IMPORTANT NOTICE (FOR ELECTRONIC DELIVERY)

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR (2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications thereto any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act ("QIBs") or (2) non-U.S. persons outside the United States in accordance with Regulation S under the Securities Act. The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that:

(1) you consent to delivery of such offering memorandum by electronic transmission, and

(2) either:

- (a) you and any customers you represent are QIBs, or
- (b) you and any customers you represent are non-U.S. persons and the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia.

Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or a solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers are licensed brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The offering memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the initial purchasers, or any person who controls any of the initial purchasers, nor any of its or their directors, officers, employees or agents, accept any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

Listing Particulars

Styrolution Group GmbH

€480,000,000 7.625% Senior Secured Notes due 2016

This document consists of the listing particulars (the "Listing Particulars") in connection with the application to have the €480,000,000 7.625% Senior Secured Notes due 2016 (the "Notes") issued by Styrolution Group GmbH admitted to the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market thereof. These Listing Particulars supplement, and are to be read in conjunction with, the Offering Memorandum dated May 12, 2011 (the "Offering Memorandum") attached hereto.

Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange, and for the Notes to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof. These Listing Particulars are provided only for the purpose of obtaining approval of admission of the Notes to the Official List of the Irish Stock Exchange and admission for trading on the Global Exchange Market and shall not be used or distributed for any other purposes. These Listing Particulars do not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes.

The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction.

These Listing Particulars are dated as of May 26, 2011.

OFFERING MEMORANDUM | NOT FOR GENERAL CIRCULATION IN THE UNITED STATES

Styrolution Group GmbH

€480,000,000 7.625% Senior Secured Notes due 2016

The €480,000,000 7.625% Senior Secured Notes due 2016 (the "Notes") will be issued by Styrolution Group GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung (GmbH)*) incorporated under the laws of the Federal Republic of Germany and registered with the local court (*Amtsgericht*) Ludwigshafen am Rhein (Ludwigshafen) (*Handelsregisternummer* HRB 62529) (the "Issuer"), as part of the financing for the proposed joint venture among the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business (each as defined herein).

Interest will be paid on the Notes on May 15 and November 15 of each year, beginning November 15, 2011. The Notes will mature on May 15, 2016. Some or all of the Notes may be redeemed prior to May 15, 2013 by paying 100% of the principal amount of such Notes plus a make-whole premium and at any time on or after May 15, 2013 at the redemption prices set forth in this offering memorandum. In addition, at any time on or prior to May 15, 2014 up to 35% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of certain equity offerings at 107.625% of the principal amount therefor, plus accrued interest, if at least 65% of the originally issued aggregate principal amount of the Notes remains outstanding. At any time on or prior to May 15, 2014, the Issuer may redeem during each 12-month period commencing with the Issue Date (as defined herein) up to 10% of the aggregate principal amount of the Notes outstanding at a redemption price equal to 103% of the principal amount therefor, plus accrued interest.

Pending the consummation of the Joint Venture Transaction (as defined herein), the initial purchasers will deposit certain proceeds from the offering of the Notes into an escrow account in the name of the Issuer. The escrow account will be controlled by, and charged on a first-ranking basis in favor of, the trustee on behalf of the holders of the Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the consummation of the Joint Venture Transaction. The consummation of the Joint Venture Transaction is subject to certain conditions, including regulatory approval. If the Joint Venture Transaction is not consummated on or prior to May 18, 2012 (the "Longstop Date"), or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 101% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date for the Notes to the date of such special mandatory redemption. Please see "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*".

The Notes will be the senior secured obligations of the Issuer and will, upon release of the proceeds of the offering of the Notes from the escrow account to the Issuer (the date of such release and consummation of the Joint Venture Transaction, the "Escrow Release Date"), be secured by first priority liens over the capital stock of the Issuer and certain of its subsidiaries and within 60 days after the Escrow Release Date be secured by certain other assets of the Issuer and its subsidiaries, as described in "*Description of the Notes—Security*". These liens will rank senior in right of payment to any of the Issuer's existing and future indebtedness that is subordinated in right of payment to the Notes. As of the Escrow Release Date certain of the Issuer's subsidiaries will jointly and severally guarantee the Notes on a senior secured basis (the "Guarantees"). The Guarantees will be the general secured obligations of the guarantors and will rank equally with all of their existing and future indebtedness that is not subordinated to the Notes, as described in this offering memorandum.

All of the Notes may be redeemed at 100% of their principal amount plus accrued interest if at any time the Issuer or any guarantor becomes obligated to pay withholding taxes as a result of a change in law. Upon the occurrence of certain change of control events, each holder of Notes may require the Issuer to repurchase all or a portion of its Notes.

There is currently no public market for the Notes. Application has been made for listing particulars to be approved by the Irish Stock Exchange, and for the Notes to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof. There is no assurance that the Notes will be listed and admitted to trading on the Global Exchange Market.

Investing in the Notes involves risks that are described in the "*Risk Factors*" section beginning on page 29 of this offering memorandum.

Offering price for the Notes: 100% plus accrued interest, if any, from May 18, 2011.

The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, we are offering the Notes only to qualified institutional buyers ("QIBs") pursuant to Rule 144A under the Securities Act ("Rule 144A") and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, please see "*Notice to Investors*".

The Notes will be ready for delivery, in book-entry form only, on or about May 18, 2011.

Joint Book-Running Managers
(*listed alphabetically*)

Barclays Capital | **Citi**

Co-Manager

HSBC

The date of this offering memorandum is May 12, 2011.

Styrenics –
Always Around Us, Day by Day, Everywhere

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IMPORTANT INFORMATION

You should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the initial purchasers are not, making an offer to sell the Notes in any jurisdiction except where the offer or sale is permitted. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing Notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading "*Notice to Investors*" in this offering memorandum. You should understand that you may be required to bear the financial risks of your investment for an indefinite period of time.

We have submitted this offering memorandum confidentially to a limited number of institutional investors so that they can consider a purchase of the Notes. We have not authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. Delivery of this offering memorandum to anyone other than such prospective investors is unauthorized, and any reproduction of this offering memorandum, in whole or in part, is prohibited. By accepting delivery of this offering memorandum, you agree to these restrictions. Please see "*Notice to Investors*".

This offering memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that information included herein is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of the discussions in this offering memorandum. In making an investment decision, you must rely on your own examination of our company, the terms of the offering and the Notes, including the merits and risks involved.

We are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

You should contact the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this offering memorandum.

We reserve the right to withdraw this offering of the Notes at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of Notes sought by such purchaser. The initial purchasers and certain related entities may acquire for their own account a portion of the Notes. Please see "*Plan of Distribution*".

In connection with the offering, the initial purchasers (or persons acting on their behalf) may engage in transactions that stabilize the market price of the Notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the Notes. If the initial purchasers (or persons acting on their behalf) create a short position in the Notes in connection with the offering, *i.e.*, if they sell more Notes than are listed on the cover page of this offering memorandum, they may reduce that short position by purchasing Notes in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

We do not, and the initial purchasers do not, make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, we do not, and the initial purchasers do not, make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Notes under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

This offering memorandum is not an offer to sell, or a solicitation of an offer to buy, any Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation.

Neither the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission nor any other regulatory authority has approved or disapproved these securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, ANNOTATED 1995, AS AMENDED (THE "RSA"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO U.S. INVESTORS

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgments that are described in this offering memorandum under the section titled "*Notice to Investors*".

The Notes and the Guarantees have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.

For a description of certain further restrictions on resale or transfer of the Notes, please see "*Notice to Investors*".

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY NOTES TO THE PUBLIC.

NOTICE TO EEA INVESTORS

This offering memorandum is not a prospectus and is being distributed to a limited number of recipients for the sole purpose of assisting such recipients in determining whether to proceed with a further investigation of the issue of the Notes. This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Notes, which are the subject of the placement contemplated in this offering memorandum should only do so in circumstances in which no obligation arises for the Issuer or the initial purchasers to produce a prospectus for such offer. Neither the Issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in the Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net revenue of more than €50,000,000 as shown in its last annual or consolidated accounts;

(c) by the initial purchasers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall result in a requirement for the publication by the Issuer or the initial purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an "offer of the Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO U.K. INVESTORS

The issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

NOTICE TO LUXEMBOURG RESIDENTS

This offering should not be considered a public offering of securities in the Grand Duchy of Luxembourg. This offering memorandum may not be reproduced or used for any purpose other than this private placement, nor provided to any person other than the recipient thereof. The Notes are offered to a limited number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

NOTICE TO NORWEGIAN INVESTORS

This offering memorandum has not been and will not be registered with the Norwegian prospectus authority. Accordingly, this offering memorandum may not be made available, nor may the Notes otherwise be marketed or offered for sale, in Norway other than in circumstances that are exempted from the prospectus requirements under the Norwegian Securities Trading Act (2007) chapter 7.

NOTICE TO DANISH INVESTORS

This offering memorandum has not been filed with or approved by any authority in the Kingdom of Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark, unless in compliance with the Danish Act on Trading in Securities (Consolidated Act No. 795 of August 20, 2009, as amended from time to time) and any Orders issued thereunder.

NOTICE TO DUTCH INVESTORS

The Notes are not, will not and may not be, directly or indirectly, offered or acquired in the Netherlands, and this offering memorandum may not be circulated in the Netherlands, as part of an initial distribution or any time thereafter, other than to individuals or legal entities who or which qualify as qualified investors (*gekwalificeerde beleggers*) within the meaning of article 1:1 of the Financial Supervision Act (*Wet op het financieel toezicht*), as amended from time to time.

NOTICE TO SWEDISH INVESTORS

This offering memorandum has not been and will not be registered with the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*). Accordingly, this offering memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public under the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*).

NOTICE TO SWISS INVESTORS

This offering memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange Ltd, and, therefore, the documents relating to the Notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd. The Notes may be offered in Switzerland by way of a private placement (*i.e.*, to a small number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other material relating to the Notes, is personal and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuer's express consent. This offering memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

NOTICE TO ITALIAN INVESTORS

This offering of Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this document or of any other document relating to the Notes be distributed in the Republic of Italy, except: (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Italian Financial Services Act") and Article 34-ter, first paragraph, letter b) of Regulation No.11971 of 14 May 1999, as amended from time to time ("Regulation No.11971"); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Article 34-ter of Regulation No. 11971. Any offer, sale or delivery of the Notes, or distribution of copies of this document or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No.16190 of 23 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "Banking Act"); and (b) in compliance with any other applicable laws and regulations, or requirement imposed by CONSOB or any other Italian authority.

NOTICE TO SPANISH INVESTORS

The offering has not been and will not be verified by or registered with the Spanish Securities Market Commission ("*Comisión Nacional del Mercado de Valores*"). The Notes may not be offered or sold in the Kingdom of Spain by means of a public offer as defined and construed by Article 30 bis of Law 24/1988 of 28 July, on the Spanish Securities Market (as amended and restated Royal Decree Law 5/2005, of 11 March, among others), Article 38 of Royal Decree 1310/2005, of 4 November, on admission to listing and public offer of securities, and any other regulations that may be in force from time to time, but the Notes may be offered or sold in Spain in circumstances which do not qualify as a public offer or pursuant to an exception from registration in compliance with the requirements of such Law 24/1988 (as amended), Royal Decree 1310/2005, and any regulations developing it which may be in force from time to time.

NOTICE TO FRENCH INVESTORS

This document is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411-1 of the *Code monétaire et financier*, and has therefore not been submitted to the *Autorité des marchés financiers* for prior approval and clearance procedure. The Notes may not be, directly or indirectly, offered or sold to the public in France. Offers, sales and distributions have only been and shall only be made in France to: (i) providers of investment services relating to portfolio management for the account of third parties; and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in and in accordance with Articles L.411-2, D.411-1 to D.411-3 of the *Code monétaire et financier*. Investors in France falling within the qualified investors or restricted circle of investors exemption may only participate in the offering of the Notes for their own account in accordance with the conditions set out in Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the *Code monétaire et financier*. The Notes may only be offered, directly or indirectly, to the public in France in accordance with Articles L.411-1 to L.412-1 and L.621-8 to L.621-8-3 of the *Code monétaire et financier*.

NOTICE TO AUSTRIAN INVESTORS

This offering memorandum has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*), as amended. Neither this offering memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this offering memorandum nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

NOTICE TO GERMAN INVESTORS

The Offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the "German Securities Prospectus Act") and any other applicable German law. Consequently, in Germany the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is according to Section 3 Para. 2 No. 1 German Securities Prospectus Act directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("BaFin") or obtain a notification to BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the German Securities Prospectus Act.

NOTICE TO MEXICAN INVESTORS

The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*The Comisión Nacional Bancaria Y de Valores,* or "*CNBV*"), and may not be offered or sold publicly, or otherwise be the subject of brokerage activities, in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law (*Ley Del Mercado de Valores*) to institutional and qualified investors. The information contained in this offering memorandum is the exclusive responsibility of the Issuer or the Guarantors and has not been reviewed or authorized by the CNBV. In making an investment decision, all investors, including any Mexican investors who may acquire notes from time to time, must rely on their own review and examination of the Issuer and the Guarantors.

CERTAIN DEFINITIONS

Unless indicated otherwise in this offering memorandum or the context requires otherwise:

- all references to "BASF" are to BASF SE and not to any of its subsidiaries;
- all references to the "BASF Group" are to BASF SE and its consolidated subsidiaries;
- All references to the "BASF Guarantee" are to the guarantee by BASF SE in favor of the Issuer to support the obligations of BASF SE under the Styrolution Shareholders Loan to lend up to €32.0 million to the Issuer for interest payments and, in the event of a special mandatory redemption, the special mandatory redemption price pursuant to the Indenture;
- all references to the "BASF Styrenics Business" are to the meaning given to such term in "*The Transactions—The Joint Venture Transaction—Businesses and Assets*";
- all references to "CAGR" are to the compound annual growth rate;
- all references to "Collateral" are to the meaning given to such term in "*Description of the Notes—Security*";
- all references to the "Contribution Payment" are to the meaning given to such term in "*The Transactions—The Joint Venture Transaction—Documentation*";
- all references to the "escrow agent" are to Citibank, N.A. in its capacity as escrow agent under the escrow agreement;
- all references to the "escrow agreement" are to the escrow agreement to be dated the Issue Date, among, *inter alios*, the Issuer and the escrow agent;
- all references to the "Escrow Release Date" are to the meaning given to such term in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*";
- all references to "Guarantor" or the "Guarantors" are to the entity or entities guaranteeing the obligations of the Issuer under the Notes on and after the Escrow Release Date;
- all references to the "Indenture" are to the Indenture governing the Notes to be dated the Issue Date, among, *inter alios*, the Issuer and the Trustee;
- all references to the "INEOS ABS Business" are to the meaning given to such term in "*The Transactions—The Joint Venture Transaction—Businesses and assets*";
- all references to "INEOS Industries" are to INEOS Industries Holdings Limited and not to any of its subsidiaries;
- all references to the "INEOS Industries Group" are to INEOS Industries Holdings Limited and its consolidated subsidiaries;
- all references to the "INEOS Styrenics Business" are to the meaning given to such term in "*The Transactions—The Joint Venture Transaction—Businesses and assets*";
- all references to the "Indian LCs" are to the meaning given to such term in "*Description of Other Indebtedness—Other Financing—Indian Letters of Credit*";
- all references to the "initial purchasers" are to the firms listed on the front cover of this offering memorandum;
- All references to the "INEOS Letter of Credit" mean the irrevocable letter of credit issued by Citibank International Plc on behalf of INEOS Styrenics International SA in favor of the Issuer to support the obligations of INEOS Industries Holdings Limited under the Styrolution Shareholders Loan to lend up to €32.0 million to the Issuer for interest payments

and, in the event of a special mandatory redemption, the special mandatory redemption price pursuant to the Indenture;

- all references to the "Intercreditor Agreement" are to the Intercreditor Agreement to be dated the Issue Date, among, *inter alios*, the Issuer, the Trustee and the Security Trustee;
- all references to the "Issue Date" are to May 18, 2011, the date on which the Notes offered hereby are issued by the Issuer;
- all references to the "Issuer" are to Styrolution Group GmbH and not to any of its subsidiaries;
- all references to the "Joint Venture Transaction" are to the consummation of the joint venture, as described in "*The Transactions—The Joint Venture Transaction*", including settlement on a cash free/debt free basis (except as otherwise agreed among the joint venture parties subject to compliance with the "*Limitation on Indebtedness*" covenant set forth in the section entitled "*Description of Notes—Certain Covenants*") with an agreed normal level of working capital;
- all references to the "Longstop Date" are to May 18, 2012;
- all references to the "Master Agreement" are to the meaning given to such term in "*The Transactions—The Joint Venture Transaction—Documentation*";
- all references to the "Offering" are to the offering of the Notes hereby;
- all references to the "Receivables Financing Program" are to the non-committed receivables based finance program, entered into by INEOS NOVA LLC on October 21, 2010, as amended, supplemented, varied, novated, extended or replaced from time to time;
- all references to the "Securitization Program" are to the meaning given to such term in the "*Description of Other Indebtedness—the Securitization Program*";
- all references to the "Security Trustee" are to Citicorp Trustee Company Limited, as security trustee for the Notes;
- all references to the "Shareholders Agreement" are to the meaning given to such term in "*The Transactions—The Joint Venture Transaction—Documentation*";
- all references to "Styrolution", "we", "us" or "our" are to Styrolution Group GmbH and its consolidated subsidiaries, as a combined company, following the consummation of and after giving pro forma effect to the Joint Venture Transaction, unless otherwise indicated or the context otherwise requires;
- all references to the "Styrolution Shareholders Loan" are to the meaning given to such term in "*Description of Other Indebtedness—Other Financing—Styrolution Shareholders Loan*";
- all references to the "Transactions" are collective references to the Offering, the Joint Venture Transaction, the entering into and borrowings made available under the Securitization Program, the Receivables Financing Program and the Indian LCs, and the transactions contemplated by each; and
- all references to the "Trustee" are to Citibank, N.A. in its capacity as trustee under the Indenture governing the Notes;

Unless otherwise stated, references to capacities of our facilities refer to the actual capacities of such facilities, which may be more or less than the nameplate capacities due to the current operating conditions and asset configuration of each facility. References to capacities of other producers refer to nameplate capacities.

All references to "tonnes" are to metric tonnes.

We have provided definitions for some of the industry terms used in this offering memorandum in the "*Glossary of Selected Terms*" beginning on page G-1 of this offering memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

BASF Styrenics Business

The audited combined financial statements for the BASF Styrenics Business as of and for the years ended December 31, 2010 and 2009, included in this offering memorandum, have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The BASF Styrenics Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the BASF Styrenics Business as recorded in the financial accounts of its parent company prior to the Joint Venture Transaction, subject to certain adjustments. The financial information was prepared on a combined basis in accordance with IFRS. For a complete description of the accounting principles followed in preparing the BASF Styrenics Business's combined financial information, please see Note 1 "*Summary of Accounting Policies*" to the BASF Styrenics Business's audited combined financial statements included elsewhere in this offering memorandum.

INEOS Styrenics Business

The audited combined financial statements for the INEOS Styrenics Business as of and for the years ended December 31, 2010 and 2009, included in this offering memorandum, have been audited by Ernst & Young Accountants LLP. The INEOS Styrenics Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the INEOS Styrenics Business as recorded in the financial accounts of its parent company prior to the Joint Venture Transaction, subject to certain adjustments. For a complete description of the accounting principles followed in preparing the INEOS Styrenics Business's combined financial information, please see Note 1 "*Corporate Information and Basis of Presentation*" to the INEOS Styrenics Business's audited combined financial statements included elsewhere in this offering memorandum.

INEOS ABS Business

The audited combined financial information for the INEOS ABS Business as of and for the years ended December 31, 2010 and 2009, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP. The INEOS ABS Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises only that part of INEOS ABS (Jersey) Limited and its subsidiaries being contributed to Styrolution. The combined financial information therefore excludes INEOS ABS (USA) Corporation which will be retained by INEOS and not contributed to Styrolution. The combined financial information has been prepared on the basis set out herein for the purpose of inclusion in this offering memorandum. For a complete description of the accounting principles followed in preparing the INEOS ABS Business's combined financial information, please see Note 1 "*Accounting Policies-Basis of preparation*" to the INEOS ABS Business's audited combined financial information included elsewhere in this offering memorandum.

Pro Forma Financial Information

This offering memorandum includes unaudited pro forma condensed combined financial information of Styrolution, which has been derived from the audited historical financial statements of the BASF Styrenics Business and the INEOS Styrenics Business, and the audited historical financial information of the INEOS ABS Business, included elsewhere in this offering memorandum, as adjusted to reflect the Joint Venture Transaction and related financings, and the payment of the Contribution Payment to BASF and/or its affiliates. The unaudited pro forma condensed combined financial information has been prepared in accordance with the basis of preparation as described in "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information*".

The unaudited pro forma condensed combined financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act or the Prospectus Directive. The unaudited pro forma condensed combined financial information has been prepared in accordance with German standard IDW RH HFA 1.004, "*Preparation of pro forma financial information*".

The unaudited pro forma condensed combined financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that Styrolution would have reported had the Joint Venture Transaction been completed as of the dates set forth in this pro forma condensed combined financial information and should not be taken as indicative of future consolidated results of operations or financial position. The Joint Venture Transaction may not in fact be completed and in any event actual results may differ significantly from those reflected in the unaudited pro forma condensed combined financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the unaudited pro forma condensed combined financial information and actual amounts.

Other Financial Measures

This offering memorandum presents the financial measures "***EBITDA***" and "***EBITDA before exceptionals***". EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets, and EBITDA before exceptionals represents EBITDA less exceptional items. Exceptional items refer to certain costs and benefits outside the usual course of business, which are expected to be non-recurring. The exceptional items are disclosed in detail in the combined financial statements of the BASF Styrenics Business and the INEOS Styrenics Business and the combined financial information of the INEOS ABS Business included elsewhere in this offering memorandum. These EBITDA based measures are non-GAAP measures. We believe that the presentation of EBITDA based measures enhances an investor's understanding of our financial performance. However, EBITDA based measures should not be considered in isolation or viewed as substitutes for income from operations, profit, cash flows from operating activities or other measures of performance as defined by IFRS. These EBITDA based measures, as used herein, are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. Our management has used, and expects to use, EBITDA based measures to assess operating performance and to make decisions about allocating resources among our various segments. In assessing our overall performance and the performance of each of our segments, management reviews EBITDA based measures as a general indicator of performance compared to prior periods. Furthermore, management and employee bonuses can be linked to the EBITDA based performance of the business and the region in which they work. These EBITDA based measures exclude items that management does not utilize in assessing operating performance. Our management believes it is useful to eliminate such items because it allows management to focus on what it considers to be a more meaningful indicator of operating performance and ability to generate cash flow from operations.

In this offering memorandum, unless otherwise indicated: all references to the "EU" are to the European Union; all references to "euro" or "€" are to the lawful currency of the European Union; all references to the "U.K." are to the United Kingdom; all references to "pounds sterling", "sterling", "Sterling", "British pounds" or "£" are to the lawful currency of the United Kingdom; all references to the "United States" or the "U.S". are to the United States of America; all references to "U.S.$", "U.S. dollars", "dollars" or "$" are to the lawful currency of the United States.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this offering memorandum. We make no representation that the euro or U.S. dollar amounts referred to in this offering memorandum have been, could have been or could, in the future, be converted into U.S. dollars or euro, as the case may be, at any particular rate, if at all.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on May 11, 2011 was $1.4192 per €1.00.

	U.S. dollars per €1.00			
	Period end	Average	High	Low
Year				
2006	1.3197	1.2566	1.3343	1.1821
2007	1.4589	1.3709	1.4872	1.2893
2008	1.3971	1.4712	1.5991	1.2453
2009	1.4321	1.3948	1.5134	1.2530
2010	1.3384	1.3266	1.4513	1.1923
Month				
November 2010	1.2983	1.3641	1.4207	1.2983
December 2010	1.3384	1.3227	1.3414	1.3100
January 2011	1.3694	1.3374	1.3734	1.2907
February 2011	1.3806	1.3662	1.3829	1.3487
March 2011	1.4158	1.4019	1.4226	1.3777
April 2011	1.4807	1.4473	1.4822	1.4221
May 2011 (through May 11)	1.4192	1.4538	1.4830	1.4192

FORWARD-LOOKING STATEMENTS

This offering memorandum includes "forward-looking statements", within the meaning of the U.S. securities laws, based on our current expectations and projections about future events, including:

- the Joint Venture Transaction, including the risk that regulatory authorities may require disposals or other actions, and the risk that the Joint Venture Transaction may not be completed within the expected timeframe, or at all;
- the risk that we may be unable to achieve some or all of the benefits that we expect to achieve from the Joint Venture Transaction;
- changes to the proposed Master Agreement and the proposed Shareholders Agreement governing the Joint Venture Transaction;
- the escrow arrangements, including the risk that, if the Joint Venture Transaction is not consummated, the Notes will be redeemed and you will not receive the benefits, if any, of an investment in the combined business;
- the cyclical nature of our businesses and their sensitivity to changes in supply and demand;
- raw material availability and costs, as well as supply arrangements, including arrangements with principal feedstock suppliers;
- the highly competitive nature of our principal industries;
- current or future environmental requirements, including those related to greenhouse gas and other air emissions, and the related costs of maintaining compliance and addressing liabilities;
- government regulations and/or public perceptions regarding our products, including those that relate to the potential classification of styrene as a carcinogen, and the substitutability of other products for our products;
- operational risks, including the risk of accidents that result in environmental contamination and potential product liability claims;
- currency fluctuations and economic downturns in the countries in which we operate;
- our ability to implement our business and cost reduction strategies;
- our ability to maintain key customers;
- difficulties in consummating future acquisitions;
- our ability to attract and retain key personnel;
- relationships with our workforce;
- the enforceability and validity of our intellectual property rights and the confidentiality of our proprietary information and trade secrets;
- our ability to keep up with technological innovation;
- the interests of our controlling shareholders;
- the loss of advisory, operational and supply chain benefits if we cease to be affiliated with the INEOS Industries Group or the BASF Group;
- our ability to successfully integrate our businesses and realize anticipated synergies and cost savings;

- our substantial indebtedness following the consummation of the Joint Venture Transaction may affect our ability to service our outstanding indebtedness, which would likely impact the way we operate our business; and
- other factors as described in this offering memorandum, including factors set forth under "*Risk Factors*".

All statements other than statements of historical facts included in this offering memorandum including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, 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, including those identified under the "*Risk Factors*" section in this offering memorandum. Words such as "believe", "expect", "anticipate", "may", "assume", "plan", "intend", "will", "should", "estimate", "risk", 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. Any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum, including those set forth under the section entitled "*Risk Factors*".

The risks described in the "*Risk Factors*" section in this offering memorandum are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. Federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. Please see "*Certain Tax Considerations*".

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum is the property of its respective holder.

HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

Historical and current market and industry data used throughout this offering memorandum were obtained from internal company analyses, consultants' reports and industry publications. In particular, information has been provided by Nexant Limited ("Nexant"). Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of information contained therein is not guaranteed. We have not independently verified this market data and cannot guarantee its accuracy or completeness. In addition, certain statements in this offering memorandum regarding the styrenics industry, our position in that industry and our market share are based on internal company estimates, our experience and investigations of market conditions and our review of industry positions. We cannot assure you that any of the assumptions underlying those statements are accurate or correctly reflect our position in the industry. Similarly, internal company analyses, while believed by us to be reliable, have not been verified by any independent sources, and neither we nor any of the initial purchasers make any representation as to the accuracy or completeness of such information. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the "*Risk Factors*" section in this offering memorandum.

This document makes reference to certain information taken from reports prepared by Nexant. Nexant conducted its analysis and prepared its reports utilizing reasonable care and skill in applying methods of analysis consistent with normal industry practice. All results are based on information available at the time of review. Changes in factors upon which the review was based could affect the results. Forecasts are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including the actions of government, individuals, third parties and competitors.

Some of the information on which Nexant reports are based has been provided by others. Nexant has utilized such information without verification unless specifically noted otherwise. Nexant accepts no liability for errors or inaccuracies in information provided by others.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. It is not complete and may not contain all the information that you should consider before investing in the Notes. You should read the entire offering memorandum, including the more detailed information in the financial information and the related notes thereto included elsewhere in this offering memorandum, before making an investment decision. Please see "Risk Factors" for factors that you should consider before investing in the Notes and "Forward-Looking Statements" for information relating to the statements contained in this offering memorandum that are not historical facts. All references to "Styrolution", "we", "us" or "our" are to Styrolution Group GmbH and its consolidated subsidiaries, as a combined company, following the consummation of and after giving pro forma effect to the Joint Venture Transaction, unless otherwise indicated or the context otherwise requires. Please note that definitive agreements for the Joint Venture Transaction have not been executed. The Joint Venture Transaction remains subject to regulatory approval, and certain changes to the proposed governing agreements may be made, or certain actions may be taken, that could change the description of our business in this offering memorandum. Please see "Risk Factors—Risks Related to the Joint Venture" and "Risk Factors—Risks Related to the Escrow Arrangements".

The Styrolution Business

Overview

We are a leading global producer, marketer and merchant seller of styrenics, with a global production capacity in 2010 of 2.2 million tonnes of styrene monomer and 1.8 million tonnes of polystyrene, and pro forma sales of €6.4 billion in 2010. We have access to additional styrene monomer and polystyrene capacity through long term supply contracts. According to Nexant's estimates for 2010, which give effect to our tolling and other agreements, we are the largest global producer of styrene monomer, with an estimated capacity share of 11%, and the largest global producer of polystyrene, with an estimated capacity share of 15%. We are also the second largest global producer of ABS, with production capacity of up to 960 kilotonnes and access to additional capacity through our distribution agreement in Altamira, Mexico, and the largest global producer of copolymers, according to Nexant and management estimates. With 19 manufacturing sites in 10 countries, we will be a geographically diversified, global player, positioned to benefit from growth in all major regions, including Asia. According to management estimates, in 2010 Europe represented approximately 48% of our sales and 58% of EBITDA, the Americas represented approximately 29% of sales and 22% of EBITDA, and Asia represented approximately 23% of sales and 20% of EBITDA.

We are a joint venture owned by two world-class chemical companies, the BASF Group and the INEOS Industries Group, but we are operated and financed on an independent basis. Through our joint venture, we will offer significant benefits to our customers by increasing efficiency, reducing fixed and variable costs and eliminating duplicate costs, implementing best practices and improving service and distribution at a global level. Our heritage businesses combine a rich history in innovation and leadership in the styrenics industry. Our business units are (i) styrene monomer (also referred to as styrene or "SM"), (ii) polystyrene ("PS"), (iii) acrylonitrile butadiene styrene ("ABS") and (iv) copolymers.

Our History

Our company combines the global business activities of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business in the production of styrene monomer, polystyrene, ABS and a number of other styrene derivatives under the category of "copolymers". We are being formed by our controlling shareholders, INEOS Industries and the BASF Group, as a joint venture in order to create a low cost global player in the styrenics sector that will offer significant benefits to customers through enhanced efficiency, reduced costs and improved service and distribution at a global level. Our heritage businesses combine a rich history in innovation and leadership in the styrenics industry and have a record of achieving efficiencies and cost competitiveness. Among other examples, the BASF Group heritage business is responsible for the first styrene monomer synthesis and polystyrene polymerization in 1929 and 1930, respectively, and the INEOS Industries Group heritage businesses can be credited with using acquisitions and joint ventures to improve the efficiency and cost competitiveness of a number of businesses in the styrenics industry, including business segments once operated by Bayer, BP, Lanxess, Hüls and NOVA Chemicals.

Industry Trends

We operate in the styrenics industry. Styrene is an important intermediate used in the production of a variety of plastic and synthetic rubber products with key applications in the packaging, electronics, construction and automotive sectors, and with an estimated global demand of 25 million tonnes in 2010, according to Nexant. The styrene we make is primarily used as feedstock for our polystyrene, ABS and copolymers businesses. Polystyrene is a thermoplastic resin produced by polymerizing styrene, and Nexant estimates global demand for polystyrene at 10 million tonnes in 2010. ABS is a high volume engineering plastic, favored for its strength, scratch-resistance and attractive finish, and Nexant estimates global demand for ABS at 6.5 million tonnes in 2010. Copolymers comprise a small part of the styrenics market, contributing about 7% to the overall market in 2010, according to Nexant.

The end markets for most plastic and synthetic rubber products are mature, so GDP growth is the key volume driver in the styrenics industry. Higher growth rates can be achieved in some faster growing downstream sectors, including certain ABS and copolymer applications, such as the electronics and home appliances sectors as well as medical devices, as well as in geographic regions experiencing faster growth, such as in Central and Eastern Europe and in Asia. For example, Nexant forecasts Asian consumption growth at around 4% for styrene, 3% for polystyrene and 6-7% for ABS, each expressed as CAGR for 2010-2015. Asian demand is driven by the Chinese manufacturing sector, which is dominated by the production of various plastic items such as toys, housewares, computers, televisions and office equipment.

The global economic downturn in 2008 resulted in reduced manufacturing and raw material consumption from key end use sectors, which reduced styrene consumption levels and average plant operating rates. As a result, volumes and margins decreased significantly in 2008, and the effects of the downturn continued to be felt in 2009. In 2010, styrene volumes improved but at further decreased margins, polystyrene volumes and margins increased, and ABS volumes and margins improved significantly. According to Nexant, future margin growth is expected to recover in the medium to long-term, mainly as a result of demand growth in Asia that is expected to return utilization rates to historic levels. In the short term, margins are forecasted to remain stable or fall, in part due to a correction of raw material costs and new capacities coming on-stream in 2011. For further information, please see "*Industry and Market Overview*".

Our Competitive Strengths

We believe the factors set forth below make us competitive in the markets in which we compete:

Global reach and leading market position

We are a leading global producer, marketer and merchant seller of styrenics, with a production capacity of 2.2 million tonnes of styrene and 1.8 million tonnes of polystyrene, and pro forma sales of €6.4 billion in 2010. We have access to additional styrene monomer and polystyrene capacity through long term supply contracts such as tolling arrangements. According to Nexant's estimates for 2010, which give effect to our tolling and other agreements, we are the largest global producer of styrene with an estimated capacity share of 11% and the largest global producer of polystyrene with an estimated capacity share of 15%. We are also the second largest global producer of ABS, with production capacity of up to 960 kilotonnes, and the largest global producer of styrene-based copolymers, according to Nexant and management estimates. At the consummation of the Joint Venture Transaction we will operate 19 manufacturing sites in 10 countries, excluding tolling arrangements—making us the only styrenics producer with a significant production footprint in North America, Europe and Asia—and we serve customers in more than 100 countries in major end markets. Our strong global position is supported by long-term relationships with our customers, many of them leaders in their own industries, and we believe our track record of consistent delivery reliability and product quality ensures a high degree of customer retention.

Strong heritage of industry leaders

We are indirectly controlled by two shareholders, the BASF Group and the INEOS Industries Group, two world-class chemicals companies, each of which will contribute its strong chemical industry expertise and track record of successfully integrating businesses and creating incremental value, as well as its experience in active asset portfolio management. As a joint venture, we combine the technological experience and best practices in styrenics from the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, as well as a number of other leading industry players, including NOVA Chemicals, Bayer, Huntsman, Monsanto, Shell, Lanxess, BP and Hüls, the styrenics businesses of which our heritage businesses have acquired and integrated or entered into joint ventures with over the years. Each of our shareholders has over 70 years of experience in the styrenics industry, and we believe that this experience provides us with a strong pedigree and strengthens our ability to compete and to continue to be a leader in technological innovation in our industry.

Comprehensive, high quality styrenics portfolio

We have a comprehensive range of products, from standard natural commodity polymer grades to pre-colored and customized specialty polymer types, that allows us to serve all major styrenics end markets. These product offerings are sold under brands like Terluran®, Luran® and Lustran®. We believe that the styrenics products in our product portfolio offer a number of advantages over other polymers, including lower density, ease of processing, more consistent product quality and better surface properties, heat resistance and impact strength, among other valued characteristics. Nexant forecasts global growth in demand over the next five years for our major product lines, including estimated growth of 5% CAGR in ABS and certain specialty copolymers for 2010-2015, with higher rates in Asia. Our products are supported by a focused sales organization with development teams that focus on specific industries, including the computing, consumer electronics and communications, automotive and healthcare and diagnostics sectors, and we believe this focus facilitates close customer contact and in-depth market knowledge. In addition, we believe our balanced industry portfolio and geographical diversification provides some degree of resilience to regional, sector and end user industry downturns.

Distinct business models for commodity and specialty styrenics

We have developed distinct business models for our comprehensive commodity and specialty styrenics products based on market needs. Specifically, for our commodity products, including polystyrene and natural ABS, we believe a lean and cost efficient setup with few grades, low complexity and limited technical service, but with a clear focus on high delivery reliability, short lead times and product consistency, creates a competitive advantage. In contrast, for our specialty products like pre-colored ABS and copolymers, our primary focus is on providing a higher level of customization, application innovation and technical support designed to generate additional value for our customers. We intend to implement these distinct business models with a high degree of discipline.

Diversified end-use markets and leading global customer base

Our products are used in a wide variety of industries, such as electronics and appliances, packaging, construction, automotive and housewares, and we believe that this diversification in our end markets as well as our regional diversification helps to minimize our exposure to cyclical downturns in any particular industry or industries. Our three largest end markets—the packaging, household and electrical and electronics sectors—together comprise approximately 31%, 23% and 18%, respectively, of our end use applications. The toys and leisure, automotive and building and construction markets together comprise approximately 25% of our industry exposure. As we integrate our heritage businesses, these allocations may change. Within each of the end markets we serve, our customers include some of the largest and most well-established players, including Bayer, Haier, Whirlpool, Hewlett-Packard, Electrolux, Proctor & Gamble and Lego. Our heritage businesses have a proven track record of maintaining long-standing relationships with key customers, some of which extend back over 30 years. We believe that the stability of our customer relationships, together with the leading market position of our key customers, strengthens our competitive position, enables us to manage cyclicality and builds resilience to the potential loss of any single key customer.

Large scale, low cost producer with access to proprietary technology and intellectual property

Our asset portfolio comprises 19 production sites (excluding tolling arrangements and other agreements) in 10 countries. Our Bayport facility houses the largest single production line styrene plant in the world and our Antwerp site is the third largest styrenic polymers site in the world by capacity. These two sites together account for approximately 59% of our styrene monomer production capacity. Antwerp accounts for approximately 26% of our polystyrene production capacity. Our fully invested asset base includes world-scale facilities in all major regions, some of which we believe are considered industry benchmark facilities. We believe that our backward integration into world-scale styrene monomer capacities in both North America and Europe facilitates cost competitive access to styrene, which is the most important feedstock in the production of our polymer products, and reduces logistical costs, opens swap opportunities and provides a stable source for basic manufacturing inputs. It also allows us to capture margins across the value chain. In addition, our mostly dedicated styrenics specialty plants provide the flexibility needed to produce customized, value-added copolymer specialty products. Our plants are well maintained, and we intend to continue to upgrade and invest in them in a manner consistent with our strategies and our commitment to health, safety, security and environment ("HSSE"). Our own production assets are supplemented by tolling and purchase arrangements to cover our remaining styrene feedstock needs at competitive costs, and other important feedstocks, such as benzene, ethylene, acrylonitrile, butadiene or butyl acrylate, are provided by our affiliates through medium- to long-term contracts also at competitive rates.

The intellectual property and unpatented proprietary know-how of our heritage businesses will be contributed or transferred to our joint venture, allowing us to operate a technologically advanced business built on a strong intellectual property base. We have an extensive range of patents covering polymerization processes, products and applications for all major styrenics end markets. In addition, we conduct research and development that focuses on process improvements as well as product and application development in line with major market trends and needs. We believe our innovation pipeline, which comprises a substantial number of process, product and application/market driven projects, will help continue to generate cash flow in the future.

Experienced management team

Our senior management team has extensive experience in the styrenics industry, including knowledge in managing volatility and cyclicality such as the cyclical lows experienced in 2008 and 2009. Our management team also has a proven track record of increasing productivity, reducing costs and complexity and maximizing value, including through acquisitions and joint ventures. Our senior management team will be supported by a strong group of committed and knowledgeable employees with experience running a styrenics business. Our senior management team intends to organize our business units with a global business unit for styrene and procurement and three regional business units for our polystyrene, ABS and copolymers units, which will allow us to respond quickly to market developments and the needs of our customers.

Our Strategy

Our principal objectives are to maintain our position as a leading global supplier of styrenics and to increase the value of the joint venture by generating strong, sustainable and growing cash flow across industry cycles. To achieve these objectives we have the following key strategies:

Cost leadership

Our shareholders have significant experience in reducing costs, and we intend to implement a number of cost-saving initiatives designed to reduce our fixed and variable cost base and to improve our manufacturing facility efficiency. We believe the Joint Venture Transaction provides an opportunity for us to configure a more efficient global platform by closing redundant assets, converting heritage organizational structures into a single lean organization and securing raw materials through competitive sourcing arrangements and efficient supply chains. In addition, we intend to exploit opportunities to streamline our product offerings as well as opportunities to optimize processes, including automating the order-to-cash process while striving for highest reliability. As a joint venture, we will seek to operate low-cost, world-scale plants that are highly efficient. We intend to optimize our cost structure through continual evaluation of our performance compared to benchmarks.

Technology leadership

We intend to use, protect and further develop the intellectual property and unpatented proprietary know-how contributed or transferred to us in connection with the Joint Venture Transaction by identifying the best practices and the most efficient technologies of our heritage businesses and implementing them across the joint venture, while maintaining an emphasis on HSSE standards. We believe that technology leadership will help us to achieve a sustainable cost leadership position. We will seek to optimize the overall effectiveness of our asset base by making appropriate investments in maintenance, turnarounds and capital equipment, in conjunction with personnel training and site and plant benchmarking, in order to achieve state-of-the-art facilities capable of operating on a 24/7 basis at high standards of safety and reliability.

Management of volatility

Our business is sensitive to volatility in the costs of our raw materials and the market prices for our products. Our experienced management team intends to manage this volatility by maintaining strict control over working capital by monitoring inventory levels and striving to achieve the shortest benchmark payment terms in our markets. To achieve this objective, we intend to establish a sales force with broad and deep market coverage that will function as a “radar”, which together with our flat, knowledgeable and empowered organizational hierarchy, will allow us to make fast decisions. In addition, we further intend to manage this volatility by seeking to achieve a cost structure in which as many of our costs as possible are variable costs and by taking advantage of the resulting flexibilities available to us in the value chain.

Management of cyclicality

The styrenics industry is cyclical, and our experienced management team intends to manage this cyclicality by maintaining a balanced and diversified mix of commodity and specialty products, which drives profits through both volumes and margins. We will seek to actively manage our customer and product portfolio, focusing on attractive and higher growth segments and regions. We will also strive to maintain stability through industry cycles by developing and maintaining relationships with customers that are industry leaders and relatively less vulnerable to economic downturns because of their financial strength and stable demand for their products, as well as by maintaining relatively low debt leverage levels.

Selective, value-oriented growth

We have developed distinct business models for our commodity and specialty styrenics products, and we intend to implement these models with a high degree of discipline. We will focus on maximizing profitability, which we believe is best achieved through close relationships with customers that are leaders in their respective industries, and actively managing the life cycle balance of our product portfolio through market-driven research and development. We intend to maintain several development centers, supported by a strong central research team. Together, they will manage a portfolio of projects through a collaborative approach in cross-functional project teams leveraging market, product, technology and research and development expertise. We intend to use a "stage gate process" approach to project management, whereby we will measure progress at critical project stages so that we are able to quickly identify bottlenecks, maintain flexibility and make fast decisions.

In addition, we plan to pursue strategic investment opportunities in businesses or regions that we believe will offer relatively higher or faster returns, such as the Asian market and the copolymers sector, to supplement our market position in existing areas or to build up a profitable position and foundation for further growth in regions where we are not yet active. Building on our strong foundation and profitable heritage business structures, especially in Europe and North America, we will seek to further expand our competitive position in key Asian markets, such as China and India, in both the commodity and copolymers sectors. We also plan to further develop our copolymers business in the established, but fast-growing, copolymers markets in Europe and North America.

We intend to finance our growth strategy predominantly out of free cash flow. Our capital expenditure plan is focused on projects with attractive and fast potential returns. We intend to realize capacity expansions through debottlenecking projects in existing plants (where incremental capacity additions can be achieved without significant incremental fixed costs) or through the potential construction of new world-scale plants with best-in-class cost structures exploiting our proprietary technology in key markets.

We believe that our employees are key to achieving our ambitions. We will look to attract top industry professionals to complement and enhance our existing team of highly committed, skilled and experienced employees. We plan to invest in the continual training and development of our human resources in striving to achieve top performance. We will further encourage a performance-oriented culture with clear entrepreneurial spirit.

The Transactions

In connection with the Offering and the subsequent release of the escrow proceeds, we intend to complete the following transactions:

- the BASF Styrenics Reorganization (which has largely been completed), the INEOS Styrenics Reorganization and the INEOS ABS Reorganization, which will separate the styrenics businesses and assets that will be contributed or sold to the Issuer upon closing of the Joint Venture Transaction from the businesses and assets that will be retained by the BASF Group or the INEOS Industries Group (as the case may be) (please see "*The Transactions—The Joint Venture Transaction—Reorganizations*");
- certain financing arrangements, including the Offering of the Notes, the entering into the Securitization Program to provide for €500 million of available credit capacity, the Receivables Financing Program expected to provide $40 million, and the Indian LCs expected to provide approximately $35 million of available credit capacity (please see "*The Transactions—The Financing*"); and
- the Joint Venture Transaction, which will result in bringing the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business under the common control and management of the Issuer on a cash free/debt free basis (except as otherwise agreed among the joint venture parties, subject to compliance with the "*Limitation on Indebtedness*" covenant set forth in the section entitled "*Description of Notes—Certain Covenants.*") with an agreed normal level of working capital. Please see "*The Transactions—The Joint Venture Transaction—Businesses and assets*".

