9	11402.3

Prepared by XYZ Consultants based on information from Ineos
Source: Ineos company website: <https://Ineos.com>

INEOS Group Holdings S.A.
Consolidated Statement of Cash Flows for Year Ended December 31, Euro Dollar in Million

	2017	2016	2015	2014	2013	2012	2011	2010
Cash flows from operating activities								
Profit for the year	2299.8	1573.6	910.5	-36.7	-134.2	-286.5	376.4	-56.5
Adjustments for:								
Depreciation and impairment	454.4	398.7	370.7	381.9	400.1	997.8	492.1	567.7
Amortisation	13.9	44.2	12.7	12.3	12.3	12.1	11.8	12.6
Net finance (income)/costs	-92.6	326	740.6	593.1	596.7	594.6	687.7	820.4
Share of profit of equity-accounted investees	-143.5	-29.3	-74.4	216.9	49.8	14.7	67.8	-12.9
(Profit)/loss on sale of property, plant and equipment	-2.6	-3.7	-3.8	1.4	-0.1	0.7	-3.5	5.7
Loss on disposal of business	-239	-74.7	107	349	248.1	11	-74.2	74.7
Tax charge			237.7	322.9	312.9	158.5	259.4	213.1
(Increase)/decrease in trade and other receivables	-268.1	289.3	-28.2	-159.2	3.4	61.9	-353.8	-538.9
(Increase)/decrease in inventories			107	150.4	-78.1	-85.4	55.6	-724.8
Decrease in trade and other payables	314.8	-35.4	-138.3	-33.3	-54.3	-8.1	-208.1	835.1
(Decrease)/increase in provisions and employee benefits	-6.5	11.3	20.6	-11.7	-19.1	-112.1	-12	-49.6
Tax paid	-143.1	-221.8	-167.2	-365.5	-319.9	-229.3	-134.9	-91.5
Net cash generated from operating activities	2187.5	2278.2	1987.9	1421.5	1017.6	1129.9	1164.3	1055.1
Cash flows from investing activities								
Proceeds from sale of property, plant and equipment	8.3	3.9	3.8		0.1		3.8	
Proceeds from sales of investments	1.3	1.3	9.2	3.3	1.2		11.2	
Interest and other finance income received	50.9	65.1	27.8	1.7	2.5	3.8	5.8	3.2
Dividends received	5.3	7	2.9	5.3	5.5	5.4	5.4	9.1
Disposal of businesses, net of cash disposed of			78.3	121.6		-0.2	664.1	415.2
Acquisition of business, net of cash acquired	-2.5	-125.3	-179.8					
Acquisition of assets			-51.9					
Loans granted to related parties	-315.7	-289.9	-568.4	-288.7	-20			
Acquisition of intangible assets	-18.4	-9	-4.6	-3.3	-1.9			
Acquisition of property, plant and equipment	-914.6	-691.9	-454	-411.4	-540.6			
Acquisition of other investments	-57.8	-28.3	-0.5	-10	-1.6			
Acquisition of subsidiaries						-0.2		
						-461.1	-396.2	-344.3
						-0.2		
Net cash used in investing activities	-745.5	-723.8	-1137.2	-581.5	-554.8	-452.5	294.1	83.2
Cash flows from financing activities								
Securitization facility	-0.1	-130.5	-97.7			-194.5	-68.4	119.7
Revolving credit facility						-293	-43.7	-239.8
Proceeds from new senior secured notes	550		770	1034.9	1017.5	1847		730.4
Proceeds from new senior secured term loans			1407.3		838.5	2291.1		
Proceeds from other loans					14.3			
Refinancing of senior secured term loans	-882.1							
Redemption of senior facilities agreement						-2863.5		
Redemption of senior secured notes	-310.6		-2086.8		-735.1			
Redemption of senior notes				-1032.1	-1017.1			
Issue costs paid			-36.5	-11.8	-18.9	-91.7	-10.7	-79.3
Interest paid			-537	-433.1	-565.3	-672.7	-654.8	-763.4
Repayment of loans	-64.6	-303.5	-50.8	-136.1	-30.8	-17.9	-686	-952.8
Dividends paid	-260.9	-241.3	-73.4	-65.6	-34	-25	-13.8	-23
Capital element of finance lease payment	-0.1	-0.2	-0.3	-1.8	-1.9	-1.8	-1	-0.2
Net cash used in financing activities	-2143	-1087.5	-705.2	-645.6	-532.8	-22	-1478.4	-1208.4
Net(decrease)/increase in cash and cash equivalents	-701	466.9	145.5	194.4	-70	655.4	-20	-70
Cash and cash equivalents at 1 January	2204.1	1648	1434.6	1130	1235.4	582.4	599.2	662.1
Effect of exchange rate fluctuations on cash held	-136.8	89.2	67.9	110.2	-35.4	-2.4	3.2	7.2
Cash and cash equivalents at December 31	1366.3	2204.1	1648	1434.6	1130	1235.4	582.4	599.3
Cash flow from operating activities	2187.5	2278.2	1987.9	1421.5	1017.6	1129.9	1164.3	1055.1
Cash flow from investment activities	-745.5	-723.8	-1137.2	-581.5	-554.8	-194.5	-68.4	119.7
Cash flow from financing activities	-2143	-1087.5	-705.2	-645.6	-532.8	-22	-1478.4	-1208.4
Net increase/ (decrease) in cash and cash equivalents	-701	466.9	145.5	194.4	-70	655.4	-20	-70
Cash and cash equivalents at January 1,	2204.1	1648	1434.6	1130	1235.4	582.4	599.2	662.1
Effect of exchange rate fluctuations on cash held	-136.8	89.2	67.9	110.2	-35.4	-2.4	3.2	7.2
Cash and cash equivalents at December 31,	1366.3	2204.1	1648	1434.6	1130	1235.4	582.4	599.3

Prepared by XYZ Consultants based on information from Ineos
Source: Ineos company website: <https://Ineos.com>

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