Pending the consummation of the Joint Venture Transaction, the initial purchasers will deposit certain proceeds from the Offering of the Notes into an escrow account in the name of the Issuer. BASF and INEOS Industries have agreed to lend, pursuant to the Styrolution Shareholders Loan, to the Issuer an amount sufficient, when considered with the deposited proceeds in the escrow account, to pay the special mandatory redemption price on the Longstop Date. Please see "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*". The escrow account will be controlled by, and charged on a first-ranking basis in favor of, the Trustee on behalf of the holders of the Notes. The release of the escrow proceeds will be subject to the satisfaction of certain conditions, including the consummation of the Joint Venture Transaction.

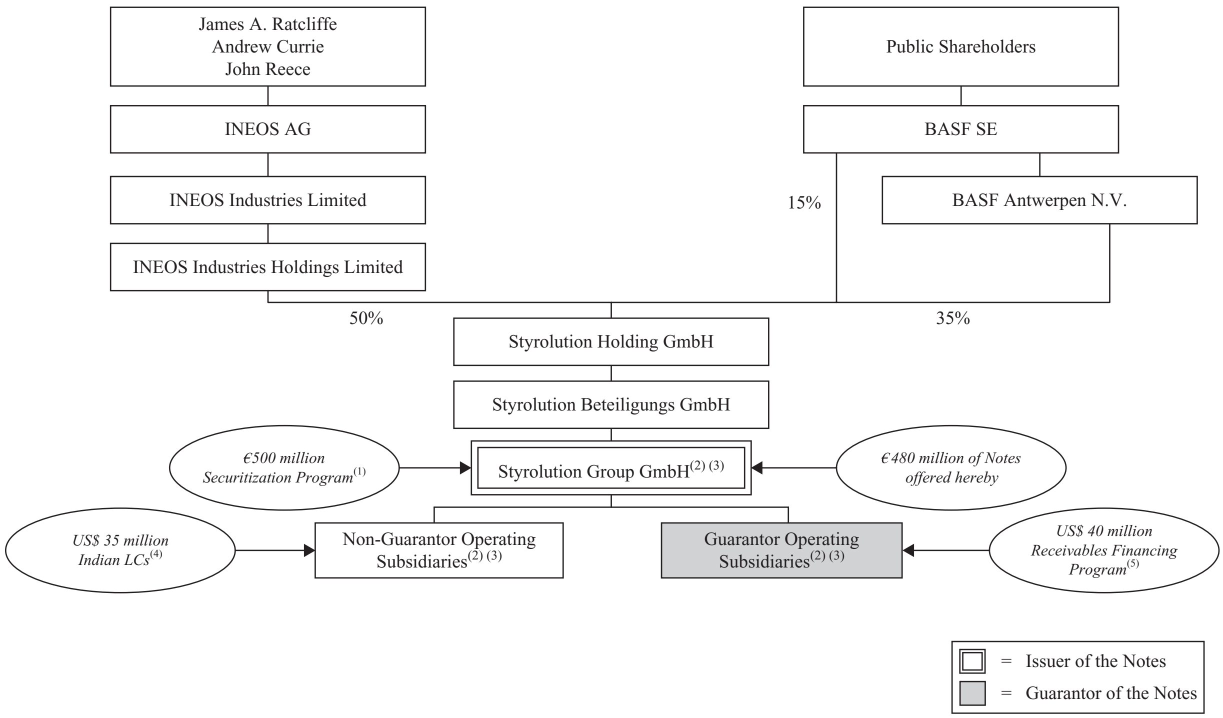
The Offering, the Joint Venture Transaction, the entering into and borrowings made available under the Securitization Program, the Receivables Financing Program and the Indian LCs, and the transactions contemplated by each, are collectively referred to in this offering memorandum as the "Transactions". All of the Transactions are deemed to occur substantially concurrently with one another, unless otherwise indicated or the context otherwise requires. The proposed Master Agreement conditions the closing of the Joint Venture Transaction on, among other things, the Issuer having sufficient funds to make the Contribution Payment at the closing of the Joint Venture Transaction using funds from the Offering of the Notes and the Securitization Program; however, BASF SE may choose to waive this condition. Please see "*The Transactions—The Joint Venture Transaction—Documentation*".

Recent Developments

Based upon preliminary management accounts from each of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, we estimate that for the first three months of 2011, both volumes and margins improved from those achieved in the same period in 2010 on a pro forma basis primarily as a result of strong market conditions globally. We estimate that EBITDA before exceptionals on a pro forma basis was higher in the first quarter 2011 than any quarter in 2010. Should current market conditions continue, we believe 2011 pro forma financial performance will meet or exceed that of 2010. These estimates are based on our preliminary management reviews of our results of operations, have not been reviewed by any audit firm and are inherently subject to modification during the preparation of our financial statements.

Summary Corporate and Financing Structure

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving effect to the Transactions, which includes, among other things, the Offering, the Joint Venture Transaction, and the entering into and borrowings made available under the Securitization Program, the Receivables Financing Program and the Indian LCs. Please see "*The Transactions*". For a summary of the debt obligations referenced in this diagram, please see "*Description of the Notes*" and "*Description of Other Indebtedness*".



(1) The Securitization Program, with effect from the Escrow Release Date, has a total capacity of €500 million. We expect to request to draw €240 million on such date, with the funds to be delivered within a few days thereafter. We would have been able to draw approximately €310 million under the Securitization Program as of December 31, 2010 based on Styrolution's pro forma accounts receivables as of such date. Please see "*Description of Other Indebtedness—The Securitization Program*". Upon consummation of the Joint Venture Transaction, certain receivables that otherwise formed part of the INEOS Styrenics Business securitization program are expected to be transferred into Styrolution's Securitization Program, and such transfer could take a number of days. Please see "*The Transactions—The Joint Venture Transaction—Implementation—Settlement*".

(2) As of the Escrow Release Date, all of the Issuer's subsidiaries are expected to be "Restricted Subsidiaries" under the Indenture. The Indenture will permit the Issuer to designate certain of its subsidiaries as "Unrestricted Subsidiaries". Unrestricted Subsidiaries will not be subject to many of the covenants in the Indenture, and Unrestricted Subsidiaries will not guarantee the Notes.

(3) The Notes will be the senior secured obligations of the Issuer and will, upon release of the proceeds of the Offering of the Notes on the Escrow Release Date, be secured by first priority liens over the capital stock of the Issuer and certain of its subsidiaries and within 60 days thereafter by certain other assets of the Issuer and its subsidiaries. As of the Escrow Release Date, certain of the Issuer's subsidiaries will jointly and severally guarantee the Notes on a senior secured basis. Please see "*Description of the Notes—Brief Description of the Notes, the Guarantees and the Security—The Guarantees*". The table below identifies EBITDA, EBITDA before exceptionals and total assets of the subsidiaries of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, respectively, that will provide such guarantees.

As of or For the Year Ended December 31, 2010 (€ in millions)

	Guarantors within the BASF Styrenics Business[(A)]	Guarantors within the INEOS Styrenics Business[(B)]	Guarantors within the INEOS ABS Business	Total Guarantors	% of Pro Forma Total[(C)]
EBITDA	€ 142.6	€ 66.3	€ 41.2	€ 250.1	58.9%
EBITDA before exceptionals	€ 158.6	€ 68.8	€ 41.2	€ 268.6	66.0%
Total Assets	€ 691.0	€ 565.3	€ 240.3	€1,496.6	76.1%

(A) Includes Mexican New Co., a subsidiary that will act as a distributor on a commission basis and will receive the inventory and accounts receivables of Styrolution Mexicana, S.A. de C.V. on or before the Escrow Release Date, as described in "*The Transactions—The Joint Venture Transaction—Implementation*". Excluding the effect of Mexican New Co., guarantors within the BASF Styrenics Business represented (i) €121.6 million of the BASF Styrenics Business's EBITDA for the year ended December 31, 2010; (ii) €137.6 million of the BASF Styrenics Business's EBITDA before exceptionals for the year ended December 31, 2010; and (iii) €585.0 million of the BASF Styrenics Business's total assets as of December 31, 2010. On the Escrow Release Date, BASF de Mexico, S.A. de C.V. will sell and transfer to the Issuer shares representing a 49.0% interest in Styrolution Mexicana, S.A. de C.V., and a member of the BASF Group and the Issuer will enter into a forward sale agreement by which a member of the BASF Group will sell the remaining shares in Styrolution Mexicana, S.A. de C.V. (representing a 51.0% interest) to the Issuer and undertake to transfer such shares to the Issuer on or around January 2, 2013. Please see "*The Transactions—The Joint Venture Transaction—Implementation*". Once wholly owned by the Issuer, Styrolution Mexicana, S.A. de C.V. will guarantee the Notes. Please see "*The Description of the Notes—Certain Covenants—Additional Subsidiary Guarantees and Security Interests*". On the Escrow Release Date, the holders of the Notes will have the benefit of a security interest in the capital stock representing the 49.0% interest in Styrolution Mexicana, S.A. de C.V., and, within 60 days of the Escrow Release Date, the Issuer will use commercially reasonable efforts to secure the Notes by an assignment of the forward sale agreement. After giving consideration to the formation of Mexican New Co., Styrolution Mexicana, S.A. de C.V. had (i) €63.5 million of EBITDA for the year ended December 31, 2010; (ii) €24.2 million of EBITDA before exceptionals for the year ended December 31, 2010; and (iii) €65.8 million of total assets as of December 31, 2010.

(B) Includes INEOS Styrenics Europe SA, a Swiss subsidiary that will receive certain assets from an affiliate prior to consummation of the Joint Venture Transaction and will guarantee the Notes on the Escrow Release Date. Please see "*The Transactions—The Joint Venture Transaction—Reorganizations*". Excluding this subsidiary, guarantors within the INEOS Styrenics Business represented (i) €34.3 million of the INEOS Styrenics Business's EBITDA before exceptionals for the year ended December 31, 2010; (ii) €33.0 million of the INEOS Styrenics Business's EBITDA for the year ended December 31, 2010; and (iii) €447.6 million of the INEOS Styrenics Business's total assets as of December 31, 2010.

(C) The Issuer had pro forma EBITDA of €424.3 million during the year ended December 31, 2010, pro forma EBITDA before exceptionals of €406.7 million during the year ended December 31, 2010 and pro forma total assets of €1,966.3 million as of December 31, 2010. Please see "*Unaudited Pro Forma Condensed Combined Financial Information*".

(4) Represents working capital facilities of the Indian operations of the INEOS ABS Business that are expected to be utilized by Styrolution after the consummation of the Joint Venture Transaction. These facilities provide for letters of credit of approximately $35 million, of which $22 million was drawn as of December 31, 2010. Please see "*Description of Other Indebtedness—Other Financing—Indian Letters of Credit*".

(5) Represents a non-committed receivables based finance program of the INEOS Styrenics Business that is expected to be utilized by Styrolution after the consummation of the Joint Venture Transaction. Under this program, trade receivables in an amount of $40 million can be sold without recourse to a financial institution counterparty, of which $11.1 million was drawn as of December 31, 2010. Please see "*Description of Other Indebtedness—Other Financing—Receivables Financing Program*".

Principal Shareholders and Our Relationships with BASF and INEOS Industries

We are a joint venture indirectly owned by three shareholders, INEOS Industries Holdings Limited, BASF SE and BASF Antwerpen N.V. We are wholly owned by Styrolution Beteiligungs GmbH, and Styrolution Beteiligungs GmbH is wholly owned by Styrolution Holding GmbH. INEOS Industries Holdings Limited owns 50.0% of the voting shares of Styrolution Holding GmbH, and as of the Issue Date, BASF SE and BASF Antwerpen N.V. own 15.0% and 35.0% of the voting shares of Styrolution Holding GmbH, respectively.

INEOS Industries Holdings Limited is a wholly owned subsidiary of INEOS Industries Limited, and INEOS Industries Limited is a wholly owned subsidiary of INEOS AG. James A. Ratcliffe, Andrew Currie and John Reece maintain significant influence over INEOS Industries Holding Limited (and therefore Styrolution) through their combined 100.0% voting shareholdings in INEOS AG. Messrs. Ratcliffe, Currie and Reece, through INEOS AG, also control (i) INEOS Group Holdings SA, which produces a range of chemicals including petrochemicals, specialty chemicals and oil products, (ii) Kerling plc, which produces chloralkali and polyvinyl chloride (PVC), (iii) INEOS Paraform Holdings Ltd., which manufactures formaldehyde-based chemicals and (iv) INEOS Technologies (Holdings) Ltd., which operates an electrolysis technology business.

BASF SE, the ultimate parent company of the BASF Group, is a global chemical company, with a product range that includes oil and gas, chemicals, plastics, performance products, agricultural products and fine chemicals. It is listed on the London, Frankfurt and Zurich stock exchanges with approximately 600,000 shareholders, the largest being BlackRock Inc. (5.40% as of December 9, 2010).

BASF Antwerpen N.V. is a company incorporated under the laws of Belgium and an indirect wholly owned subsidiary of BASF SE.

The BASF Styrenics Business, INEOS Styrenics Business and INEOS ABS Business have entered into a number of significant transactions and arrangements with our affiliates in the past, including for the procurement of feedstock, and the Indenture will permit Styrolution to continue to do so in the future. Please see "*Shareholders and Related Party Transactions*".

THE OFFERING

The following is a brief summary of some of the terms of this Offering. For a more complete description of the terms of the Notes, please see "*Description of the Notes*".

Issuer	Styrolution Group GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung (GmbH)*) incorporated in Germany.
Notes Offered	€480 million aggregate principal amount of 7.625% Senior Secured Notes due 2016.
Maturity Date	The Notes will mature on May 15, 2016.
Interest Rates and Payment Dates	The interest rate on the Notes will be 7.625% payable semi-annually in arrears on May 15 and November 15 of each year, commencing November 15, 2011. Interest on the Notes will accrue from the Issue Date.
Security and Collateral	The Notes and the Guarantees will be secured by a first-ranking security interest in the Collateral.

As of the Escrow Release Date, the Collateral will include:

(1) a pledge of the capital stock of the Issuer; and

(2) a pledge of the capital stock of certain subsidiaries of the Issuer.

Any additional security interests that may in the future be pledged to secure indebtedness under the Indenture would also constitute Collateral. Within 60 days of the Escrow Release Date, the Issuer will cause its obligations under the Notes to be secured with additional Collateral representing the material assets of the Issuer and certain Guarantors (comprising, where applicable and without limitation, bank accounts, inventory, intellectual property and real property), subject to agreed security principles. The agreed security principles provide that a security interest need not be created where, among other things, the Issuer determines in good faith that an enforceable security interest cannot be provided or the cost of providing such security interest is disproportionate to the benefit obtained. Please see "*Description of Other Indebtedness—Intercreditor Agreement—Agreed Security Principles*".

On the Escrow Release Date, 49% of the capital stock of Styrolution Mexicana, S.A. de C.V. will be transferred to the Issuer. The remaining 51% will be transferred to the Issuer on or around January 2, 2013, pursuant to a forward sale agreement. On the Escrow Release Date, the obligations of the Issuer under the Notes will be secured by a pledge over 49% of the capital stock of Styrolution Mexicana, S.A. de C.V. The Issuer will use commercially reasonable efforts to cause its obligations under the Notes to be secured by an assignment by way of security over its rights under the forward sale agreement within 60 days of the Escrow Release Date. Once the remaining 51% of Styrolution Mexicana, S.A. de C.V. has been transferred to the Issuer, the Issuer will use commercially reasonable efforts to cause its obligations under the Notes to be secured by all of the capital stock of Styrolution Mexicana, S.A. de C.V.

The Collateral does not include certain assets, property and rights, including certain receivables assets.

The security interests over the Collateral may be released under certain circumstances. Please see "*Risk Factors—Risks Related to the Notes and Our Capital Structure—Creditors under certain future credit facilities and certain hedging liabilities are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes*", and "*Description of Other Indebtedness—Intercreditor Agreement*", and "*Description of the Notes—Restricted and Unrestricted Subsidiaries—The Security—Release of Security*".

Guarantees .... Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer and will not be obligations of any Guarantor. Assuming the Escrow Release Date occurs on or prior to the Longstop Date and the funds are released from the Escrow Account, the Guarantors will become parties to the Indenture and will guarantee the Notes on a senior basis on the Escrow Release Date. Prior to the Escrow Release Date, the Issuer will not control the BASF Styrenics Business, the INEOS Styrenics Business or the INEOS ABS Business, and none of the BASF Styrenics Business, the INEOS Styrenics Business or the INEOS ABS Business will be subject to the covenants described in this offering memorandum. We cannot assure you that, prior to the Escrow Release Date, such businesses will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Escrow Release Date.

As of or for the year ended December 31, 2010, the subsidiaries of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business that will guarantee the Notes on the Escrow Release Date amounted to €268.6 million of EBITDA before exceptionals (which amount is equal to 66.0% of Styrolution's pro forma EBITDA before exceptionals) and amounted to €1,496.6 million of total assets (which amount is equal to 76.1% of Styrolution's pro forma total assets).

As of December 31, 2010, the subsidiaries of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business that will not guarantee the Notes had no borrowings, excluding intercompany obligations, which would have ranked structurally senior to the Notes and the

	Guarantees; however, any of the debt that our non-guarantor subsidiaries incur in the future in accordance with the Indenture will rank structurally senior to the Notes and the Guarantees. The Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. Please see "*Risk Factors—Risks Related to the Notes and Our Capital Structure—Creditors under certain future credit facilities and certain hedging liabilities are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes*," and "*Description of the Notes—Brief Description of the Notes, the Guarantees and the Security—The Guarantees—Release of the Guarantees*".
Ranking of the Notes	The Notes will: • be secured senior obligations of the Issuer; • rank equally in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated to the Notes; • be guaranteed on a senior secured basis by the Guarantors; • rank effectively senior to all existing and future Indebtedness of the Issuer that is unsecured or secured by Liens junior to the Liens securing the Notes to the extent of the value of the Collateral; and • be senior in right of payment to all existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes.
Ranking of the Guarantees	The Notes will be guaranteed by the Guarantors. Each Guarantee will: • be joint and several and will be the general secured obligation of the applicable Guarantor; • rank equally in right of payment with all existing and future Indebtedness of the applicable Guarantor that is not subordinated to such Guarantee; • rank senior in right of payment to all existing and future Subordinated Indebtedness of the applicable Guarantor; and • be effectively subordinated to any existing and future secured Indebtedness of the Guarantors (including the Priority Hedging Liabilities) to the extent of the value of the assets securing such Indebtedness (unless such assets also secure the Guarantees on an equal and ratable or senior basis). The Guarantees will be subject to the terms of the Intercreditor Agreement. Please see "*Description of Other Indebtedness—Intercreditor Agreement*."

The Guarantees will be subject to release under certain circumstances. Please see "*Description of the Notes—Brief Description of the Notes, The Guarantees and the Security—the Guarantees—Release of the Guarantees*."

Intercreditor Agreement . . . . The liens securing the Notes will be first priority liens that will also secure obligations under certain credit facilities, certain hedging obligations and certain other future indebtedness permitted to be incurred under the Indenture. Such liens will be evidenced by security documents for the benefit of the creditors under such secured obligations.

Under the terms of the Intercreditor Agreement, however, in the event of enforcement of the security (or other distressed disposal following acceleration of any secured liabilities or certain unsecured notes or effected at the request of the Instructing Group (as defined below) where security has become enforceable), holders of the Notes will receive proceeds from the security only after certain credit facility lenders and obligations owed to counterparties to certain priority hedging obligations have been discharged.

The Security Trustee may refrain from enforcing the security unless instructed otherwise by certain credit facility lenders, the counterparties to certain hedging obligations, the holders of the Notes and the holders of certain other future indebtedness (the "Instructing Group"). If the Security Trustee has received conflicting instructions, the Security Trustee will promptly notify the relevant agents and creditor representatives and such agents and representatives will consult with each other in good faith for a period of 30 days (or such shorter period as the parties may agree), with a view to coordinating instructions to enforcement of the collateral. Please see "*Descriptions of Other Indebtedness—Intercreditor Agreement—Entitlement to Enforce Collateral*".

Sharing of First-Priority Lien . . . . . . In certain circumstances, the issuer may secure specified indebtedness permitted to be incurred by the covenant described in "*Description of the Notes—Certain Covenants—Limitations on Indebtedness*" by granting liens upon any or all of the collateral securing the Notes, on an equal basis with the first-priority liens securing the Notes and the obligations under certain priority hedging obligations.

Escrow of Proceeds; Special Mandatory Redemption . . . . Pending the consummation of the Joint Venture Transaction and the satisfaction of certain other conditions, the initial purchasers will deposit certain of the proceeds of this Offering of the Notes into an escrow account pursuant to the terms of the escrow agreement. BASF and INEOS Industries have agreed to lend, pursuant to the Styrolution Shareholders Loan, to the Issuer an amount sufficient, when considered with the deposited proceeds in the escrow account, to pay the special mandatory redemption price (as described below) on the Longstop Date. BASF and INEOS Industries have each agreed to contribute 50.0% of such amount. INEOS Industries's obligation to fund the Styrolution Shareholders Loan in the event of a special mandatory redemption (as described below) is supported by an irrevocable letter of credit, and BASF's obligation to fund is supported by a guarantee by BASF. The escrow account will be in the name of the Issuer but controlled by, and charged in favour of, the Trustee on behalf of the holders of the Notes.

Upon delivery to the escrow agent of an officer's certificate stating that the conditions to the release of the proceeds from escrow are satisfied, as well as certain legal opinions and other documents, the escrowed funds will be released and utilized as described in "*The Transactions*," "*Use of Proceeds*" and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*." The release of proceeds from escrow will be subject to the satisfaction of certain conditions, including the satisfaction (or waiver) of the terms and conditions of the Joint Venture Transaction. The consummation of the Joint Venture Transaction is itself subject to the satisfaction of certain conditions, including regulatory approval.

In the event that (i) the Escrow Release Date does not take place on or prior to the Longstop Date, (ii) there occurs a repudiation by the Issuer of any of its obligations under the Escrow Agreement or the Escrow Charge, or the Escrow Agreement or Escrow Charge is finally and judicially determined unenforceable against the Issuer for any reason, (iii) at any time prior to the Longstop Date, the BASF Group and the INEOS Industries Group cease to beneficially own and control 100% of the issued and outstanding Capital Stock of the Issuer, (iv) at any time prior to the Longstop Date, any conditions to the Release of the proceeds can not reasonably be deemed by the Issuer to be capable of being satisfied on or prior to the Longstop Date or (v) at any time prior to the Longstop Date, the Master Agreement terminates, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of the Notes will be equal to 101% of the initial issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of such special mandatory redemption. The escrow funds would be applied to pay for any such special mandatory redemption. Please see "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

Optional Redemption . . . . Prior to May 15, 2013, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount thereof, plus the applicable "make-whole" premium described in the offering memorandum and accrued and unpaid interest to, but not including, the redemption date.

On or after May 15, 2013, the Issuer will be entitled at its option to redeem all or a portion of the Notes at the redemption prices set forth under "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest to the redemption date.

Prior to May 15, 2014, the Issuer will be entitled at its option on one or more occasions to redeem the Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 107.625% of the aggregate principal amount of the Notes, plus accrued and unpaid interest to the redemption date; so long as at least 65% of the aggregate principal amount of Notes remains outstanding immediately after the occurrence of such redemption and each such redemption occurs with 90 days of the relevant equity offering.

Prior to May 15, 2014, the Issuer may also redeem up to 10% of the principal amount of the Notes during each 12-month period commencing with the Issue Date at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Change of Control . . . . Upon the occurrence of certain events constituting a change of control, the Issuer may be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. Please see "*Description of the Notes—Purchase of Notes Upon a Change of Control*."

Redemption for Taxation Reasons . . . In the event of certain developments affecting taxation or certain other circumstances, the Issuer may redeem the relevant Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. Please see "*Description of the Notes—Redemption Upon Changes in Withholding Taxes*."

Certain Covenants . . . . The Indenture governing the Notes will restrict the ability of the Issuer and its restricted subsidiaries to:

- incur or guarantee additional debt or issue preferred stock;
- pay dividends and make other restricted payments;
- create or incur liens;
- make certain investments;

	• agree to limitations on the ability of our subsidiaries to make distributions; • engage in sales of assets and subsidiary stock; • enter into transactions with affiliates; and • transfer all or substantially all of our assets or enter into merger or consolidation transactions. Each of the covenants is subject to significant exceptions and qualifications. Please see "*Description of the Notes—Certain Covenants*."
Transfer Restrictions	The Notes and the Guarantees have not been registered under the Securities Act and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Please see "*Notice to Investors*".
Use of Proceeds	Pending the consummation of the Joint Venture Transaction, the initial purchasers will deposit certain proceeds from the Offering of the Notes into an escrow account for the benefit of the holders of the Notes. Please see "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*". Upon release from escrow, we intend to use the escrowed proceeds, along with the proceeds from an initial draw on the Securitization Program, to fund the Contribution Payment to BASF and/or its affiliates and to pay fees and expenses related to the Transactions. Please see "*Use of Proceeds*".
No Established Market for the Notes	The Notes will be new securities for which there is currently no market. Although the initial purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing and Trading	Application has been made to list the Notes on the official list of the Irish Stock Exchange and to trade the Notes on the Global Exchange Market.
Governing Law	The Indenture is governed by the laws of the State of New York. The Intercreditor Agreement is governed by English law. The security documents are governed by the applicable local law of the jurisdiction under which the security interests are granted.
Trustee	Citibank, N.A.
Transfer Agent, Paying Agent and Registrar	Citibank, N.A.
Security Trustee	Citicorp Trustee Company Limited as the Security Trustee under the Indenture and the Intercreditor Agreement.

Escrow Agent	Citibank, N.A.
Listing Agent	A&L Listing Limited

Risk Factors

Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section in this offering memorandum before making a decision whether to invest in the Notes.

SUMMARY HISTORICAL AND PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following tables set forth (i) summary historical financial information of the BASF Styrenics Business, (ii) summary historical financial information of the INEOS Styrenics Business, (iii) summary historical financial information of the INEOS ABS Business and (iv) summary unaudited Styrolution pro forma condensed combined financial information, in each case, as of the dates and for the periods indicated.

The summary historical and unaudited pro forma condensed combined financial information should be read together with the respective combined financial information and the notes thereto, along with "*Certain Definitions*", "*Presentation of Financial and Other Information*", "*Risk Factors*", "*Pro Forma Capitalization*", "*Selected Historical Financial Information*", "*Unaudited Pro Forma Condensed Combined Financial Information*", "*Pro Forma Liquidity and Capital Resources*", "*BASF Styrenics Business Operating and Financial Review and Prospects*", "*INEOS Styrenics Business Operating and Financial Review and Prospects*" and "*INEOS ABS Business Operating and Financial Review and Prospects*". You should regard the summary financial information below only as an introduction and should base your investment decision on a review of the entire offering memorandum.

Historical Financial Information

BASF Styrenics Business

The audited combined financial statements for the BASF Styrenics Business as of and for the years ended December 31, 2010 and 2009, included in this offering memorandum, have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The BASF Styrenics Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the BASF Styrenics Business as recorded in the financial accounts of its parent company prior to the Joint Venture Transaction, subject to certain adjustments. The financial information was prepared on a combined basis in accordance with IFRS. For a complete description of the accounting principles followed in preparing the BASF Styrenics Business's combined financial information, please see Note 1 "*Summary of Accounting Policies*" to the BASF Styrenics Business's audited combined financial statements included elsewhere in this offering memorandum.

INEOS Styrenics Business

The audited combined financial statements for the INEOS Styrenics Business as of and for the years ended December 31, 2010 and 2009, included in this offering memorandum, have been audited by Ernst & Young Accountants LLP. The INEOS Styrenics Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the INEOS Styrenics Business as recorded in the financial accounts of its parent company prior to the Joint Venture Transaction, subject to certain adjustments. For a complete description of the accounting principles followed in preparing the INEOS Styrenics Business's combined financial information, please see Note 1 "*Corporate Information and Basis of Presentation*" to the INEOS Styrenics Business's audited combined financial statements included elsewhere in this offering memorandum.

INEOS ABS Business

The audited combined financial information for the INEOS ABS Business as of and for the years ended December 31, 2010 and 2009, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP. The INEOS ABS Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises only that part of INEOS ABS (Jersey) Limited and its subsidiaries being contributed to Styrolution. The combined financial information therefore excludes INEOS ABS (USA) Corporation which will be retained by INEOS and not contributed to Styrolution. The combined financial information has been prepared on the basis set out herein for the purpose of inclusion in this offering memorandum. For a complete description of the accounting principles followed in preparing the INEOS ABS Business's combined financial information, please see Note 1 "*Accounting Policies-Basis of preparation*" to the INEOS ABS Business's audited combined financial information included elsewhere in this offering memorandum.

Pro Forma Condensed Combined Financial Information

The summary pro forma condensed combined financial information of Styrolution has been derived from the unaudited pro forma condensed combined financial information of Styrolution included elsewhere in this offering memorandum.

The unaudited pro forma condensed combined financial information of Styrolution has been derived from the audited historical financial statements of the BASF Styrenics Business and the INEOS Styrenics Business, and the audited historical financial information of the INEOS ABS Business, included elsewhere in this offering memorandum, as adjusted to reflect the Joint Venture Transaction and related financings, and the payment of the Contribution Payment to BASF and/or its affiliates. The unaudited pro forma condensed combined financial information has been prepared in accordance with the basis of preparation as described in "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information*".

The unaudited pro forma condensed combined financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act or the Prospectus Directive. The unaudited pro forma condensed combined financial information has been prepared in accordance with German standard IDW RH HFA 1.004, "*Preparation of pro forma financial information*".

The summary historical and unaudited pro forma condensed combined financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that Styrolution would have reported had the Joint Venture Transaction been completed as of the dates set forth in this summary historical and unaudited pro forma condensed combined financial information and should not be taken as indicative of Styrolution's future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the unaudited pro forma condensed combined financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the unaudited pro forma condensed combined financial information and actual amounts.

Summary Unaudited Pro Forma Condensed Combined Financial Information

	Styrolution Pro Forma As of or For the Year Ended December 31, 2010(1)
	(€ in millions)
Income Statement Data	
Sales	6,440.7
Cost of sales	(5,672.7)
Gross profit	**768.0**
Selling expenses	(346.8)
General and administrative expenses	(58.6)
Research and development expenses	(11.2)
Other operating income and expenses	(3.1)
Income from operations	**348.3**
Financial result	(47.7)
Income before taxes and non-controlling interests	**300.6**
Income taxes	(80.3)
Income before non-controlling interests	**220.3**
Non-controlling interests	(2.4)
Net income	**217.9**
Balance Sheet Data	
Property, plant and equipment	430.5
Cash and cash equivalents	100.0
Working capital(2)	634.0
Total assets	1,966.3
Total owners' equity	521.9
Financial indebtedness	720.0
Total liabilities	1,444.4
Net debt(3)	620.0

	Styrolution Pro Forma As of or For the Year Ended December 31, 2010[1]
	(€ in millions)
Other Financial Data	
EBITDA[4]	424.3
EBITDA before exceptionals[4]	406.7
Cash interest expense[5]	46.2
Capital expenditures	71.0
Ratio of net debt to EBITDA before exceptionals[3][4]	1.5x
Ratio of EBITDA before exceptionals to cash interest expense[4]	8.8x

(1) Refer to "*Unaudited Pro Forma Condensed Combined Financial Information*" and "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information*" for details regarding the basis of preparation and description of the pro forma adjustments.

(2) Working capital represents net current assets (short-term assets less short-term liabilities).

(3) Net debt represents Notes offered hereby (€480 million), the Securitization Program (€240 million) less cash and cash equivalents (€100 million).

(4) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies. Please see "*Presentation of Financial and Other Information—Other Financial Measures*".

The reconciliation of income from operations to EBITDA and EBITDA before exceptionals is as follows:

	Styrolution Pro Forma For the Year Ended December 31, 2010[1]
	(€ in millions)
Income from operations	**348.3**
Depreciation and amortization	76.0
EBITDA	**424.3**
Exceptional items	(17.6)
EBITDA before exceptionals	**406.7**

(5) Cash interest expense represents the interest expenses with respect to the Notes offered hereby, the Securitization Program and the ancillary lines.

Summary Historical BASF Styrenics Business Financial Information

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Income Statement Data		
Sales	2,829.7	3,861.3
Cost of sales	(2,448.0)	(3,348.8)
Gross profit	**381.7**	**512.5**
Selling expenses	(183.9)	(207.7)
General and administrative expenses	(26.5)	(29.7)
Research and development expenses	(9.1)	(9.2)
Other operating income and expenses	6.5	(0.6)
Income from operations	**168.7**	**265.3**
Financial result	(2.3)	(0.4)
Income before taxes	**166.4**	**264.9**
Income taxes	(47.3)	(79.4)
Net income	**119.1**	**185.5**
Cash Flows Data		
Cash provided by (used in):		
Operating activities	57.8	60.0
Investing activities	11.0	(33.9)
Financing activities	(66.5)	(23.3)
Balance Sheet Data		
Property, plant and equipment	186.9	217.9
Cash and cash equivalents	2.6	5.4
Working capital[(1)]	339.8	500.8
Total assets	794.1	1,056.3
Total owners' equity	541.6	723.0
Financial indebtedness	—	0.2
Total liabilities	252.5	333.3

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Other Financial Data		
EBITDA[2]	233.3	322.6
EBITDA before exceptionals[2]	222.3	302.5
Capital expenditures	19.1	36.9

(1) Working capital represents net current assets (short-term assets less short-term liabilities).

(2) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies. Please see "*Presentation of Financial and Other Information—Other Financial Measures*".

The reconciliation of income from operations to EBITDA and EBITDA before exceptionals is as follows:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Income from operations	**168.7**	**265.3**
Depreciation and amortization	64.6	57.3
EBITDA	**233.3**	**322.6**
Exceptional items[a]	(11.0)	(20.1)
EBITDA before exceptionals	**222.3**	**302.5**

(a) Exceptional items consists of the following:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(in € millions)	
Reversal of impairment loss on Altamira site in Mexico	—	38.9
Sale of styrene monomer plant in South Korea and polystyrene plant in Brazil	18.5	—
Carve-out of styrenics businesses costs related to the Joint Venture Transaction and the Offering	(7.5)	(18.8)
Total exceptional items	11.0	20.1

Please see the BASF Styrenics Business's audited financial statements included elsewhere in this offering memorandum.

Summary Historical INEOS Styrenics Business Financial Information

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Income Statement Data		
Sales	1,553.0	2,074.5
Cost of sales	(1,409.4)	(1,921.9)
Gross profit	**143.6**	**152.6**
Selling expenses	(85.6)	(89.4)
General and administrative expenses	(18.2)	(12.3)
Research and development expenses	(2.4)	(2.0)
Other operating income and expenses	(14.2)	(2.5)
Income from operations	**23.2**	**46.4**
Financial result	(4.4)	(6.9)
Income before taxes	**18.8**	**39.5**
Income tax expense	(0.5)	(4.1)
Net income	**18.3**	**35.4**
Cash Flows Data		
Cash provided by (used in):		
Operating activities	35.8	59.3
Investing activities	(16.7)	(29.6)
Financing activities	9.6	(21.7)
Balance Sheet Data		
Property, plant and equipment	190.9	200.1
Cash and cash equivalents	48.4	43.3
Working capital(1)	101.9	88.2
Total assets	561.3	616.9
Total business' equity	250.4	234.2
Financial indebtedness	91.6	121.5
Total liabilities	310.9	382.7

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Other Financial Data		
EBITDA(2)	46.2	70.0
EBITDA before exceptionals(2)	60.4	72.5
Capital expenditures	16.9	29.9

(1) Working capital represents net current assets (short-term assets less short-term liabilities).

(2) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies. Please see "*Presentation of Financial and Other Information—Other Financial Measures*".

The reconciliation of income from operations to EBITDA and EBITDA before exceptionals is as follows:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Income from operations	**23.2**	**46.4**
Depreciation and amortization	23.0	23.6
EBITDA	**46.2**	**70.0**
Exceptional items(a)	14.2	2.5
EBITDA before exceptionals	**60.4**	**72.5**

(a) Exceptional items consists of the following:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(in € millions)	
Styrolution consultancy costs	(2.2)	(2.5)
Site closure costs	(12.0)	—
Total exceptional items	(14.2)	(2.5)

Summary Historical INEOS ABS Business Financial Information

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(In € millions)	
Income Statement Data		
Sales	536.9	724.1
Cost of sales	(470.4)	(600.2)
Gross profit	**66.5**	**123.9**
Selling expenses	(41.8)	(49.7)
General and administrative expenses	(11.1)	(16.6)
Exceptional gain	92.7	—
Income from operations	**106.3**	**57.6**
Financial result	1.8	5.0
Income before tax	**108.1**	**62.6**
Income taxes	(15.5)	(14.7)
Net income	**92.6**	**47.9**
Cash Flows Data		
Cash provided by (used in):		
Operating activities	(15.3)	43.7
Investing activities	15.2	(3.5)
Financing activities	(2.4)	(2.3)
Balance Sheet Data		
Property, plant and equipment	34.2	38.3
Cash and cash equivalents	26.6	66.6
Working capital[(1)]	91.7	135.5
Total assets	263.4	341.0
Total owners' equity	109.8	159.2
Financial indebtedness	6.4	4.4
Other financial liabilities	13.5	10.3
Total liabilities	153.6	181.8

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(In € millions)	
Other Financial Data		
EBITDA(2)	109.2	60.9
EBITDA before exceptionals(2)	16.5	60.9
Capital expenditures	2.0	4.2

(1) Working capital represents net current assets (current assets less current liabilities).

(2) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies. Please see "*Presentation of Financial and Other Information—Other Financial Measures*".

The reconciliation of income from operations to EBITDA and EBITDA before exceptionals is as follows:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(In € millions)	
Income from operations	**106.3**	**57.6**
Depreciation and amortization	2.9	3.3
EBITDA	**109.2**	**60.9**
Exceptional items(a)	(92.7)	—
EBITDA before exceptionals	**16.5**	**60.9**

(a) Exceptional items consists of the following:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Net gain on settlement of contingent consideration on prior year acquisitions	62.7	—
Adjustment to fair value of derivative liabilities	30.0	—
Total exceptional items	92.7	—

Please see Note 3 "*Exceptional Items*" to the INEOS ABS Business's audited combined financial information included elsewhere in this offering memorandum.

RISK FACTORS

Risks Related to the Joint Venture

The Joint Venture Transaction remains subject to regulatory approval. Regulatory authorities may require disposals or other actions, and the Joint Venture Transaction may not be approved within the expected timeframe.

Before the Joint Venture Transaction may be consummated, applicable waiting periods must expire or terminate under antitrust and competition laws, and various approvals or consents must be obtained from regulatory entities. Although the waiting period has expired under the U.S. Hart-Scott-Rodino Antitrust Improvements Act, the Joint Venture Transaction remains under review in certain other jurisdictions, including in the European Union. Approvals or consents, if obtained, may well be subject to conditions, including the requirement to dispose of some of the Styrolution plants described herein or to limit the manner in which Styrolution conducts its business.

According to the terms of the proposed Master Agreement, INEOS Industries and BASF will, subject to certain exceptions, make reasonable efforts to obtain such regulatory approvals. Please see "*The Transactions—The Joint Venture Transaction—Documentation*". As a result, INEOS Industries and/or BASF may be required to dispose of assets or take other actions that could have the effect of reducing the revenues, profit, or cash flows of Styrolution following the Joint Venture Transaction, and such effect could be material. On May 11, 2011, our shareholders offered a remedy to the European Commission (the "EU Commission"). The remedy involves the sale of a plant in order to assist the EU Commission in concluding that the Joint Venture Transaction should be approved at Phase 1 of its review process. According to management estimates, the plant does not exceed 3% of either pro forma EBITDA before exceptionals or pro forma total assets of Styrolution for the year ended and as of December 31, 2010. Our shareholders expect that the EU Commission will market test the proposed remedy. There can be no assurance that the EU Commission will accept the proposal, and even if approved by the EU Commission, the Joint Venture Transaction remains subject to various other approvals and consents in other jurisdictions. If the EU Commission does not accept the proposed remedy, the EU Commission is likely to proceed to Phase 2 of its review process.

Although the escrow agreement provides as a condition precedent to the release of the escrowed funds that an officer of Styrolution must certify that, among other things, the Joint Venture Transaction will be consummated and the Issuer will own and control the business and assets of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, all on substantially the same terms as described in this offering memorandum under the heading "*The Transactions*", such requirement will not preclude INEOS Industries and BASF from taking any actions that are necessary in the judgment of the Issuer to secure approval of the Joint Venture Transaction from relevant competition authorities in an expeditious manner. Such actions may therefore be taken at either the first or second phase of the relevant competition authorities' procedures. This standard will permit the parties to, among other things, make disposals and take other actions that could be adverse to noteholders. In addition, the certification will be provided by an officer of Styrolution and will not be made in consultation with the Trustee, the escrow agent, the initial purchasers or holders of the Notes.

Even if regulatory authorities do not require disposals or other actions, the regulatory approval process may have the effect of delaying completion of the Joint Venture Transaction. The EU Commission review and approval process, for example, could involve a detailed review, particularly if the proposed remedy described above is not approved. In addition, the Joint Venture Transaction is under review by the INEOS Wingles site French Works Council. The INEOS Industries Group must consult the Works Council with respect to the French aspects of the Joint Venture Transaction prior to a final decision on the Joint Venture Transaction and, though the Works Council cannot prevent the

Joint Venture Transaction or require that the council's suggestions be implemented, the consultation process itself could delay the Joint Venture Transaction. As a result, there can be no assurance that the Joint Venture Transaction can be completed within the expected timeframe, if at all. If the Joint Venture Transaction is not consummated for any reason on or prior to May 18, 2012 (the "Longstop Date"), the Issuer will be required to redeem the Notes pursuant to the terms of the special mandatory redemption pursuant to the terms of the Indenture. Please see "*—Risks Related to the Escrow Arrangements*".

We may be unable to achieve some or all of the benefits that we expect to achieve from the Joint Venture Transaction.

We may not be able to achieve the cost savings, purchasing benefits, technology advantages or other synergies we anticipate in connection with the Joint Venture Transaction. Joint ventures inherently involve risks, including those associated with assimilating and integrating different business operations, corporate cultures and governance, personnel, infrastructure and technologies or products and increasing the scope, geographic diversity and complexity of operations. Those risks can increase where the joint venture is formed by and among entities that, but for the joint venture, would compete with each other in certain markets, as is the case to some degree with the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business. Integrating the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business may require significant resources and management attention. In addition, the cost savings and synergies that have been estimated in connection with the Joint Venture Transaction may prove to be unrealistic or unobtainable for a number of reasons, including the fact that certain key managers, executive officers and directors of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business were unable to share certain proprietary business information with each other prior to obtaining antitrust and competition law approval from regulatory authorities.

In order to successfully combine and operate the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, our management will need to focus on managing the historical customer and supplier relationships of these businesses while also working to realize the anticipated synergies and cost savings on a timely basis. Our operations could be negatively affected if we are unable to successfully manage the integration of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business. Our ability to realize anticipated cost savings and synergies may be affected by a number of factors, including, but not limited to:

- ability of business units and employees from different corporate heritages to work together effectively;
- ability to reduce expenses by reducing headcount, eliminating duplicative overhead and functions and rationalizing manufacturing capacity; and
- ability to leverage a low-cost, efficient distribution system, and optimize procurement savings with respect to certain raw materials.

Moreover, the potential cost savings and synergies we currently expect to result from the Joint Venture Transaction are only estimates and may not actually be achieved in the time frame anticipated or at all.

In addition, the Joint Venture Transaction could subject us to additional risks, including:

- costs relating to the Joint Venture Transaction and related transactions, such as financing, legal and accounting fees, as well as unanticipated or higher than expected one-off costs related to operating the business;
- uncertainties relating to the Joint Venture Transaction and related transactions may adversely affect relationships with our employees, vendors and customers; and

- difficulty meeting our external reporting obligations because the INEOS ABS Business has historically used different accounting principles than the BASF Styrenics Business and the INEOS Styrenics Business.

Furthermore, there may be additional costs or liabilities associated with the Joint Venture Transaction that are not currently anticipated, including unexpected loss of key employees or customers and hiring additional management and other critical personnel. Also, please see the description of additional integration-related risks in "*—Risks Relating to Our Business and Industry—We may not be able to successfully consummate acquisitions or integrate acquired businesses*". Any of these risks could adversely affect our business, financial condition and results of operations.

Our pro forma condensed combined financial information is not intended to reflect what our actual results of operations and financial condition would have been had we been a combined company for the periods presented and thus these results may not be indicative of our future operating performance.

Because the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business will form an integrated business only upon completion of the Joint Venture Transaction, Styrolution has no available historical financial information that consolidates the financial results for these three businesses. The historical financial information included in this offering memorandum consists of the separate financial statements of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business for periods prior to the Joint Venture Transaction.

The unaudited pro forma condensed combined financial information has been prepared by combining the carrying values of the assets and liabilities of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business at December 31, 2010 including pro forma adjustments. For more information, please see "*Unaudited Pro Forma Condensed Combined Financial Information*" and "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information*". We believe the estimates and assumptions used to produce our unaudited pro forma condensed combined financial information are reasonable, but such estimates and assumptions may prove to be inaccurate over time. Accordingly, the historical and pro forma condensed combined financial information included in this offering memorandum may not reflect what our results of operations and financial condition would have been had the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business been a combined entity during the periods presented, or what the results of operations and financial condition of Styrolution will be in the future. Our first annual financial report describing the results of our first fiscal year may not contain comparative data against the unaudited pro forma condensed combined financial information included elsewhere in this offering memorandum. Please see "*Description of the Notes—Certain Covenants—Provision of Financial Statements*".

Risks Relating to Our Business and Industry

The styrenics industry is cyclical, and changing market demand and prices may negatively affect our operating margins and impair our cash flows.

Our revenue is attributable to the sale of styrene (also referred to as styrene monomer or "SM") and styrene derivatives. Though certain of our products, including certain copolymers and pre-colored ABS products, could be considered differentiated products, styrene and many of its derivatives, including polystyrene, are commodity chemicals. The prices of these commodity chemicals have historically been cyclical and sensitive to relative changes in the supply and demand of the commodity chemical products themselves as well as to changes in the supply and demand of their principal feedstocks. The cycles are generally characterized by periods of tight supply, leading to high operating rates and margins, followed by periods of oversupply primarily resulting from significant capacity additions, leading to reduced operating rates and lower margins. Supply and demand in the styrenics industry is driven by the availability and price of substitute products and feedstocks (such as styrene monomer), as well as general economic conditions. Demand is also impacted by changes in consumer spending and confidence because many of our products are used as inputs in the manufacturing of consumer end products in the packaging, construction, automotive and electronics sectors. The global economic downturn in 2008 resulted in reduced manufacturing and raw material consumption from key end use sectors, which reduced styrene consumption levels and average plant operating rate levels. As a result, volumes and margins decreased significantly in 2008, and the effects of the downturn continued to be felt in 2009. In 2010, styrene volumes improved but at further decreased margins, polystyrene volumes and margins increased, and ABS volumes and margins improved significantly. Please see "*Industry and Market Overview*". Industry cyclicality and volatility may affect prices across our businesses and may negatively impact our operating margins and cash flows. This, in turn, may adversely affect our overall business, financial condition and results of operations.

Our business may be negatively affected by increases in raw material prices that we are unable to pass on to our customers, volatility in raw material prices, our inability to retain or replace our key suppliers and supply chain disruptions.

Our margins are largely a function of the relationship between the prices that we are able to charge for our products and the costs of the feedstocks and raw materials we require to make these products. We require, among other materials, benzene and ethylene to produce styrene, and we require styrene to produce styrene derivatives. As a result, our margins depend significantly on the price of benzene and ethylene, which have historically had volatile prices that correlate closely to crude oil prices. While we attempt to match such raw material price increases with corresponding product price increases, our ability to pass on increases in the cost of raw materials to our customers is, to a large extent, dependent upon market conditions. There may be periods of time in which we are not able to recover increases in the cost of raw materials due to our contractual arrangements or to weakness in demand for, or oversupply of, our products. Significant volatility in raw material costs tends to place pressure on product margins as sales price increases could lag behind raw material cost increases. Conversely, when raw material costs decrease, customers seek relief in the form of lower sales prices. Even where we are able to pass on raw material price increases to our customers, timing differences between when we purchase raw materials and when we sell our manufactured products have had and may continue to have a negative effect on our results of operations. We do not currently use derivative instruments to reduce price volatility risk on feedstock commodities, and any such arrangements in the future may not have successful results.

Furthermore, we may reduce production, idle a facility for an extended period of time, or discontinue certain products because of high raw material prices, feedstock unavailability, an oversupply of a particular product and/or a lack of demand for the particular product. When we decide to reduce or idle production, reduced operating rates are often necessary for a few months or, in certain cases, longer, and cause us to incur costs, including the expenses of the outages and the restart of these facilities.

Certain of our plants rely on one or a limited number of feedstock suppliers. For example, our Sarnia styrene monomer plant currently uses one supplier of ethylene. We also have a number of medium- to long-term supply contracts with our shareholders. If any of these suppliers is subject to a major production disruption or is unable to meet its obligations under present supply agreements, we may face supply interruptions or be forced to pay higher prices to obtain the necessary raw materials, and we may not be able to increase the prices of our finished products. Therefore, increases in raw material prices or interruptions in supply could increase pressure on our margins and reduce our cash flows, which could adversely affect our business, financial condition and results of operations.

Significant competition in the styrenics industry may adversely affect our competitive position, sales and overall operations.

The styrenics industry in which we operate is highly competitive. The demand for styrene and its derivatives is largely driven by the demand for plastics and synthetic rubber production, both of which are relatively mature markets. While we currently have significant market share with respect to our primary products, there are a number of global and regional manufacturers that compete with us, including large competitors in North America, Europe and Asia. Due to the commodity nature of many of our products, competition in the styrenics industry is based primarily on price and, to a lesser extent, on product consistency, supply reliability and customer service. Customers who purchase commodity products have the ability to switch suppliers with relative ease, and customers who purchase specialty products may have the ability to choose among several approved suppliers; as a result, customers may be able to switch suppliers without much notice and without incurring significant costs. Although we believe we are a low-price producer, and the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business have a track record of generating cash flow through cyclical downturns, other manufacturers may have significantly greater financial and other resources than we have, which means they may be better able to withstand changes in market conditions.

We are also facing increased competition from Middle East and Asian producers. Producers in the Middle East, which have historically not been very active in the styrene market, benefit from low-priced ethylene feedstock due to abundant crude oil and natural gas supply. Though the Middle East currently faces a shortfall in locally produced benzene, which is also required to produce styrene, the Middle East's ethylene feedstock advantage may nevertheless give producers in the region an overall cost advantage because styrene can be transported easily and at relatively low cost. As a result, over the past few years Middle East producers have constructed large volume export-oriented plants, and such capacity is either currently on-stream or expected to come on-stream in the next two years. Asian producers are some of the world's largest and are able to exploit very significant economies of scale, and we expect capacity to increase in Asia, including in the production of ABS. The risk from Asian competitors increased when the European Commission signed a free trade agreement with South Korea in 2010 designed to eliminate or phase out most tariffs, including those on ABS imports into Europe, over the next few years. The pressure on our margins resulting from intense and increasing competition could adversely affect our business, financial condition, results of operations and cash flows.

The availability of substitute products may adversely affect demand for certain of our products and overall sales and operations.

Substitutes may affect the sale of our products, including polystyrene, and production advances for competing products or price changes in raw materials and products could result in declining demand for our products as our customers switch to substitute products. For example, the polystyrene market has come under pressure due to competition from alternative polymers, particularly polypropylene (PP) and polyethylene terephthalate (PET) (including recycled PET), as well as other materials such as polylactic acid (PLA) and paper, which can be used in packaging applications as substitutes for polystyrene. Switching costs are relatively low, as modern conversion lines can generally be switched between polymers, though investment may be required to process PET, and in some cases to process PP. According to Nexant, this trend has reduced recently, as lower cost benzene has improved polystyrene's competitive position, but demand for polystyrene remains sensitive to the price differential between polystyrene and PP. ABS faces substitution risks as well. Certain lower-end applications can replace ABS with less expensive materials (such as PP or polystyrene), and certain higher-end applications can replace ABS with more technical and more expensive plastics such as polycarbonate (PC). As a result, it is difficult to protect our market position for these products by product differentiation.

Our growth strategy depends in part on our ability to take advantage of the growing market for our products in emerging markets. We may be unable to execute this strategy if emerging markets do not grow as expected or if regional producers in such markets are able to satisfy the increased demand.

The highest growth of styrene demand is occurring in emerging markets in Asia, as well as in Mexico and Central European regions. Asia currently accounts for more than half of global styrene demand, and we believe the demand for styrene and styrene derivative products in this region will continue to grow. Asia, and primarily China, is currently net short of styrene, and Nexant forecasts this trend to continue as demand growth is expected to outpace the rate of supply additions in China. Growth in China is driven by continued industrial development, population growth and rising income levels. A significant component of our growth strategy generally, and our Asian operations specifically, relies on our ability to expand our presence in the growing Asian market. As a result, our manufacturing operations and financial results are subject to downturns in the economies of China and other developing countries where our products will be sold. Such a decline in the expected growth rate in emerging markets could materially reduce our expected future sales and could have a material adverse effect on our business, financial condition and results of operations.

Even if the economies of developing countries continue to grow as we expect, we may be unable to penetrate these markets. If regional producers are able to meet the growing demand and/or compete directly against us on the basis of our core competitive strengths described elsewhere in this offering memorandum, the resulting pressure on our margins would adversely affect our business, financial condition and results of operations.

There are substantial risks associated with doing business in developing countries, including risks related to political, economic and legal uncertainty and lack of business insurance.

We manufacture, distribute and/or market our styrene and styrene based products in numerous developing countries, including India and China. These regions have less developed legal systems and financial markets, and are generally recognized to present greater political, economic and operational risks than the United States and Western Europe. Some of the risks associated with conducting business in developing countries include: slower payment of invoices; nationalization; social, political and economic instability; and currency repatriation restrictions. In addition, commercial laws in some developing countries can be vague, inconsistently administered and retroactively applied. If we are deemed not to be in compliance with applicable laws in the developing countries where we conduct business, our prospects and business in those countries could be harmed. Additionally, business insurance is not readily available in certain developing countries, including in China. To the extent that we suffer a loss of a type which would normally be covered by insurance in the United States or Western Europe, such as product liability and general liability insurance, we would incur significant expenses in both defending any action and in paying any claims that result from a settlement or judgment. These and other factors could have a material adverse impact on our business, financial condition and results of operations.

We are highly regulated and may incur significant costs to maintain compliance with, or address liabilities under, HSSE laws and regulations applicable to our businesses.

We are subject to a wide range of HSSE requirements in all of the jurisdictions in which we operate. Some of these requirements govern our facilities and operations and address, among other things, air emissions, wastewater discharges, accidental releases into the environment, human exposure to hazardous materials, the storage, treatment, transportation and disposal of hazardous materials and wastes, the clean-up of contamination, process safety, and the maintenance of safe conditions in the workplace. Other HSSE laws and regulations impose restrictions on the use, import or sale of certain raw materials and/or products. Many of our operations require permits and controls. We have incurred, and will continue to incur, substantial capital and operating expenditures to ensure compliance with current and future HSSE laws and regulations applicable to our operations, or the more stringent enforcement of such requirements. In addition, it is possible that certain of our feedstocks, products or by-products in the future may be classified as hazardous or harmful and thus could require significant compliance or remediation costs not currently anticipated. To the extent new restrictions or classifications impact our ability to produce or market, or the consumer demand for, our products, our business could be materially and adversely affected.

Our operations result in the emission of greenhouse gases, such as carbon dioxide and methane, and are regulated under the European Union Emissions Trading Scheme (the "EU ETS"), an EU-wide trading system for industrial greenhouse gas emissions. The EU ETS is anticipated to become progressively more stringent over time, including by reducing the number of allowances to emit greenhouse gases that the EU Commission or member states will allocate without charge to industrial facilities. In addition, a number of further legislative and regulatory measures to address greenhouse gas emissions, including the Kyoto Protocol, are in various phases of discussion or implementation. Such measures could result in increased costs for us to: (i) operate and maintain our facilities; (ii) install new emissions controls; (iii) purchase or otherwise obtain allowances to emit carbon dioxide or other greenhouse gases; and (iv) administer and manage our greenhouse gas emissions program. Other recently enacted or pending regulations limiting emissions of benzene, nitrogen oxide or other air pollutants could require us to incur significant costs for pollution control equipment or result in operational changes. Please see "*Business—Health, Safety, Security and the Environment*".

Many of our sites have an extended history of industrial chemical processing, storage and related activities. We may be required to investigate and remediate contamination at these sites as well as at properties where we formerly operated and/or at closed sites that we still own and occupy. We also could be responsible for investigating and cleaning up contamination at off-site locations where we have sent wastes for disposal or for treatment of its hazardous properties. In connection with contaminated properties, as well as our operations generally, we also could be subject to claims by government authorities and other third parties seeking damages for alleged personal injury or property or natural resources damages resulting from contamination or exposure caused by our operations, facilities or products. Our insurance may not be sufficient to cover these claims.

The discovery of previously unknown contamination, the imposition of new obligations to investigate or remediate contamination at, or migrating from, our facilities or other locations or restrictions on the use of our facilities, could result in substantial unanticipated costs. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impact on our business, financial condition or results of operations in any period in which such costs need to be incurred could be material.

Our businesses could be adversely affected by chemical safety regulations applicable to our products and raw materials or negative public perceptions of our products.

Our products and our raw materials are subject to extensive environmental and industrial hygiene regulations requiring the registration and safety analysis and, in some cases, restrictions on certain of the substances contained in them. For example, in connection with the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH Regulation"), or the new EU Classification, Labeling and Packaging Regulation ("CLP Regulation"), any key raw material, chemical or substance, including our products, could be classified as having a toxicological or health-related impact on the environment, on users of our products or on our employees. In Ontario, Canada, the Toxic Reduction Act recently took effect, requiring reduction in the use of toxic substances, including styrene. This regulation requires tracking, public toxic substance reduction plans and reporting. Similar regulations are being considered in other jurisdictions, including the United States, which could result in additional requirements, including testing and record-keeping obligations, on our operations.

In addition, in the United States, the National Toxicity Program ("NTP") of the Department of Health and Human Services has recommended classifying styrene as "reasonably anticipated" to be a human carcinogen in the NTP's 12th Report on Carcinogens ("ROC"). Related to that proposal, the U.S. Environmental Protection Agency ("USEPA") is reviewing styrene toxicology and environmental exposure through its Integrated Risk Information System. The International Agency for Research on Cancer has classified styrene as a "possible" carcinogen since 2002. In the EU, a proposal to classify styrene as "a presumed human reproductive toxicant" under the REACH and CLP Regulations is currently under review by the European Chemicals Agency. Classification of styrene as "reasonably anticipated" to be carcinogenic or as toxic to human reproduction or development could result in additional restrictions in the future on our manufacturing operations, including stricter air and water emissions limits, more burdensome requirements for additional ventilation or personal protective equipment at our facilities, or on our sale or distribution of styrene, including relevant warnings on material safety data sheets or on the packaging for our products, as well as legal action relating to product and other liabilities.

Butadiene is a known carcinogen in laboratory animals at high doses and is being studied for its potential adverse human health effects. The U.S. Occupational Safety and Health Administration currently limits the permissible employee exposure to butadiene. If studies on the health effects of butadiene result in additional regulations in the U.S. or new regulations in Europe that further restrict or prohibit the use of, and exposure to, butadiene, we could be required to change our operations, which could affect the quality of our products and increase our costs.

This regulation of, or reclassification of, any of our raw materials or products could adversely affect such product's availability or marketability, result in a ban on its purchase or sale, or require us to incur increased costs to comply with notification, labeling or handling requirements, each of which could result in a material adverse effect on our business, financial condition and/or results of operations.

Our facilities are subject to operating risks, which could have a material adverse effect on our operating results.

Our operations are subject to hazards inherent in chemicals and plastics manufacturing and the related use, storage, transportation and disposal of feedstocks, products and wastes, including but not limited to:

- pipeline leaks and ruptures;
- fires and explosions;
- accidents;
- severe weather and natural disasters (including hurricanes and other high-wind events);
- mechanical failures;
- unplanned production or power outages (including blackouts);
- transportation interruptions;
- unpermitted discharges or releases of toxic or hazardous substances or gases;
- other environmental risks; and
- sabotage or terrorist attacks.

These hazards can cause personal injury and loss of life, catastrophic damage to, or destruction of, property and equipment and environmental contamination or other damage, and may result in a suspension of operations and the imposition of civil or criminal penalties. Unplanned production or power outages can impact our operating results, even if such outages are covered by insurance. The loss or shutdown over an extended period of operations at any of our major operating facilities could have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not be adequate to cover all the risks we may face, and if we were no longer covered by our existing insurance, it may be difficult to obtain replacement insurance on acceptable terms or at all.

Our plants, machinery, equipment, inventories and other assets are insured on an all-risk basis for property damage, business interruption, machinery breakdown and terrorism risks, and our business as a whole is insured for public, product and environmental liability risks, as well as certain credit risks, under insurance policies currently maintained by our heritage businesses and by the BASF Group, INEOS AG and the INEOS Industries Group for coverage of the entities under their respective control. We believe these insurance policies are generally in accordance with customary industry practices, including deductibles and limits of coverage, but we cannot be fully insured against all potential hazards incident to our business, including losses resulting from war or terrorist acts, or all potential losses, including those related to product recalls or damage to our reputation. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. Although we attempt to keep insurance premiums low by demonstrating good safety track records, as a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurances may become unavailable at a reasonable cost or available only for certain risks. We currently expect to amend the existing policies to reflect Styrolution as a self-managed company and named insured party, but we can provide no assurances with respect to the outcome of these efforts. If we were to cease to be controlled by our current shareholders, we would no longer be entitled to coverage under certain of our current policies. We can provide no assurances that we would be able to obtain replacement insurance on acceptable terms or at all.

As a result of our international operations, we are exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect our profitability.

Upon consummation of the Joint Venture Transaction, we will operate facilities in 10 different countries. Our businesses are subject to risks normally associated with international operations, including currency fluctuation risks and local business risks. Our results of operations may be affected by both the transaction effects and the translation effects of foreign currency exchange rate fluctuations. We are exposed to currency fluctuation when we convert currencies that we may receive for our products into currencies required to pay our debt, or into currencies in which we purchase raw materials, meet our fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. In particular, a large proportion of our manufacturing costs and our selling, general and administrative expenses are incurred in currencies other than the euro, principally the U.S. dollar, reflecting the location of our production sites. At the same time, some of our sales are invoiced in U.S. dollars or local currencies, such that income or expense is in certain cases reported in local currency and translated into euro at the applicable currency exchange rate for inclusion in our financial statements. Therefore, our financial results in any given period may be materially affected by fluctuations in the value of the euro relative to the U.S. dollar, as well as other currencies including the Korean won, Thai baht and Indian rupee. Significant changes in the value of the euro and the U.S. dollar relative to each other could have a material adverse effect on our financial condition, results of operations and cash flows.

We are also exposed to other risks of international operations, including trade barriers, tariffs, exchange controls, national and regional labor strikes, social and political risks, general economic risks such as local economic downturns, required compliance with a variety of foreign laws, including tax laws, and the difficulty of enforcing agreements and collecting receivables through foreign legal systems.

We may be unable to implement our business and cost reduction strategies.

Our future financial performance and success largely depend on our ability to implement our business strategies successfully. We cannot assure you that we will successfully implement the business strategies described in this offering memorandum or those to be developed by our management, or that implementing these strategies will sustain or improve and not harm our results of operations in targeted sectors. Our business strategies are based on assumptions about future demand for our current products and the new products and applications we are developing, as well as on our continuing ability to produce our products profitably. Our ability to implement our business strategies depends on, among other things, our ability to divest businesses or discontinue product lines on favorable terms and with minimal disruptions, finance our operations and product development activities, maintain high quality and efficient manufacturing operations, relocate and close certain manufacturing facilities with minimal disruption to our operations, respond to competitive and regulatory changes, access quality raw materials in a cost-effective and timely manner, and retain and attract highly-skilled technical, managerial, marketing and finance personnel.

Our results of operations are materially influenced by the degree to which we utilize our assets in order to achieve maximum production volumes. We cannot guarantee that we will be able to implement our cost leadership strategy, which will include maximizing the utilization of assets. For example, the number and length of turnarounds (scheduled outages of a unit in order to perform necessary inspections, tests to comply with industry regulations and any maintenance activities that may be necessary) and unplanned outages have had, and may in the future have, an impact on our operating results, even if such outages are covered by insurance.

We may be unable to implement on a timely basis our business strategies, including the reductions or rationalization envisioned by the cost reduction component of our joint venture strategy, in accordance with our plans or at all. In the process of consummating the Joint Venture Transaction and implementing our business strategies we may experience severe business disruption and loss of key personnel. In addition, the costs involved in implementing our strategies may be significantly greater that we currently anticipate. Any failure to develop, revise or implement our business strategies in a timely and effective manner may adversely affect our ability to service our debt and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be adversely affected by the loss of key customers for certain of our products or the loss resulting from nonpayment and/or nonperformance by our customers.

Because our heritage businesses have developed relationships with select industry leading customers, in certain cases, sales to such customers represent a substantial portion of our regional revenue. For example, we have historical relationships with leading polystyrene consumers in North America. The loss of such key customers in one or more major regions may negatively impact our business and operations in that region.

In addition, our credit procedures and policies may not be adequate to effectively manage the customer credit risk to which we are exposed. Our customers may experience financial difficulties, including bankruptcies, restructurings and liquidations. These and other financial problems that may be experienced by our customers, as well as potential financial weakness in our industry, may increase our risk in extending trade credit to customers. A significant adverse change in a customer relationship or in a customer's financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's receivables or limit our ability to collect accounts receivable from that customer, all of which could have a material adverse effect on our business, results of operations, financial condition and liquidity. Our insurance may not compensate us for all or any of such negative effects.

We may not be able to successfully consummate acquisitions or integrate acquired businesses.

Our industry has recently undergone consolidation and there may be opportunities for us to participate in further industry consolidation in the future. The restrictions in the Indenture may limit or preclude our ability to make future acquisitions and to participate in industry consolidation. To finance future permitted acquisitions, we may need to borrow money, which will increase our debt service requirements and could impact our ability to make payments on the Notes, and we may not be able to obtain acquisition finance on favorable terms or at all. In order to manage any acquisitions we successfully complete, we will need to expand and continue to improve our operational, financial and management information systems, and our increased leverage may limit our ability to do so. Our excess cash may be limited, and we may not be able to invest in the acquired company to achieve the desired synergies. In addition, we cannot assure you that any acquisition we consummate will ultimately provide the benefits we originally anticipate.

Any acquisition that we make could be subject to a number of risks, including:

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating or capital costs;
- difficulty obtaining regulatory approvals;
- costs related to compliance with additional laws, rules or regulations;
- the loss of key employees, including those of the acquired company;
- exposure to unanticipated liabilities; and
- difficulties in realizing projected efficiencies, synergies and cost savings.

Furthermore, we may not succeed in identifying attractive acquisition candidates or financing or completing potential acquisitions on favorable terms.

Our business and operations are subject to business interruption risks due to the actions of third parties, which could have a material adverse effect on our business, reputation, financial condition and results of operations.

Due to the nature of our business, we are at risk of business interruption due to the actions of third parties. For example, many of our vendors have operations that are also subject to HSSE risks associated with the use of hazardous materials. Any future HSSE-related incidents affecting our vendors may result in significant regulatory actions, fines and other penalties, including restrictions, prohibitions or sanctions on their operations, and could impair their ability to perform their contracts with us or could otherwise subject us to liability, all of which could have a material adverse effect on our business, reputation, financial condition and results of operations. In addition, if any facilities experience damage due to any number of hazards caused by third parties, our reputation, business, financial condition and results of operations may be adversely affected.

We may be liable for damages based on product liability claims.

Our products have widespread end uses in a variety of consumer industries, including food packaging and medical applications, and we are at risk of claims arising out of the use of, or exposure to, our products or the chemicals in them. Furthermore, because many of our products provide performance attributes to our customers' applications and products, the sale of their products involves a risk of product liability claims against us. A successful product liability claim or series of claims arising out of any of these various uses against us in excess of our insurance coverage for payments for which we are not indemnified or have not otherwise provided could have a material adverse effect on our business, financial condition, results of operations and cash flows. In particular, we could be required to increase our debt or divert resources from other investments in our business in order to discharge any such claims.

We are subject to certain risks related to litigation filed by or against us, and adverse outcomes may harm our business.

We cannot predict with certainty the cost of prosecution, the cost of defense or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies or damage awards. We have been, and in the future may be, involved in litigation and other proceedings relating to intellectual property, commercial arrangements, environmental, health and safety, labor and employment or other harms, including claims resulting from the actions of individuals or entities outside of our control. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that are subject to third party patents or other third party intellectual property rights. Litigation based on environmental contamination or exposure to hazardous substances in the workplace or from our products could result in material liability for us. Adverse outcomes in any litigation or other proceeding could have a material adverse effect on our business.

Our success depends on the continued service of certain key personnel.

Our success depends in significant part upon the continued service of our directors and senior management, including the executive officers at each of our business units. Current and prospective employees of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business may experience uncertainty about their roles within Styrolution following the Joint Venture Transaction, which may have an adverse effect on our ability to retain key management and other key personnel. In addition, our future growth and success also depends on our ability to attract, train, retain and motivate skilled managerial, sales, administration, operating and technical personnel. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be required to make further contributions to pension plans.

We provide defined benefit pension plans to certain eligible employees, and these plans are subject to legislative and regulatory requirements. Our pension expense and required contributions to our pension plans are directly affected by the funded status of our plans, the expected rate of return on plan assets and the actuarial assumptions we use to measure our defined benefit pension plan obligations. Significant changes in the expected rate of return on plan assets or in the portfolio mix of invested assets may result in corresponding changes in the funded status of our plans. Any change in key actuarial assumptions, such as the discount rate, would impact the valuation of pension obligations, affecting the funded status of our pension plans as well as the net periodic pension cost. Any declines in the fair values of the pension plans' assets could require additional payments by us in order to maintain required funding levels. Our funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. Based on current guidelines, assumptions and estimates, we anticipate that we will be required to make cash contributions of approximately €7 million to our pension plans in 2011. We cannot predict whether changing market or economic conditions, regulatory changes or other factors will further increase our pension expense or funding obligations, diverting funds we would otherwise apply to other uses.

We depend on good relations with our workforce, and any significant disruption could adversely affect us.

As of January 1, 2011, after giving effect to the Joint Venture Transaction and including employees that will work for us pursuant to tolling or lease arrangements, we would have employed approximately 3,400 employees around the world. Many of these employees are unionized. Please see "*Business—Employee Matters*". A labor disturbance or work stoppage at any of our facilities as a result of any changes to our employment terms and conditions or for any other reason could have a material adverse effect on that facility's operations and, potentially, on our business, financial condition, results of operations and cash flows.

The failure of our patents, trademarks and confidentiality agreements to protect our intellectual property could adversely affect our business.

Proprietary protection of our processes, apparatuses and other technology is important to our business. Our actions to protect our proprietary rights may be insufficient to prevent others from developing similar products to ours. In addition, the laws of many foreign countries do not protect our intellectual property rights to the same extent as the laws of Germany and the United States. Furthermore, any pending patent application filed by us may not result in an issued patent, or if patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technologies. You should be aware that the expiration of a patent or the failure of our patents to protect our formulations, processes, apparatuses, technology, trade secrets or proprietary know-how could result in intense competition with consequent erosion of profit margins. In addition, our competitors and any other third parties may obtain patents that restrict or preclude our ability to lawfully manufacture and market our products in a competitive manner, which could materially adversely affect our business, financial condition, results of operations and cash flows.

We also rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our intellectual property, there can be no assurances that:

- our confidentiality agreements will not be breached;
- they will provide meaningful protection for our trade secrets or proprietary know-how; or
- adequate remedies will be available in the event of an unauthorized use or disclosure of these trade secrets and know-how.

In addition, there can be no assurances that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

Currently, we are not aware of any material pending litigation against us regarding any intellectual property claim but we cannot assure you that there will not be future claims. Such claims, with or without merit, could subject us to costly litigation and divert our technical and management personnel from their regular responsibilities. Furthermore, if such claims are adversely determined against us, we could be forced to suspend the manufacture of products using the contested invention and our business, financial condition, results of operations and cash flows could be adversely affected.

Our profitability and cash flows could deteriorate materially if we fail to keep up with technological innovation.

Our profitability will depend on, among other things, our ability to make process improvements in the manufacturing of our commodity products and our ability to introduce new products, product grades and applications for our customers. As we compete with other products and technologies, we are required to be innovative to satisfy our customers' demands.

Our product innovation is focused on improving the technology and efficiency with which we manufacture our commodity products and the quality and properties of our specialty products. Some of our competitors may be more capable of advances in product and technology development and anticipating and responding to market trends and developments. Also, some of our competitors, especially global chemical companies operating in our core businesses, may have greater financial resources than we do and may increase their competitiveness relative to us by investing more in process improvements or in research and development activities with respect to our key products, which may negatively impact our business. In addition, since innovation is also fostered by the support of external partners such as universities and other independent institutions, competitors operating in markets with stronger or a larger number of clusters of such institutions and industry players may have an advantage over us.

Product development and engineering requires significant investment. We cannot assure you that our product development and engineering efforts will continue to deliver competitive products that will translate into sales to customers. If we fail to keep pace with the evolving technological innovations in our markets, this may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adverse conditions in the credit and capital markets may limit or prevent our ability to borrow or raise capital.

While we believe we have facilities in place that will allow us to borrow or otherwise raise funds as needed, adverse conditions in the credit and financial markets could prevent us from obtaining financing, if the need arises. Our ability to invest in our businesses and refinance debt obligations could require access to the credit and capital markets and sufficient bank credit lines to support cash requirements. If we are unable to access the credit and capital markets, we could experience a material adverse effect on our financial condition, results of operations, liquidity and cash flows.

We are a joint venture indirectly controlled by three shareholders, and the actions of these shareholders or their respective majority shareholders could conflict with our interests and/or the interests of the holders of the Notes.

We are controlled by three major shareholders—BASF, BASF Antwerpen N.V. and INEOS Industries. BASF Antwerpen N.V. is an indirect wholly owned subsidiary of BASF; as a result, BASF and INEOS Industries each own (indirectly) 50.0% of our company. Pursuant to the proposed Shareholders Agreement among our indirect shareholders, our major corporate actions, amongst others, our financings, including the offering of the Notes hereby and the election of our directors, effectively require approval by BASF and INEOS Industries, or, in certain cases, by their nominated directors. The supervisory board of directors of Styrolution Holding GmbH, our indirect parent company, will comprise four directors, with BASF and INEOS Industries entitled to appoint two directors each. Because the supervisory board of directors of Styrolution Holding GmbH will control our strategic decisions, BASF and INEOS Industries may block strategic decisions and deadlock could result. Please see "*The Transactions—The Joint Venture Transaction—Documentation*" and "*Management—Management Structure*".

These ownership and supervisory relationships will give BASF and INEOS Industries significant control over our operations. The actions of BASF and INEOS Industries through their voting interest in us or through our management board of directors, can affect our strategic decisions, legal and capital structure and day-to-day operations, and conflicts of interest may arise. For example, we will purchase a significant amount of our feedstock from our shareholders; these arrangements were not negotiated at arm's length by non-related parties but based on the terms and conditions existing before completion of the Joint Venture Transaction. Please see "*Shareholders and Related Party Transactions—Related Party Transactions*". In addition, our indirect shareholders will retain interests in certain styrenics businesses and assets, and the non-competition agreements among us and our indirect shareholders will contain certain exceptions, such as the ability for BASF to produce and sell polystyrene from its plant in Ludwigshafen, Germany and INEOS Industries to produce and sell ABS products from its plant in Addyston, USA. Furthermore, BASF and INEOS Industries may have interests in pursuing acquisitions, divestitures or other transactions that, in their respective individual or joint judgment, could enhance their equity investment or the interests of their affiliates, even though these transactions might involve risks to you as a noteholder. These interests of our indirect shareholders may be pursued through the managing directors appointed by the supervisory board.

If we cease to be owned by either the INEOS Industries Group or the BASF Group, we may suffer reputational harm, as well as lose certain advisory, operational and supply chain benefits.

Subject to certain contractual limitations contained in the Shareholders Agreement, INEOS Industries and BASF (and their respective affiliates) may sell or otherwise transfer some or all of their equity interest in Styrolution to third parties, including pursuant to an initial public offering. In addition, BASF has the option to sell its interest to INEOS Industries, and INEOS Industries has the option to buy BASF's interest, in certain situations. BASF also has, in certain situations, a "drag right" that allows it to require INEOS Industries to sell its shares to a third party who is also seeking to purchase BASF's shares. Please see "*The Transactions—The Joint Venture Transaction—Documentation*". Any sale or transfer could negatively affect public perceptions regarding our company, our products and our creditworthiness. In addition, we source certain feedstock and other products such as information technology licenses from certain affiliates of INEOS Industries and BASF. If we cease to be affiliated with either INEOS Industries or the BASF Group, we may no longer benefit from ongoing strategic support and direction or access to raw materials from suppliers on the same terms or at all, each of which could adversely affect our business, financial condition, results of operations and cash flows.

If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

We have designed and continue to design our internal controls with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial information in conformity with applicable accounting principles. We design our internal controls through the use of internal resources, external consultants and with the assistance of our affiliates.

Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Any failure to maintain adequate internal controls or to be able to produce accurate financial information on a timely basis could increase our operating costs and materially impair our ability to operate our business.

Risks Related to the Escrow Arrangements

In the event that the Joint Venture Transaction is not consummated on or prior to the Longstop Date, the Notes will be redeemed at a special mandatory redemption price equal to 101% of the aggregate initial offering price of the Notes set forth on the cover page of this offering memorandum outstanding on such date, plus accrued and unpaid interest to, but not including, the date of such special mandatory redemption.

Most of the proceeds from this Offering will be placed in escrow until the consummation of the Joint Venture Transaction. Please see "*Use of Proceeds*". The Notes will be subject to a special mandatory redemption, at a redemption price equal to 101% of the aggregate initial offering price of the Notes as set forth on the cover of this offering memorandum outstanding on such date, plus accrued and unpaid interest to, but not including, the date of redemption, if the Joint Venture Transaction is not consummated on or prior to the Longstop Date. Please see "*Description of the*

Notes—Escrow of Proceeds; Special Mandatory Redemption". If the Joint Venture Transaction is not consummated and the Notes are redeemed, you will not obtain the return you expect to receive on your investment in the Notes.

The escrow funds will be initially limited to certain proceeds of the offering of the Notes and will not be sufficient to pay the special mandatory redemption price, which is equal to 101% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. Pursuant to the Styrolution Shareholders Loan, BASF and INEOS Industries have agreed to lend to the Issuer an amount sufficient, when considered with the deposited proceeds in the escrow account, to pay the special mandatory redemption price on the Longstop Date plus accrued and unpaid interest and additional amounts, if any from the Issue Date to the date of special mandatory redemption. BASF and INEOS Industries each will contribute 50.0% of amounts loaned to the Issuer pursuant to the Styrolution Shareholders Loan, and their obligations to so fund are several, rather than joint. INEOS Industries' obligation to fund the Styrolution Shareholders Loan in the event of a special mandatory redemption is supported by an irrevocable letter of credit, and BASF's obligation to fund is supported by a guarantee by BASF. In the event that the issuer of the letter of credit does not or is prohibited from honoring its obligations under the letter of credit, the Trustee will not have recourse to the BASF Guarantee and, similarly, in the event that BASF is unable to meet its obligations under the guarantee, the Trustee will not have recourse to the INEOS Letter of Credit. Any such occurrence would mean that holders of the Notes would not receive all amounts due in the event of a special mandatory redemption.

In addition, in a bankruptcy proceeding, the escrow funds might be deemed to be property of the bankruptcy estate. If we commence a bankruptcy or reorganization case, or one is commenced against us, while the escrow account remains funded, bankruptcy law may prevent the Trustee under the Indenture from using the escrow funds to pay the special mandatory redemption.

Definitive documentation governing the Joint Venture Transaction has not been executed, and between the time of the issuance of the Notes and the consummation of the Joint Venture Transaction, the parties to the Joint Venture Transaction may agree to modify or waive the currently agreed principal terms of such documentation without noteholder consent.

BASF and INEOS Industries have announced their intention to form a joint venture that will combine the global business activities of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, and the parties signed a letter of intent with respect to such transaction on November 29, 2010. As of the date of this offering memorandum, both BASF and INEOS Industries believe that agreement has been reached on the principal terms and conditions of the joint venture, and the parties are in the process of finalizing documentation in the form of a proposed Master Agreement and proposed Shareholder Agreement, the principal terms of which are described in "*The Transactions—The Joint Venture Transaction—Documentation*". However, neither the proposed Master Agreement nor the proposed Shareholders Agreement has been finally agreed or executed, and there can be no assurance that such agreements and related documentation will be finalized and executed in a timely manner, or at all. In addition, INEOS Industries and BASF may choose to amend or modify the terms of such agreements prior to the consummation of the Joint Venture Transaction, and such changes could be adverse to noteholders, even in circumstances where the escrow release conditions have been satisfied. The terms of the escrow agreement will permit such amendments or modifications, so long as the Joint Venture Transaction will be consummated and the Issuer will own and control the business and assets of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, all on substantially the same terms as described in this offering memorandum under the heading "*The Transactions*". Such requirement will not preclude INEOS Industries and/or BASF from taking any actions that are necessary in the judgment of the Issuer to secure approval of the Joint Venture Transaction. This standard will permit, among other things, any changes to the proposed Master Agreement and the proposed Shareholders Agreement that are necessary in the judgment of the Issuer to secure approval of the Joint Venture Transaction from relevant competition authorities in an expeditious manner.

Because of the foregoing, noteholders will be at risk that changes to the proposed Master Agreement and proposed Shareholders Agreement permitted by this standard could be adverse to noteholders and could negatively impact the description of our business (and related results of operations and financial condition) set forth in this offering memorandum. In determining compliance with this standard, none of the Trustee, escrow agent or the initial purchasers will exercise any judgment or discretion. If the Issuer certifies to the escrow agent that the escrow release conditions have been satisfied, the escrowed proceeds will be released. Accordingly, investors in the Notes will be accepting some of the documentation risk related to the Joint Venture Transaction.

Risks Relating to the Notes and Our Capital Structure

Our significant leverage may make it difficult for us to service our debt, including the Notes, and operate our business.

Upon consummation of the Transactions, we will have a substantial amount of outstanding indebtedness with significant debt service requirements. As of December 31, 2010, on an as adjusted basis after giving effect to the Transactions, our pro forma financial indebtedness would have been €720.0 million, including the Notes.

Our significant leverage could have important consequences for you as a holder of the Notes, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Despite our high level of indebtedness, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could increase the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the Indenture governing the Notes contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. Under the Indenture, in addition to specified permitted indebtedness, we will be able to incur additional indebtedness so long as on a pro forma basis our consolidated fixed charge coverage ratio (as defined in the Indenture) is at least 2.0 to 1.0, and, in addition to specified permitted liens, we will be able to incur additional secured indebtedness so long as on a pro forma basis our consolidated senior secured leverage ratio (as defined in the Indenture) is not greater than 2.0 to 1.0. Please see "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*". If new debt is added to our and our subsidiaries' existing debt levels, the risks that we now face associated with our substantial indebtedness would increase. In addition, the Indenture will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

We may not be able to generate sufficient cash to meet our debt service obligations, and our ability to repay our debt is dependent on our ability to obtain cash from our subsidiaries.

Our ability to make scheduled payments on the Notes and to meet our other debt service obligations or to refinance our debt, depends on our future operating and financial performance, which will be affected by our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditures, strategic acquisitions or investments or sell material assets. If we are not able to refinance our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including the Notes. In that event, borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all of our debts, including the Notes. Please see "*Description of Other Indebtedness*".

Our subsidiaries own substantially all of our assets and conduct all of our operations. Accordingly, repayment of our indebtedness, including the Notes, is dependent on the ability of our subsidiaries to make such cash available to us by dividend, debt repayment or otherwise. Unless they are guarantors of the Notes under legally valid and enforceable guarantees, our subsidiaries do not have any obligation to pay amounts due on the Notes or to make funds available for that purpose. We and our subsidiaries may not be able to, or may not be permitted to, make distributions or advance upstream loans to enable us to make payments in respect of our indebtedness, including the Notes. Each subsidiary of ours is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. For example, our subsidiary in India may face limitations concerning the repatriation of cash from India. While the Indenture governing the Notes limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain significant qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes.

Restrictive covenants in the Indenture governing the Notes may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The Indenture governing the Notes will contain negative covenants restricting, among other things, our ability to:

- incur or guarantee additional debt or issue preferred stock;
- pay dividends and make other restricted payments;
- create or incur liens;
- make certain investments;
- agree to limitations on the ability of our subsidiaries to make distributions;
- engage in sales of assets and subsidiary stock;

- enter into transactions with affiliates; and
- transfer all or substantially all of our assets or enter into merger or consolidation transactions.

The restrictions contained in the Indenture governing the Notes could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Indenture and other indebtedness.

If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

Your rights as a creditor may not be the same under German insolvency laws as under U.S. or other insolvency laws. Corporate benefit, capital maintenance and other limitations on the Guarantees and the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes and the security interests and will limit the amount that can be recovered under the Guarantees and the security interests granted by the Issuer and its subsidiaries.

We are incorporated under the laws of Germany. Some of the guarantors and providers of (direct or indirect) security are incorporated under the laws of Germany, Belgium, Canada, Mexico, Jersey, Singapore, Switzerland, Thailand and the United States. Insolvency proceedings with respect to certain of these companies could be required to proceed under the laws of the jurisdiction in which it is registered or in which its "centre of main interests", as defined in The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings, is situated at the time insolvency proceedings are commenced. The regulation will only apply in a European context. Although there is a rebuttable presumption that the "centre of main interests" will be in the jurisdiction where its registered office is situated, this presumption is not conclusive. Since the Issuer is incorporated, has its registered office and conducts the administration of its business in Germany, any insolvency proceedings against the Issuer are likely to be commenced in Germany based on German insolvency laws. The insolvency laws of Germany or other relevant jurisdictions may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar. Any multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Please see "*Limitations on the Validity and Enforceability of the Guarantees, the Collateral and Certain Insolvency Considerations—European Union*".

The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's guarantee limitation, fraudulent transfer and insolvency statutes.

Our obligations under the Notes are, subject to the terms of the Indenture, guaranteed and secured. Please see "*Description of the Notes*". Each of the Guarantees and security interests, if any, may be subject to review under capital maintenance and corporate distribution laws and fraudulent transfer and conveyance laws of the relevant jurisdiction where the Issuer and each of the grantors of the Guarantees and security interests operates. In an insolvency proceeding, it is possible that creditors of the guarantors and providers of security or the insolvency administrator may challenge the

Guarantees and security interests as fraudulent transfers or conveyances. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of the guarantors' obligations under the Guarantees or the security providers' obligations under the security agreements;
- direct that holders of the Notes, the Trustee or the Security Trustee, as relevant, return any amounts paid under a Guarantee or obtained from enforcement of a security interest to the relevant guarantor or security provider or to a fund for the benefit of its creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Guarantee or security interest is found to be a fraudulent transfer or conveyance or voided because of other applicable insolvency laws in an insolvency case, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each guarantor and security provider under the Indenture will be limited to the amount that will result in its Guarantee and security interest not constituting a fraudulent conveyance or improper corporate distribution, and there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each guarantor and security provider.

A brief description of certain aspects of insolvency law in Germany, Belgium, Canada, Mexico, Korea, Jersey, Singapore, Spain, Switzerland, Thailand and the United States is set forth under "*Limitations on the Validity and Enforceability of the Guarantees, the Collateral and Certain Insolvency Considerations*".

Corporate benefit, capital maintenance laws and other limitations on the Guarantees and the security interests may adversely affect the validity and enforceability of the Guarantees and the security interests over the collateral securing the Notes.

The laws of Germany and certain other jurisdictions limit the ability of the Guarantors to guarantee debt of a related company or grant security on account of a related company's debts. These limitations arise under various provisions or principles of corporate law which include rules governing capital maintenance. In respect of German law, the stated share capital must not be repaid to the shareholders. In other jurisdictions, the risks associated with a guarantee or grant of security on account of a parent or sister company's debt need to be reasonable and economically and operationally justified from the guarantor's or grantor's perspective, as well as thin capitalization and fraudulent transfer principles. If these limitations were not observed, the Guarantees and the grant of security by such Guarantors could be subject to legal challenge.

In these jurisdictions, the Guarantees will contain language limiting the amount which can be enforced under the Guarantees so that applicable local law restrictions will not be violated. Certain of the security documents will contain similar limitations on the amounts enforceable thereunder. Accordingly, if you were to enforce the Guarantees by a Guarantor in one of these jurisdictions or seek to enforce a security interest in the collateral granted by a Guarantor in one of these jurisdictions, your claims are likely to be limited. In some cases, including in Germany, where the amount that can be guaranteed or secured is limited by reference to the net assets and legal capital of the Guarantor or by reference to the outstanding debt owed by the relevant Guarantor to us under intercompany loans that amount might have reached zero or close to zero at the time of any insolvency or enforcement. You might then not be able to enforce the respective Guarantees and security in part or in full. Furthermore, although we believe that the Guarantees by these Guarantors and the security interests granted by these Guarantors will be validly given in accordance with local law restrictions, there can be no assurance that a third-party creditor would not challenge these Guarantees and security interests and prevail in court. Please see "*Limitations on the Validity and Enforceability of the Guarantees, the Collateral and Certain Insolvency Considerations*".

As of the Escrow Release Date we do not expect to have obtained security interests in certain of the collateral, and holders of the Notes will have the benefit of limited collateral over our Mexican assets.

As of the Escrow Release Date, we do not expect the holders of the Notes to have the benefit of enforceable security interests in the assets to be pledged by guarantors in the proposed guarantor jurisdictions, which include Belgium, Germany, Mexico, the U.S., Singapore, Thailand, Switzerland and Jersey. In some jurisdictions, such as Mexico, Germany and Thailand, implementation of enforceable security interests with respect to assets owned by entities formed under the laws of such jurisdictions may be delayed for more than 60 days after the Escrow Release Date to permit the completion of necessary licensing and other legal and audit procedures.

In addition, on the Escrow Release Date, BASF de Mexico S.A. de C.V. will sell and transfer to the Issuer shares representing a 49.0% interest in Styrolution Mexicana, S.A. de C.V., and a member of the BASF Group and the Issuer will enter into a forward sale agreement by which a member of the BASF Group will sell the remaining shares in Styrolution Mexicana, S.A. de C.V. (representing a 51.0% interest) to the Issuer and undertake to transfer such shares to the Issuer on or around January 2, 2013 (the "Styrolution Mexicana Transfer Date"). Please see "*The Transactions—The Joint Venture Transaction—Implementation*". On the Escrow Release Date, the holders of the Notes will have the benefit of a security interest in the capital stock representing the 49.0% interest in Styrolution Mexicana, S.A. de C.V. and, within 60 days of the Escrow Release Date, the Issuer will use commercially reasonable efforts to secure the Notes by an assignment of its rights under the forward sale agreement, but the holders of the Notes will not have the benefit of any other security interest in the capital stock or assets of Styrolution Mexicana, S.A. de C.V. nor a guarantee by such entity at such time. Please see "*Description of the Notes—Security*". From the date that Styrolution Mexicana, S.A. de C.V. becomes a direct or indirect wholly owned subsidiary of the Issuer, subject to agreed security principles, we are required to use our commercially reasonable efforts to create a security interest over all of the capital stock of Styrolution Mexicana, S.A. de C.V. After giving consideration to the formation of Mexican New Co., Styrolution Mexicana, S.A. de C.V. had (i) €65.8 million total assets as of December 31, 2010 and (ii) €24.2 million EBITDA before exceptionals for the year ended December 31, 2010. Once wholly owned by the Issuer, Styrolution Mexicana, S.A. de C.V. will guarantee the Notes. Please see "*Description of Notes—Certain Covenants—Additional Subsidiary Guarantees and Security Interests*".

Enforceability of security interests in certain jurisdictions is subject to registration or other perfection steps or the payment of stamp duty or registration liabilities on the security documents. Such licensing, registration or other perfection requirements or payments will take some time to complete after the Escrow Release Date and the Styrolution Mexicana Transfer Date, as applicable, and will require discretionary government approval and/or the cooperation of the applicable guarantors. Until such time as the licensing, registration or such other perfection step is effective or stamp duty or registration liabilities are paid, the relevant security interests may not be enforceable. Accordingly, we cannot assure you that we will be able to take such steps in a reasonable amount of time after the Escrow Release Date and the Styrolution Mexicana Transfer Date, as applicable, if at all. Furthermore, if we become insolvent or are liquidated, or if our payment obligations under the Notes are accelerated and implementation of enforceable security interests in favor of the Notes has not occurred, the holders of the Notes will not be entitled to exercise the remedies otherwise available to a secured lender under applicable law with respect to the assets and capital stock of the subsidiaries.

German account banks have a pledge over the bank accounts of their customers according to their general business conditions. In order for a pledge over bank accounts in favor of the Security Trustee to be first ranking, the German account bank has to waive its pledge. There is a risk that a German account bank will not waive its first ranking pledge at all or not within 60 days of the Escrow Release Date and that such security in favor of the Security Trustee will not become first ranking at all or within 60 days of the Escrow Release Date.

The security interests over the Collateral will be granted to the Security Trustee rather than directly to the holders of the Notes. The ability of the Security Trustee to enforce the Collateral may be restricted by local law.

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Trustee. The Indenture will provide (along with the Intercreditor Agreement) that only the Security Trustee has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Trustee in respect of the collateral. By accepting a Note, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against us in the event of a default. Please see "*Description of Other Indebtedness—Intercreditor Agreement*".

Due to the laws and other jurisprudence governing the creation and perfection of security interests and enforceability of such security interests, it is necessary in certain jurisdictions, such as in Germany and Korea, in order to grant Collateral to the Security Trustee, that the Security Trustee must hold its own "parallel debt" claim. The Intercreditor Agreement will provide for the creation of such "parallel debt" claim in favor of the Security Trustee ("Parallel Debt") mirroring the obligations of the Issuer and the Guarantors towards the holders of the Notes and the Trustee under or in connection with the Indenture and the Intercreditor Agreement ("Principal Obligations"). The pledges in such jurisdictions will be granted to the Security Trustee as security for the Parallel Debt and will not directly secure the Principal Obligations. In respect of the security interest granted to secure the Parallel Debt, the holders of the Notes will not have direct security and will not be entitled to take enforcement actions in respect of such security except through the Security Trustee. Therefore, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Trustee in relation to such collateral. In addition, the Parallel Debt construct has not been tested under law in certain of these jurisdictions (including Korea) and to the extent that the security interests in the Collateral created under the Parallel Debt construct are successfully challenged by other parties, the holders of the Notes will not receive any proceeds from an enforcement of such security interests. Please see "*Limitations on the Validity and Enforceability of the Guarantees, the Collateral and Certain Insolvency Considerations*".

Thai law requires that the names and addresses of the pledgees of shares in a limited company be listed in the share register book of the company. As a result, the listing of only the name and address of the Security Trustee as pledgee in the share register book of INEOS ABS (Thailand) Co., Ltd. may not be effective to constitute a valid pledge.

Since German law does not generally permit for an appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event, an enforcement of a share pledge governed by German law usually requires the sale of the relevant collateral through a formal disposal process involving a public auction. Certain waiting periods and notice requirements may apply to such disposal process. Thus, the disposal of pledged assets under German law will be subject to statutory restrictions and may be delayed.

Other creditors of German Guarantors or German grantors of collateral may be able to commence foreclosure proceedings in to the collateral.

Under German law it is unclear whether all of the security interests in the collateral give the Security Trustee a right to prevent other creditors of German guarantors from foreclosing into and realizing the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their rank) in the distribution of any proceeds of such realization, but not an intervention right. Accordingly, the Security Trustee and the holders of the Notes may not be able to avoid foreclosure by unsecured creditors into the collateral, even if they consider such foreclosure untimely.

The Notes will be structurally subordinated to the liabilities of non-guarantor subsidiaries.

Some, but not all, of our subsidiaries will guarantee the Notes. Generally, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to any guarantor, as direct or indirect shareholder.

Accordingly, in the event that any non-guarantor subsidiary becomes insolvent, liquidates or otherwise reorganizes:

- the creditors of the Issuer (including the holders of the Notes) will have no right to proceed against the assets of such subsidiary; and
- creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before any guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

The Issuer had pro forma EBITDA before exceptionals of €406.7 million during the year ended December 31, 2010, and pro forma total assets of €1,966.3 million as of December 31, 2010. Please see "*Unaudited Pro Forma Condensed Combined Financial Information*". The table below identifies EBITDA, EBITDA before exceptionals and total assets of the subsidiaries of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, respectively, that will guarantee the Notes on the Escrow Release Date.

As of or For the Year Ended December 31, 2010 (€ in millions)

	Guarantors within the BASF Styrenics Business(A)	Guarantors within the INEOS Styrenics Business(B)	Guarantors within the INEOS ABS Business	Total Guarantors	% of Pro Forma Total(C)
EBITDA	€142.6	€ 66.3	€ 41.2	€ 250.1	58.9%
EBITDA before exceptionals	€158.6	€ 68.8	€ 41.2	€ 268.6	66.0%
Total Assets	€691.0	€565.3	€240.3	€1,496.6	76.1%

(A) Includes Mexican New Co., a subsidiary that will act as a distributor on a commission basis and will receive the inventory and accounts receivables of Styrolution Mexicana, S.A. de C.V. on or before the Escrow Release Date, as described in "*The Transactions—The Joint Venture Transaction—Implementation*". Excluding the effect of Mexican New Co., guarantors within the BASF Styrenics Business represented (i) €121.6 million of the BASF Styrenics Business's EBITDA for the year ended December 31, 2010; (ii) €137.6 million of the BASF Styrenics Business's EBITDA before exceptionals for the year ended December 31, 2010; and (iii) €585.0 million of the BASF Styrenics Business's total assets as of December 31, 2010. On the Escrow Release Date, BASF de Mexico, S.A. de C.V. will sell and transfer to the Issuer shares representing a 49.0% interest in Styrolution Mexicana, S.A. de C.V., and a member of the BASF Group and the Issuer will enter into a forward sale agreement by which a member of the BASF Group will sell the remaining shares in Styrolution Mexicana, S.A. de C.V. (representing a 51.0% interest) to the Issuer and undertake to transfer such shares to the Issuer on or around January 2, 2013. Please see "*The Transactions—The Joint Venture Transaction—Implementation*". Once wholly owned by the Issuer, Styrolution Mexicana, S.A. de C.V. will guarantee the Notes. Please see "*The Description of the Notes—Certain Covenants—Additional Subsidiary Guarantees and Security Interests*". On the Escrow Release Date, the holders of the Notes will have the benefit of a security interest in the capital stock representing the 49.0% interest in Styrolution Mexicana, S.A. de C.V., and, within 60 days of the Escrow Release Date, the Issuer will use commercially reasonable efforts to secure the Notes by an assignment of the forward sale agreement. After giving consideration to the formation of Mexican New Co., Styrolution Mexicana, S.A. de C.V. had (i) €63.5 million of EBITDA for the year ended December 31, 2010; (ii) €24.2 million of

EBITDA before exceptionals for the year ended December 31, 2010; and (iii) €65.8 million of total assets as of December 31, 2010.

(B) Includes INEOS Styrenics Europe SA, a Swiss subsidiary that will receive certain assets from an affiliate prior to consummation of the Joint Venture Transaction and will guarantee the Notes on the Escrow Release Date. Please see "*The Transactions—The Joint Venture Transaction—Reorganizations*". Excluding this subsidiary, guarantors within the INEOS Styrenics Business represented (i) €34.3 million of the INEOS Styrenics Business's EBITDA before exceptionals for the year ended December 31, 2010; (ii) €33.0 million of the INEOS Styrenics Business's EBITDA for the year ended December 31, 2010; and (iii) €447.6 million of the INEOS Styrenics Business's total assets as of December 31, 2010.

(C) The Issuer had pro forma EBITDA of €424.3 million during the year ended December 31, 2010, pro forma EBITDA before exceptionals of €406.7 million during the year ended December 31, 2010 and pro forma total assets of €1,966.3 million as of December 31, 2010. Please see "*Unaudited Pro Forma Condensed Combined Financial Information*".

The remaining subsidiaries of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business will not guarantee the Notes. As of December 31, 2010, the subsidiaries of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business that will not guarantee the Notes had no borrowings, excluding intercompany obligations, which would have ranked structurally senior to the Notes and the Guarantees; however, any of the debt that our non-guarantor subsidiaries incur in the future in accordance with the Indenture will rank structurally senior to the Notes and the Guarantees.

The Issuer of the Notes and the guarantors will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The security documents allow the Issuer of the Notes and the guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the Collateral securing the Notes. So long as no default or event of default under the Indenture would result therefrom, the Issuer of the Notes and the guarantors may, among other things, without any release or consent by the Trustee or Security Trustee, conduct ordinary course activities with respect to the Collateral such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

The value of the Collateral securing the Notes and the Guarantees may not be sufficient to satisfy our obligations under the Notes or the Guarantees.

The Notes and the Guarantees will be secured by the Collateral. On the Escrow Release Date, the obligations of the Issuer under the Notes will be secured by a pledge of the shares of the Issuer and shares of certain of the Issuer's subsidiaries. Within 60 days of the Escrow Release Date, the Issuer will cause its obligations under the Notes to be secured with additional Collateral representing the material assets of the Issuer and the Guarantors (comprising, where applicable, bank accounts, inventory, intellectual property and real property), subject to the Agreed Security Principles and limitations and restrictions imposed by local law. Please see "*Description of the Notes—Restricted and Unrestricted Subsidiaries—The Security*". Definitive agreements for the Joint Venture Transaction have not been executed, however, and the terms of the escrow agreement will in certain situations permit the sale of assets that might otherwise constitute Collateral. Please see "*Risks Related to the Joint Venture—The Joint Venture Transaction remains subject to regulatory approval. Regulatory authorities may require disposals or other actions, and the Joint Venture Transaction may not be approved within the expected timeframe*". Furthermore, the Agreed Security Principles provide that a Security Interest need not be created where, among other things, the Issuer determines in good faith that an enforceable Security Interest cannot be provided or the cost of providing such Security Interest is disproportionate to the benefit obtained. Please see "*Description of Other Indebtedness—Intercreditor Agreement—The Agreed Security Principles*". Consequently, there can be no assurance that particular assets will constitute Collateral or that a particular level of asset security will be achievable.

Furthermore, the Indenture will allow the incurrence of certain additional permitted indebtedness in the future that is secured by the Collateral. The Collateral will also secure priority hedging liabilities of certain hedge counterparties on a *pari passu* ranking basis. Please see "*Description of the Notes—Certain Covenants—Limitation on Liens*". The incurrence of any additional secured indebtedness and the secured priority hedging liabilities would reduce amounts payable to you from the proceeds of any sale of the Collateral. In the event of an enforcement of the liens in respect of the Notes, the proceeds from the sale of the Collateral may not be sufficient to satisfy our obligations under the Notes or the obligations of the guarantors under the Guarantees.

The Intercreditor Agreement will provide that, in the event of any distribution of the proceeds from the sale of any shared Collateral securing the Notes, any credit facility lenders who accede to the Intercreditor Agreement and the counterparties to certain priority hedging obligations will be entitled to receive from such distribution payment before the holders of the Notes will be entitled to receive any payment from such distribution with respect to the Notes or the Guarantee.

Creditors under certain future credit facilities and certain hedging liabilities are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.

The obligations under the Notes and the Guarantees are secured on a first-ranking basis with security interests over Collateral which also secures our obligations under certain hedging obligations. In addition, the Intercreditor Agreement permits the lenders under certain future credit facilities (each, a "Super Senior Credit Facility") to accede to the Intercreditor Agreement with the same priority and rights as these certain hedging liabilities, up to an aggregate amount of €150.0 million (together, the "Super Senior Creditors"). The Indenture also permits the Collateral to be pledged to secure additional Indebtedness in accordance with the terms thereof and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the Super Senior Creditors will have priority over any amounts received from the sale of the Collateral pursuant to an enforcement action taken with respect to the Collateral. As such, in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the then outstanding claims of the Super Senior Creditors are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations of the Super Senior Creditors have been discharged from such recoveries, be applied pro rata in repayment of the Notes and any other obligations secured by the Collateral. The Intercreditor Agreement provides that a common Security Trustee, who will also serve as the security trustee for the Super Senior Creditors and any additional secured debt permitted to be incurred by the Indenture, will act only as provided for in the Intercreditor Agreement. In general, following the establishment of a Super Senior Credit Facility, the Super Senior Creditors will have, subject to certain restrictions in connection with, among others, the ability to provide enforcement instructions to the Security Trustee, the right to enforce the shared Collateral. The Intercreditor Agreement provides that where there is an inconsistency between enforcement instructions provided by the holders of 66⅔% of the aggregate of all outstanding liabilities of the Super Senior Creditors (the "Majority Super Senior Creditors") and the "Majority Pari/Notes Creditors" (being the holders of at least the majority of the principal amount of the then outstanding Notes and certain creditor participations which rank pari passu with the Notes) following a consultation period, the instructions of the Majority Pari/Notes Creditors will prevail. However, if and to the extent the obligations under the credit facility that is a Super Senior Credit Facility have not been fully discharged within six months of such enforcement instructions first being issued or an insolvency event (as defined in the Intercreditor Agreement) occurs, the enforcement instructions provided by the Majority Super Senior Creditors will prevail. The Super Senior Creditors or lenders of any other future class of debt that ranks pari passu with the indebtedness owed to the Super Senior Creditors may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the security documents at a time when it would be disadvantageous for the holders of the Notes to do so. Prior to the establishment of any Super Senior

Credit Facility, in general, the ability to provide enforcement instructions to the Security Trustee lies with the Majority Pari/Notes Creditors, without prejudice to the order of application of any proceeds of enforcement action with respect to the Collateral described above.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

We are organized under the laws of Germany. We anticipate that a majority of our directors and executive officers and the directors and officers of many of the guarantors will be non-residents of the United States and that a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us, the guarantors or our or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, we cannot assure you that civil liabilities predicated upon the Federal securities laws of the United States will be enforceable in Germany. Please see "*Service of Process and Enforcement of Judgments*".

You may face foreign exchange risks or adverse tax consequences by investing in the Notes denominated in foreign currencies.

The Notes will be denominated and payable in euro. If you are a U.S. dollar or other non-euro investor, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the U.S. dollar or other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the euro against the U.S. dollar or other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investments in the Notes by U.S. investors may also have important tax consequences as a result of foreign exchange gains, if any. Please see "*Certain Tax Considerations—U.S. Federal Income Tax Considerations*".

We may not be able to repurchase the Notes upon a change of control.

Upon the occurrence of a change of control, we will be required to offer to repurchase all of the Notes in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase (a "Change of Control Offer"). Please see "*Description of the Notes—Purchase of Notes Upon a Change of Control*". We may not have sufficient funds at the time of any such event to make the required repurchases. Additionally, other future indebtedness may contain prohibitions of events that would constitute a change of control or would require such indebtedness to be repurchased upon a change of control. Moreover, the exercise by holders of the Notes of the right to require us to repurchase their respective Notes could cause a default under our existing or future indebtedness, even if the change of control itself does not result in a default under existing or future indebtedness, due to the financial effect of such repurchase on us. The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by our subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the Notes tendered.

The definition of "Change of Control" in the Indenture will permit the sale of Styrolution to any other entity controlled by our principal shareholders without triggering a Change of Control.

INEOS Industries, BASF, BASF Antwerpen N.V. and certain of their affiliates are "Permitted Holders" as such term is defined in "*Description of the Notes*". As such, the sale or transfer of Styrolution to any other entity that is controlled by the Permitted Holders will not constitute a "Change of Control" as defined in the Indenture. Certain sales or transfers to third parties are also permitted by the Indenture. Accordingly, we will not be required to make a Change of Control offer following any such permitted transfer or sale. Please see "*Description of the Notes—Certain Definitions*".

Transfers of the Notes are restricted, which may adversely affect the value of the Notes.

The Notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the United States. The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture governing the Notes contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the Securities Act, or other applicable exemptions from registration under the Securities Act and applicable state securities laws. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. Please see "*Notice to Investors*".

The Notes will initially be held in book-entry form, and therefore, you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream").

Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners of the Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to Citibank, N.A. as paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions by holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. Please see "*Book-Entry, Delivery and Form*".

There is no established trading market for the Notes. If a market for the Notes does not develop, you may be unable to sell your Notes.

The Notes are new issues of securities for which there is currently no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for them. We have applied for admission to trading on the Irish Stock Exchange—Global Exchange Market. However, the Notes may not become or remain listed on that exchange. Although the initial purchasers have advised us that they intend to make a market in the Notes as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue their market-making activities at any time at their sole discretion and without notice. As a result, an active trading market for the Notes may not develop or, if developed, may not continue.

The liquidity of the trading market in the Notes and the market price quoted for the Notes may be adversely affected by changes in the overall market for similar yield securities, interest rates, our financial performance or prospects or in the prospects for companies in our industry generally. Historically, the market for non-investment grade debt has been subject to substantial volatility, which could adversely affect the price at which you may sell your Notes. In addition, subsequent to their initial issuance, the Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our operating performance and other factors.

THE TRANSACTIONS

Our controlling shareholders, INEOS Industries and the BASF Group intend to form a joint venture ("Styrolution") that will combine the global business activities of the BASF Styrenics Business (as defined below), the INEOS Styrenics Business (as defined below) and the INEOS ABS Business (as defined below) in the production of styrene, polystyrene, ABS and a number of other styrene derivatives. We would be formed by our controlling shareholders, INEOS Industries Holdings Limited, BASF SE and BASF Antwerpen N.V., as a joint venture in order to create a leading player in the styrenics sector. The joint venture would be operated and financed on an independent basis, subject only to customary control rights of shareholders in a privately held company. We are offering these Notes as part of the overall financing arrangements in connection with the Joint Venture Transaction.

Although the agreements as described in "*—The Joint Venture Transaction—Documentation*" relating to the Joint Venture Transaction have not been entered into as of the date of this offering memorandum, the future tense rather than the conditional is used below for the sake of clarity.

The Joint Venture Transaction remains subject to regulatory approval, and regulatory authorities may require disposals or other actions. The terms of the escrow agreement permit any and all such actions so long as such actions are necessary in the judgment of the Issuer to secure approval of the Joint Venture Transaction from relevant competition authorities in an expeditious manner.

Please see "*Risk Factors—Risks Related to the Joint Venture—The Joint Venture Transaction remains subject to regulatory approval. Regulatory authorities may require disposals or other actions, and the Joint Venture Transaction may not be approved within the expected timeframe.*"

The Joint Venture Transaction

Businesses and assets

The "Joint Venture Transaction" refers to the combining of the following businesses and assets under the control and management of the Issuer:

- the businesses and assets of Styrolution Belgium N.V., Styrolution do Brasil Polimeros Ltda., Styrolution East Asia Company Ltd., Styrolution GmbH, Styrolution Holding Company, Styrolution India Private Ltd., Styrolution Italia Srl., Styrolution Korea Ltd., Styrolution Mexicana, S.A. de C.V., Styrolution Polymers (Shanghai) Co. Ltd., Styrolution Schwarzheide GmbH, Styrolution Servicios S.A. de C.V., Styrolution South East Asia Pte. Ltd., Styrolution USA LLC and Styrolution Vietnam Co. Ltd. (the "BASF Styrenics Companies"), after giving effect to the BASF Styrenics Reorganization, as defined below (the "BASF Styrenics Business");
- the businesses and assets of INEOS ABS (Jersey) Limited and its subsidiaries, INEOS ABS (Deutschland) GmbH, Elix Polymers S.L., INEOS ABS (Thailand) Co., Ltd. and INEOS ABS (India) Limited, after giving effect to the INEOS ABS Reorganization, as defined below (the "INEOS ABS Business"); and
- the businesses and assets of (i) INEOS Industries US LLC and its subsidiary, INEOS Industries US II LLC, namely INEOS Styrenics LLC and its subsidiaries, INEOS Styrenics Limited and INEOS Styrenics Receivables Company LLC, (ii) INEOS Styrenics Poland Sp. z o.o, (iii) INEOS Styrenics Sweden AB, (iv) INEOS Styrenics Europe SA, and (v) Wingles NewCo (as defined below), after giving effect to the INEOS Styrenics Reorganization and the Subsequent Wingles Reorganization, each as defined below (the "INEOS Styrenics Business").

We will incur a number of costs in connection with completing the Joint Venture Transaction, and such costs are not reflected in our unaudited pro forma condensed combined financial information included elsewhere in this offering memorandum because these costs are non-recurring.

The BASF Group and the INEOS Industries Group will retain some businesses and assets in the styrenics industry, including those related to the production of expandable polystyrene (EPS).

Implementation

The Joint Venture Transaction will be effected by the following transactions occurring simultaneously on the Escrow Release Date:

- BASF SE contributing Styrolution GmbH to Styrolution Holding GmbH in return for new shares in Styrolution Holding GmbH and, as it may request, also for cash consideration;
- BASF Antwerpen N.V. contributing Styrolution Belgium N.V. to Styrolution Holding GmbH in return for new shares in Styrolution Holding GmbH and, as BASF SE may request, also for cash consideration;
- BASF de Mexico S.A. de CV selling and transferring to the Issuer shares representing a 49.0% interest in Styrolution Mexicana, S.A. de. C.V., and a member of the BASF Group and the Issuer entering into a forward sale agreement by which a member of the BASF Group will sell the remaining shares in Styrolution Mexicana, S.A. de C.V. (representing a 51.0% interest) to the Issuer and undertaking to transfer such shares to the Issuer on or around January 2, 2013 for cash consideration. Prior to the transfer of the remaining 51.0% interest, Mexican New Co., a subsidiary of the Issuer, will act as a distributor on a commission basis, and will receive the inventory and accounts receivables of Styrolution Mexicana, S.A. de C.V.;
- the following companies being contributed to the Issuer by their respective parents (being subsidiaries of BASF SE) for cash consideration:

  Styrolution Korea Ltd.
  Styrolution Mexicana, S.A. de C.V.
  Styrolution South East Asia Pte. Ltd., Singapore
  Styrolution USA LLC
  Styrolution do Brasil Polimeros Ltda
  Styrolution East Asia Co. Ltd., Hong Kong
  —including Styrolution Polymers (Shanghai) Co. Ltd., China
  Styrolution Vietnam Co. Ltd.
  Styrolution Italia S.r.l.
  Styrolution Schwarzheide GmbH
  Styrolution Servicios S.A. de C.V., Mexico
  Styrolution Holding Company, Mauritius
  —including Styrolution India Private Limited
- INEOS Industries Holdings Limited (or an affiliate thereof), contributing each of (i) INEOS Industries US LLC (and thereby INEOS Industries US II LLC and thereby INEOS Styrenics LLC and thereby INEOS Styrenics Limited and INEOS Styrenics Receivables Company LLC), (ii) INEOS ABS (Jersey) Limited (and thereby INEOS ABS (Deutschland) GmbH, Elix Polymers S.L., INEOS ABS (Thailand) Co., Ltd. and INEOS ABS (India) Limited), (iii) INEOS Styrenics Europe SA, and (iv) Wingles NewCo (as defined below) to Styrolution Holding GmbH in return for new shares in Styrolution Holding GmbH, which will ultimately be owned by INEOS Industries Holdings Limited;

- INEOS Styrenics European Holding B.V. contributing each of (i) INEOS Styrenics Poland Sp. z o.o, and (ii) INEOS Styrenics Sweden AB to Styrolution Holding GmbH in return for new shares in Styrolution Holding GmbH which will ultimately be owned by INEOS Industries Holdings Limited;
- Styrolution Holding GmbH contributing all these companies that it receives pursuant to the transactions referred to above to Styrolution Beteiligungs GmbH in return for new shares in Styrolution Beteiligungs GmbH and cash consideration;
- Styrolution Beteiligungs GmbH contributing all these companies that it receives pursuant to the transaction referred to immediately above to the Issuer in return for new shares in the Issuer and cash consideration; and
- the following companies entering into toll manufacturing arrangements (i) INEOS Styrenics Europe SA and INEOS Styrenics Netherlands B.V., in relation to the Breda high performance polystyrene plant, (ii) INEOS Styrenics Europe SA and INEOS Styrenics Manufacturing GmbH, in relation to the polystyrene produced by the Marl polystyrene plant, and (iii) INEOS Styrenics Europe SA and INEOS Styrenics GmbH, in relation to ethylbenzene/styrene monomer produced by the Marl ethylbenzene/styrene monomer plant. Please see "*Shareholders and Related Party Transactions*".

Settlement

The Joint Venture Transaction is to be effected on a cash free/debt free basis (except otherwise agreed among the parties to the Master Agreement referred to below, but in any event, subject to compliance with the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*") and with the Issuer having a normal level of working capital on consummation. As a result, after consummation, completion accounts will be prepared and certain balancing cash payments are expected to be made. If the INEOS Industries Group or the BASF Group has contributed businesses with net debt, it will be required to make a cash payment to Styrolution Holding GmbH and/or the Issuer of an amount equal to such net debt, and if it has contributed businesses with net cash, it will receive a cash payment from Styrolution Holding GmbH and/or the Issuer of an amount equal to such net cash, in each case including interest. A similar mechanism applies if the amount of working capital contributed together with the businesses is above or below the agreed normal level of working capital. If the working capital is below the agreed normal level, the relevant Group will be required to make a cash payment to Styrolution Holdings GmbH and/or the Issuer, and if it is above the agreed normal level, it will receive a cash payment from Styrolution Holding GmbH and/or the Issuer, in each case of an amount equal to the difference between the agreed normal level and the actual amount contributed. Styrolution Holding GmbH and/or the Issuer will also be required to reimburse the INEOS Industries Group and the BASF Group for any fees and expenses paid by the INEOS Industries Group and the BASF Group on behalf of Styrolution, including interest paid on the Notes prior to the consummation of the Joint Venture Transaction.

Prior to the consummation of the Joint Venture Transaction, the INEOS Styrenics Business satisfied its working capital needs in part through a receivables securitization program. Upon consummation of the Joint Venture Transaction, certain receivables that otherwise formed part of the INEOS Styrenics Business securitization program will be transferred into Styrolution's Securitization Program (the "Securitization Transfer"). The Securitization Transfer could take a number of days (such time, the "Securitization Transfer Period").

Prior to the consummation of the Joint Venture Transaction, Styrolution will receive a certificate from the Securitization Program agent confirming that all documentary conditions precedent (other than any such condition which is dependent upon the release from escrow of the proceeds of the offering of the Notes or consummation of the Joint Venture Transaction) to funding the Securitization

Program have been satisfied. To the extent that BASF SE and/or INEOS Industries provide funds pursuant to the Styrolution Shareholders Loan, such funds will be repaid by Styrolution Group GmbH promptly after the conclusion of the Securitization Transfer Period and receipt of the outstanding balance of the Contribution Payment (as defined below) by BASF SE and/or its affiliates. Please see "*Description of Other Indebtedness—Other Financing—Styrolution Shareholders Loan*".

As described in "*Use of Proceeds*", a component of the Contribution Payment to BASF SE and/or its affiliates is expected to be funded from the Securitization Program. To the extent that the entire amount of the Contribution Payment cannot be paid upon consummation of the Joint Venture Transaction as a result of the Securitization Transfer, BASF SE has agreed to receive the outstanding balance of the Contribution Payment at the conclusion of the Securitization Transfer Period.

Reorganizations

In order to separate the styrenics businesses and assets that will be contributed or sold to the Issuer upon closing of the Joint Venture Transaction from the businesses and assets that will be retained by the BASF Group or the INEOS Industries Group (as the case may be), the following reorganizations have occurred or will occur prior to such closing:

- The businesses and assets of BASF SE's Styrenics Division were, or to a minor extent prior to closing of the Joint Venture Transaction will be, reorganized so as to (i) separate the styrenics businesses and assets from the businesses and assets to be retained by the BASF Group and (ii) transfer such styrenics businesses and assets into the BASF Styrenics Companies. As an exception to this, Styrolution India Private Limited was already operated as a standalone styrenics company. This is referred to as the "BASF Styrenics Reorganization".
- Prior to the closing of the Joint Venture Transaction, INEOS ABS (Jersey) Limited will transfer INEOS ABS (USA) Corporation and INEOS ABS (UK) Limited to INEOS Industries Holdings Limited for cash consideration. This is referred to as the "INEOS ABS Reorganization".
- Prior to the closing of the Joint Venture Transaction (i) INEOS Styrenics International SA will transfer its relevant styrenics businesses and assets that are within the scope of the Joint Venture Transaction to INEOS Styrenics Europe SA for cash consideration, and (ii) INEOS Styrenics Wingles S.A.S. will incorporate a new French company ("Wingles NewCo"), and after completion of required consultations with the employee representatives, INEOS Styrenics Wingles S.A.S. will transfer its dedicated polystyrene assets to it in exchange for shares, and (iii) if necessary, INEOS Industries Holdings Limited will incorporate a new U.S. company and INEOS Styrenics LLC will transfer its Belpre site to such new U.S. company for cash consideration. This is referred to as the "INEOS Styrenics Reorganization".

Following closing of the Joint Venture Transaction and completion of the environmental permitting process, INEOS Styrenics Wingles S.A.S. will transfer its assets that are shared between the retained business of the INEOS Industries Group and the business of the joint venture to Wingles NewCo in exchange for shares, which will ultimately be contributed to the Issuer so that the Issuer will continue to own all of the issued shares in Wingles NewCo (the "Subsequent Wingles Reorganization").

Documentation

The Joint Venture Transaction will be documented in two main agreements, the Master Agreement and the Shareholders Agreement.

The "Master Agreement" is currently expected to be entered into on or shortly following completion of the required consultations with the employee representatives between BASF SE, INEOS

Industries Holdings Limited and Styrolution Holding GmbH (and possibly also BASF Antwerpen N.V. and the Issuer). The currently proposed terms of the Master Agreement include, among other things:

- provisions in relation to the BASF Styrenics Reorganization, the INEOS ABS Reorganization, the INEOS Styrenics Reorganization and the Subsequent Wingles Reorganization;
- provisions in relation to the contribution or sale (as the case may be) of the BASF Styrenics Business, INEOS ABS Business and INEOS Styrenics Business and customary cash, debt and working capital adjustment mechanisms;
- customary warranties and indemnities in respect of BASF SE (and, if applicable, BASF Antwerpen N.V.) and the BASF Styrenics Business and in respect of INEOS Industries Holdings Limited, the INEOS ABS Business and the INEOS Styrenics Business;
- the conditions to closing of the Joint Venture Transaction which need to be satisfied or waived in accordance with the Master Agreement, including (i) the obtaining of all required regulatory approvals and/or consents agreed among the parties (BASF SE and INEOS Industries Holdings Limited each being obliged to accept appropriate and reasonable remedies (if any) in order to obtain such approvals and/or consents, provided they do not relate to Styrolution Belgium N.V. or any material assets thereof or exceed those reasonably acceptable to each of BASF SE and INEOS Industries Holdings Limited), (ii) the completion of all required consultations with the employee representations, (iii) Styrolution Holding GmbH having sufficient funds to make the Contribution Payment (defined below) and (iv) completion of the BASF Styrenics Reorganization, INEOS ABS Reorganization and INEOS Styrenics Reorganization;
- provisions relating to payments to BASF SE (and/or its affiliates) in consideration of the agreed difference in value between the BASF Styrenics Business, on the one hand, and the INEOS ABS Business and INEOS Styrenics Business, on the other hand, including a payment (the "Contribution Payment") of €600 million to be paid at the closing of the Joint Venture Transaction or shortly thereafter using funds from the offering of the Notes and the Securitization Program and/or the Receivables Financing Program. Please see "*Use of Proceeds*";
- rights to withdraw from the Master Agreement (i) in the event that not all the conditions to closing of the Joint Venture Transaction have been fulfilled (or waived) by December 31, 2012, or any of the conditions to closing (which are not waived) can no longer be satisfied, (ii) in the event that a material adverse change occurs with regard to the BASF Styrenics Business (in the case of INEOS Industries Holdings Limited) or the INEOS ABS Business and the INEOS Styrenics Business, together (in the case of BASF SE), or (iii) in the event that as at the date the Master Agreement was entered into, there was a material breach of any of the warranties, or there would be a material breach of any of the warranties as at closing of the Joint Venture Transaction, in each case that has or will have a material adverse effect on the businesses of the joint venture taken as a whole; and
- provisions related to certain site service agreements, service level agreements and feedstock sale and purchase agreements, as described further in "*Shareholders and Related Party Transactions*".

The "Shareholders Agreement" will be entered into upon closing of the Joint Venture Transaction by BASF SE, BASF Antwerpen N.V., INEOS Industries Holdings Limited and Styrolution

Holding GmbH. The currently proposed terms of the Shareholders Agreement include, among other things:

- customary provisions in relation to governance of Styrolution Holding GmbH, including, in particular (i) the formation and operation of a four person supervisory board and a six person management board, (ii) matters which require the approval of the supervisory board, and (iii) matters which require the approval of the shareholders;
- provisions in relation to the preparation of a three-year business plan, annual operating budget and management, quarterly and annual accounts;
- provisions in relation to the dividend policy of Styrolution Holding GmbH and its subsidiaries;
- provisions in relation to the transfer of shares, including, in particular:
  - a restriction on all shareholders on the transfer of shares to any third party purchaser (whether by way of an initial public offering or otherwise) and on creating a security interest of any third party in shares, in each case, except as permitted by the Shareholders Agreement;
  - an obligation on any shareholder group (meaning BASF SE and BASF Antwerpen N.V (the "BASF shareholders") on the one hand, and INEOS Industries Holdings Limited (the "INEOS shareholder") on the other, in each case including their affiliate permitted assignees) to engage in discussions with the other shareholder group in respect of a proposed transfer of its shares to such other shareholder group prior to transferring its shares to a third party purchaser (whether by way of an initial public offering or otherwise);
  - a right for the BASF shareholders to initiate an initial public offering of the existing shares following a period of three years from the closing of the Joint Venture Transaction (the "Initial Period") for twelve months thereafter (the "Exclusive Period"), and a right for both shareholder groups to initiate such an initial public offering following the Exclusive Period;
  - a right for the BASF shareholders to transfer all of their shares to a third party purchaser at any time following the Initial Period, and a right for the INEOS shareholder to transfer all of its shares at any time following the Exclusive Period or, if later, at any time following the cancellation of any initial public offering process initiated by the BASF shareholders during the Exclusive Period. Both the BASF shareholders and the INEOS shareholder have a right of first refusal in relation to any relevant offer received from a third party purchaser for the other shareholder group's shares;
  - a drag right in favor of the BASF shareholders permitting them to require the INEOS shareholder to sell all of its shares to any third party purchaser of the BASF shareholders' shares, provided that (i) a minimum price is achieved for the INEOS shareholder's shares, and (ii) an initial public offering has been cancelled not more than six months prior to any exercise of such right;
  - a call option in favor of the INEOS shareholder entitling it to call for all of the BASF shareholders' shares at any time during the thirty-six month period commencing on the second anniversary of the closing of the Joint Venture Transaction (but not before February 2, 2014) for a pre-determined price;
  - a put option in favor of the BASF shareholders entitling them to put all of their shares on the INEOS shareholder for a pre-determined price at any time during the

twenty-four month period commencing on the third anniversary of the closing of the Joint Venture Transaction (to be extended in certain cases), subject to (i) the unused debt capacity of Styrolution Holding GmbH and its subsidiaries at the time of exercise of the put option being sufficient to allow Styrolution Holding GmbH to finance such pre-determined price and any outstanding amount of the Contribution Payment, and (ii) on the basis of credit market conditions at the relevant time, it being possible for Styrolution Holding GmbH and its subsidiaries to raise sufficient debt to finance such pre-determined price and any outstanding amount of the Contribution Payment on terms, conditions and rates which are within the usual range of terms, conditions and rates applicable to a financing of such size and nature raised by a debtor with similar characteristics to, and a credit-rating comparable to, Styrolution Holding GmbH; and

- customary provisions prohibiting the shareholders from (i) competing with the business of Styrolution Holding GmbH and its subsidiaries, subject to certain exceptions, and (ii) soliciting the employees of Styrolution Holding GmbH or any of its subsidiaries without consent, for a limited period of time after the closing of the Joint Venture Transaction or after the exit of a shareholder.

The Financing

The Joint Venture Transaction contemplates certain financing arrangements, including the offering of the Notes. Pending the consummation of the Joint Venture Transaction, the initial purchasers will deposit certain proceeds from the offering of the Notes into an escrow account in the name of the Issuer. The escrow account will be controlled by, and charged on a first-ranking basis in favor of, the Trustee on behalf of the holders of the Notes. The release of the escrow proceeds is subject to the satisfaction of certain conditions, including the consummation of the Joint Venture Transaction. If the Joint Venture Transaction is not consummated on or prior to May 18, 2012, which represents the Longstop Date, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 101% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date to the date of special mandatory redemption. Please see "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*".

In addition, we entered into the Securitization Program to provide for €500 million of available credit capacity with effect from the Escrow Release Date. Upon the consummation of the Joint Venture Transaction, Styrolution expects to have access to the Receivables Financing Program and Indian LCs that can provide up to US$40 million and approximately US$35 million, respectively, in additional cash. Please see "*Description of Other Indebtedness*".

The Offering, the Joint Venture Transaction, the entering into and borrowings made available under the Securitization Program, the Receivables Financing Program and the Indian LCs, and the transactions contemplated by each, are collectively referred to in this offering memorandum as the "Transactions". All of the Transactions are deemed to occur substantially concurrently with one another, unless otherwise indicated or the context otherwise requires.

The proposed Master Agreement conditions the closing of the Joint Venture Transaction on, among other things, the Issuer having sufficient funds to make the Contribution Payment at the closing of the Joint Venture Transaction using funds from the offering of the Notes; however, BASF SE may choose to waive this condition. Please see "*The Transactions—The Joint Venture Transaction—Documentation*".

USE OF PROCEEDS

The gross proceeds from the sale of the Notes will be €480 million.

Pending the consummation of the Joint Venture Transaction, the initial purchasers will deposit certain proceeds from the offering of the Notes into an escrow account in the name of the Issuer. BASF and INEOS Industries have agreed to lend, pursuant to the Styrolution Shareholders Loan, to the Issuer an amount sufficient, when considered with the deposited proceeds in the escrow account, to pay the special mandatory redemption price on the Longstop Date. Please see "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*". Upon release from escrow, we intend to use the escrowed proceeds along with the proceeds from an initial draw on the Securitization Program, to fund the Contribution Payment to BASF and/or its affiliates and to pay fees and expenses related to the Transactions.

The following table sets forth the sources and uses of funds in connection with the Transactions, as if the Transactions had been completed as of December 31, 2010. Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, fluctuations in cash on hand between December 31, 2010 and the actual closing date of the Transactions and fluctuations in applicable exchange rates.

Sources(1)	€ in millions	Uses	€ in millions
Notes offered hereby(2)	480.0	Contribution Payment to BASF(5)	600.0
Securitization Program(3)(4)	240.0	Cash on balance sheet	100.0
		Estimated transaction fees and expenses and other payments(1)(6)	20.0
Total sources	720.0	Total uses	720.0

(1) The Styrolution Shareholders Loan is a subordinated shareholder loan facility that provides for borrowings of up to €64 million in order to fund Styrolution before the consummation of the Joint Venture Transaction and the release of the proceeds of the Notes offered hereby from escrow. Please see "*Description of Other Indebtedness—Other Financing—Styrolution Shareholders Loan*". Styrolution may use the funds received from the Styrolution Shareholders Loan to fund any costs or expenses relating to the Offering of the Notes and the Securitzation Program, including interest and redemption premiums. The Styrolution Shareholders Loan is provided by our indirect shareholders, INEOS Industries Holdings Limited and BASF SE, bears interest at 9.00% and is repayable five business days after the payment of the entire €600 million Contribution Payment to BASF SE and/or its affiliates (unless otherwise extended by the parties). It is anticipated that the Styrolution Shareholders Loan will be drawn by €20 million following the closing of the Offering of the Notes in order to fund the estimated transaction fees and expenses and other payments.

(2) Reflects the €480 million of aggregate principal amount of the Notes offered hereby.

(3) Reflects management's estimated drawings of €100 million for working capital, with the remaining draw expected to be used to fund part of the Contribution Payment. The actual amount of drawings will vary based on the balance of eligible accounts receivable and our liquidity needs on the consummation of the Joint Venture Transaction. The Securitization Program has a total capacity of €500 million, and we would have been able to draw approximately €310 million under the Securitization Program as of December 31, 2010 based on Styrolution's pro forma accounts receivables as of such date. Please see "*Description of Other Indebtedness—The Securitization Program*". Rather than draw a total of €240 million from the Securitization Program, the Issuer may choose to fund part of the Contribution Payment with funds made available pursuant to the Receivables Financing Program. Please see "*Description of Other Indebtedness—Other Financing—Receivables Financing Program*".

(4) Upon consummation of the Joint Venture Transaction, certain receivables that otherwise formed part of the INEOS Styrenics Business securitization program will be transferred into Styrolution's Securitization Program. The transfer of receivables from the INEOS Styrenics Business securitization to Styrolution's Securitization Program could take a number of days, but for purposes of this "*Use of Proceeds*", such transfer is assumed to occur substantially simultaneously with the Joint Venture Transaction. Please see "*The Transactions—The Joint Venture Transaction—Implementation—Settlement*".

(5) Reflects the €600 million Contribution Payment to BASF and/or its affiliates pursuant to the proposed Master Agreement. Please see "*The Transactions—The Joint Venture Transaction—Documentation*".

(6) Reflects the estimated fees and expenses related to the Transactions, including underwriting fees and commissions, other financing fees, advisory fees and other transaction costs and professional fees.

PRO FORMA CAPITALIZATION

The following table sets forth our cash and cash equivalents and combined capitalization on a pro forma basis to give effect to the Transactions as if they occurred on December 31, 2010. Styrolution will not have operated as a combined business prior to the Joint Venture Transaction. Accordingly, no historical capitalization of Styrolution is presented herein. This table should be read in conjunction with "*The Transactions*", "*Use of Proceeds*", "*Pro Forma Liquidity and Capital Resources*", "*BASF Styrenics Business Operating and Financial Review and Prospects*", "*INEOS Styrenics Business Operating and Financial Review and Prospects*", "*INEOS ABS Business Operating and Financial Review and Prospects", "Description of Other Indebtedness*", "*Unaudited Pro Forma Condensed Combined Financial Information*" and the financial information and related notes thereto included elsewhere in this offering memorandum.

Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, fluctuations in cash on hand between December 31, 2010 and the actual closing date of the Transactions and fluctuations in applicable exchange rates.

	As adjusted as of December 31, 2010
	(€ in millions) (unaudited)
Cash and cash equivalents(1)(2)	100.0
Borrowings	
Notes offered hereby(3)	480.0
Securitization Program(4)(5)	240.0
Total borrowings(6)	720.0
Total equity	521.9
Total capitalization	1,241.9

(1) Reflects the unaudited pro forma balance, as of December 31, 2010, of the cash at bank and in hand. Please see "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information—Note B—Financing—B2—New financing and BASF SE payment*" for additional information.

(2) The Joint Venture Transaction is to be effected on a cash free/debt free basis, subject to Styrolution having an agreed normal level of working capital upon consummation. Please see "*The Transactions—The Joint Venture Transaction—Implementation—Settlement*". The joint venture parties may choose to waive the cash free/debt free arrangement, subject to compliance with the "*Limitation on Indebtedness"* covenant described in "*Description of the Notes*".

(3) Reflects the €480 million of aggregate principal amount of the Notes offered hereby.

(4) Reflects management's estimated drawings of €100 million for working capital, with the remaining draw expected to be used to fund part of the Contribution Payment. The actual amount of drawings will vary based on the balance of eligible accounts receivable and our liquidity needs on the consummation of the Joint Venture Transaction. The Securitization Program has a total capacity of €500 million, and we would have been able to draw approximately €310 million under the Securitization Program as of December 31, 2010 based on Styrolution's pro forma accounts receivables as of such date. Please see "*Description of Other Indebtedness—The Securitization Program*". Rather than draw a total of €240 million from the Securitization Program, the Issuer may choose to fund part of the Contribution Payment with funds made available pursuant to the Receivables Financing Program. Please see "*Description of Other Indebtedness—Other Financing—Receivables Financing Program*".

(5) Upon consummation of the Joint Venture Transaction, certain receivables that otherwise formed part of the INEOS Styrenics Business securitization program will be transferred into Styrolution's Securitization Program. The transfer of receivables from the INEOS Styrenics Business securitization to Styrolution's Securitization Program could take a number of days, but for purposes of this "*Pro Forma Capitalization*", such transfer is assumed to occur substantially

simultaneously with the Joint Venture Transaction. Please see "*The Transactions—The Joint Venture Transaction—Implementation—Settlement*".

(6) The Styrolution Shareholders Loan is a subordinated shareholder loan facility that provides for borrowings of up to €64 million in order to fund Styrolution before the consummation of the Joint Venture Transaction and the release of the proceeds of the Notes offered hereby from escrow. Please see "*Description of Other Indebtedness—Other Financing—Styrolution Shareholders Loan*". Styrolution may use the funds received from the Styrolution Shareholders Loan to fund any costs or expenses relating to the Offering of the Notes and the Securitzation Program, including interest and redemption premiums. The Styrolution Shareholders Loan is provided by our indirect shareholders, INEOS Industries Holdings Limited and BASF SE, bears interest at 9.00% and is repayable 5 business days after the payment of the entire €600 million Contribution Payment to BASF SE and/or its affiliates (unless otherwise extended by the parties). It is anticipated that the Styrolution Shareholders Loan will be drawn by €20 million following the closing of the Offering of the Notes in order to fund the estimated transaction fees and expenses and other payments.

SELECTED HISTORICAL FINANCIAL INFORMATION

BASF Styrenics Business

The following table sets forth selected historical combined financial information of the BASF Styrenics Business as of and for the years ended December 31, 2009 and 2010. This selected historical combined financial information has been derived from the audited combined financial statements of the BASF Styrenics Business included elsewhere in this offering memorandum. The BASF Styrenics Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the BASF Styrenics Business as recorded in the financial accounts of its parent company prior to the Joint Venture Transaction, subject to certain adjustments. The financial information was prepared on a combined basis in accordance with IFRS. For a complete description of the accounting principles followed in preparing the BASF Styrenics Business's combined financial information, please see Note 1 "*Summary of Accounting Policies*" to the BASF Styrenics Business's audited combined financial statements included elsewhere in this offering memorandum.

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Income Statement Data		
Sales	2,829.7	3,861.3
Cost of sales	(2,448.0)	(3,348.8)
Gross profit	**381.7**	**512.5**
Selling expenses	(183.9)	(207.7)
General and administrative expenses	(26.5)	(29.7)
Research and development expenses	(9.1)	(9.2)
Other operating income (expenses)	6.5	(0.6)
Income from operations	**168.7**	**265.3**
Financial result	(2.3)	(0.4)
Income before taxes	**166.4**	**264.9**
Income taxes	(47.3)	(79.4)
Net income	**119.1**	**185.5**
Cash Flows Data		
Cash provided by (used in):		
Operating activities	57.8	60.0
Investing activities	11.0	(33.9)
Financing activities	(66.5)	(23.3)
Balance Sheet Data		
Property, plant and equipment	186.9	217.9
Cash and cash equivalents	2.6	5.4
Working capital(1)	339.8	500.8
Total assets	794.1	1,056.3
Total owners' equity	541.6	723.0
Financial indebtedness	—	0.2
Total liabilities	252.5	333.3

	As of or For the Year Ended	
	December 31, 2009	**December 31, 2010**
	(€ in millions)	
Other Financial Data		
EBITDA[(2)]	233.3	322.6
EBITDA before exceptionals[(2)]	222.3	302.5
Capital expenditures	19.1	36.9

(1) Working capital represents net current assets (short-term assets less short-term liabilities).

(2) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies. Please see "*Presentation of Financial and Other Information—Other Financial Measures*".

The reconciliation of income from operations to EBITDA and EBITDA before exceptionals is as follows:

	For the Year Ended	
	December 31, 2009	**December 31, 2010**
	(€ in millions)	
Income from operations	**168.7**	**265.3**
Depreciation and amortization	64.6	57.3
EBITDA	**233.3**	**322.6**
Exceptional items[(a)]	(11.0)	(20.1)
EBITDA before exceptionals	**222.3**	**302.5**

(a) Exceptional items consists of the following:

	For the Year Ended	
	December 31, 2009	**December 31, 2010**
	(in € millions)	
Reversal of impairment loss on Altamira site in Mexico	—	38.9
Sale of styrene monomer plant in South Korea and polystyrene plant in Brazil	18.5	—
Carve-out of styrenics businesses costs related to the Joint Venture Transaction and the Offering	(7.5)	(18.8)
Total exceptional items	11.0	20.1

Please see the BASF Styrenics Business's audited financial statements included elsewhere in this offering memorandum.

INEOS Styrenics Business

The following table sets forth selected historical combined financial information of the INEOS Styrenics Business as of and for the years ended December 31, 2009 and 2010. This selected historical combined financial information has been derived from the audited combined financial statements of the INEOS Styrenics Business included elsewhere in this offering memorandum. The INEOS Styrenics Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the INEOS Styrenics Business as recorded in the financial accounts of its parent company prior to the Joint Venture Transaction, subject to certain adjustments. For a complete description of the accounting principles followed in preparing the INEOS Styrenics Business's combined financial information, please see Note 1 "*Corporate Information and Basis of Presentation*" to the INEOS Styrenics Business's audited combined financial statements included elsewhere in this offering memorandum.

	As of or For the Year Ended	
	December 31, 2009	**December 31, 2010**
	(€ in millions)	
Income Statement Data		
Sales	1,553.0	2,074.5
Cost of sales	(1,409.4)	(1,921.9)
Gross profit	**143.6**	**152.6**
Selling expenses	(85.6)	(89.4)
General and administrative expenses	(18.2)	(12.3)
Research and development expenses	(2.4)	(2.0)
Other operating income and expenses	(14.2)	(2.5)
Income from operations	**23.2**	**46.4**
Financial result	(4.4)	(6.9)
Income before taxes	**18.8**	**39.5**
Income tax expense	(0.5)	(4.1)
Net income	**18.3**	**35.4**
Cash Flows Data		
Cash provided by (used in):		
Operating activities	35.8	59.3
Investing activities	(16.7)	(29.6)
Financing activities	9.6	(21.7)
Balance Sheet Data		
Property, plant and equipment	190.9	200.1
Cash and cash equivalents	48.4	43.3
Working capital(1)	101.9	88.2
Total assets	561.3	616.9
Total business' equity	250.4	234.2
Financial indebtedness	91.6	121.5
Total liabilities	310.9	382.7

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Other Financial Data		
EBITDA[2]	46.2	70.0
EBITDA before exceptionals[2]	60.4	72.5
Capital expenditures	16.9	29.9

(1) Working capital represents net current assets (short-term assets less short-term liabilities).

(2) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies. Please see "*Presentation of Financial and Other Information—Other Financial Measures*".

The reconciliation of income from operations to EBITDA and EBITDA before exceptionals is as follows:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Income from operations	**23.2**	**46.4**
Depreciation and amortization	23.0	23.6
EBITDA	**46.2**	**70.0**
Exceptional items[a]	14.2	2.5
EBITDA before exceptionals	**60.4**	**72.5**

(a) Exceptional items consists of the following:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Styrolution consultancy costs	(2.2)	(2.5)
Site closure costs	(12.0)	—
Total exceptional items	(14.2)	(2.5)

INEOS ABS Business

The following table sets forth selected historical combined financial information of the INEOS ABS Business as of and for the years ended December 31, 2009 and 2010. This selected historical combined financial information has been derived from the audited combined financial information of the INEOS ABS Business included elsewhere in this offering memorandum. The INEOS ABS Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the INEOS ABS Business as recorded in the financial accounts of its parent company and relevant subsidiaries prior to the Joint Venture Transaction, subject to adjustments to effect the combination and certain other adjustments. For a complete description of the accounting principles followed in preparing the INEOS ABS Business's combined financial information, please see Note 1 "*Accounting Policies—Basis of preparation*" to the INEOS ABS Business's audited combined financial information included elsewhere in this offering memorandum.

	As of or For the Year Ended	
	December 31, 2009	**December 31, 2010**
	(€ in millions)	
Income Statement Data		
Sales	536.9	724.1
Cost of sales	(470.4)	(600.2)
Gross profit	**66.5**	**123.9**
Selling expenses	(41.8)	(49.7)
General and administrative expenses	(11.1)	(16.6)
Exceptional gain	92.7	—
Income from operations	**106.3**	**57.6**
Financial result	1.8	5.0
Income before tax	**108.1**	**62.6**
Income taxes	(15.5)	(14.7)
Net income	**92.6**	**47.9**
Cash Flows Data		
Cash provided by (used in):		
Operating activities	(15.3)	43.7
Investing activities	15.2	(3.5)
Financing activities	(2.4)	(2.3)
Balance Sheet Data		
Property, plant and equipment	34.2	38.3
Cash and cash equivalents	26.6	66.6
Working capital[(1)]	91.7	135.5
Total assets	263.4	341.0
Total owners' equity	109.8	159.2
Financial indebtedness	6.4	4.4
Other financial liabilities	13.5	10.3
Total liabilities	153.6	181.8

	As of or For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Other Financial Data		
EBITDA[(2)]	109.2	60.9
EBITDA before exceptionals[(2)]	16.5	60.9
Capital expenditures	2.0	4.2

(1) Working capital represents net current assets (current assets less current liabilities).

(2) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies. Please see "*Presentation of Financial and Other Information—Other Financial Measures*".

The reconciliation of income from operations to EBITDA and EBITDA before exceptionals is as follows:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Income from operations	**106.3**	**57.6**
Depreciation and amortization	2.9	3.3
EBITDA	**109.2**	**60.9**
Exceptional items[(a)]	(92.7)	—
EBITDA before exceptionals	**16.5**	**60.9**

(a) Exceptional items consists of the following:

	For the Year Ended	
	December 31, 2009	December 31, 2010
	(€ in millions)	
Net gain on settlement of contingent consideration on prior year acquisitions	62.7	—
Adjustment to fair value of derivative liabilities	30.0	—
Total exceptional items	92.7	—

Please see Note 3 "*Exceptional Items*" to the INEOS ABS Business's audited combined financial information included elsewhere in this offering memorandum.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information of Styrolution has been derived from the audited historical financial statements of the BASF Styrenics Business and the INEOS Styrenics Business and the audited historical financial information of the INEOS ABS Business included elsewhere in this offering memorandum, and has been adjusted to reflect the Joint Venture Transaction and related financings, and the payment of the Contribution Payment to BASF and/or its affiliates, and are prepared as described in the notes to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined balance sheet as set forth below as of December 31, 2010 has been derived from the audited combined balance sheets of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business as at December 31, 2010, assuming that the Joint Venture Transaction occurred at that date. It also assumes the issuance of Notes, the repayment of certain indebtedness and the payment of the Contribution Payment to BASF and/or its affiliates also occurred at that date.

The unaudited pro forma condensed combined income statement for the year ended December 31, 2010 has been derived from the audited combined income statements of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business for the year ended December 31, 2010, assuming that the Joint Venture Transaction, the repayment of certain indebtedness, and the issuance of the Notes occurred on January 1, 2010. This unaudited pro forma condensed combined income statement assumes that Styrolution has started its operations on January 1, 2010, though the Joint Venture Transaction will only be consummated at a later date, if at all.

The unaudited pro forma condensed combined financial information should be read in conjunction with "*Certain Definitions*", "*Presentation of Financial and Other Information*", "*The Transactions*", "*Pro Forma Liquidity and Capital Resources*", "*BASF Styrenics Business Operating and Financial Review and Prospects*", "*INEOS Styrenics Business Operating and Financial Review and Prospects*", "*INEOS ABS Business Operating and Financial Review and Prospects*", "*Risk Factors*", and all of the historical financial information and the notes thereto included elsewhere in this offering memorandum.

The unaudited pro forma adjustments are based upon currently available information and assumptions that we believe to be reasonable. The pro forma adjustments and related assumptions are described in the accompanying notes presented on the following pages in "*Notes to the Unaudited Pro Forma Condensed Combined Financial Information*".

The unaudited pro forma condensed combined financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act or the Prospectus Directive. The unaudited pro forma condensed combined financial information has been prepared in accordance with German standard IDW RH HFA 1.004, "*Preparation of pro forma financial information*".

The unaudited pro forma condensed combined financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that Styrolution would have reported had the Joint Venture Transaction been completed as of the dates set forth in this pro forma condensed combined financial information and should not be taken as indicative of Styrolution's future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the unaudited pro forma condensed combined financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the unaudited pro forma condensed combined financial information and actual amounts.

The unaudited pro forma condensed combined income statements do not include adjustments for (i) any revenue or cost savings synergies that may be achievable subsequent to the completion of the Joint Venture Transaction or (ii) the impact of non-recurring items directly related to the Joint Venture Transaction.

Styrolution

Unaudited Pro Forma Condensed Combined Balance Sheet

As of December 31, 2010

All amounts (€ in millions)	BASF Styrenics Business	INEOS Styrenics Business	INEOS ABS Business	Combined figures	Pro Forma Adjustments	Styrolution Pro Forma
Intangible assets	36.3	—	18.5	54.8	—	54.8
Property, plant and equipment	217.9	200.1	38.3	456.3	(25.8)	430.5
Financial assets	3.8	10.8	—	14.6	(2.0)	12.6
Deferred tax assets	2.7	2.1	4.7	9.5	—	9.5
Other receivables and miscellaneous long-term assets	6.9	—	12.0	18.9	(1.6)	17.3
Long-term assets	**267.6**	**213.0**	**73.5**	**554.1**	**(29.4)**	**524.7**
Inventories	291.1	158.5	65.4	515.0	(14.4)	500.6
Accounts receivable, trade	471.1	186.1	88.5	745.7	(10.7)	735.0
Other receivables and miscellaneous short-term assets	21.1	16.0	47.0	84.1	21.9	106.0
Cash and cash equivalents	5.4	43.3	66.6	115.3	(15.3)	100.0
Short-term assets	**788.7**	**403.9**	**267.5**	**1,460.1**	**(18.5)**	**1,441.6**
Total assets	**1,056.3**	**616.9**	**341.0**	**2,014.2**	**(47.9)**	**1,966.3**
Equity of shareholders	**723.0**	**234.2**	**148.9**	**1,106.1**	**(594.5)**	**511.6**
Non-controlling interests	—	—	10.3	10.3	—	10.3
Owners' equity	**723.0**	**234.2**	**159.2**	**1,116.4**	**(594.5)**	**521.9**
Provisions for pensions and similar obligations	2.1	42.4	12.3	56.8	(2.9)	53.9
Other provisions	10.2	17.7	16.8	44.7	—	44.7
Deferred tax liabilities	30.9	6.9	1.7	39.5	(0.3)	39.2
Financial indebtedness	—	—	2.2	2.2	477.8	480.0
Other liabilities	2.2	—	16.8	19.0	—	19.0
Long-term liabilities	**45.4**	**67.0**	**49.8**	**162.2**	**474.6**	**636.8**
Accounts payable, trade	238.6	153.0	50.6	442.2	(27.2)	415.0
Provisions	30.6	—	—	30.6	(0.7)	29.9
Tax liabilities	3.2	1.4	20.6	25.2	(1.4)	23.8
Financial indebtedness	0.2	121.5	2.2	123.9	116.1	240.0
Other liabilities	15.3	39.8	58.6	113.7	(14.8)	98.9
Short-term liabilities	**287.9**	**315.7**	**132.0**	**735.6**	**72.0**	**807.6**
Total owners' equity and liabilities	**1,056.3**	**616.9**	**341.0**	**2,014.2**	**(47.9)**	**1,966.3**

Styrolution

Unaudited Pro Forma Condensed Combined Income Statement

For the Year Ended December 31, 2010

All amounts (€ in millions)	BASF Styrenics Business	INEOS Styrenics Business	INEOS ABS Business	Combined figures	Pro Forma Adjustments	Styrolution Pro Forma
Sales	3,861.3	2,074.5	724.1	6,659.9	(219.2)	6,440.7
Cost of sales	(3,348.8)	(1,921.9)	(600.2)	(5,870.9)	198.2	(5,672.7)
Gross profit	**512.5**	**152.6**	**123.9**	**789.0**	**(21.0)**	**768.0**
Selling expenses	(207.7)	(89.4)	(49.7)	(346.8)	—	(346.8)
General and administrative expenses	(29.7)	(12.3)	(16.6)	(58.6)	—	(58.6)
Research and development expenses	(9.2)	(2.0)	—	(11.2)	—	(11.2)
Other operating income (expenses)	(0.6)	(2.5)	—	(3.1)	—	(3.1)
Income from operations	**265.3**	**46.4**	**57.6**	**369.3**	**(21.0)**	**348.3**
Interest income	0.2	—	1.6	1.8	(0.7)	1.1
Interest expense	—	(6.0)	(3.2)	(9.2)	(39.4)	(48.6)
Other finance income (expenses)	(0.6)	(0.9)	6.6	5.1	(5.3)	(0.2)
Financial result	(0.4)	(6.9)	5.0	(2.3)	(45.4)	(47.7)
Income before taxes and non-controlling interests	**264.9**	**39.5**	**62.6**	**367.0**	**(66.4)**	**300.6**
Income taxes	(79.4)	(4.1)	(14.7)	(98.2)	17.9	(80.3)
Income before non-controlling interests	**185.5**	**35.4**	**47.9**	**268.8**	**(48.5)**	**220.3**
Non-controlling interests	—	—	(2.4)	(2.4)	—	(2.4)
Net income	**185.5**	**35.4**	**45.5**	**266.4**	**(48.5)**	**217.9**
Other financial information						
EBITDA(1)	**322.6**	**70.0**	**60.9**	**453.5**	**(29.2)**	**424.3**
Exceptional items	(20.1)	2.5	—	(17.6)	—	(17.6)
EBITDA before exceptionals(1)	**302.5**	**72.5**	**60.9**	**435.9**(2)	**(29.2)**	**406.7**
Depreciation and amortization	(57.3)	(23.6)	(3.3)	(84.2)	8.2	(76.0)

(1) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies.

(2) This amount represents the aggregation of the stand alone businesses and the adjustments made in the pro forma statements (e.g., intercompany eliminations are not included).

Styrolution

Unaudited Pro Forma Condensed Combined Balance Sheet, showing Pro Forma Adjustments

As of December 31, 2010

All amounts (€ in millions)	Combined figures	Elimination intra-joint venture transactions	Financing	INEOS Styrenics Marl location	New service level agreements/ contracts	BASF Styrenics Ellba JV	Tax effects	Styrolution Pro Forma
Notes		**A**	**B**	**C**	**D**	**E**	**F**	
Intangible assets	54.8	—	—	—	—	—	—	54.8
Property, plant and equipment	456.3	—	—	(14.2)	—	(11.6)	—	430.5
Financial assets	14.6	—	—	(2.0)	—	—	—	12.6
Deferred tax assets	9.5	—	—	—	—	—	—	9.5
Other receivables and miscellaneous long-term assets	18.9	—	(1.6)	—	—	—	—	17.3
Long-term assets	**554.1**	**—**	**(1.6)**	**(16.2)**	**—**	**(11.6)**	**—**	**524.7**
Inventories	515.0	—	—	(0.1)	—	(14.3)	—	500.6
Accounts receivable, trade	745.7	(10.7)	—	—	—	—	—	735.0
Other receivables and miscellaneous short-term assets	84.1	—	5.3	(0.4)	—	(0.9)	17.9	106.0
Cash and cash equivalents	115.3	—	(15.3)	—	—	—	—	100.0
Short-term assets	**1,460.1**	**(10.7)**	**(10.0)**	**(0.5)**	**—**	**(15.2)**	**17.9**	**1,441.6**
Total assets	**2,014.2**	**(10.7)**	**(11.6)**	**(16.7)**	**—**	**(26.8)**	**17.9**	**1,966.3**
Equity of shareholders	**1,106.1**	**—**	**(596.4)**	**(10.5)**	**—**	**(5.5)**	**17.9**	**511.6**
Non-controlling interests	10.3	—	—	—	—	—	—	10.3
Owners' equity	**1,116.4**	**—**	**(596.4)**	**(10.5)**	**—**	**(5.5)**	**17.9**	**521.9**
Provisions for pensions and similar obligations	56.8	—	—	(2.9)	—	—	—	53.9
Other provisions	44.7	—	—	—	—	—	—	44.7
Deferred tax liabilities	39.5	—	—	(0.3)	—	—	—	39.2
Financial indebtedness	2.2	—	477.8	—	—	—	—	480.0
Other liabilities	19.0	—	—	—	—	—	—	19.0
Long-term liabilities	**162.2**	**—**	**477.8**	**(3.2)**	**—**	**—**	**—**	**636.8**
Accounts payable, trade	442.2	(10.7)	—	(0.8)	—	(15.7)	—	415.0
Provisions	30.6	—	—	(0.7)	—	—	—	29.9
Tax liabilities	25.2	—	—	(1.4)	—	—	—	23.8
Financial indebtedness	123.9	—	116.1	—	—	—	—	240.0
Other liabilities	113.7	—	(9.1)	(0.1)	—	(5.6)	—	98.9
Short-term liabilities	**735.6**	**(10.7)**	**107.0**	**(3.0)**	**—**	**(21.3)**	**—**	**807.6**
Total owners' equity and liabilities	**2,014.2**	**(10.7)**	**(11.6)**	**(16.7)**	**—**	**(26.8)**	**17.9**	**1,966.3**

Styrolution

Unaudited Pro Forma Condensed Combined Income Statement, showing Pro Forma Adjustments

For the Year Ended December 31, 2010

All amounts (€ in millions)	Combined figures	Elimination intra-joint venture transactions	Financing	INEOS Styrenics Marl location	New service level agreements/ contracts	BASF Styrenics Ellba JV	Tax effects	Styrolution Pro Forma
Notes		**A**	**B**	**C**	**D**	**E**	**F**	
Sales	6,659.9	(219.2)	—	—	—	—	—	6,440.7
Cost of sales	(5,870.9)	219.2	—	0.8	(3.2)	(18.6)	—	(5,672.7)
Gross profit	**789.0**	**—**	**—**	**0.8**	**(3.2)**	**(18.6)**	**—**	**768.0**
Selling expenses	(346.8)	—	—	—	—	—	—	(346.8)
General and administrative expenses	(58.6)	—	—	—	—	—	—	(58.6)
Research and development expenses	(11.2)	—	—	—	—	—	—	(11.2)
Other operating income (expenses)	(3.1)	—	—	—	—	—	—	(3.1)
Income from operations	**369.3**	**—**	**—**	**0.8**	**(3.2)**	**(18.6)**	**—**	**348.3**
Interest income	1.8	—	(0.7)	—	—	—	—	1.1
Interest expense	(9.2)	—	(39.5)	0.1	—	—	—	(48.6)
Other finance income (expenses)	5.1	—	(5.3)	—	—	—	—	(0.2)
Financial result	(2.3)	—	(45.5)	0.1	—	—	—	(47.7)
Income before taxes and non-controlling interests	**367.0**	**—**	**(45.5)**	**0.9**	**(3.2)**	**(18.6)**	**—**	**300.6**
Income taxes	(98.2)	—	—	—	—	—	17.9	(80.3)
Income before non-controlling interests	**268.8**	**—**	**(45.5)**	**0.9**	**(3.2)**	**(18.6)**	**17.9**	**220.3**
Non-controlling interests	(2.4)	—	—	—	—	—	—	(2.4)
Net income	**266.4**	**—**	**(45.5)**	**0.9**	**(3.2)**	**(18.6)**	**17.9**	**217.9**
Other financial information								
EBITDA[(1)]	**453.5**	**—**	**—**	**(0.4)**	**(3.4)**	**(25.4)**	**—**	**424.3**
Exceptional items	(17.6)	—	—	—	—	—	—	(17.6)
EBITDA before exceptionals[(1)]	**435.9**	**—**	**—**	**(0.4)**	**(3.4)**	**(25.4)**	**—**	**406.7**
Depreciation and amortization	(84.2)	—	—	1.2	0.2	6.8	—	(76.0)

(1) EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before exceptionals represents EBITDA less exceptional items. Although EBITDA and EBITDA before exceptionals should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements. EBITDA and EBITDA before exceptionals may not be comparable to similarly titled measures used by other companies.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Historical Financial Information

The selected historical condensed combined financial information presented as of and for the year ended December 31, 2010 has been derived from:

- the audited combined financial statements of the BASF Styrenics Business as of December 31, 2010 and 2009, and for the years then ended, included elsewhere in this offering memorandum;
- the audited combined financial statements of the INEOS Styrenics Business as of December 31, 2010 and 2009, and for the years then ended, included elsewhere in this offering memorandum; and
- the audited combined financial information of the INEOS ABS Business as of December 31, 2010 and 2009, and for the years then ended, included elsewhere in this offering memorandum.

2. Pro forma adjustments

Styrolution financial information has been included in our unaudited pro forma condensed combined financial information on an IFRS basis.

Styrolution is jointly controlled by BASF (through its direct and indirect interests in Styrolution Holding GmbH, a parent company of Styrolution) and INEOS Industries (through its direct interest in Styrolution Holding GmbH, a parent company of Styrolution) and therefore its formation meets the scope exemption outlined in IFRS 3, "*Business Combinations*" and no fair value purchase price allocation is required. Accordingly the unaudited pro forma condensed combined balance sheet reflects the combined financial information of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business at their carrying value as of December 31, 2010.

Note A—Elimination of intra-Joint Venture transactions

Adjustments have been made to eliminate intercompany balances and activity between the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business for the year ended December 31, 2010.

Note B—Financing

B1—Elimination of debt and cash of transferred businesses

As the Joint Venture Transaction is planned so that the businesses are transferred cash and debt free (except as otherwise agreed among the joint venture parties and subject to compliance with the covenants set forth under the heading "*Description of the Notes*") to the Joint Venture at closing, an adjustment has been recorded to eliminate financial liabilities of €126.1 million and cash of €115.3 million with an offsetting increase in owners' equity of €10.8 million. Accordingly, the associated interest expense of €6.7 million was eliminated against equity.

In addition, an adjustment to equity of €2.9 million has been recorded for the net of the INEOS ABS loan receivable and payable of €12.0 million and €9.1 million, respectively, as well as the respective lower interest income of €0.7 million.

B2—New financing and BASF SE payment

Adjustments have been recorded for the new financing of €720 million expected to be incurred by the joint venture and to be used for the payment of €600 million to BASF SE and/or its affiliates shown as a reduction to owners' equity of €600 million, additional cash of €100.0 million, incurred financing costs of €5.3 million and deferred financing costs of €14.7 million included in the line item "Other receivables and miscellaneous assets". The amounts included as cash and cash equivalents in the condensed combined pro-forma financial statements are expected to be required for the funding of operations including working capital and other expenses.

The financing of Styrolution is assumed through the issuance of the Notes offered hereby of €480 million, the Securitization Program with an assumed average utilization of €240 million (limit €500 million) and ancillary lines for instruments such as guarantees and letters of credit (no balance sheet impact) with an assumed average utilization of €20 million for fiscal year 2010.

The financing of Styrolution and the use of funds is as follows:

	Financial indebtedness
	€ in millions
Notes offered hereby (long-term)	480.0
Securitization Program (short-term)	240.0
Total new financing	**720.0**
Financing Fees (includes deferred financing fees of €14.7 million)	(20.0)
Payment to BASF	(600.0)
Cash and cash equivalents	**100.0**

The deferred financing fees of €14.7 million as of December 31, 2010 (includes €5.3 million short-term) are shown as other receivables and miscellaneous assets.

The recurring incremental interest expense is calculated as follows:

	Interest charge
	€ in millions
Total cash interest expense	46.2
Historic interest expense	(6.7)
Incremental interest expense	39.5
Amortization of financing fees	5.3
Total incremental financial expenses for the year ended December 31, 2010	**44.8**

The €480 million Notes are assumed to be issued by Styrolution Group GmbH as part of the financing of Styrolution. The notes are assumed to mature in five years. The proceeds from the Notes will initially be held in escrow and the actual proceeds available to Styrolution will be reduced by the interest expense incurred during the escrow period.

The Securitization Program will provide for the purchase of receivables in an aggregate amount not to exceed the equivalent of €500 million for the 3-year period from the closing date. The average utilization for the year ended December 31, 2010 is assumed at €240 million.

Ancillary lines in the amount of €30 million are assumed to be signed before closing. The ancillary lines will be used for instruments such as guarantees and letters of credit. Termination date is assumed to be 5 years after the closing date. During fiscal year 2010 the assumed average utilization of the ancillary lines is €20.0 million. Styrolution is currently expected to have access to letters of credit (limit approximately US$35 million) through its Indian operations and a non-committed receivables based finance program (limit US$40 million). Please see "*Description of Other Indebtedness—Other Financing*".

Interest expense of €46.2 million reflects an assumed average cost of debt of 6.4%.

The financing cost totaling €20.0 million is assumed to be amortized over the tenures of the respective financing (3 to 5 years). The amortization for the year ended December 31, 2010 totals €5.3 million.

No credit for interest receivable on cash balances has been recognized in the pro forma condensed combined statement of income.

Note C—Elimination INEOS Styrenics Marl location

The Styrolution joint venture partners decided not to take over the INEOS Styrenics entity located in Marl, Germany. Although INEOS Styrenics Marl will not be transferred to Styrolution, it will supply Styrolution under a new tolling agreement. The adjustment of €0.8 million in cost of sales reflects the decreased depreciation charge, partly offset by additional costs of the tolling agreement. The reduction of the interest expense by €0.1 million reflects the old financing of the entity, which will not affect the statement of income of Styrolution. The pro forma adjustment also excludes all assets (€16.7 million) and liabilities (€6.2 million) of INEOS Marl from Styrolution.

Note D—New service level agreements / contracts

An adjustment of €3.2 million has been recorded to cost of sales to reflect higher costs from service level agreements for energy and rent between BASF and Styrolution. After the formation of Styrolution, BASF will continue to supply Styrolution with energy at certain sites, though additional governmental energy charges will be incurred and passed on to Styrolution. Also, the production space used by the BASF Styrenics Business in Ludwigshafen was retained by BASF and the incremental rent expense compared to the expenses included in the historic BASF Styrenics financials is included in the adjustment.

Note E—BASF Styrenics Ellba Moerdijk joint venture and Ellba Eastern joint venture

Adjustments of €18.6 million have been made to cost of sales to reflect the higher costs for the purchase of styrene monomer (SM) from the Ellba joint ventures since the material margin is expected to decrease in the year ended December 31, 2010 due to the change from a cost plus formula to a market index-based formula. An adjustment to reduce assets by €26.8 million and liabilities by €21.3 million is reflected in the balance sheet since those are retained by BASF SE.

The Ellba Moerdijk joint venture and Ellba Eastern joint venture (joint ventures between BASF Group and Shell) will not be transferred to Styrolution although Styrolution will continue to receive styrene monomer (SM) from the Ellba joint ventures based on agreed take-or-pay supply contracts. These contracts will have a term of 5 years starting from the closing date. The pricing for these purchases in the Styrolution term sheets are market index-based formulae replacing previous internal cost plus formulae.

The material margin may vary due to the change from a cost-plus formula to a market index-based formula.

Note F—Tax effects

Represents the tax effect of all pro forma adjustments with an impact on "Income before taxes and non-controlling interests". These pro forma tax adjustments are calculated using an estimated tax rate of 27% (based on 2010 combined figures). The balance sheet tax effect of the new financing structure and other pro forma adjustments is included in tax receivables in the line item "Other short-term receivables".

PRO FORMA LIQUIDITY AND CAPITAL RESOURCES

After the Joint Venture Transaction, our liquidity needs are expected to arise primarily from the need to meet debt service requirements, to fund capital expenditures, to fund working capital and to pay taxes. Our primary sources of liquidity are expected to be cash flows from operations and the Securitization Program, as well as ancillary lines such as the Receivables Financing Program and the Indian LCs. Our ability to generate cash from 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, as well as the other factors discussed in the section entitled "*Risk Factors*".

Financing Arrangements

After giving effect to the Transactions, we will have a Securitization Program of €500 million, of which we expect the initial utilization to be approximately €240 million. As of December 31, 2010, on an as adjusted basis after giving effect to the Transactions, we expect to have cash on hand of €100 million.

We believe that our operating cash flows, together with future borrowings under the Securitization Program and ancillary lines, will be sufficient to fund our debt service requirements as they become due and to fund anticipated capital expenditures and working capital requirements, although this may not be the case. In particular, our ability to borrow under the Securitization Program is limited by our compliance with restrictions in the governing instrument.

If our future cash flows from operations and other capital resources (including borrowings under the Securitization Program) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the Indenture will also contain customary affirmative and negative covenants, including restrictions on additional indebtedness, dividend payments, intercompany and other loans, acquisitions, disposals, liens and pledges, transactions with affiliates and amendments to material agreements, each of which may limit our ability to pursue some of these alternatives.

The Indenture and the Securitization Program will also contain certain customary events of default, being certain events relating to our business and assets or those of our subsidiaries which, if any such event were to occur, might result in the acceleration of the indebtedness under the Indenture governing the Notes and the Securitization Program. Please see "*Description of the Notes*" and "*Description of Other Indebtedness*".

Working Capital

We anticipate that our working capital requirements will fluctuate, primarily due to changes in feedstock and energy costs resulting in changes to inventory and levels of accounts payable, which will be offset to a lesser or greater extent by changes in accounts receivable. We expect to fund our working capital requirements with cash generated from operations, the Securitization Program and ancillary lines.

Capital Expenditures

We intend to manage capital expenditures to maintain our well-invested asset base. The supervisory board of directors of Styrolution Holding GmbH, our indirect parent company, will review all existing capital expenditure programs, and will review and approve future programs. We expect aggregate capital expenditure to be around €90 million in 2011 and €80 million in 2012, which we currently expect to fund from cash flow.

BASF STYRENICS BUSINESS OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the "Business" section, the historical combined financial statements of the BASF Styrenics Business and the notes thereto and the unaudited pro forma condensed combined financial information of Styrolution and the notes thereto, in each case included elsewhere in this offering memorandum. The following discussion and analysis also includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum. Please see "Forward-Looking Statements" and "Risk Factors".

The BASF Styrenics Business

The BASF Styrenics Business was carved-out of the BASF Group's global business in 2010. The BASF Styrenics Business produces styrene monomer (SM), polystyrene (GPPS and HIPS), acrylonitrile-butadiene-styrene (ABS), styrene-butadiene copolymers (SBC) and copolymers and blends such as ASA, SAN, MABS and ABS+PA. Products are sold under brands such as Terluran®, Styrolux® and Luran S®. The BASF Styrenics Business holds a global market position and is a leader in Europe, offers a balanced portfolio of high quality products and operates a number of world scale facilities.

Presentation of the BASF Styrenics Business's Results of Operations

The BASF Styrenics Business prepared this discussion and analysis of its results of operations by comparing its combined statements of income and other financial statements as of and for the years ended December 31, 2010 and 2009. The BASF Styrenics Business's combined financial information is presented in euro, which is its functional and reporting currency.

The BASF Styrenics Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the BASF Styrenics Business as recorded in the financial accounts of its parent company prior to the Joint Venture Transaction, subject to certain adjustments. The financial information was prepared on a combined basis in accordance with IFRS. For a complete description of the accounting principles followed in preparing the BASF Styrenics Business combined financial information, please see Note 1 "*Summary of Accounting Policies*" to the BASF Styrenics Business audited combined financial statements included elsewhere in this offering memorandum.

Key Factors Affecting the BASF Styrenics Business

The BASF Styrenics Business results of operations are driven by a combination of factors affecting the styrene, polystyrene, ABS and copolymers industries, as well as those affecting the chemicals industry generally, including general economic conditions, prices of raw materials and energy, global supply and demand for its products and environmental legislation and initiatives. The BASF Styrenics Business results of operations are also impacted by company-specific structural and other operational factors, and its future liquidity and capital resources will be impacted by the effects of the Transactions, including the Offering. Please see "*Pro Forma Liquidity and Capital Resources*". Set forth below is an overview of the key drivers that have affected the historical results of operations of the BASF Styrenics Business and are expected to affect its results of operations in future periods.

Supply and demand

Margins in the BASF Styrenics Business and chemicals industry generally are strongly influenced by industry utilization, which is in turn a function of supply and demand for the business's products as well as for its principal feedstocks. The markets for most plastic and synthetic rubber products are mature, so overall growth in the styrene and polystyrene market tends to correlate with global GDP growth. Many ABS and styrene copolymer applications tend to grow slightly faster than global GDP growth rates, particularly in growth regions such as in Central and Eastern Europe and in Asia. As demand for products increases and approaches available supply, utilization rates rise, and prices and margins typically increase. Supply is cyclical, generally characterized by periods of tight supply, leading to high operating rates and margins, followed by periods of oversupply primarily resulting from significant capacity additions, leading to reduced operating rates and lower margins. Please see "*Industry and Market Overview—The Styrene Market—Supply and Demand for Styrene*", "*—The Polystyrene Market—Supply and Demand for Polystyrene*" and "*—The ABS Markets—Supply and Demand for ABS*". Certain copolymer products of the BASF Styrenics Business, such as SBC (Styrolux®), SAN (Luran®), ASA (Luran S®), MABS (Terlux®) and ABS+PA (Terblend N®), have historically been less sensitive to such cyclicality.

In addition to being cyclical, margins are also susceptible to potentially significant swings in the short term. This volatility can be caused by a number of factors, including planned or unplanned plant outages, political and economic conditions driving rapid changes in prices for key feedstocks and changes in inventory management policies by customers (such as inventory building or de-stocking in periods of expected price increases). Planned overhauls of production plants, which usually occur every five years, impact inventory levels and fixed costs. The inventory level will be built up before the overhaul in order to secure supply during the phase of the outage, and fixed costs will increase because of the costs of the outage, if not capitalized and depreciated over time.

Europe is long in styrene monomer capacity and is a net exporter. Nexant forecasts that demand for styrene will slowly recover from the recent trough at around 1% per annum, so that over time, the current operating rate of about 80% will increase and the region will become balanced. One feature of the European market is the PO/SM production process whereby styrene is a co-product in a process which produces propylene oxide. This can mean that the rate at which those styrene facilities are producing can be influenced by demand for propylene oxide and not only styrene.

European polystyrene demand dropped sharply during the recent economic downturn and is not forecast to fully recover, as projected growth rates for the future are relatively low at 1% per annum. Despite this, however, the industry operating rate in Europe has increased sharply during the last two years as the result of capacity closures. Approximately 25% of capacity has been closed or suspended in the industry between 2002-2009, resulting in an improved overall supply and demand balance, according to Nexant.

ABS demand growth is strongest in Asian markets (especially China), where overall economic growth rates and consumption of plastics is higher compared to developed economies. In 2010, the global market demand for ABS was 6.5 million tonnes, of which Asia represented almost 4.9 million tonnes, or approximately 75% of global demand, with China accounting for almost 4 million tonnes, or 60%, according to Nexant. Global economic activity and the level of demand in China and other Asian economies significantly impacts the ABS component of the BASF Styrenics Business. When economic growth in Asia (and China in particular) slows, ABS demand growth typically slows, creating oversupply. As a result, prices tend to fall and margins decline. Such reduced economic activity also increases the ABS product flows from Asia into Europe as large scale Asian producers seek to maintain high utilization rates and increase sales outside local markets. This creates oversupply in Europe, causing margins to decline.

Opportunities and risks from competing plastics

The BASF Styrenics Business is affected by product substitution. The risk of substitution for styrene as an input in the production of other products is low, but because certain styrene derivatives, such as polystyrene and ABS, and end products can be substituted by other products, the demand for styrene is also affected by the availability of substitutes for styrene-based plastics and synthetic rubber products. The polystyrene market has come under pressure due to competition from alternative polymers, particularly polypropylene (PP) and polyethylene terephthalate (PET) (including recycled PET), as well as other materials such as polylactic acid (PLA) and paper, which can be used in packaging applications as substitutes for polystyrene. Switching costs are relatively low, as modern conversion lines can generally be switched between polymers, though investment may be required to process PET, and in some cases to process PP. According to Nexant, this trend has reduced recently, as lower cost benzene has improved polystyrene's competitive position, but demand for polystyrene remains sensitive to the price differential between polystyrene and PP.

ABS is regarded as a "bridge" polymer between commodity plastics and higher performing engineering thermoplastics. Certain lower-end applications can replace ABS with less expensive materials (such as PP or polystyrene), and certain higher-end applications can replace ABS with more technical and more expensive plastics such as polycarbonate (PC). There has been a long-term trend for customers serving the low end automotive sector to switch away from ABS in favor of PP and for the ABS interior parts of fridges to be replaced by HIPS. On the other hand, ABS can and does replace the bottom end of higher performing plastics such as PC, ASA and blends of ABS such as PC/ABS, ABS+PA and MABS, particularly in higher-end applications (*e.g.*, automotive). There is also a relatively high degree of supply-side substitution between ABS and ABS blends because the blends are produced simply by compounding ABS with other polymers. There is also some degree of supply-side substitution between PS and ABS for plants using certain production processes.

This substitution provides a greater risk to polystyrene (and, indirectly, styrene), but also to ABS grades, when pricing is high, because customers may move out of polystyrene or ABS, respectively, into better value thermoplastics. Substitution can also be driven by other factors, such as the desire to use products perceived to be easier to recycle. The ability to withstand substitution but take advantage of other sales opportunities will have an impact on the mix of sales and hence the profitability of the BASF Styrenics Business.

Fluctuations in the price of raw materials

The margins of the BASF Styrenics Business are largely a function of the relationship between the prices that the business is able to charge for its products and the costs of the raw materials required to make those products. In the BASF Styrenics Business, raw materials represent approximately 80% of total operating costs. The business's key raw materials are benzene, ethylene, acrylonitrile, butadiene and styrene, all of which have historically demonstrated volatility in pricing. For example, during 2004-2007, benzene supply was extremely tight, and prices were high and volatile. In 2008, supply improved but high energy prices kept benzene prices high. Since the recent economic decline, benzene availability has improved and benzene pricing has eased.

While the BASF Styrenics Business attempts to match raw material price increases with corresponding product price increases, its ability to pass on increases in the cost of raw materials to its customers is, to a large extent, dependent upon market conditions, and increases in raw material costs that cannot be passed on impact the gross margins of the business. But in 2010, for example, raw material cost rose by approximately 40%, whereas margins largely remained stable or increased. Changes in raw material prices also have an impact on the working capital of the BASF Styrenics Business. Periods of increasing raw material prices also generally result in increases in working capital, while falling raw material prices generally result in reduced working capital.

The BASF Styrenics Business purchases its raw materials under contracts and on the spot market, which the business believes positions itself to secure raw materials at the best available price. The majority of raw material requirements are secured by contract to ensure that material is available (barring extraordinary circumstances) and that cost is known and can be referenced to available indices, which facilitates forecasts and sales pricing decisions. The BASF Styrenics Business raw material contracts include cost formulae based on underlying prices for styrene or its precursors, and in most cases refer to published independent market indices for either monomers or raw materials.

The BASF Styrenics Business exploits its proximity to raw material suppliers to optimize purchase cost and minimize freight costs. For example, at its facilities in Antwerp, Ludwigshafen and Ulsan, the BASF Styrenics Business purchases some key raw materials via pipeline, where available, and the business also utilizes its affiliates' backward integration into raw materials to provide security of supply. Historically, especially in Europe, the BASF Styrenics Business purchased a substantial amount of its key raw materials like benzene, ethylene, butadiene and butyl acrylate from members of the BASF Group.

Foreign currency exchange rate fluctuations

The BASF Styrenics Business results of operations may be affected by both the transaction effects and translation effects of foreign currency exchange rate fluctuations. The transaction impact on the business has historically been rather limited as purchases of raw material as well as sales to customers are usually handled in the same currency. Translation effects affect business results in countries outside the Euro-zone, as income or expense recorded in local currency is translated into euro for inclusion in the business's financial results.

Environmental considerations

The BASF Styrenics Business results of operations are affected by environmental regulations and environmental considerations generally. The business invests a significant amount of financial and technical resources in order to maintain compliance with environmental requirements. The BASF Styrenics Business may also incur remediation, decommissioning and upgrade or closure costs in connection with its production facilities and other locations. A considerable percentage of investments of fixed assets is related to HSSE.

Results of Operations

Financial Highlights

The following table sets forth, for the periods indicated, certain financial highlights of the BASF Styrenics Business.

	2009	2010
	(€ in millions)	
Total Assets	794.1	1,056.3
Total Liabilities	252.5	333.3
Total Owners' Equity	541.6	723.0
Sales	2,829.7	3,861.3
Gross Profit	381.7	512.5
Net Income	119.1	185.5

Description of Key Line Items

Combined Statement of Income

Set forth below is a brief description of the composition of the key line items of the BASF Styrenics Business combined statement of income:

Sales. Sales represents the invoiced value of company-owned products, revenue from conversion of products, revenue from merchandise, commission and royalty revenue, net of sales discounts and value added taxes.

Operating costs. Operating costs have been allocated to specific categories in accordance with the requirements of IFRS. The main categories are cost of sales, selling expenses, general and administrative expenses, research and development expenses and other operating income (expenses):

- *Costs of sales.* Costs of sales includes costs of materials and finished products, costs of merchandise as well as variable and fixed manufacturing and conversion costs. Such manufacturing costs typically include costs of raw materials, utilities, direct wages and salaries, repairs and maintenance, consumables, depreciation charges and overhead attributable to production and environmental protection costs.
- *Selling expenses.* Selling expenses typically include expenses connected with the marketing of products as well as shipping and distribution costs. They include general selling costs such as advertising and sales promotion costs, technical service costs, salaries and wages, licensing costs and depreciation of property, plant and equipment belonging to the sales organization. Shipping costs generally include costs in connection with the preparation for shipment of products, as well as personnel costs and allocated overheads. Distribution costs include commissions, freight and packaging materials.
- *General and administrative expenses.* General and administrative expenses generally include wages and salaries, direct and indirect overheads, professional fees, rents and office supplies and depreciation on property, plant and equipment, which are not attributable to the manufacturing, sales organizations or research and development, as well as the amortization of intangible assets.
- *Research and development expenses.* Research and development expenses include costs directly related to activities aiming to obtain new knowledge and the search for alternative or better materials, devices or products. They typically include registration costs of new products, licensing costs, salaries and wages, consumables, utilities, office charges, rent and depreciation on property, plant and equipment belonging to the research organization. Research and development expenses are net of governmental grants and subsidies.
- *Other operating income (expenses).* Other operating income and expenses typically include income from dissolution of provisions, expenses due to appropriation to provisions, inventory valuation adjustments, and foreign currency translation adjustments. They also include exceptional items, such as accounting transactions that have a lasting effect on the company or which change the operating result of the operating business beyond the scope of results achieved within the framework of normal business routines. This typically includes restructuring measures, profits and losses from the sale of businesses, asset impairments and revaluations, provisions for removal of ground contamination and dangerous waste.

Financial result. Financial result includes interest expense from financial indebtedness and short term loans, interest income from liquid funds and other interest income, financing result from pension obligations as well as write ups- or write-downs of securities and loans.

Other Financial Information (non-IFRS)

Set forth below is a brief description of the composition of the other financial information set forth in the BASF Styrenics Business results of operations below:

EBITDA before exceptionals. EBITDA before exceptionals is a non-GAAP measure that represents income from operations plus depreciation of property, plant and equipment, amortization of intangible assets less exceptional items. Please see "*Presentation of Financial and Other Information—Other Financial Measures*". For a reconciliation of income from operations to EBITDA before exceptionals please see footnote 2 to the table in "*Selected Historical Financial Information—BASF Styrenics Business*".

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

The following table sets forth, for the periods indicated, amounts relating to the BASF Styrenics Business's combined results of operations and such amounts as a percentage of sales:

Combined	**For the year ended December 31,**			
	2009		**2010**	
	€	**%**	**€**	**%**
	(€ in millions)			
Sales	2,829.7	100.0	3,861.3	100.0
Cost of sales	(2.448.0)	86.5	(3,348.8)	86.7
Gross profit	381.7	13.5	512.5	13.3
Selling expenses	(183.9)	6.5	(207.7)	5.4
General and administrative expenses	(26.5)	0.9	(29.7)	0.8
Research and development expenses	(9.1)	0.3	(9.2)	0.2
Other operating income	26.6	0.9	47.3	1.2
Other operating expenses	(20.1)	0.7	(47.9)	1.2
Income from operations	168.7	6.0	265.3	6.9
Thereof income from exceptionals	*11.0*	*0.4*	*20.1*	*0.5*
Net finance income (expense)	(2.3)	(0.1)	(0.4)	(0.0)
Income before taxes	166.4	5.9	264.9	6.9
Income taxes	(47.3)	1.7	(79.4)	2.1
Net Income	**119.1**	**4.2**	**185.5**	**4.8**
EBITDA before exceptionals	**222.3**	**7.9**	**302.5**	**7.8**

Sales. Sales increased by €1,031.6 million, or 36.5%, to €3,861.3 million. The increase is mainly due to higher raw material prices passed to the customers and increased sales volumes estimated at 3% for polystyrene, 12% for ABS and 17% for copolymers. Styrene monomer sales volumes stagnated in 2010, but revenues increased due to higher market prices.

Cost of Sales. Cost of sales increased by €900.8 million, or 36.8%, to €3,348.8 million in line with sales development. This increase is largely attributable to increases in feedstock pricing but also a consequence of larger volumes produced.

Gross profit. Gross profit increased by €130.8 million, or 34.3%, to €512.5 million compared to €381.7 million in the previous year. The growth in gross profit is primarily attributable to higher margins in polystyrene and ABS in all regions, driven largely by higher demand.

Selling expenses. Selling expenses increased by €23.8 million, or 12.9%, to €207.7 million compared to €183.9 million. The increase is mainly due to higher distribution costs (freight) and additional selling expenses.

General and administrative expenses. General and administrative expenses increased by €3.2 million, or 12.1%, to €29.7 million compared to €26.5 million in the previous year. The increase is due to higher corporate cost allocations as well as additional expenses due to changes in management.

Research and development expenses. Research and development expenses increased by €0.1 million, or 1.1%, to €9.2 million compared to €9.1 million in the previous year. The increase is mainly due to increased basic research in the copolymer and ABS product areas.

Other operating income. Other operating income increased by €20.7 million to €47.3 million compared to €26.6 million in the previous year. The increase is mainly attributable to exceptional items. The income in 2009 is largely caused by the sale of assets in Korea and Brazil. The increase in 2010 is mainly due to the revaluation of assets in Mexico (€38.9 million), which were previously impaired (2008).

Other operating expenses. Other operating expenses increased by €27.8 million to €47.9 million, compared to €20.1 million in the previous year. The increase is mainly attributable to expenses in connection with the carve-out of the BASF Styrenics Business from the BASF Group (exceptional items) and higher sales allowances for customers, additional write-offs of obsolete inventories and additional cost of demolition and removal of fixed assets.

EBITDA before exceptionals. EBITDA before exceptionals increased by €80.2 million from €222.3 million to €302.5 million for the year ended December 31, 2010. This increase was primarily attributable to increased sales volumes at higher prices. Income from exceptionals increased by €9.1 million to €20.1 million, compared to €11.0 million in the previous year. The increase is mainly due to higher income from the revaluation of assets in Mexico in 2010 compared to the income from the sale of assets in Brazil and Korea in 2009. In both years exceptional income was greater than restructuring expenses associated with the carve-out from the BASF Group. Exceptional items were recorded in other operating income and expenses.

Financial result. Financial result decreased by €1.9 million to €0.4 million compared to €2.3 million in the previous year. The decrease is mainly due to lower write-downs of loans and interest cost for pension obligations as well as higher interest income in 2010 mainly attributable to Stryrolution India Private Ltd.

Liquidity and Capital Resources

Historically, the BASF Styrenics Business liquidity requirements arose primarily from capital spending and net working capital requirements. After the Joint Venture Transaction, the BASF Styrenics Business liquidity requirements will be evaluated in connection with the broader requirements of Styrolution. For a discussion of Styrolution's liquidity and capital resources, Please see "*Pro Forma Liquidity and Capital Resources*".

Capital Expenditures

Capital expenditures for 2010 amounted to €36.9 million, and for 2009 amounted to €19.1 million. Future capital expenditures will be managed by the supervisory board of directors of Styrolution Holding GmbH, our indirect parent company. Please see "*Pro Forma Liquidity and Capital Resources—Capital Expenditures*".

Historical Liquidity and Capital Resources

The cash flow statement is calculated in accordance with the indirect method.

During the years ended December 31, 2010 and 2009, the BASF Styrenics Business's cash flow was as follows:

	For the year ended December 31, 2009	For the year ended December 31, 2010	changes
	(€ in millions)		
Net Income	**119.1**	**185.5**	**66.4**
Depreciation and amortization of intangible assets, property, plant and equipment	64.6	57.3	(7.3)
Changes in pension provisions, defined benefit assets and other non-cash items	(2.3)	(1.8)	0.5
Net changes from asset impairments and disposal of long-term assets	(18.5)	(40.7)	(22.2)
Changes in net working capital	(105.1)	(140.3)	(35.2)
Cash provided by operating activities	**57.8**	**60.0**	**2.2**
Capital expenditures	(19.1)	(36.9)	(17.8)
Proceeds from divestitures and disposal of long-term assets	30.1	3.0	(27.1)
Cash provided by (used in) investing activities	**11.0**	**(33.9)**	**(44.9)**
Cash provided by (used in) financing activities	**(66.5)**	**(23.3)**	**43.2**
Changes in cash	**2.3**	**2.8**	**0.5**

Historical cash provided by operating activities

The increase of €2.2 million in cash provided by operating activities generated by the BASF Styrenics Business comprised mainly an increase of net income by €66.4 million, reduced by the increase of €35.2 million in net working capital, the increase of €22.2 million related to the adjustments of asset impairments and gains from disposals of long-term assets, and the decrease of depreciation of €7.3 million and an increase in provisions and defined benefit assets of €0.5 million in 2010 compared to 2009.

The €35.2 million changes in net working capital between 2010 and 2009 are mainly attributable to the increase of inventories of €106.3 million, the increase of receivables from trade of €100.1 million and the increase of payables and provisions of €66.1 million during 2010, while in the previous year a decrease of inventories of €30.6 million, an increase of receivables from trade of €53.5 million and a decrease of payables and provisions of €82.2 million was recorded.

Historical capital expenditures

The BASF Styrenics Business's capital expenditures are attributable to the cost of additions to intangibles, property, plant and equipment and financial assets. Capital expenditures increased from €19.1 million in the year ended December 31, 2009 to €36.9 million in the year ended December 31, 2010. This increase mainly includes capitalized expenses of a regular overhaul in Antwerp and medium sized investment projects for capacity enhancement purposes in Antwerp, Ulsan and Ludwigshafen and diverse maintenance expenditures.

Historical proceeds from divestitures and disposal of long-term assets

The BASF Styrenics Business decrease in proceeds from divestitures and of long-term assets of €27.1 million between 2010 and 2009 is mainly due to recorded proceeds of €3 million in 2010, which included a book gain of €1.8 million compared to proceeds in total of €30.1 million in 2009, of which €29.3 million are primarily attributable to the sale of the polystyrene business in Brazil and the styrene monomer plant in Ulsan, Korea. This sale also resulted in a gain of €18.5 million in 2009.

Historical cash provided by (used in) investing activities

The cash flow provided from investing activities decreased by €44.9 million from a cash inflow of €11.0 million in 2009 to a cash outflow of €33.9 million in 2010. The decrease is mainly due to the higher capital expenditures in 2010 and lower proceeds from divestitures and disposal of long-term assets that where recorded in 2009 due to the disposal of the polystyrene plant in Brazil and styrene monomer plant in Korea.

Historical cash provided by (used in) financing activities

"Parent net investment" represents the difference between the value of the assets at its historical costs and the liabilities of the BASF Styrenics Business. Except for Styrolution India Private Ltd., the BASF Styrenics Business did not form any separate legal entities prior to the carve-out from the BASF Group in 2011. Therefore cash and cash equivalents, as well as any financing related balances, were managed on a centralized basis and not allocated to the BASF Styrenics Business. They are part of the parent net investment. Changes in parent net investment represent cash surplus or financing needs of the BASF Styrenics Business with other legal entities of the BASF Group. They are determined by the change in net assets for the respective period not reflected in the income statement (retained earnings). This resulted in a decrease of parent net investment of €23.5 million combined with an increase in financial debt of €0.2 million in India in 2010 and a decrease of parent net investment of €66.5 million in 2009, respectively.

Off-Balance Sheet Arrangements

The BASF Styrenics Business uses various customary off-balance sheet arrangements, such as operating leases, to finance its business. None of these arrangements has or is likely to have a material effect on the BASF Styrenics Business results of operations, financial condition or liquidity.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of its business, the BASF Styrenics Business is exposed to a variety of market risks arising from raw material prices and fluctuations in foreign currency exchange rates. To manage these risks effectively, the BASF Styrenics Business may enter into hedging transactions and use derivative financial instruments, pursuant to established internal guidelines and policies, to mitigate the adverse effects of these market risks. The BASF Styrenics Business does not enter into financial instruments for trading or speculative purposes.

In the case of raw materials, this exposure principally arises from movements in the prices of the feedstocks required to make the BASF Styrenics Business products. The feedstocks and raw materials upon which the BASF Styrenics Business depends in its styrene monomer, polystyrene and ABS production are benzene, ethylene, acrylonitrile, butadiene and styrene. The prices for benzene, ethylene, acrylonitrile, butadiene and styrene tend to be volatile. Please see "*—Key Factors Affecting the BASF Styrenics Business—Fluctuations in the price of raw materials*". The BASF Styrenics Business generally acquires raw materials and sells finished products at market-related prices, which are typically set on a monthly or more frequent basis in line with industry practice. The BASF Styrenics Business seeks to minimize reductions in its margins by passing through raw material and energy cost increases to its customers through higher prices for its products.

For a discussion of exchange rate fluctuations, please see "*—Key Factors Affecting the BASF Styrenics Business—Foreign currency exchange rate fluctuations*".

Critical Accounting Estimates

The BASF Styrenics Business financial information included in this offering memorandum has been prepared and presented in accordance with IFRS. Please see "*Certain Definitions*", "*Presentation of Financial and Other Information*" and the notes to the audited financial statements elsewhere in this offering memorandum.

The BASF Styrenics Business reported financial condition and results of operations are sensitive to accounting policies, assumptions and estimates that underlie the preparation of the BASF Styrenics Business's financial statements. The critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered, together with reviewing the BASF Styrenics Business's financial statements and the discussion in this offering memorandum.

The BASF Styrenics Business makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The BASF Styrenics Business has discussed the development and selection of these critical accounting policies and estimates with its independent auditors.

The carrying amount of assets, liabilities and provisions in the BASF Styrenics Business combined financial statements depends on the use of estimates and assumptions. They are based on the circumstances and estimates on the balance sheet date and affect the reported amounts of revenues and expenses during the reporting periods. These assumptions affect the selection of useful lives of property, plant and equipment and intangible assets, the measurement of provisions, the carrying amount of investments, and other similar evaluations of assets and obligations. Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates.

Revenue recognition

Revenue from the sale of goods or the rendering of services is recognized upon the transfer of ownership and risk to the buyer. Revenue is valued at the fair value of the consideration and is reported without sales taxes. Expected rebates and other trade discounts are either deferred or deducted. Provisions are made to cover the return of products, estimated future warranty obligations and other claims. In certain cases, customer acceptance is required on delivery. In these cases, revenue is recognized after customer acceptance occurs.

Payments relating to the sale or licensing of technologies or technological expertise are recognized in income according to the contractually agreed transfer of the rights and obligations associated with those technologies.

Goodwill

Goodwill has to be allocated to cash-generating units and tested for impairment once a year. Impairment losses are recorded when the carrying amount of the cash-generating unit exceeds the recoverable value. Impairment testing relies upon long-term earnings predictions based on economic trends. For impairment testing, the Capital Asset Pricing Model is used with the weighted average cost of capital ("WACC"). The WACC is made up of the risk-free interest rate, the beta of a share of BASF as well as assumptions as to the spread for credit risk and the market risk premium for the cost of equity. Additional assumptions include forecasts for the detailed planning period and the resulting growth rates used.

Intangible assets and property, plant and equipment

The estimated useful life and method chosen are based on historical values, plans and estimates. Estimates are made on the period and distribution of future cash inflows.

Impairment

Impairment tests on assets are required whenever certain triggering events indicate that an assessment is necessary. External triggering events include, for example, changes in customer industries, technologies used and economic declines. Internal triggering events for an impairment include lower product profitability, planned restructuring measures or physical damage to assets. Impairment tests are based on a comparison of the carrying amount and the recoverable amount. The recoverable amount is the higher of net realizable value and value-in-use. The determination of value-in-use requires the estimation and discounting of cash flows. The estimation of cash flows and assumptions used consider all information available on the respective balance sheet date on the future development of the operating business and may deviate from actual future developments. An impairment charge is taken for the difference between the recoverable amount and the carrying amounts. Should the reasons for the impairment no longer be valid, then reversals are taken up to, but not exceeding, the value of the amortized cost.

Stocks

Stocks and work in progress are stated at the lower of costs and net realizable value. Costs include an appropriate proportion of relevant production overheads and are attributed to stocks on a weighted-average formula basis. If the net realizable value is lower, an impairment charge is recorded.

Deferred tax assets/liabilities

The realization of deferred tax assets depends on the future taxable profits of the respective group companies. Corresponding allowances are recorded when it is uncertain if future earnings will be sufficient to take advantage of the tax loss carryforwards. The continued valuation of deferred tax assets is based on internal projections, including estimates of the future earnings of the business.

Receivables and loans

Receivables and loans are valued at amortized cost using the effective interest method. Valuation adjustments for receivables and loans are recognized in income. Evidence for a valuation adjustment could be, for example, when the financial difficulties of a debtor become known or payment delays occur. When assessing the need for a valuation adjustment, regional and sector-specific conditions are considered. In addition, the business makes use of internal and external ratings as well as the assessments of debt collection agencies and credit insurers, when available. A substantial proportion of receivables is covered by credit insurance. Only those receivables which are not covered by insurance or other collateral are written down. Receivables whose insurance includes a deductible are written down to the value of the deductible. Valuation adjustments are based on historical values on customer solvency and the age, period overdue, insurance policies and customer-specific risks. If, in a subsequent period, the amount of the valuation adjustment decreases and the decrease can be related objectively to an event occurring after the valuation adjustment was recognized, the previously recognized valuation adjustment loss is to be reversed through profit or loss. Write-ups may not exceed the valuation adjustment.

Pension provisions and defined benefit assets

Pension provisions and defined benefit assets are measured using actuarial methods, applying, among others, the following valuation parameters: future developments in compensation and pensions, the expected performance of plan assets, employee turnover and the life expectancy of beneficiaries. The resulting obligations are discounted by reference to market yields at the balance sheet date on high quality corporate fixed-rate bonds with an AA rating. Actuarial gains and losses are recognized directly in retained earnings. They result from the variance between the actual development in pension obligations and pension assets and the assumptions made at the beginning of the year as well as the updating of actuarial assumptions.

Other provisions

Other provisions covers risks resulting from legal disputes and proceedings. In order to determine the amount of the provisions, the facts related to each case, the size of the claim, claims awarded in similar cases and independent expert advice are considered along with assumptions regarding the probability of a successful claim and the range of possible claims. The actual costs can deviate from these estimates.

Other provisions also include expected charges for addressing environmental contamination at existing production or storage facilities and other similar measures for which there is a known current or future obligation. If the BASF Styrenics Business is the only possible responsible party that can be identified, the provision covers the entire expected claim. At sites operated by one or more parties, the provision covers only the BASF Styrenics Business share of the expected claim. The determination of the amount of the provision is based on the available technical information on the site, the technology used, legal regulations and the nature of the obligations. The estimation of future costs is subject to many uncertainties. This refers, in particular, to rehabilitation measures that involve several parties and longer time periods. The BASF Styrenics Business must make assumptions to determine the discount rate to be used in calculating long-term provisions.

INEOS STYRENICS BUSINESS OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the "Business" section, the historical financial statements of the INEOS Styrenics Business and the notes thereto and the unaudited pro forma condensed combined financial information of Styrolution and the notes thereto, in each case included elsewhere in this offering memorandum. The following discussion and analysis also includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum. Please see "Forward-Looking Statements" and "Risk Factors".

The INEOS Styrenics Business

The INEOS Styrenics Business produces styrene monomer (SM), polystyrene (GPPS and HIPS) and copolymers, such as methyl methacrylate (MMA). Products are sold under brands such as NAS® and Zylar®. The INEOS Styrenics Business holds leading market positions in Europe and North America, offers a balanced portfolio of high quality products and operates a number of world scale facilities.

Presentation of the INEOS Styrenics Business's Results of Operations

The INEOS Styrenics Business prepared this discussion and analysis of its results of operations by comparing its combined statements of comprehensive income and other financial statements as of and for the years ended December 31, 2010 and 2009. The INEOS Styrenics Business's combined financial information is presented in euro.

The INEOS Styrenics Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises the financial information of the INEOS Styrenics Business as recorded in the financial accounts of its parent company prior to the Joint Venture Transaction, subject to certain adjustments. For a complete description of the accounting principles followed in preparing the INEOS Styrenics Business's combined financial information, please see Note 1 "*Corporate Information and Basis of Presentation*" to the INEOS Styrenics Business's audited combined financial statements included elsewhere in this offering memorandum.

Key Factors Affecting the INEOS Styrenics Business

The INEOS Styrenics Business's results of operations are driven by a combination of factors affecting the styrene and polystyrene industries, as well as those affecting the chemicals industry generally, including general economic conditions, prices of raw materials and energy, global supply and demand for its products and environmental legislation and other initiatives. The INEOS Styrenics Business's results of operations are also impacted by company-specific structural and other operational factors, and its future liquidity and capital resources will be impacted by the effects of the Transactions, including the Offering. Please see "*Pro Forma Liquidity and Capital Resources*". Set forth below is an overview of the key drivers that have affected the historical results of operations of the INEOS Styrenics Business and are expected to affect its results of operations in future periods.

Supply and demand

Margins in the INEOS Styrenics Business and chemicals industry generally are strongly influenced by industry utilization, which is in turn a function of supply and demand for the business's products as well as for its principal feedstocks. The markets for most plastic and synthetic rubber products are mature, so overall growth in the styrene and polystyrene market tends to correlate with global GDP growth. Many styrene copolymer applications tend to grow slightly faster than global GDP growth rates, particularly in growth regions such as in Central and Eastern Europe and in Asia. As demand for products increases and approaches available supply, utilization rates rise, and prices and margins typically increase. Supply is cyclical, generally characterized by periods of tight supply, leading to high operating rates and margins, followed by periods of oversupply primarily resulting from significant capacity additions, leading to reduced operating rates and lower margins. Please see "*Industry and Market Overview—The Styrene Market—Supply and Demand for Styrene*" and "*—The Polystyrene Market—Supply and Demand for Polystyrene*".

In addition to being cyclical, margins are also susceptible to potentially significant swings in the short term. This volatility can be caused by a number of factors, including planned or unplanned plant outage, political and economic conditions driving rapid changes in prices for key feedstocks and changes in inventory management policies by customers (such as inventory building or de-stocking in periods of expected price increases). The styrene monomer facilities of the INEOS Styrenics Business experience long scheduled maintenance outages known as a "turnaround" every two to three years.

North America remains long in styrene monomer capacity and continues to be a net exporter, and producers are believed to adjust utilization rates based on the attractiveness of margins. These adjustments to utilization and several site closures have helped styrene producers compete in difficult economic environments. Between 2005 and 2009, North American styrene producers closed 1,132 thousand metric tons of styrene production supply. North American styrene producers are advantaged by low cost, ethane-base ethylene and advantaged energy in the form of natural gas.

In the past few years, several of the major polystyrene suppliers in the United States formed joint ventures, which reduced the number of leading producers from five to three. Additionally, between 2005 and 2009, North American polystyrene producers closed 821 thousand metric tons of polystyrene capacity. During that period the demand in the region contracted by 625 thousand metric tons. Capacity is still 27% higher than domestic demand. The INEOS Styrenics Business believes demand reached a cyclical bottom in 2009, and then improved slightly in 2010. Total North American demand in the coming years is expected to remain almost flat at around 1% per annum. Polystyrene producers in North America have moved away from a market-driven strategy to a profitability-driven strategy which has allowed them to improve the polystyrene margins versus their historical levels.

Europe is long in styrene monomer capacity and is a net exporter. Nexant forecasts that demand for styrene will slowly recover from the recent trough at around 1% per annum, so that over time, the current operating rate of about 80% will increase and the region will become balanced. One feature of the European market is the PO/SM production process whereby styrene is a co-product in a process which produces propylene oxide. This can mean that the rate at which those styrene facilities are producing can be influenced by demand for propylene oxide and not only styrene.

According to Nexant, European polystyrene demand dropped sharply during the recent economic downturn and is not forecast to fully recover, as projected growth rates for the future are relatively low at 1% per annum. Despite this, however, the industry operating rate in Europe has increased sharply during the last two years as the result of capacity closures. Approximately 25% of capacity has been closed or suspended in the industry between 2002-2009, resulting in an improved overall supply and demand balance, according to Nexant.

Opportunities and risks from competing plastics

The INEOS Styrenics Business is affected by product substitution. The risk of substitution for styrene as an input in the production of other products is low, but because certain styrene derivatives, such as polystyrene, and end products can be substituted with other products, the demand for styrene is also affected by the availability of substitutes for styrene-based plastics and synthetic rubber products. The polystyrene market has come under pressure due to competition from alternative polymers, particularly polypropylene (PP) and polyethylene terephthalate (PET) (including recycled PET), as well as other materials such as polylactic acid (PLA) and paper, which can be used in packaging applications as substitutes for polystyrene. Switching costs are relatively low, as modern conversion lines can generally be switched between polymers, though investment may be required to process PET, and in some cases to process PP. According to Nexant, this trend has reduced recently, as lower cost benzene has improved polystyrene's competitive position, but demand for polystyrene remains sensitive to the price differential between polystyrene and PP.

This substitution provides a significant risk to polystyrene (and, indirectly, styrene) when pricing is high, because customers that are able to switch may move out of polystyrene into PP or other better value plastics. Substitution can also be driven by other factors, such as the desire to use products that are perceived to be easier to recycle. The ability to withstand substitution but take advantage of other sales opportunities will have an impact on the mix of sales and hence the profitability of the INEOS Styrenics Business.

Fluctuations in the price of raw materials

The margins of the INEOS Styrenics Business are largely a function of the relationship between the prices that the business is able to charge for its products and the costs of the raw materials required to make those products. In the INEOS Styrenics Business, raw materials represent approximately 85% of operating costs. The business's key raw materials are benzene and ethylene in North America and styrene in Europe, all of which have historically demonstrated volatility in pricing. For example, the CMAI published monthly contract price for styrene in Europe was €1,278/tonne in August 2008 but by the year end, the December published price was €593/tonne. Incidentally, that feedstock cost had recovered to €1,305/tonne in February 2011.

While the INEOS Styrenics Business attempts to match raw material price increases with corresponding product price increases, its ability to pass on increases in the cost of raw materials to its customers is, to a large extent, dependent upon market conditions. Changes in raw material prices also have an impact on our working capital. Periods of increasing raw material prices also generally result in increases in working capital, while falling raw material prices generally result in reduced working capital.

The INEOS Styrenics Business purchases its raw materials under contracts and on the spot market, which the business believes positions itself to secure raw materials at the best available price. The majority of raw material requirements are secured by contract to ensure that material is available (barring extraordinary circumstances) and that cost is known and can be referenced to available indices, which facilitates forecasts and sales pricing decisions. The INEOS Styrenics Business's raw material contracts include cost formulae based on underlying prices for styrene or its precursors, and in most cases refer to published independent market indices.

The INEOS Styrenics Business exploits its proximity to raw material suppliers to optimize purchase cost and minimize freight costs. For example, at its facilities in Bayport, and Texas City, USA, the INEOS Styrenics Business purchases raw materials via pipeline, where available, and the business also utilizes its affiliates' backward integration into raw materials to provide security of supply.

Foreign currency exchange rate fluctuations

The INEOS Styrenics Business's results of operations may be affected by both the transaction effects and translation effects of foreign currency exchange rate fluctuations. The North American petrochemical business, product pricing, raw material costs and most other costs are primarily denominated in U.S. dollars. The European business revenue and costs are primarily denominated in euros. The INEOS Styrenics Business benefits from natural hedging as it has been able to match to a significant extent the currencies of its cash flows and indebtedness.

Environmental considerations

The INEOS Styrenics Business's results of operations are affected by environmental regulations and environmental considerations generally. The business invests a significant amount of financial and technical resources in order to maintain compliance with environmental requirements. The INEOS Styrenics Business may also incur remediation, decommissioning and upgrade or closure costs in connection with our production facilities and other locations.

Results of Operations

Financial Highlights

The following table sets forth, for the periods indicated, certain financial highlights of the INEOS Styrenics Business.

	2009	2010
	(€ in millions)	
Total Assets	561.3	616.9
Total Liabilities	310.9	382.7
Total Business' Equity	250.4	234.2
Sales	1,553.0	2,074.5
Gross Profit	143.6	152.6
Net Income	18.3	35.4

Description of Key Line Items

Combined Statement of Income

Set forth below is a brief description of the composition of the key line items of the INEOS Styrenics Business's combined statement of income:

Sales. Sales represents the invoiced value of products sold or services (including, in certain instances, carriage and freight services) provided to third parties, net of sales discounts and value added taxes. The pricing for products sold is determined by market prices, and is either linked by a formula to published raw material and energy prices plus an agreed additional amount or is freely negotiated.

Operating costs. Operating costs have been allocated to specific categories in accordance with the requirements of IFRS. Operating costs exclude allocations attributable to businesses not contributed to Styrolution pursuant to the Joint Venture Transaction. The main categories are cost of sales, selling expenses, general and administrative expenses, research and development expenses and other operating expenses:

- *Cost of sales.* Cost of sales includes fixed and variable production costs. Such production costs typically include the costs of raw materials, packaging, utilities, direct wages and salaries, repairs and maintenance, waste disposal and effluent treatment, consumables, directly attributable overhead including wages and salaries, and overhead that attributable to production. Fixed costs included in the cost of sales are wages and salaries rent, repairs and maintenance, while variable costs include raw materials, packaging, consumables and energy costs.
- *Selling expenses.* Selling and distribution costs typically include the costs of warehousing, carriage and freight, together with sales and distribution wages and salaries and depreciation on property, plant and equipment used for sales and distribution.
- *General and administrative expenses.* Administrative expenses typically include indirect wages and salaries and indirect overhead. Indirect overhead includes such items as insurance costs, legal and professional fees and office supplies.
- *Research and development expenses.* Research and development expenses include costs directly related to activities aiming to obtain new knowledge and the search for alternative or

better materials, devices or products. They typically include registration costs of new products, licensing costs, salaries and wages, consumables, utilities, office charges, rent and depreciation on property, plant and equipment belonging to the research organization. Research and development expenses are net of governmental grants and subsidies.

- *Other operating income and expenses.* Typically includes non-recurring costs associated with business restructuring. This could include severance costs, demolition and site remediation.

Financial result. Financial result includes the interest costs associated with asset securitization programs both in Europe and North America.

Other Financial Information (non-IFRS)

Set forth below is a brief description of the composition of the other financial information set forth in the INEOS Styrenics Business's results of operations below:

EBITDA before exceptionals. EBITDA before exceptionals is a non-GAAP measure that represents income from operations plus depreciation of property, plant and equipment, amortization of intangible assets less exceptional items. Please see "*Presentation of Financial and Other Information—Other Financial Measures*". For a reconciliation of income from operations to EBITDA before exceptionals, please see footnote 2 to the table in "*Selected Historical Financial Information—INEOS Styrenics Business*".

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

The following table sets forth, for the periods indicated, amounts relating to the INEOS Styrenics Business's combined results of operations and such amounts as a percentage of sales:

Combined	For the year ended December 31,			
	2009		2010	
	€	%	€	%
	(€ in millions)			
Sales	1,553.0	100.0	2,074.5	100.0
Cost of sales	(1,409.4)	(90.8)	(1,921.9)	(92.6)
Gross profit	143.6	9.2	152.6	7.4
Selling expenses	(85.6)	(5.5)	(89.4)	(4.3)
General and administrative expenses	(18.2)	(1.2)	(12.3)	(0.6)
Research and development expenses	(2.4)	(0.2)	(2.0)	(0.1)
Other operating income and expenses	(14.2)	(0.9)	(2.5)	(0.1)
Income from operations	23.2	1.5	46.4	2.2
Interest income	0.0	0.0	0.0	0.0
Interest expense	(4.4)	(0.3)	(6.0)	(0.3)
Other financial income (expense)	0.0	0.0	(0.9)	0.0
Other income (expense)	**(4.4)**	**(0.3)**	**(6.9)**	**(0.3)**
Income before taxes	**18.8**	***1.2***	**39.5**	***1.9***
Income tax expense	(0.5)	0.0	(4.1)	(0.2)
Net income	**18.3**	***1.2***	**35.4**	***1.7***
Other financial information				
Income from operations	23.2	1.5	46.4	2.2
Depreciation and amortization	(23.0)	(1.5)	(23.6)	(1.1)
EBITDA	46.2	3.0	70.0	3.4
Exceptional items	(14.2)	(0.9)	(2.5)	(0.1)
EBITDA before exceptionals	**60.4**	**3.9**	**72.5**	**3.5**

Sales. Sales increased by €521.5 million, or 33.6%, to €2,074.5 million for the year ended December 31, 2010, as compared to €1,553.0 million for the same period in 2009. This increase was largely attributable to higher selling prices as the business was able to pass along nearly all of the increased prices for raw materials used in production. In addition, sales volumes continued to recover from the believed trough of 2008/2009, although not to 2007 levels. There is also a currency translation effect on the conversion of U.S. dollar sales into euros. During this period, the euro strengthened against the U.S. dollar, so there was a positive contribution to sales.

Cost of sales. Cost of sales increased by €512.5 million, or 36.4%, to €1,921.9 million for the year ended December 31, 2010, as compared to €1,409.4 million for the same period in 2009. This increase was largely attributable to increases in feedstock pricing, but was also a consequence of a process catalyst in the Bayport production site that failed and needed to be replaced. There was also some impact from increased sales volumes and currency as described above.

Gross profit on sales. Gross profit on sales increased by €9.0 million, or 6.3%, to €152.6 million for the year ended December 31, 2010, as compared to €143.6 million for the same period in 2009. This increase is primarily attributable to improved unit margins in the European polystyrene business, more than offsetting decreasing margins in the North American polystyrene and styrene monomer business.

Selling expenses. Selling expenses were relatively stable at €89.4 million for the year ended December 31, 2010, as compared to €85.6 million for the same period in 2009. The increase is largely attributable to the impact of increased sales volumes on logistics costs. The price stability was due to an ongoing focus on reduction of discretionary costs, offsetting the inflationary pressures.

General and administrative expenses. General and administrative expenses before exceptional items decreased by €5.9 million, or 32.4%, to €12.3 million for the year ended December 31, 2010, as compared to €18.2 million for the same period in 2009. This decrease resulted from two reporting reclassifications. The first reclassification was between "general and administrative expenses" and "cost of sales", relating to pension adjustments. The second reclassification was between "general and administrative expenses" and "selling expenses", relating to railcar leases. Each adjustment is for the approximately the same value.

Research and development expenses. Research and development expenses decreased by €0.4 million, or 16.7%, to €2.0 million for the year ended December 31, 2010, as compared to €2.4 million for the same period in 2009. This decrease was attributable to continued focus on discretionary spending.

Other operating income and expenses. Other operating income and expenses decreased by €11.7 million, or 82.4%, to €2.5 million for the year ended December 31, 2010, as compared to €14.2 million for the same period in 2009. This decrease was attributable to the one-off costs of closure of a polystyrene facility in 2009.

Interest expense. Interest expense increased by €1.6 million, or 36.4%, to €6.0 million for the year ended December 31, 2010, as compared to €4.4 million for the same period in 2009. This increase was due to increased borrowings under the securitization facilities that the INEOS Styrenics Business has in place.

Net income. Net income increased by €17.1 million to €35.4 million for the year ended December 31, 2010, as compared to €18.3 million of profit for the same period in 2009. This increase in profit was largely attributable to the increasing profitability of the European PS business, and cost reductions.

EBITDA before exceptionals. EBITDA before exceptionals increased by €12.1 million, or 20.0%, to €72.5 million for the year ended December 31, 2010, as compared to €60.4 million for the same period in 2009. This increase was largely attributable to the increasing profitability of the European PS business.

Liquidity and Capital Resources

Historically, the INEOS Styrenics Business liquidity sources were operating cash flows and funding under trade receivable securitization programs. After the Joint Venture Transaction, the INEOS Styrenics Business's liquidity requirements will be evaluated in connection with the broader requirements of Styrolution. For a discussion of Styrolution's liquidity and capital resources, please see "*Pro Forma Liquidity and Capital Resources*".

Capital Expenditures

Capital expenditures for 2009 amounted to €16.9 million, and for 2010 amounted to €29.9 million. Future capital expenditures will be managed by the supervisory board of directors of Styrolution Holding GmbH, our indirect parent company. Please see "*Pro Forma Liquidity and Capital Resources—Capital Expenditures*".

Historical Liquidity and Capital Resources

During the years ended December 31, 2009 and 2010, the INEOS Styrenics Business's cash flow was as follows:

	For the year ended December 31,		
	2009	2010	changes
	(€ in millions)		
Cash provided by operating activities	35.8	59.3	23.5
Net cash outflow from capital expenditures	(16.9)	(29.9)	(13.0)
Net cash flow from acquisitions and disposals	0.2	0.3	0.1
Dividends paid	0.0	0.0	0.0
Cash provided by (used in) financing activites	9.6	(21.7)	(31.3)
Movement in net cash	28.7	8.0	(20.7)

Historical cash provided by operating activities

The net cash inflow from operating activities of €59.3 million generated by the INEOS Styrenics Business, comprised an outflow from working capital, interest expense, exchange and other adjustments for 2010 of €10.7 million, in addition to EBITDA before exceptionals of €72.5 million.

Historical net cash outflow from capital expenditure

The INEOS Styrenics Business's capital expenditures increased from €16.9 million in the year ended December 31, 2009 to €29.9 million in the year ended December 31, 2010. This increase was due to process catalyst costs associated with periodic asset turnarounds at several large facilities.

Historical net cash flow from acquisitions and disposals

The INEOS Styrenics Business's net cash inflow from acquisitions and disposals was €0.2 million in the year ended December 31, 2009, as compared to €0.3 million in the year ended December 31, 2010.

Dividends paid

The INEOS Styrenics Business has paid dividends of €0 million to its shareholders in the years ended December 31, 2009 and 2010, respectively.

Historical cash provided by (used in) financing activities

The INEOS Styrenics Business's cash provided by (used in) financing activities of €(21.7) million in the year ended December 31, 2010, as compared with cash provided by (used in) financing activities of €9.6 million in the year ended December 31, 2009. The decrease can largely be attributed to changes in cash and cash equivalents with non-INEOS Styrenics Business (meaning cash flow that is not directly attributable to the business in scope of the Joint Venture Transaction and therefore has been removed). Please see Note 8 to the combined financial statements of the INEOS Styrenics Business.

Off-Balance Sheet Arrangements

The INEOS Styrenics Business uses various customary off-balance sheet arrangements, such as operating leases, to finance its business. None of these arrangements has or is likely to have a material effect on the INEOS Styrenics Business results of operation, financial condition or liquidity.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of its business, the INEOS Styrenics Business is exposed to a variety of market risks arising from raw material prices and fluctuations in foreign currency exchange rates. To manage these risks effectively, the INEOS Styrenics Business may enter into hedging transactions and use derivative financial instruments, pursuant to established internal guidelines and policies, to mitigate the adverse effects of these market risks. The INEOS Styrenics Business does not enter into financial instruments for trading or speculative purposes.

In the case of raw materials, this exposure principally arises from movements in the prices of the feedstocks required to make the INEOS Styrenics Business's products. The feedstocks and raw materials upon which the INEOS Styrenics Business depends in its styrene monomer and polystyrene production are ethylene, benzene and styrene. The prices for ethylene, benzene and styrene tend to be volatile. The INEOS Styrenics Business generally acquires raw materials and sells finished products at market-related prices, which are typically set on a monthly or more frequent basis in line with industry practice. The INEOS Styrenics Business seeks to minimize reductions in its margins by passing through raw material and energy cost increases to its customers through higher prices for its products.

For a discussion of exchange rate fluctuations, please see "*—Key Factors Affecting the INEOS Styrenics Business—Foreign currency exchange rate fluctuations*".

Critical Accounting Estimates

The INEOS Styrenics Business's combined financial information included in this offering memorandum has been prepared and presented in accordance with IFRS. Please see "*Certain Definitions*", "*Presentation of Financial and Other Information*" and the notes to the audited combined financial statements elsewhere in this offering memorandum.

The INEOS Styrenics Business's reported financial condition and results of operations are sensitive to accounting policies, assumptions and estimates that underlie the preparation of the INEOS Styrenics Business's combined financial statements. The critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered, together with reviewing the INEOS Styrenics Business's financial statements and the discussion in this offering memorandum.

The INEOS Styrenics Business makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The INEOS Styrenics Business has discussed the development and selection of these critical accounting policies and estimates with its independent auditors.

Property, plant and equipment

Property, plant and equipment (excluding freehold land and assets in the course of construction) are valued at historical cost, less depreciation, or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. At each reporting date an assessment is made to determine whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset has been performed, the asset's recoverable amount is estimated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each annual balance sheet date. Freehold land and assets in the course of construction are not depreciated. Assets in the course of construction are transferred to land and buildings, or plant and machinery, upon completion. Depreciation is charged when these assets are available for use.

Impairment

Any impairment in the value of property, plant and equipment is calculated as the difference between an asset's carrying amount and its recoverable amount, being the higher of net realizable value and value-in-use, and is recognized in the statement of income in the period to which the impairment relates. Property, plant and equipment are reviewed for impairment when there are indications that the carrying values may not be fully recoverable.

Inventories

Inventories of technical parts are stated at the lower of cost and market value. Finished products are stated at production cost on the basis of historical costs comprising cost of used raw materials and consumables and the other costs directly attributable to manufacture excluding labour. Inventories are valued using the historical costs method. Write-downs are made if the net realizable value is lower than the carrying amount. The net realizable value is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Pension costs

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The INEOS Styrenics Business must make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets and future healthcare costs. The INEOS Styrenics Business reviews its long-term rate of return assumptions annually through comparison of its historical actual rates of return with its expectations, consultation with its actuaries regarding the assumptions used by other large companies and consultation with investment managers regarding their expectations for future returns. While the INEOS Styrenics Business believes its assumptions of future returns are reasonable and appropriate, significant differences in actual experience or inaccuracies in its assumptions may materially affect its pension obligations and its future pension expense. For a discussion of the current funded status, please see Note 9, "*Provisions for pensions and similar obligations*", to the INEOS Styrenics Business's audited combined financial statements appearing elsewhere in this offering memorandum.

Provisions

Provisions are recognized when the INEOS Styrenics Business has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Estimated costs to be incurred in connection with restructuring measures are provided for when the INEOS Styrenics Business has a legal or constructive obligation, which is generally the announcement date. The announcement date is the date on which the plan is announced in sufficient detail to enable employees to estimate the redundancy payments to which they are entitled.

Deferred taxation

Deferred tax is recognized as a liability or an asset in respect of all timing differences which have originated but not reversed at the balance sheet date if transactions have occurred at the balance sheet date which give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. A deferred tax asset is recognized to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of timing differences can be deducted. Deferred tax is measured at the current tax rates which are expected to apply in the periods during which the timing differences are expected to reverse based on the tax rates and laws which are in place at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

INEOS ABS BUSINESS OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the "Business" section, the historical financial information of the INEOS ABS Business and the notes thereto and the unaudited pro forma condensed combined financial information of Styrolution and the notes thereto, in each case included elsewhere in this offering memorandum. The following discussion and analysis also includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum. Please see "Forward-Looking Statements" and "Risk Factors".

The INEOS ABS Business

The INEOS ABS Business produces acrylonitrile-butadiene-styrene (ABS) in a wide range of grades and colors, as well as styrene-based copolymers and blends, such as styrene-acrylonitrile (SAN) and polyamide/ABS (ABS+PA). Products are sold under brands such as Novodur® and Lustran ABS®. The INEOS ABS Business holds leading market positions in pre-colored ABS in Europe and India and offers a balanced portfolio of high quality products.

Presentation of the INEOS ABS Business's Results of Operations

The INEOS ABS Business prepared this discussion and analysis of its results of operations by comparing its combined income statetement and other financial information as of and for the years ended December 31, 2010 and 2009. The INEOS ABS Business's combined financial information is presented in euro, which is its functional and reporting currency.

The INEOS ABS Business has not in the past formed a separate accounting group, and therefore its combined financial information comprises only that part of INEOS ABS (Jersey) Limited and its subsidiaries being contributed to Styrolution. The combined financial information therefore excludes INEOS ABS (USA) Corporation which will be retained by INEOS and not contributed to Styrolution. The combined financial information has been prepared on the basis set out herein for the purpose of inclusion in this offering memorandum. For a complete description of the accounting principles followed in preparing the INEOS ABS Business's combined financial information, please see Note 1 "*Accounting Policies—Basis of preparation*" to the INEOS ABS Business's audited combined financial information included elsewhere in this offering memorandum.

Key Factors Affecting the INEOS ABS Business

The INEOS ABS Business's results of operations are driven by a combination of factors affecting the ABS industry, as well as those affecting the chemicals industry generally, including general economic conditions, prices of raw materials and energy, global supply and demand for its products and environmental legislation and initiatives. The INEOS ABS Business's results of operations are also impacted by company-specific structural and other operational factors, and its future liquidity and capital resources will be impacted by the effects of the Transactions, including the Offering. Please see "*Pro Forma Liquidity and Capital Resources*". Set forth below is an overview of the key drivers that have affected the historical results of operations of the INEOS ABS Business and are expected to affect its results of operations in future periods.

Supply and demand

Margins in the INEOS ABS Business and chemicals industry generally are strongly influenced by industry utilization, which is in turn a function of supply and demand for the business's products as well as for its principal feedstocks. The markets for many ABS and styrene copolymer applications tend to grow slightly faster than global GDP growth rates, particularly in growth regions such as in Central and Eastern Europe and in Asia. As demand for products increases and approaches available supply, utilization rates rise, and prices and margins typically increase. Supply is cyclical, generally characterized by periods of tight supply, leading to high operating rates and margins, followed by periods of oversupply primarily resulting from significant capacity additions, leading to reduced operating rates and lower margins. Please see "*Industry and Market Overview—The ABS Markets—Supply and Demand for ABS*". Specialty products of the INEOS ABS Business have historically been less sensitive to such cyclicality.

In addition to being cyclical, margins are also susceptible to potentially significant swings in the short term. This volatility can be caused by a number of factors, including planned or unplanned plant outage, political and economic conditions driving rapid changes in prices for key feedstocks and changes in inventory management policies by customers (such as inventory building or de-stocking in periods of expected price increases).

ABS demand growth is strongest in Asian markets (especially China), where overall economic growth rates and consumption of plastics is higher compared to developed economies. In 2010, the global market for ABS was 6.5 million tonnes, of which Asia represented 4.9 million tonnes, or 76%, with China almost 4 million tonnes, or 60%, according to Nexant. Global economic activity and the level of demand in China and other Asian economies significantly impacts the INEOS ABS Business. When economic growth in Asia (and China in particular) slows, ABS demand growth typically slows, creating oversupply. As a result, prices tend to fall and margins decline. Such reduced economic activity also increases the global ABS product flows from Asia into Europe as large scale Asian producers seek to maintain high utilization rates and increase sales outside local markets. This creates oversupply in Europe, causing margins to decline.

Opportunities and risks from competing plastics

ABS is regarded as a "bridge" polymer between commodity plastics and higher performing engineering thermoplastics. Certain lower-end applications can replace ABS with less expensive materials (such as PP or polystyrene), and certain higher-end applications can replace ABS with more technical and more expensive plastics such as polycarbonate (PC). There has been a long-term trend for customers serving the low end automotive sector to switch away from ABS in favor of PP and for the ABS interior parts of fridges to be replaced by HIPS. On the other hand, ABS can and does replace the bottom end of higher performing plastics such as PC, ASA and blends of ABS such as ABS/PC, ABS+PA and MABS, particularly in higher-end applications (*e.g.*, automotive). There is also a relatively high degree of supply-side substitution between ABS and ABS blends because the blends are produced simply by compounding ABS with other polymers. There is also some degree of supply-side substitution between PS and ABS for plants using certain production processes.

This substitution provides a risk to ABS grades when pricing is high, because customers may move out of ABS into better value thermoplastics. Substitution can also be driven by other factors, such as the desire to use products perceived to be easier to recycle. The ability to withstand substitution but take advantage of other sales opportunities will have an impact on the mix of sales and hence the profitability of the INEOS ABS Business.

Fluctuations in the price of raw materials

The margins of the INEOS ABS Business are largely a function of the relationship between the prices that the business is able to charge for its products and the costs of the raw materials required to make those products. In the INEOS ABS Business, raw materials represented more than two-thirds of operating costs in 2010. The business's key raw materials are acrylonitrile, butadiene and styrene, all of which have historically demonstrated volatility in pricing. For example, the quoted market prices (based on ICIS-LOR, CMAI, and PCI) for the INEOS ABS Business's average raw material consumption per tonne of production (its "basket raw material cost") varied between €602 per tonne in January 2009 and €1,287 per tonne in December 2010. Trends in the INEOS ABS Business's basket raw material cost closely follow trends in crude oil prices, and during the 24 month period from

January 2009 to December 2010 the business saw crude oil prices double. Changes in the price of crude oil will likely have a significant impact on the price of the INEOS ABS Business's raw materials in the future.

While the INEOS ABS Business attempts to match raw material price increases with corresponding product price increases, its ability to pass on increases in the cost of raw materials to its customers is, to a large extent, dependent upon market conditions, and increases in raw material costs that cannot be passed on, which may include those attributable to changes in the price of crude oil, impacts the gross margins of the business. In 2009 and 2010, for example, the INEOS ABS Business was able to negotiate more sales contracts with monthly pricing agreements than in 2008, reducing the lag time in passing on raw material price increases and resulting in less impact on margins. Changes in raw material prices also have an impact on the INEOS ABS Business's working capital. Periods of increasing raw material prices also generally result in increases in working capital, while falling raw material prices generally result in reduced working capital.

The INEOS ABS Business purchases its raw materials under contracts and on the spot market, which the business believes positions itself to secure raw materials at the best available price. The majority of raw material requirements are secured by contract to ensure that material is available (barring extraordinary circumstances) and that cost is known and can be referenced to available indices, which facilitates forecasts and sales pricing decisions. The INEOS ABS Business's raw material contracts include cost formulae based on underlying prices for acrylonitrile, butadiene and styrene, or their precursors, and in most cases refer to published independent market indices.

The INEOS ABS Business exploits its proximity to raw material suppliers to optimize purchase cost and minimize freight costs. For example, at its facilities in Germany, Spain and Thailand, the INEOS ABS Business purchases raw materials via pipeline, where available, and the business also utilizes its affiliates' backward integration into raw materials to provide security of supply. Historically the INEOS ABS Business has purchased approximately 30% of its raw material requirements from members and/or affiliates of the INEOS Industries Group.

Foreign currency exchange rate fluctuations

The INEOS ABS Business's results of operations may be affected by both the transaction effects and translation effects of foreign currency exchange rate fluctuations. A significant portion of the business's sales is generated in or linked to the U.S. dollar, the Thai Baht and the Indian Rupee, and a portion of the business's operating costs are incurred in Thai Baht and Indian Rupee. The reporting currency of the INEOS ABS Business is the euro, so the business's results of operations are impacted by the relative strength of the euro against these and other currencies. The INEOS ABS Business has historically used foreign currency exchange instruments to hedge certain operational foreign currency exposure. In Thailand, the INEOS ABS Business generates more sales denominated in U.S. dollars than it spends on raw materials in U.S. dollars, so contracts are used to fix the rate at which U.S. dollar net receipts are translated into Thai Baht. In India, the INEOS ABS Business incurs a significant portion of its raw material purchases in U.S. dollars, so forward exchange contracts are used to fix the rate at which these U.S. dollar liabilities are translated into Indian Rupees. The INEOS ABS Business believes these forward exchange arrangements provide some security over the cash flows associated with the U.S. dollar transactions in these countries and expects to continue to utilize forward exchange contracts of this nature in the future. The use of forward exchange contracts is subject to strict authority limits imposed by management and exposure to foreign exchange valuation movements arising from such contracts is not significant. There were no significant open foreign exchange contracts that were required to be fair valued in the financial information at December 31, 2010 or December 31, 2009.

Results of Operations

Financial Highlights

The following table sets forth, for the periods indicated, certain financial highlights of the INEOS ABS Business.

	2009	2010
	(€ in millions)	
Total Assets	263.4	341.0
Total Liabilities	153.6	181.8
Total Owners' Equity	109.8	159.2
Sales	536.9	724.1
Gross Profit	66.5	123.9
Net Income	92.6	47.9
Net Income before exceptional items	(0.1)	47.9

Description of Key Line Items

Combined Statement of Income

Set forth below is a brief description of the composition of the key line items of the INEOS ABS Business's combined statement of income:

Sales. Sales represents the invoiced value of products sold or services (including, in certain instances, carriage and freight services) provided to third parties, net of sales discounts and value added taxes. The pricing for products sold is determined by market prices (market contracts and arrangements), is linked by a formula to published raw material and energy prices plus an agreed additional amount or is freely negotiated based on supply and demand characteristics in the market.

Operating costs. Operating costs have been allocated to specific categories in accordance with the requirements of IFRS. Operating costs exclude allocations attributable to businesses not being contributed to Styrolution pursuant to the Joint Venture Transaction. The main categories are cost of sales, selling expenses, general and administrative expenses:

- *Cost of sales.* Cost of sales includes fixed and variable production costs. Such production costs typically include the costs of raw materials, packaging, utilities, direct wages and salaries, repairs and maintenance, waste disposal and effluent treatment, consumables, directly attributable overhead including wages and salaries, and overhead attributable to production. Fixed costs included in the cost of sales are wages and salaries, rent, repairs and maintenance, while variable costs include raw materials, packaging, consumables and energy costs.
- *Selling expenses.* Selling expenses costs typically include the costs of warehousing, carriage and freight, together with sales and distribution wages and salaries and depreciation on property, plant and equipment used for sales and distribution.
- *General and administrative expenses.* General and administrative expenses typically include indirect wages and salaries and indirect overhead. Indirect overhead includes such items as legal and professional fees and office supplies. General and administrative expenses also include the depreciation of property, plant and equipment not directly attributable to production or sales and distribution, and any charges arising from the review of carrying values of intangible fixed assets such as goodwill. General and administrative expenses include gains and losses attributable to fluctuations in foreign currency exchange rates.

- *Exceptional items.* Exceptional income and expenses are those items which, because of their size and nature, are disclosed to give a proper understanding of the underlying results for the period.

Other Financial Information (non-IFRS)

Set forth below is a brief description of the composition of the other financial information set forth in the INEOS ABS Business's results of operations below:

EBITDA before exceptionals. EBITDA before exceptionals is a non-GAAP measure that represents income from operations plus depreciation of property, plant and equipment, amortization of intangible assets less exceptional items. Please see "*Presentation of Financial and Other Information—Other Financial Measures*". For a reconciliation of income from operations to EBITDA before exceptionals, please see footnote 2 to the table in "*Selected Historical Financial Information—INEOS ABS Business*".

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

The following table sets forth, for the periods indicated, amounts relating to the INEOS ABS Business's combined results of operations and such amounts as a percentage of sales:

Combined	For the year ended December 31,			
	2009		2010	
	€	%	€	%
	(€ in millions)			
Sales	536.9	100.0	724.1	100.0
Cost of sales	(470.4)	(87.6)	(600.2)	(82.9)
Gross profit	66.5	12.4	123.9	17.1
Selling expenses	(41.8)	(7.8)	(49.7)	(6.9)
General and administrative expenses	(11.1)	(2.1)	(16.6)	(2.3)
Income from operations before exceptional items	13.6	2.5	57.6	8.0
Exceptional items	92.7	17.3	—	—
Income from operations	106.3	19.8	57.6	8.0
Net finance income (expense)	1.8	0.3	5.0	0.7
Income before tax	108.1	20.1	62.6	8.6
Income taxes	(15.5)	(2.9)	(14.7)	(2.0)
Net income	92.6	17.2	47.9	6.6
Other financial information				
EBITDA before exceptionals	16.5	3.1	60.9	8.4

Sales. Sales increased by €187.2 million, or 34.9%, to €724.1 million for the year ended December 31, 2010, as compared to €536.9 million for the same period in 2009. This increase was primarily attributable to higher sales volumes but also to increases in selling prices, as higher raw material prices were passed on more effectively. The weaker euro also contributed to higher sales as foreign denominated sales increased in euro terms.

Cost of sales. Cost of sales increased by €129.8 million, or 27.6%, to €600.2 million for the year ended December 31, 2010, as compared to €470.4 million for the same period in 2009. This increase was largely attributable to increased volumes, higher raw material prices and higher manpower costs arising from performance bonuses, but was offset slightly by a reduction in manpower numbers and other operating costs.

Gross profit. Gross profit increased by €57.4 million, or 86.3%, to €123.9 million for the year ended December 31, 2010, as compared to €66.5 million for the same period in 2009. This increase reflected higher sales volumes and stronger unitary margins, as well as reductions in manpower and other operating costs. The predominant factor in the increase in gross profit is the improvement in unitary margins which was a consequence of raw material price changes that were able to be passed on to the customers.

Selling expenses. Selling expenses increased by €7.9 million, or 18.9%, to €49.7 million for the year ended December 31, 2010, as compared to €41.8 million for the same period in 2009. This increase was primarily attributable to higher sales volumes and higher manpower costs arising from performance bonuses.

General and administrative expenses. General and administrative expenses increased by €5.5 million, or 49.5%, to €16.6 million for the year ended December 31, 2010, as compared to €11.1 million for the same period in 2009. This increase was attributable to one-off costs of implementing new IT systems in Europe and higher manpower costs arising from performance bonuses and one-time adustments to 2009 costs but offset by other administrative cost reductions.

Exceptional items. Exceptional income of €92.7 million in the year ended December 31, 2009 represents adjustment to the purchase price payable for businesses acquired in 2007 (which were previously operated by the INEOS ABS Business and Lanxess in a joint venture) of €62.7 million and adjustment to the fair value of derivative commodity contracts of €30.0 million arising from the renegotiation of a raw material contract.

Income from operations. Income from operations reduced by €48.7 million, or 45.8%, to €57.6 million for the year ended December 31, 2010, as compared to €106.3 million for the same period in 2009. This reduction was predominantly attributable to one-off exceptional income arising only in 2009 but also reflects increased sales volumes and higher unitary gross margins, offset by higher manpower costs arising from performance bonuses.

Net finance income. Net finance income increased by €3.2 million to €5.0 million for the year ended December 31, 2010, as compared to €1.8 million for the same period in 2009. This increase was largely attributable to increased exchange gains on foreign currency loans receivable.

Income before tax. Income before tax reduced by €45.5 million, or 42.1%, to €62.6 million for the year ended December 31, 2010, as compared to €108.1 million for the same period in 2009. This reduction was predominantly attributable to one off exceptional income arising only in 2009 but also reflects increased sales volumes and higher unitary gross margins, offset by higher manpower costs arising from performance bonuses.

Income taxes. Income taxes reduced by €0.8 million, or 5.2%, to €14.7 million for the year ended December 31, 2010, as compared to €15.5 million for the same period in 2009. This reduction was largely attributable to lower deferred tax charges offset by higher income taxes on increased underlying profitability. Deferred tax charges were higher in 2009 due to the tax effect of exceptional income resulting from revision to the fair value of derivative commodity contracts and change in valuation of other deferred tax items.

Net income. Net income for the financial period reduced by €44.7 million to €47.9 million for the year ended December 31, 2010, as compared to €92.6 million of profit for the same period in 2009. This decrease in profit was largely attributable to the factors described above.

EBITDA before exceptionals. EBITDA before exceptionals increased by €44.4 million, or 269.1%, to €60.9 million for the year ended December 31, 2010, as compared to €16.5 million for the same period in 2009. This increase was predominantly attributable to higher unitary gross margins coupled with increased sales volumes, offset by higher selling costs and increased manpower costs arising from performance bonuses.

Liquidity and Capital Resources

Historically, the INEOS ABS Business's liquidity requirements arose primarily to fund capital expenditures (including for the general maintenance of its production facilities), to fund growth in working capital and to pay taxes. After the Joint Venture Transaction, the INEOS ABS Business's liquidity requirements will be evaluated in connection with the broader requirements of Styrolution. For a discussion of Styrolution's liquidity and capital resources, please see "*Pro Forma Liquidity and Capital Resources*".

Capital Expenditures

Capital expenditures for 2009 amounted to €2.0 million, and for 2010 amounted to €4.3 million. This increase is largely explained by increases in sustenance and safety expenditure and incremental growth projects in India. Future capital expenditures will be managed by the supervisory board of directors of Styrolution Holding GmbH, our indirect parent company. Please see "*Pro Forma Liquidity and Capital Resources—Capital Expenditures*".

Historical Liquidity and Capital Resources

During the years ended December 31, 2009 and 2010, the INEOS ABS Business's cash flow was as follows:

	For the year ended December 31,		
	2009	2010	changes
	(€ in millions)		
Net cash provided by / (used in) operating activities	(15.3)	43.7	59.0
Net cash flow from interest received / (paid)	(0.3)	0.8	1.1
Net cash outflow from capital expenditures	(2.0)	(4.3)	(2.3)
Net cash flow from acquisitions	17.2	—	(17.2)
Dividends paid	(0.2)	(0.3)	(0.1)
Capital element of finance lease	(1.9)	(2.0)	(0.1)
Net increase / (decrease) in cash and cash equivalents	(2.5)	37.9	40.4

Historical net cash provided by / (used in) operating activities

The increase of €59.0 million in net cash inflow from operating activities generated by the INEOS ABS Business comprised an increase in EBITDA before exceptionals of €44.4 million combined with a lower outflow from working capital, exchange and other adjustments for 2010 of €9.5 million (compared to an outflow of €26.5 million in 2009), offset by higher cash tax payments of €2.4 million. The €17.0 million improvement in reported working capital, exchange and other movements was due to lower cash transfers to parent company undertakings in 2010 (compared to 2009) and higher other payables, offset by increases in trade receivables and inventories.

Historical net cash outflow from returns on investment and servicing of finance

The cash flow from returns on investment and servicing of finance increased from an outflow of €0.3 million in the year ended December 31, 2009 to an inflow of €0.8 million in the year ended December 31, 2010. The increase in cash flow was due to interest earned on increased cash balances and lower interest on finance lease payments.

Historical net cash outflow from capital expenditure

The INEOS ABS Business's capital expenditures increased from €2.0 million in the year ended December 31, 2009, to €4.3 million in the year ended December 31, 2010. This increase is largely explained by increases in sustenance and safety expenditure and incremental growth projects in India.

Historical net cash flow from acquisitions

Net cash inflow from acquisitions of €17.2 million in the year ended December 31, 2009, represents the net receipt of cash arising from the settlement of the purchase price payable for businesses acquired from Lanxess in 2007. The exceptional income recorded in profitability of €62.7 million was offset by deductions for other price adjustments between the parties to the acquisition agreement of €43.4 million and retention of €2.1 million in lieu of replacement guarantees. There were no cash flows from acquisition and disposals in the year ended December 31, 2010.

Dividends paid

The INEOS ABS Business paid a dividend to non-controlling interests in its subsidiary undertaking, INEOS ABS (India) Limited, of €0.2 million and €0.3 million in the years ended December 31, 2009 and 2010, respectively. Please see "*Business—Our Facilities—Non-controlling interests*".

Historical net cash used in capital lease financing

The INEOS ABS Business's net cash used in financing was €1.9 million in the year ended December 31, 2009, as compared to a net cash outflow of €2.0 million in the year ended December 31, 2010. These cash flows represent capital element of finance lease payments only.

Off-Balance Sheet Arrangements

The INEOS ABS Business uses various customary off-balance sheet arrangements, such as operating leases, to finance its business. None of these arrangements has or is likely to have a material effect on the INEOS ABS Business's results of operations, financial condition or liquidity.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of its business, the INEOS ABS Business is exposed to a variety of market risks arising from raw material prices and fluctuations in foreign currency exchange rates. To manage these risks effectively, the INEOS ABS Business may enter into hedging transactions and use derivative financial instruments pursuant to established internal guidelines and policies to mitigate the adverse effects of these market risks. The INEOS ABS Business does not enter into financial instruments for trading or speculative purposes.

In the case of raw materials, this exposure principally arises from movements in the prices of the feedstocks required to make the INEOS ABS Business's products. The feedstocks and raw materials upon which the INEOS ABS Business depends are acrylonitrile, butadiene and styrene. The prices for acrylonitrile, butadiene and styrene tend to be volatile. Please see "*—Key Factors Affecting the INEOS ABS Business—Fluctuations in the price of raw materials*". The INEOS ABS Business generally acquires raw materials and sells finished products at market-related prices, which are typically set on a monthly or more frequent basis in line with industry practice. The INEOS ABS Business seeks to minimize reductions in its margins by passing through raw material and energy cost increases to its customers through higher prices for its products.

For a discussion of exchange rate fluctuations, please see "*—Key Factors Affecting the INEOS ABS Business—Foreign currency exchange rate fluctuations*".

Critical Accounting Estimates

The INEOS ABS Business's combined financial information included in this offering memorandum has been prepared and presented in accordance with the basis of preparation as described in Note 1 to the combined financial information. Please see "*Certain Definitions*", "*Presentation of Financial and Other Information*" and the notes to the audited combined financial information elsewhere in this offering memorandum.

The INEOS ABS Business's reported financial condition and results of operations are sensitive to accounting policies, assumptions and estimates that underlie the preparation of the INEOS ABS Business's financial statements. The critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered, together with reviewing the INEOS ABS Business's financial statements and the discussion in this offering memorandum.

The INEOS ABS Business makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The INEOS ABS Business has discussed the development and selection of these critical accounting policies and estimates with its independent auditors.

Fair value measurement on business combination

The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgment, and estimates and assumptions made.

Impairment

Any impairment in the value of property, plant and equipment and goodwill is calculated as the difference between an asset's carrying amount and its recoverable amount. Recoverable amount is taken to be the higher of net realizable value and value-in-use, and is recognized in the statement of income in the period to which the impairment relates. Property, plant and equipment are reviewed for impairment when there are indications that the carrying values may not be fully recoverable. Intangible assets are reviewed for impairment when there are indications that the carrying values may not be fully recoverable. Goodwill is reviewed for impairment annually.

Pension costs

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The INEOS ABS Business must make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets and future healthcare costs. The INEOS ABS Business reviews its long-term rate of return assumptions annually through comparison of its historical actual rates of return with its expectations, consultation with its actuaries regarding the assumptions used by other large companies and consultation with investment managers regarding their expectations for future returns. While the INEOS ABS Business believes its assumptions of future returns are reasonable and appropriate, significant differences in actual experience or inaccuracies in its assumptions may materially affect its pension obligations and its future pension expense. For a discussion of the current funded status, please see Note 16, "*Employee Benefits*", to the INEOS ABS Business's audited combined financial information appearing elsewhere in this offering memorandum.

Derivative commodity contracts

The majority of the commodity purchase and sales contracts of the INEOS ABS Business meet the criteria for the own use exemption under International Financial Reporting Standards and are therefore not fair value accounted for as they result in physical delivery of product for use in the INEOS ABS Business. Judgement is applied in assessing whether any of the pricing structures or take or pay arrangements in these contracts would result in the own use exemption not being applied and the contract fair valued.

Where contracts do not meet the "own use" exemption a fair value will be recognized in the financial information. Management applies judgment in determining the fair value of such contracts with reference to available market information, or where this is not available, future assumptions as to demand and supply and therefore pricing in the contract.

Provisions

Provisions are recognized when the INEOS ABS Business has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Estimated costs to be incurred in connection with restructuring measures are provided for when the INEOS ABS Business has a legal or constructive obligation, which is generally the announcement date. The announcement date is the date on which the plan is announced in sufficient detail to enable employees to estimate the redundancy payments to which they are entitled.

Taxation

Management is required to estimate the tax payable in each of the jurisdictions in which the INEOS ABS Business operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the combined balance sheet of the INEOS ABS Business. Management has performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the INEOS ABS Business's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The INEOS ABS Business has, from time to time, contingent tax liabilities arising from trading and corporate transactions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

The breadth of the INEOS ABS Business's structure with operations in many geographic locations makes the use of estimates and assumptions more challenging. The resolution of issues is not always within the control of the INEOS ABS Business and can be reliant upon the efficiency of the legal processes in the relevant jurisdictions in which the INEOS ABS Business operates, and as a result, issues can, and often do, take many years to resolve.

Details of amounts recognized with regard to taxation are disclosed in Notes 6 and 11 of the combined financial statements of the INEOS ABS Business contained elsewhere in this Offering Memorandum.

INDUSTRY AND MARKET OVERVIEW

Overview of Our Principal Industries

We operate in the styrenics industry. Our core sales products are (i) styrene (also referred to as styrene monomer, or "SM"), (ii) polystyrene ("PS"), (iii) acrylonitrile butadiene styrene ("ABS") and (iv) styrene based copolymers ("copolymers").

Styrene is an important intermediate used in the production of a variety of plastic and synthetic rubber products with key applications in the packaging, appliances, electrical and electronics, construction and automotive sectors. Nexant estimates global demand for styrene at 25 million tonnes in 2010. In 2010, according to Nexant, over 40% of global styrene consumption was used in the manufacture of polystyrene, with another 15% used in the manufacture of ABS and styrene-acrylonitrile ("SAN"). The styrene we make is primarily used as feedstock for our polystyrene, ABS and copolymers businesses.

Polystyrene is a thermoplastic resin produced by polymerizing styrene. There are two basic variations of polystyrene: general purpose polystyrene ("GPPS") and high impact polystyrene ("HIPS"), where HIPS is essentially GPPS combined with polybutadiene rubber to increase impact resistance. Nexant estimates global demand for polystyrene at 10 million tonnes in 2010. In 2010, according to Nexant, approximately 40% of global polystyrene consumption was used in the manufacture of packaging, with another 27% used in the manufacture of appliances such as refrigerator parts and computer housing, as well as electronics products.

ABS is a high volume engineering plastic, favored for its strength, scratch-resistance and attractive finish. ABS is generally non-transparent and colored in its final use. Nexant estimates global demand for ABS at 6.5 million tonnes in 2010, with approximately 33% of global ABS consumption used in the manufacture of consumer electronics, with another 27% used in the manufacture of domestic appliances and 21% in automotive parts. ABS resin is made into a wide range of components via injection molding and extrusion, and it is widely used as a copolymer with polycarbonate ("PC") for premium automotive brands and consumer appliances.

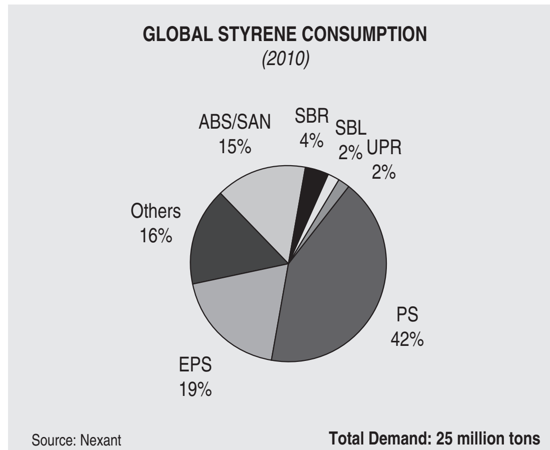
Copolymers comprise a small part of the styrenics market, contributing about 7% to the overall market size in 2010, according to Nexant. The copolymers that we produce include, among others, acrylonitrile styrene acrylate ("ASA"), methyl methacrylate acrylonitrile butadiene styrene ("MABS") and SAN styrene butadiene blockcopolymers ("SBCs"). SAN is by far the largest copolymer product globally and is often considered together with ABS because most SAN is used captively in the production of ABS. Smaller products such as ASA and MABS tend to be used in more specialized applications, including in the medical field, and attract higher margins and have historically enjoyed higher growth rates. SBCs are typically used in combination with polystyrene, especially in the packaging segment. Nexant estimates 2010 global demand of 596 thousand tonnes for SAN, 219 thousand tonnes for ASA, 135 thousand tonnes for MABS and 277 thousand tonnes for SBCs.

The prices of styrene and its derivatives are cyclical. The cycles are generally characterized by periods of tight supply, leading to high operating rates, followed by periods of oversupply resulting from a combination of significant capacity additions and/or demand reductions in periods of general economic contraction or recession, leading in turn to reduced operating rates. The global economic downturn in 2008 resulted in reduced manufacturing and raw material consumption from key end use sectors, which reduced styrene consumption levels and average plant operating rate levels. As a result, volumes and margins decreased significantly in 2008, and the effects of the downturn continued to be felt in 2009. In 2010, styrene volumes improved but at further decreased margins, polystyrene volumes and margins increased, and ABS volumes and margins improved significantly. Margin growth in 2010 is primarily attributable to improving economic conditions in key markets, including some restocking through the supply chain, which followed capacity reductions in 2009. According to Nexant, margins are expected to recover in the medium to long-term, mainly as a result of demand growth in Asia that is expected to return global utilization rates to historic levels. In the short term, margins are forecasted to remain stable or fall, in part due to a correction of raw material costs and new capacities coming on-stream in 2011.

The Styrene Market

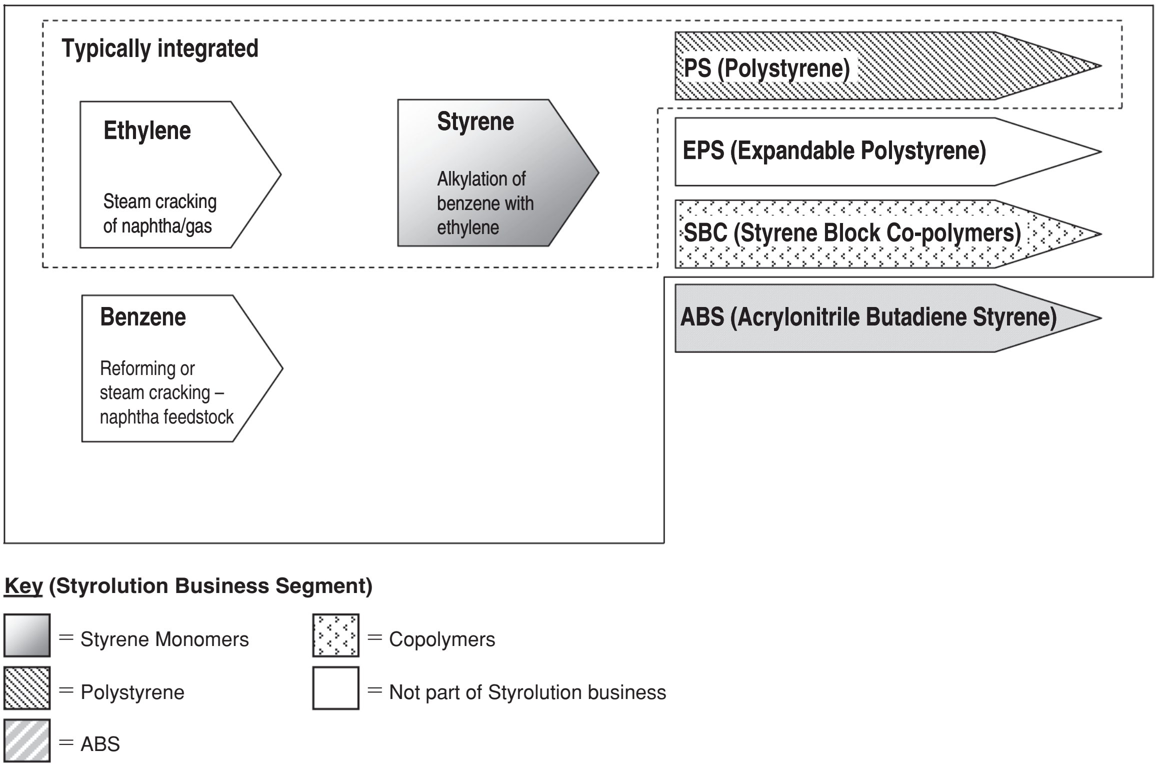
The demand for styrene is driven by the demand for styrene derivatives and end use applications. The chart below provides an overview of the key products for which styrene is an input, as well as estimated global styrene consumption for such products.

Downstream product	Key applications
Polystyrene (PS)	Packaging, disposables (cups, cutlery), appliances, electronics, toys
Expandable Polystyrene (EPS)	Protective packaging, insulation, vending cups
ABS	Appliances, electronics (TVs), automotive, pipes and fittings
Styrene-Butadiene Latex (SBL)	Carpet backing, paper
Unsaturated Polyester Resins (UPR)	Glass reinforced plastics (used in construction and boat building), resins
Styrene-Butadiene Rubber (SBR)	Tires, hosing and tube, seals, footwear
Copolymers (e.g., SAN, ASA, MABS, SBC, SMMA)	SAN: ABS, housewares, medical devices ASA: Automotive, transportation, building and construction MABS: Appliances, electronics, medical devices SBC: packaging and shrink sleeves, roads and roofing, hangers and footwear SMMA: Appliances, electronics, medical devices.



The end markets for most plastic and synthetic rubber products are mature, so GDP growth is the key volume driver. Higher growth rates can be achieved in some faster growing downstream sectors, including certain ABS and copolymer applications, such as the electronics, home appliances and medical devices sectors, as well as in geographic regions experiencing faster growth, such as in Central and Eastern Europe and in Asia.

Styrene production is typically an integrated business. The majority of the industry is backward integrated into ethylene, one of the two primary feedstocks required to produce styrene. Integration into benzene, the other primary feedstock, is less common due to the wider liquidity of the benzene market. Like us, most styrene producers use an operational model that forward integrates into polystyrene, the most common application for styrene. Other producers, including many in the Middle East, currently have no forward integration. We are backward integrated into world scale styrene monomer capacities in both North America and Europe, and we source ethylene and benzene from our affiliates at what we believe are market rates. The diagram below illustrates typical industry integration.

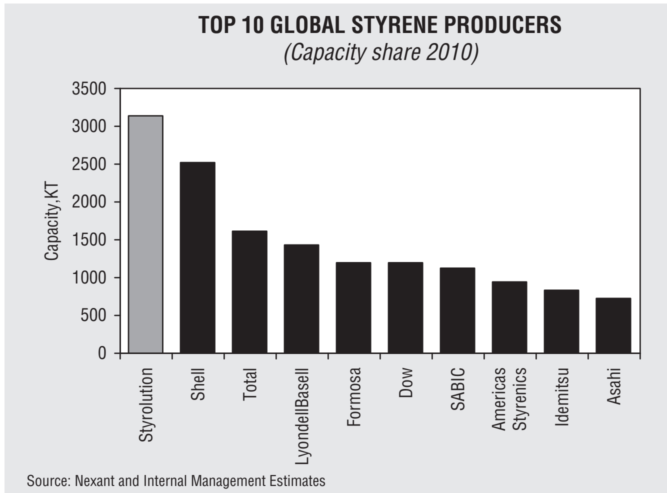


Competition in the Styrene Market

Styrene is a global commodity. Styrene is manufactured in large quantities by one of two similar process technologies—the ethylbenzene dehydrogenation process or the propylene oxide styrene process—, and it does not have different purity or quality levels or grades. Because it is a liquid and relatively inexpensive to transport, styrene is widely traded and exchanged between different regions. Styrene margins generally follow consistent trends across different regions, with average styrene prices slightly lower in Asia because of the lower cost base and export nature of Asian countries. The styrene markets in which we operate are highly competitive, with competition based primarily on price and reliability of supply. Our primary competitors in North America include LyondellBasell, Americas Styrenics, Total Petrochemicals S.A., Shell, Westlake and SABIC. In Europe, our main competitors include LyondellBasell, Total Petrochemicals S.A., Shell, Styron, Polimeri Europa and Repsol. Our competitors in Asia include Formosa, Shell, Indemitsu, Asahi and LG.

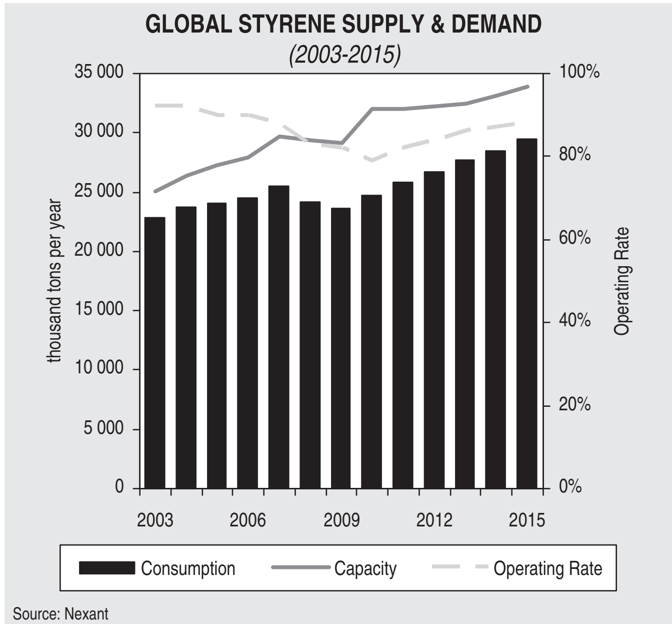
The styrene market appears to be converging into two groups of producers. A number of producers are pursuing strategies toward maximizing forward integration and product diversity. We follow this strategy, and the bulk of the styrene we produce is consumed in the production of polystyrene and other styrene derivatives. We believe SABIC has moved in this direction as well, largely from relatively recent acquisitions of ABS and SAN assets. On the other hand, some producers are pure "merchant" players with no forward integration; this group includes many producers in the Middle East that are looking to exploit feedstock cost advantages. We believe Shell, which exited the production of styrene derivatives in the 1990s, is now fully focused on merchant supply as well.

The following chart sets forth the major styrene producers and their global capacities in 2010, including the aggregate capacities of the businesses contributed to Styrolution, which includes tolling agreements and other arrangements of Styrolution in addition to total production capacity.

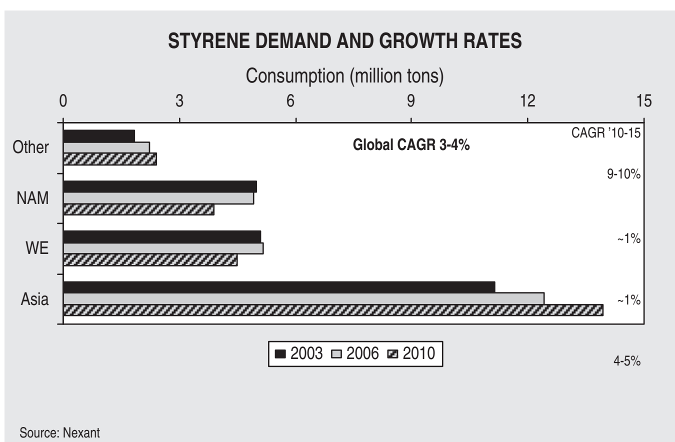


Supply and Demand for Styrene

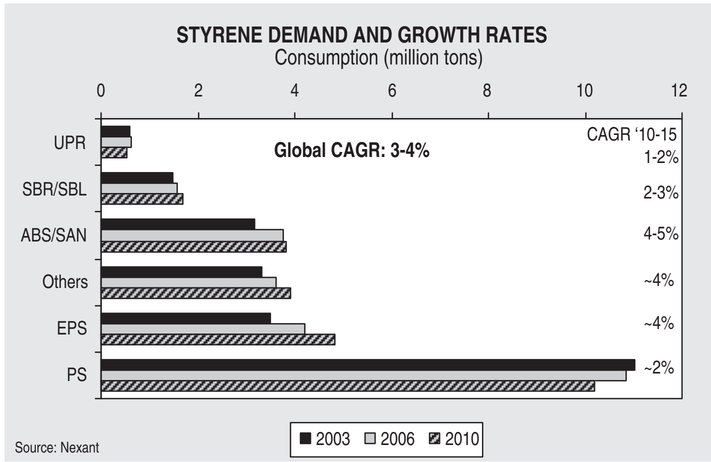
Global styrene capacity is distributed geographically through the three major regions, with an emphasis on Asia. According to Nexant, the world's 2010 styrene supply totaled approximately 32 million tonnes. The top three regions were Asia (49%), North America (19%) and Western Europe (18%). Several styrene projects have been developed in the Middle East and China in recent years, such that the styrenics industry is now characterized by overcapacity. Investment in the Middle East has been driven by low cost ethylene feedstock in the region, though the Middle East currently faces a shortfall in locally produced benzene, which is also required to produce styrene. Investment in China has been linked to the construction of new ethylene cracker projects where the operators are looking to forward integrate into styrene and styrene derivatives. The chart below illustrates historical and forecasted global styrene supply and demand, as well as operating rates.



The risk of substitution for styrene as an input is low, but because certain styrene derivatives and end products can be substituted with other products, in many cases with low switching costs, the demand for styrene is also affected by the availability of substitutes for styrene-based plastics and synthetic rubber products. Nexant forecasts an average global growth rate for styrene of 3-4% CAGR for 2010-2015, with the highest growth rate in Asia. The chart below illustrates historical and forecasted styrene demand growth by region.



The chart below illustrates historical and forecasted styrene demand growth by product. Polystyrene demand continues to grow, but the decline in styrene demand from polystyrene producers seen in the chart below is in part a reflection of the substitution of polystyrene by polypropylene and polyethylene terephthalate (PET) and paper in packaging applications as well as the phase out of typical polystyrene applications like audio/video cassettes and CD jewel boxes, as discussed further under "*—The Polystyrene Market*".



Below is a discussion of supply and demand for styrene in the three major regions.

Asia. Asia currently accounts for more than half of global styrene demand. Demand for styrene in Asia was significantly impacted by the recent economic downturn, which affected key end-use sectors such as automotive and electronics. However, demand is expected to recover relatively quickly, primarily driven by continued industrial development, population growth and rising income levels in China. The mature economies of Japan and South Korea are exhibiting lower demand growth due to the migration of some downstream manufacturing to China and parts of Southeast Asia. Nexant forecasts Asian styrene consumption growth at around 4% CAGR for 2010-2015. According to Nexant, Asia is likely to remain a net importer of styrene at least through 2015. Asia is currently experiencing capacity overhang that largely consists of older and smaller scale facilities, though the operation of these plants has been reduced considerably over the past 18 months. Chinese styrene capacity development has been partially constrained by the slow rate of development of new ethylene crackers, but new capacity developments are continuing to emerge in China, which will put downward pressure on margins. Average plant operation rates have declined across Asia, in part because operations have been reduced to make way for lower cost imports, including from the Middle East and from Korea and Singapore.

North America. Historically, U.S. and Canadian styrene producers have exported large volumes of styrene to Asia, South America and Western Europe. Though these general trade patterns still exist and are expected to continue, total export volumes from these areas have declined, and are expected to continue to decline, as a result of new capacity additions in other regions, particularly in the Middle East. Styrene demand in the United States has declined in recent years due to reduced levels of manufacturing activity and material substitution in packaging, though there has been higher growth in Mexico. Underutilized plants have resulted in some closures in North America, which has in turn stabilized average plant utilization rates. No new styrene capacity has been constructed in North America since the early 1990s, and we are not aware of plans for further expansion in the region. Nexant forecasts North American demand growth at approximately 1% CAGR for 2010-2015, supported by a gradual recovery of the wider economy and increased manufacturing activity within the region. Nexant also forecasts a gradual increase in operating rates over the next few years as market demand continues to recover gradually.

Western Europe. In Western Europe, regional demand has recently subsided due to the recent economic downturn and the migration of some manufacturing industries outside of the region. Western Europe has recently been a net exporter of styrene, with most of the material shipped to Central

Europe. Nexant expects net exports to decline in the future as supply and demand balances in the region; existing trade flows to Central Europe are expected to continue, but at reduced volumes. Nexant forecasts future styrene demand growth in Western Europe at approximately 1-2% CAGR for 2010-2015, supported by a level of inventory restocking throughout the styrene supply chain. Demand in the neighboring economies of Turkey and Central and Eastern Europe is expected to be stronger. Regional styrene supply has increased primarily because of propylene oxide manufacturing, but supply additions have been partially offset by recent plant closures, including by Dow in 2008. Nexant forecasts fewer PO/SM plant investments in the future as producers focus on technologies that produce propylene oxide without any co-products.

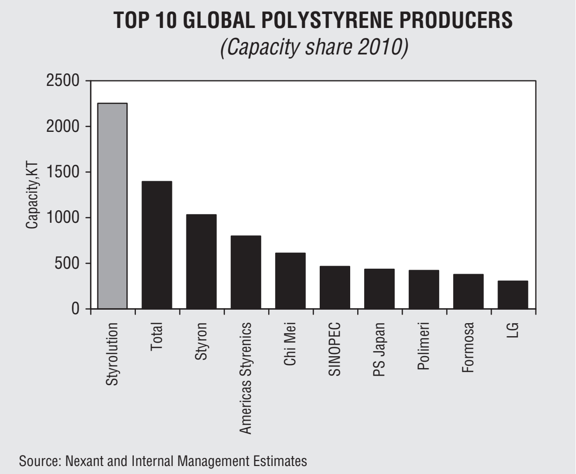
The Polystyrene Market

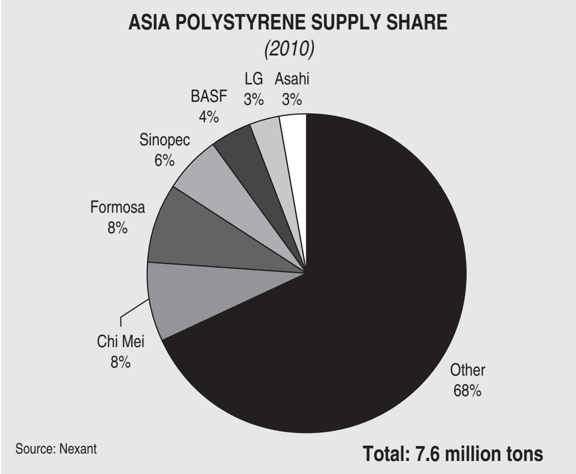
The demand for polystyrene is driven by the demand for its end use applications, including packaging, appliances and electronics. Global polystyrene demand grew significantly from the 1960s to the late 1990s, but later went through challenges stemming from the substitution of polypropylene ("PP") as a result of higher polystyrene prices driven by a peak in benzene feedstock prices. Changes in consumer demand for certain end products, such as the decline of audio and video cassettes, and the changing landscape of the consumer electronics industry, including the increasing prevalence of flat-screen TVs, led to an oversupply of polystyrene in the late 1990s and early 2000s. Environmental pressures have also impacted historic polystyrene growth because of an increased public focus on waste disposal and recycling, particularly in the areas of disposable food and beverage containers. In 2006, polystyrene producers began to rationalize capacity, and, in parallel, benzene prices began to retreat, positioning polystyrene as a more competitive product in the long term. As demand recovers, Nexant expects future product margins to stabilize and return to historical levels in North America. Western Europe and Asia may also benefit from the opportunity to supply Central Europe and China, respectively, though average margin levels are expected to be lower in 2011 than 2010, largely as a result of capacity additions that will come on-stream in the Middle East towards the end of 2011. Nexant forecasts an average global growth rate for polystyrene of 2-3% CAGR for 2010-2015.

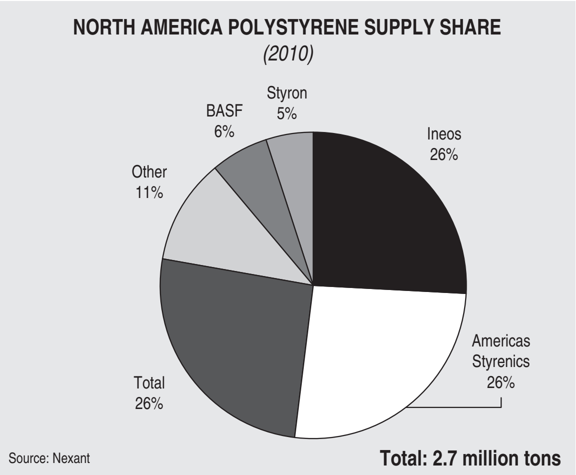
Competition in the Polystyrene Market

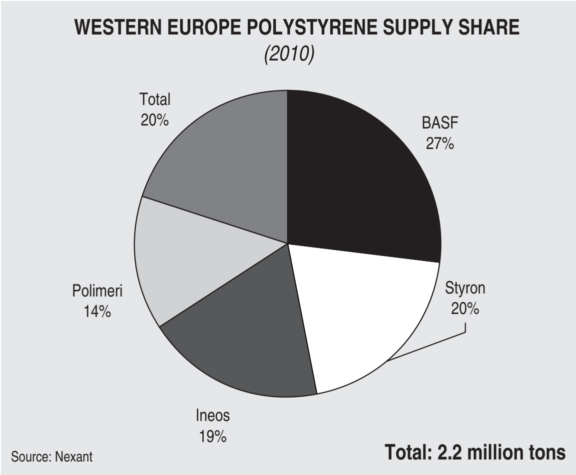
The polystyrene markets in which we operate are highly competitive, with competition based primarily on price and reliability of supply. Polystyrene pricing tends to track styrene pricing very closely, as polystyrene producers are usually able to pass through higher styrene costs (with the possibility of some lag), but cost savings are also typically passed on to end users. Polystyrene prices may also be impacted by the prices of other competing polymers, including PP and PET. The North American and Western Europe polystyrene markets have a few major producers as well as smaller scale regional players. Few polystyrene producers have operations in more than one region; besides our own operations, only Total Petrochemicals S.A. and Styron (which has an ownership interest in Americas Styrenics in North America) have global footprints. Our main North American competitors are Total Petrochemicals S.A., Americas Styrenics and Resirene. The costs of transportation and logistics of supply typically make it less economical to import polystyrene from outside North America. Our primary competitors in Europe include Total Petrochemicals S.A., Polimeri Europa and Styron. Asian polystyrene supply is fragmented and even large scale producers in Asia have relatively modest market shares of less than 10%.

The first chart below illustrates polystyrene global capacity by producers in 2010, including the aggregate capacities of the businesses contributed to Styrolution, which includes tolling agreements and other arrangements of Styrolution in addition to total production capacity. The other three charts set forth the major polystyrene producers and their regional capacity share in 2010.



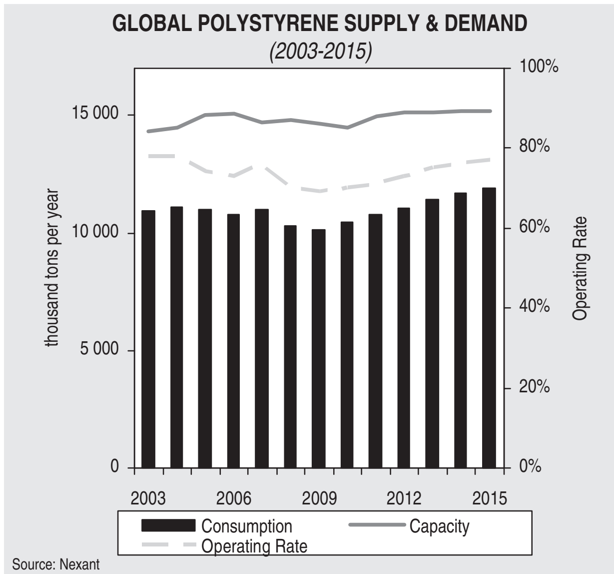




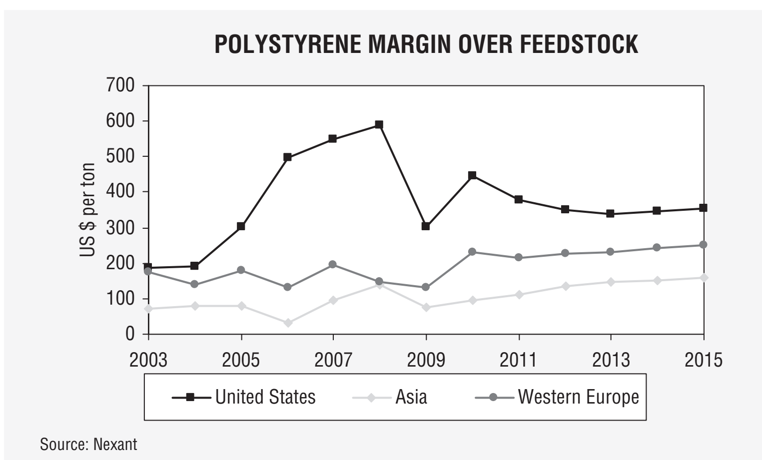


Supply and Demand for Polystyrene

Polystyrene is supplied on a global basis, with the largest regions of demand being Asia, North America and Western Europe. The global polystyrene markets are expected to remain oversupplied even as demand recovers from the recent economic downturn. The chart below illustrates historical and forecasted global polystyrene supply and demand, as well as operating rates.

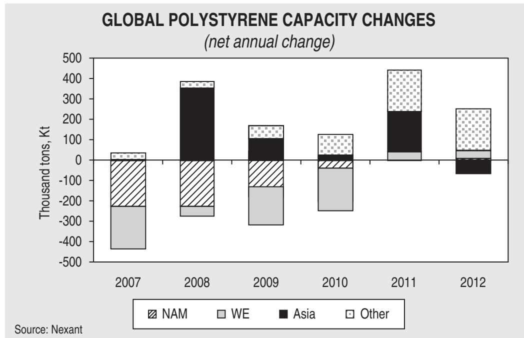


Average industry utilization rates are forecast to show a gradual recovery over the forecast period. The chart below illustrates historical and forecast global polystyrene margins based on Nexant estimates.

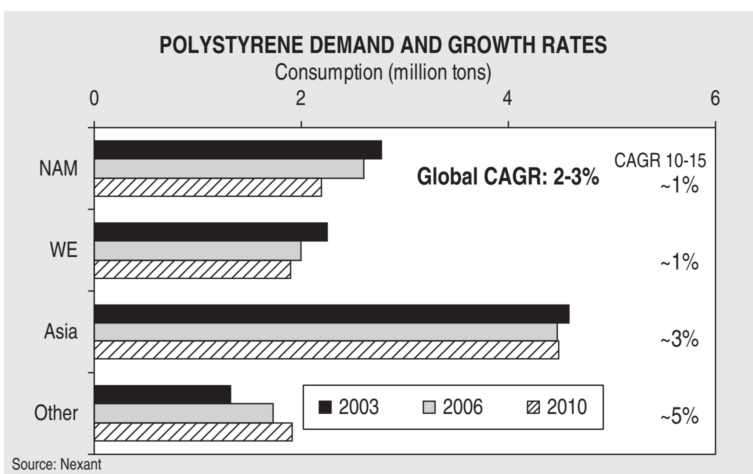


According to Nexant, the world's 2010 polystyrene capacity totaled approximately 15 million tonnes, and the top three regions were Asia (53%), North America (19%) and Western Europe (15%). Lower demand growth and reduced export opportunities have resulted in overcapacity in the United

States and Western Europe, while some new capacity is being developed in China, Africa and the Middle East. The chart below illustrates historical and forecasted global polystyrene capacity changes.



The polystyrene sector has undergone lower demand growth in recent years primarily due to the increased competitive pressure from material substitutes and so-called "down gauging" by manufacturers, which occurs when manufacturers produce a thinner version of their products in order to consume less raw material. Substitutes and down gauging have been particularly relevant in the packaging and disposables markets but also in the electronic and appliances sectors. North America and Western Europe producers have responded to the decline in demand by reducing inefficiencies and closing plants and consolidating businesses, resulting in significant capacity reductions. Polystyrene demand growth is highly dependent on the packaging sector, primarily food packaging, in Western Europe and North America. According to Nexant, the food packaging sector is mature, with flat growth forecasted for 2010-2015. The chart below shows historical and forecasted regional polystyrene demand growth rates. Negative consumption growth and lower plant utilization rates in 2008 and 2009 can be attributed primarily to the recent economic downturn.



Below is a discussion of supply and demand for polystyrene in the three major regions.

Asia. Asia has seen a steady stream of new polystyrene capacity added over the last five years, with most of the projects related to the forward integration of styrene plants. New capacity additions in the coming years are expected to occur primarily in China. Asian consumption of polystyrene declined recently with the economic downturn, but according to Nexant, growth is expected to gradually improve, with a CAGR of approximately 3% forecast for 2010-2015. Asian demand is driven by the Chinese manufacturing sector, which is dominated by the production of various plastic items such as toys, housewares, computers, televisions and office equipment. In 2010, approximately 49% of polystyrene consumed in Asia was used in the production of electronics and electrical products, with 18% consumed in packaging production, according to Nexant. Domestic Chinese consumption of these plastic products is rising, but Asian polystyrene demand remains highly dependent on the export of finished goods. Unlike North America and Western Europe, the food packaging sector remains largely undeveloped in Asia, which we believe offers a future growth opportunity.

North America. Lower demand growth and reduced export opportunities have resulted in overcapacity in the United States. As a result, producers have rationalized older, higher cost facilities. Total nameplate capacity in North America declined by around 500 thousand tonnes per year from 2002-2009, representing a decline of approximately 20% over the period. Polystyrene demand is largely driven by food packaging, including disposal products such as takeout or take-away food containers, cups, plates and cutlery. In 2010, approximately 48% of polystyrene was consumed in packaging, with 15% consumed in electronics and electrical appliances production, according to Nexant. Nexant forecasts demand growth at approximately 1% CAGR for 2010-2015.

Western Europe. As in North America, Western Europe has seen substantial capacity decline, with estimates of decline near 25% between 2002-2009. Older plant capacity in the region has been closed, resulting in improved supply and demand balance and fixed cost reductions. As in North America, demand growth is driven largely by food packaging, with demand growth expected to remain flat, according to Nexant. In 2010, approximately 48% of polystyrene was consumed in packaging, with 21% consumed in electronics and electrical appliances production, according to Nexant. Nexant forecasts demand growth of approximately 1% in 2010-2015.

The ABS Markets

The global markets for natural ABS and for pre-colored ABS are, in broad terms, affected by the same supply and demand trends. ABS technology is mature and has been relatively stable over the last decade, with no new material process or production routes expected to come to market within the next five years. The demand for ABS is driven by the demand for its end-use applications, including consumer electronics, appliances and automotive parts, which together are responsible for over 80% of ABS consumption.

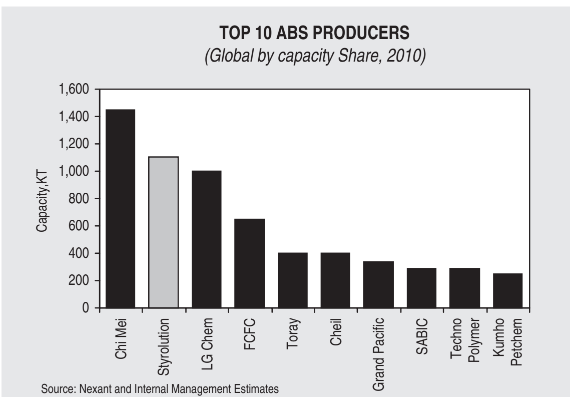
From 2000 to 2008, global operating rates averaged around 80%, with Asia operating rates around 80%, Europe around 85% and North America around 75%. Near the end of 2008, due to the global economic decline, inventory de-stocking occurred alongside minimal capacity additions, such that global ABS operating rates dropped below 80%. Operating rates began to recover near the end of 2009 and approached historical levels in 2010. Short term demand growth for all ABS markets is expected to be strong as the global economy recovers, and Nexant forecasts an average growth rate of approximately 5% CAGR for 2010-2015, with demand growth for 2009-2011 particularly strong, as most suppliers restock during the period.

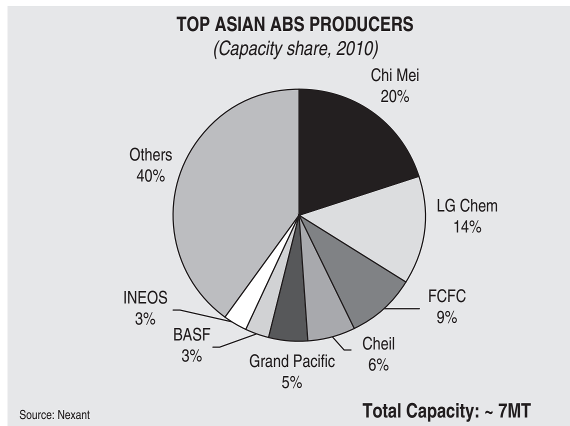
Competition in the ABS Markets

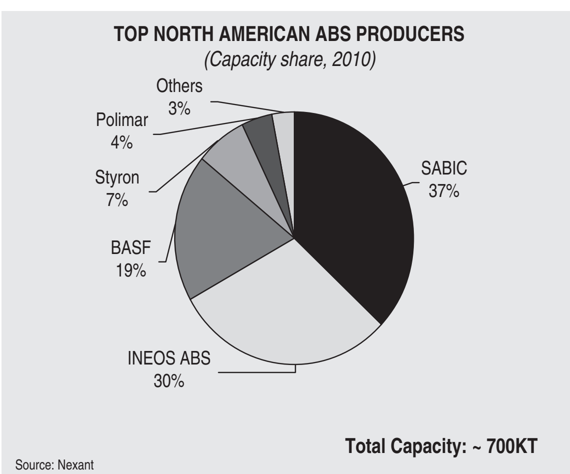
Traditionally, ABS producers offered customers numerous grades and color options. Since the emergence of very large plants and production lines, the industry model has changed. Today, most ABS producers focus production on either natural (uncolored) ABS or pre-colored ABS. We produce both natural ABS (primarily through our BASF Styrenics Business assets) and pre-colored ABS (primarily through our INEOS ABS Business assets). Another aspect of differentiation within the ABS markets is the large number of grades of ABS. We consider natural ABS to be akin to a commodity and pre-colored ABS to be akin to a specialty product, as most of our pre-colored ABS products also feature special grades or attributes. ABS pricing (both natural and pre-colored) tends to track feedstock prices very closely, as ABS producers are usually able to pass through higher costs (with the possibility of some lag), but cost savings are also typically passed on to end users.

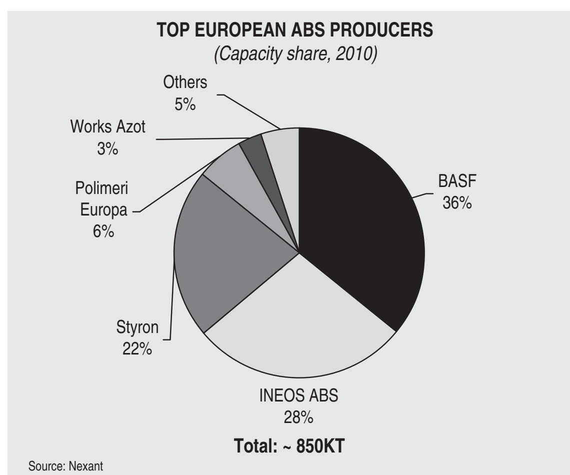
The ABS markets in which we operate are global and highly competitive, with competition based primarily on price and reliability of supply, as well as (for some products) grade, color options and customer service. Competition in the ABS markets largely depends on whether the customer desires a natural or pre-colored ABS product and whether the end product requires any special attributes or characteristics. Our primary competitors for natural ABS include Chi Mei, LG, Styron and Polimeri. Our main competitors for pre-colored ABS include LG, Cheil (Samsung), Styron and SABIC, but we also compete with compounders who comprise approximately half of the global pre-colored ABS market and approximately one-third of the market in Europe. Key compounders active in Europe include Schulman, Ravago, Nord Color and Albis.

The first chart below illustrates ABS global capacity share by producers in 2010, including the aggregate capacities of the businesses contributed to Styrolution, which includes the capacity of Altamira that will be transferred to us in 2013. The other three charts set forth the major ABS producers and their regional capacity shares in 2010.





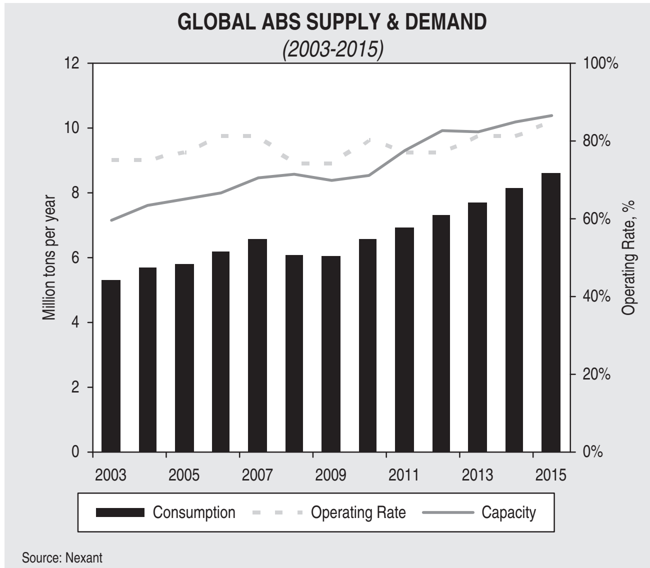




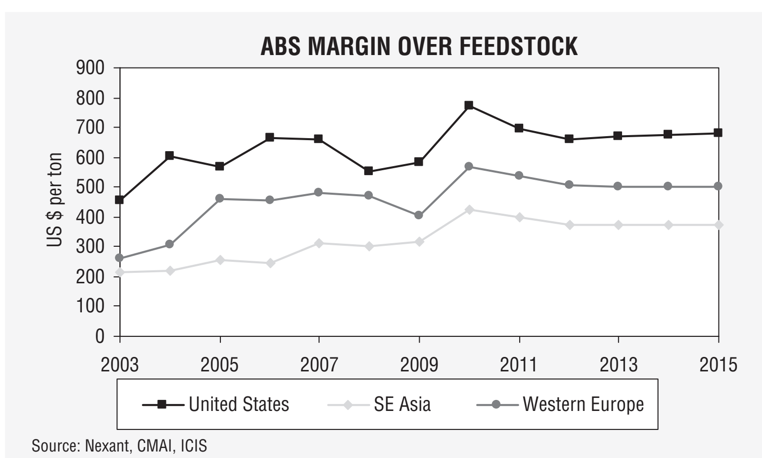
Supply and Demand for ABS

ABS is supplied on a global basis, with the largest regions of demand being Asia, North America and Europe. The world's 2010 ABS capacity totaled approximately 9 million tonnes, and the top three regions were Asia (80%), North America (9%) and Europe (10%), according to Nexant.

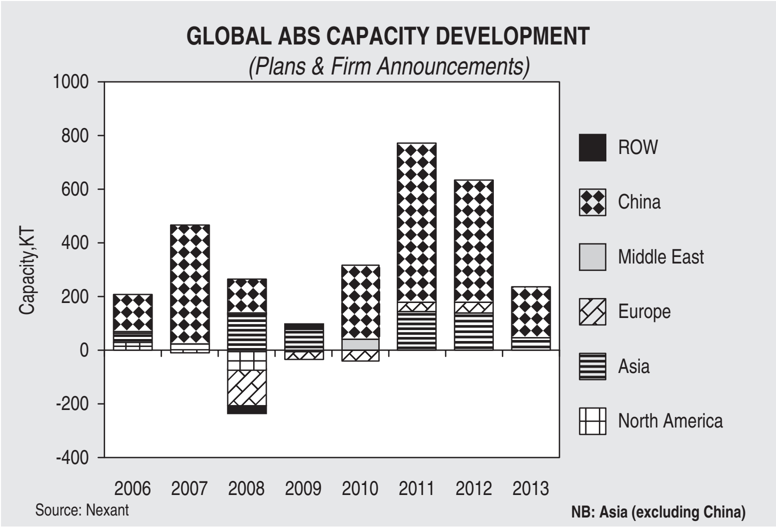
Global production declined sharply in 2008 when suppliers sought to de-stock in response to the economic decline, at which time producers were forced to rationalize capacity. In the future, Nexant forecasts growth will be driven by strong demand for manufactured goods in low cost regions like China but with downward pressure on margins as new capacity comes on-stream. The chart below illustrates historical and forecasted global ABS supply and demand, as well as operating rates.



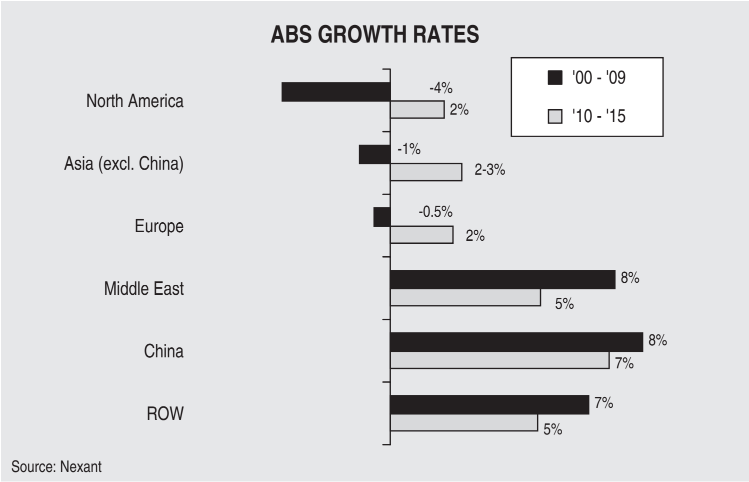
ABS margins are currently at record high levels, as demand has recovered more quickly than expected folllowing the downturn. Nexant forecasts that ABS margins will fall in the short term as new capacity comes on stream and then stabilize over the forecast period. The chart below illustrates historical and forecast global ABS margins based on Nexant estimates.



In the next few years, capacity additions will largely focus in Asia (80% in China) and the Middle East. The Middle East relies on imported acrylonitrile, a necessary component of ABS, but efforts are underway to develop acrylonitrile in the region. The chart below illustrates historical and forecasted global ABS capacity changes.



Because a significant amount of ABS is used in consumer items, including high-value items such as vehicles and televisions, the ABS markets tend to experience strong demand growth in economic upturns but corresponding contractions in demand in downturns. This reflects the fact that consumers can defer their purchases of high value items. Global demand declined in 2008 alongside the global economic decline and inventory de-stocking along the supply chain, but began to recover beginning in the second half of 2009. In 2010, global demand again improved, with a total demand of approximately 6.5 million tonnes, with Asia comprising approximately 76%, North America approximately 8% and Europe approximately 11%, according to Nexant. This growth in 2010 occurred at a faster rate than originally expected, with the global consumption of ABS higher than in 2009. The chart below shows historical and forecasted regional ABS demand growth rates.



Below is a discussion of supply and demand of ABS in the three major regions.

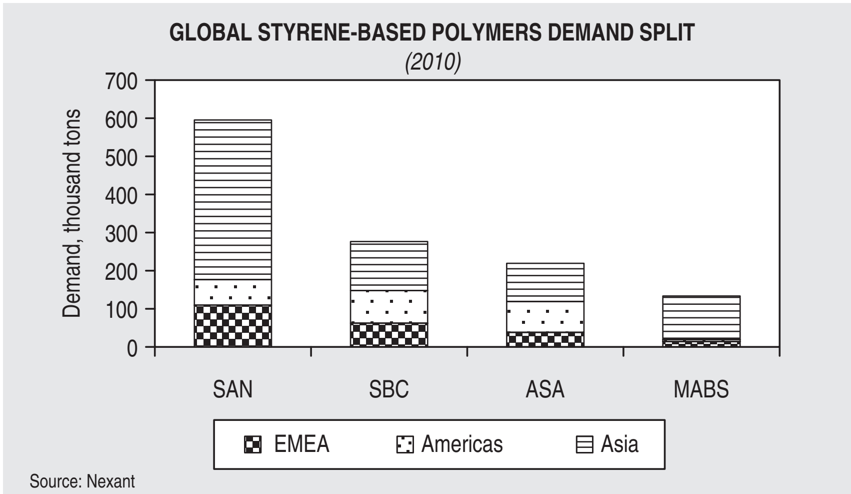
Asia. Reflecting the fact that a majority of the world's demand for ABS comes from Asia, Asia also accounts for approximately 80% of global capacity. Four of the six leading ABS producers, with a combined market share of over 50%, are based in the Asia Pacific region. Future capacity additions are expected to take place in Asia (and in particular, China) and the Middle East (including Saudi Arabia and Iran). Heavy capacity development over the next few years is expected to depress operating rates, which dropped below 80% in 2008 and then showed improvement in 2009 and 2010. Nexant forecasts Asian ABS demand growth near 6-7% CAGR, with Chinese demand growth near 7-8% CAGR, for the period 2010-2015. We expect the future demand growth in Asia will lead to stable, and slightly improved, utilization rates. Asia is expected to retain a net export position, with South Korea and Taiwan each exporting just over one million tonnes per year and holding a presence in all major markets worldwide. Asian ABS exports are expected to continue to North America and Europe, sustained by Asia's current competitive advantage resulting from feedstock availability, scale and low labor costs. China imports around two million tonnes per year, more than half of its consumption requirements. Despite its capacity additions, China is expected to continue to import 50% of its consumption.

North America. Demand in North America has followed a declining trend since 2005 due to the recent economic slowdown in the United States, inter-polymer competition (mainly from PP) and the relocation of certain consumer industries (primarily to Asia). Projected growth rates for the United States in 2009-2015 are higher than their historical averages in the period 2000-2008, as demand levels were near record low levels in 2009. Nexant forecasts demand growth of approximately 2% CAGR in 2010-2015. Operating rates in the United States will remain below global average levels as a result of low demand growth and increasing imports. Some ABS producers in the United States temporarily halted or reduced production during the fourth quarter of 2008 in an attempt to balance inventories, but this capacity has now been restarted. Despite modest consumption growth, North American producers are likely to continue operating their existing plants. Generally, producers in North America have sufficient access to acrylonitrile feedstock supply in the region. Historically, the United States was a net exporter of ABS, but the United States has increasingly become a net importer as a result of recent shifts in trade patterns. The United States exports some ABS to Canada and Mexico, but the net trade flow mainly comprises imports from Taiwan and South Korea. Due to the availability of competitively priced imports and limited demand growth for ABS, no new capacity is expected in North America over the next several years.

Europe. Europe is a net importer with an increasing amount of the market supplied by imports from South Korea and Taiwan. This trend is expected to continue. ABS consumption in Europe increased in 2006 and 2007 before falling in 2008 and 2009 alongside the economic downturn. European ABS demand is around 700 thousand tonnes per year and is forecast to grow at approximately 2% CAGR in 2010-2015, according to Nexant, with demand in Central and Eastern Europe the key growth drivers. As the automotive industry comes under greater pressure, several Western European automotive producers have moved production to Central and Eastern Europe in order to reduce costs and remain competitive in the face of intense competition from Asian producers. Due to their relatively low-cost labor, both of these areas have attracted considerable investment in downstream industries, which are expected to drive future ABS demand in Europe. No capacity additions are expected in Europe over the next several years.

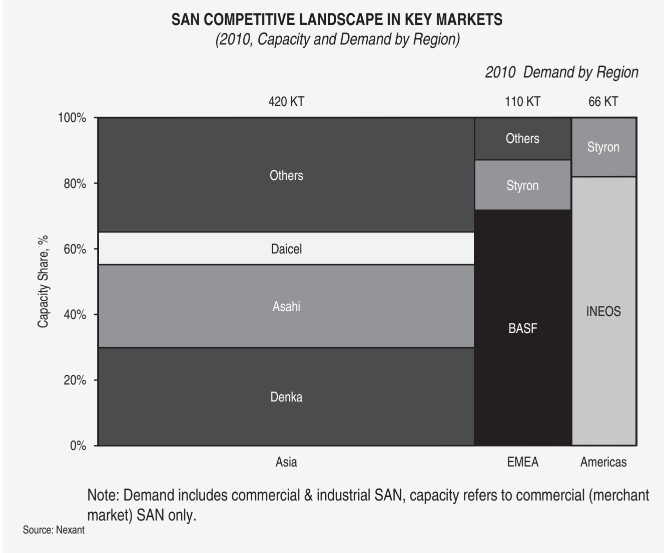
Copolymers

We are also active in a number of other markets for copolymers, including styrene-acrylonitrile (SAN), acrylonitrile styrene acrylate (ASA), methyl methacrylate acrylonitrile butadiene styrene (MABS) and styrene butadiene blockcopolymers (SBCs). Copolymers comprise a small portion of the styrene derivatives market, representing only about 7% of the overall market, according to Nexant. As with ABS, Asia is the primary market for copolymers. The following table illustrates the global demand for copolymers.

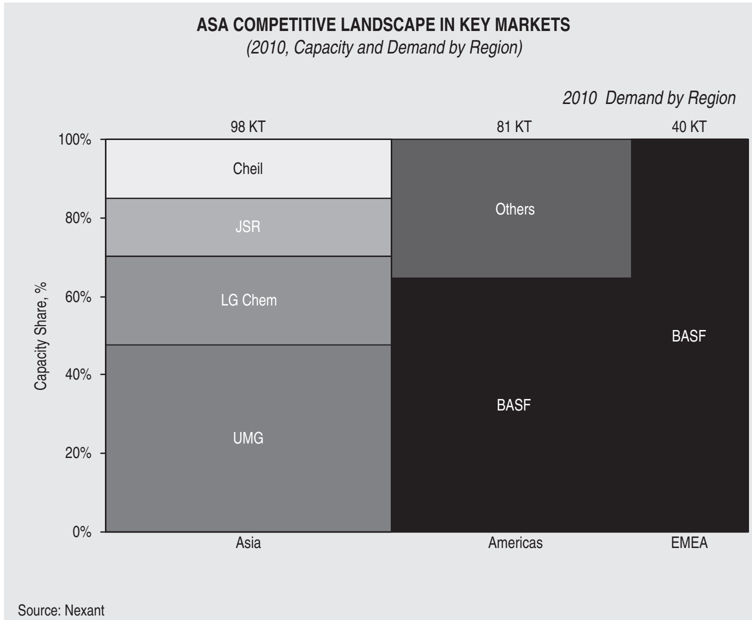


Styrene-acrylonitrile (SAN). SAN is a rigid and transparent copolymer made from styrene. SAN is used principally in the production of ABS. In addition, it has some commercial end uses as a translucent polymer in its own right, including in kitchenware, computer products and plastic optical fibers. SAN is also used in faster growing and often higher margin end uses such as medical devices, which can leverage SAN's chemical- and UV-resistant properties that allow the end products to withstand sterilization processes. Most SAN capacity that exists today is for captive use to produce ABS. Some ABS plants, especially in North America, are "swing plants", which are able to "swing" operations between ABS and SAN production on the same lines. Asia is the largest market and accounts for over 70% of total SAN merchant demand. According to Nexant, total demand, which includes both commercial and industrial SAN demand, was approximately 600 thousand tonnes globally in 2010. Nexant forecasts slow but stable growth of approximately 2% CAGR for 2010-2015 for the merchant market. SAN is highly concentrated on a global and regional scale. We, Polimeri and Styron are the primary producers in Europe, and we and Styron are the largest producers in the Americas.

There are three large players in Asia, with future capacity additions expected to come on-stream in Asia. The graph below illustrates the SAN competitive landscape in the key markets.



Acrylonitrile styrene acrylate (ASA). ASA growth in the United States and Asia has been driven by the growth of applications such as building and construction (especially side panels for houses) and pools and spas, while European growth has been linked with automotives. According to Nexant, total ASA demand was approximately 220 thousand tonnes globally in 2010. Nexant forecasts future ASA growth at 4-5% CAGR for 2010-2015, as growth is expected to return in the automotive and construction areas. Growth is led by Asia, where the forecast is closer to 6% CAGR for 2010-2015, according to Nexant. We are the primary ASA producer in Europe and the Americas, while there are four large players in Asia. Capacity is not truly fixed because ABS production facilities can be modified and converted to produce ASA where the appropriate technology is available. ASA commands higher margins than SAN given its specialized attributes. The graph below illustrates the ASA competitive landscape in key markets.



Methyl methacrylate acrylonitrile butadiene styrene (MABS). MABS is a niche product used primarily in medical device parts and electronics and household appliances. MABS is sold on the basis of its transparency and color design flexibility, combined with impact strength and stress crack resistance. There has been strong growth in MABS from new applications, as MABS can compete on the basis of price with other high-impact strength products such as polycarbonate (PC). According to Nexant, total demand was approximately 130 thousand tonnes globally in 2010. Historical growth was near 5% CAGR for 2003-2008, and future growth is forecast to be 4% CAGR for 2010-2015, according to Nexant, based on continued demand in the medical area and growth in electronics and household appliances. We are the primary MABS producer in Europe, while there are four large players in Asia, and the Americas are served by imports. MABS capacity is not truly fixed because nearly 50% of ABS plants are "swing plants" that can produce MABS. Like ASA, MABS has higher margins than SAN due to its specialized attributes.

Styrene butadiene blockcopolymers (SBCs). SBCs are produced in dedicated plants because of the requirements of the SBC polymerization process. North American and European demand for SBC declined over the last few years as a result of the economic downturn and some inter-polymer substitution with PET. Chinese demand for SBCs has remained strong despite the economic downturn, with increasing domestic demand and continued movement of downstream manufacturing from other regions to China. Footwear production is the main end-use application for SBC in China today, and we believe infrastructure development in China offers opportunities for growth in other areas, such as bitumen modification. According to Nexant, total demand was approximately 280 thousand tonnes globally in 2010. Historical growth was near 4% CAGR for 2003-2008, and future growth is forecast to be 3-4% CAGR for 2010-2015. We are the primary SBC producer in Europe and one of two players in the Americas, while there are three large players in Asia.

BUSINESS

Overview

We are a leading global producer, marketer and merchant seller of styrenics, with a global production capacity in 2010 of 2.2 million tonnes of styrene monomer and 1.8 million tonnes of polystyrene, and pro forma sales of €6.4 billion in 2010. We have access to additional styrene monomer and polystyrene capacity through long term supply contracts. According to Nexant's estimates for 2010, which give effect to our tolling and other agreements, we are the largest global producer of styrene monomer, with an estimated capacity share of 11%, and the largest global producer of polystyrene, with an estimated capacity share of 15%. We are also the second largest global producer of ABS, with production capacity of up to 960 kilotonnes and access to additional capacity through our distribution agreement in Altamira, Mexico, and the largest global producer of copolymers, according to Nexant and management estimates. With 19 manufacturing sites in 10 countries, we will be a geographically diversified, global player, positioned to benefit from growth in all major regions, including Asia. According to management estimates, in 2010 Europe represented approximately 48% of our sales and 58% of EBITDA, the Americas represented approximately 29% of sales and 22% of EBITDA, and Asia represented approximately 23% of sales and 20% of EBITDA.

We are a joint venture owned by two world-class chemical companies, the BASF Group and the INEOS Industries Group, but we are operated and financed on an independent basis. Through our joint venture, we will offer significant benefits to our customers by increasing efficiency, reducing fixed and variable costs and eliminating duplicate costs, implementing best practices and improving service and distribution at a global level. Our heritage businesses combine a rich history in innovation and leadership in the styrenics industry. Our business units are (i) styrene monomer (also referred to as styrene or "SM"), (ii) polystyrene ("PS"), (iii) acrylonitrile butadiene styrene ("ABS") and (iv) copolymers.

Styrene Monomer (SM)

We are the largest manufacturer of styrene monomer (also referred to as styrene or "SM") in the world by volume. The styrene we make is primarily used as feedstock for our polystyrene, ABS and copolymers businesses. In addition, we sell styrene to third party customers for a variety of industrial and consumer applications, including the production of polystyrene and other styrene derivatives that are ultimately used in plastics and synthetic rubber products. Styrene is a global commodity, and we compete primarily on the basis of price and reliability of supply. In 2010, sales of styrene were €2,136.7 million, with sales volume of 2,235 kilotonnes and EBITDA before exceptionals of €30.0 million, aggregated across our heritage businesses. In the future, total sales, volume and EBITDA may change as we integrate our heritage businesses and use styrene monomer as feedstock across our downstream businesses.

Polystyrene (PS)

In our polystyrene (PS) business, we produce general purpose polystyrene (GPPS) and high-impact polystyrene (HIPS). We are the largest manufacturer of polystyrene in the world by volume. Among other applications, GPPS is used in packaging, foamed containers, cutlery and CD jewel cases, and HIPS is used in refrigerator liners and parts, vending cups, lids and appliances. There is some substitution available between GPPS and HIPS, and we view this product market as encompassing all of polystyrene. Polystyrene is supplied on a global basis, with the largest regions of demand being Asia, North America and Western Europe. We compete in these regions and around the world primarily on the basis of price and reliability of supply. In 2010, sales of polystyrene were €2,232.8 million, with sales volume of 1,985 kilotonnes and EBITDA before exceptionals of

€129.9 million, aggregated across our heritage businesses. In the future, total sales, volume and EBITDA may change as we integrate our heritage businesses.

Acrylonitrile Butadiene Styrene (ABS)

In our acrylonitrile butadiene styrene ("ABS") business, we produce natural ABS, as well as pre-colored ABS. We are among the largest manufacturers of ABS in the world by volume. ABS is used in consumer appliances, information technology devices and automotive parts. ABS is supplied on a global basis, with the largest regions of demand being Asia, North America and Europe. We compete in these regions and around the world primarily on the basis of price and reliability of supply, as well as grade and color options. In 2010, sales of ABS totaled €1,538.6 million, with sales volume of 962 kilotonnes and EBITDA before exceptionals of €173.4 million, aggregated across our heritage businesses. In the future, total sales, volume and EBITDA may change as we integrate our heritage businesses and allocate certain products containing ABS between our ABS and copolymers business units.

Copolymers

In our copolymers business, we produce several styrene based specialty copolymers, including methyl methacrylate acrylonitrile butadiene styrene (MABS), polyamide/ABS (ABS+PA), styrene acrylonitrile (SAN), styrene-butadiene block copolymers (SBC), acrylonitrile styrene acrylate (ASA) and styrene methylmethacrylate (SMMA). We are among the largest volume manufacturers of these products in the world. Our copolymers are used in many applications, including the fast growing market for medical products and for outdoor use, particularly where weather and UV-resistance is important, such as in construction (*e.g.*, sidings). These copolymer products are global specialty products, with the largest regions of demand being Asia, North America and Western Europe. We compete in these regions and around the world primarily on the basis of price, reliability of supply, product quality, product performance and customer service. In 2010, sales of our copolymers segment totaled €692.6 million, with sales volume of 288 kilotonnes and EBITDA before exceptionals, aggregated of €104.6 million. In the future, total sales, volume and EBITDA may change as we integrate our heritage businesses and allocate certain products containing ABS between our ABS and copolymers business units.

Our History

Our company combines the global business activities of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business in the production of styrene monomer, polystyrene, ABS and a number of other styrene derivatives under the category of "copolymers". We are being formed by our controlling shareholders, INEOS Industries and the BASF Group, as a joint venture in order to create a low cost global player in the styrenics sector that will offer significant benefits to customers through enhanced efficiency, reduced costs and improved service and distribution at a global level. Our heritage businesses combine a rich history in innovation and leadership in the styrenics industry and have a record of achieving efficiencies and cost competitiveness. Among other examples, the BASF Group heritage business is responsible for the first styrene monomer synthesis and polystyrene polymerization in 1929 and 1930, respectively, and the INEOS Industries Group heritage businesses can be credited with using acquisitions and joint ventures to improve the efficiency and cost competitiveness of a number of businesses in the styrenics industry, including business segments once operated by Bayer, BP, Lanxess, Hüls and NOVA Chemicals.

Our Competitive Strengths

We believe the factors set forth below make us competitive in the markets in which we compete:

Global reach and leading market position

We are a leading global producer, marketer and merchant seller of styrenics, with a production capacity of 2.2 million tonnes of styrene and 1.8 million tonnes of polystyrene, and pro forma sales of €6.4 billion in 2010. We have access to additional styrene monomer and polystyrene capacity through long term supply contracts such as tolling arrangements. According to Nexant's estimates for 2010, which give effect to our tolling and other agreements, we are the largest global producer of styrene with an estimated capacity share of 11% and the largest global producer of polystyrene with an estimated capacity share of 15%. We are also the second largest global producer of ABS, with production capacity of up to 960 kilotonnes, and the largest global producer of styrene-based copolymers, according to Nexant and management estimates. At the consummation of the Joint Venture Transaction, we will operate 19 manufacturing sites in 10 countries, excluding tolling arrangements—making us the only styrenics producer with a significant production footprint in North America, Europe and Asia—and we serve customers in more than 100 countries in major end markets. Our strong global position is supported by long-term relationships with our customers, many of them leaders in their own industries, and we believe our track record of consistent delivery reliability and product quality ensures a high degree of customer retention.

Strong heritage of industry leaders

We are indirectly controlled by two shareholders, the BASF Group and the INEOS Industries Group, two world-class chemicals companies, each of which will contribute its strong chemical industry expertise and track record of successfully integrating businesses and creating incremental value, as well as its experience in active asset portfolio management. As a joint venture, we combine the technological experience and best practices in styrenics from the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business, as well as a number of other leading industry players, including NOVA Chemicals, Bayer, Huntsman, Monsanto, Shell, Lanxess, BP and Hüls, the styrenics businesses of which our heritage businesses have acquired and integrated or entered into joint ventures with over the years. Each of our shareholders has over 70 years of experience in the styrenics industry, and we believe that this experience provides us with a strong pedigree and strengthens our ability to compete and to continue to be a leader in technological innovation in our industry.

Comprehensive, high quality styrenics portfolio

We have a comprehensive range of products, from standard natural commodity polymer grades to pre-colored and customized specialty polymer types, that allows us to serve all major styrenics end markets. These product offerings are sold under brands like Terluran®, Luran® and Lustran®. We believe that the styrenics products in our product portfolio offer a number of advantages over other polymers, including lower density, ease of processing, more consistent product quality and better surface properties, heat resistance and impact strength, among other valued characteristics. Nexant forecasts global growth in demand over the next five years for our major product lines, including estimated growth of 5% CAGR in ABS and certain specialty copolymers for 2010-2015, with higher rates in Asia. Our products are supported by a focused sales organization with development teams that focus on specific industries, including the computing, consumer electronics and communications, automotive and healthcare and diagnostics sectors, and we believe this focus facilitates close customer contact and in-depth market knowledge. In addition, we believe our balanced industry portfolio and geographical diversification provides some degree of resilience to regional, sector and end user industry downturns.

Distinct business models for commodity and specialty styrenics

We have developed distinct business models for our comprehensive commodity and specialty styrenics products based on market needs. Specifically, for our commodity products, including polystyrene and natural ABS, we believe a lean and cost efficient setup with few grades, low complexity and limited technical service, but with a clear focus on high delivery reliability, short lead times and product consistency, creates a competitive advantage. In contrast, for our specialty products like pre-colored ABS and copolymers, our primary focus is on providing a higher level of customization, application innovation and technical support designed to generate additional value for our customers. We intend to implement these distinct business models with a high degree of discipline.

Diversified end-use markets and leading global customer base

Our products are used in a wide variety of industries, such as electronics and appliances, packaging, construction, automotive and housewares, and we believe that this diversification in our end markets as well as our regional diversification helps to minimize our exposure to cyclical downturns in any particular industry or industries. Our three largest end markets—the packaging, household and electrical and electronics sectors—together comprise approximately 31%, 23% and 18%, respectively, of our end use applications. The toys and leisure, automotive and building and construction markets together comprise approximately 25% of our industry exposure. As we integrate our heritage businesses, these allocations may change. Within each of the end markets we serve, our customers include some of the largest and most well-established players, including Bayer, Haier, Whirlpool, Hewlett-Packard, Electrolux, Proctor & Gamble and Lego. Our heritage businesses have a proven track record of maintaining long-standing relationships with key customers, some of which extend back over 30 years. We believe that the stability of our customer relationships, together with the leading market position of our key customers, strengthens our competitive position, enables us to manage cyclicality and builds resilience to the potential loss of any single key customer.

Large scale, low cost producer with access to proprietary technology and intellectual property

Our asset portfolio comprises 19 production sites (excluding tolling arrangements and other agreements) in 10 countries. Our Bayport facility houses the largest single production line styrene plant in the world and our Antwerp site is the third largest styrenic polymers site in the world by capacity. These two sites together account for approximately 59% of our styrene monomer production capacity. Antwerp accounts for approximately 26% of our polystyrene production capacity. Our fully invested asset base includes world-scale facilities in all major regions, some of which we believe are considered industry benchmark facilities. We believe that our backward integration into world-scale styrene monomer capacities in both North America and Europe facilitates cost competitive access to styrene, which is the most important feedstock in the production of our polymer products, and reduces logistical costs, opens swap opportunities and provides a stable source for basic manufacturing inputs. It also allows us to capture margins across the value chain. In addition, our mostly dedicated styrenics specialty plants provide the flexibility needed to produce customized, value-added copolymer specialty products. Our plants are well maintained, and we intend to continue to upgrade and invest in them in a manner consistent with our strategies and our commitment to HSSE. Our own production assets are supplemented by tolling and purchase arrangements to cover our remaining styrene feedstock needs at competitive costs, and other important feedstocks, such as benzene, ethylene, acrylonitrile, butadiene or butyl acrylate, are provided by our affiliates through medium- to long-term contracts also, at competitive rates.

The intellectual property and unpatented proprietary know-how of our heritage businesses will be contributed or transferred to our joint venture, allowing us to operate a technologically advanced business built on a strong intellectual property base. We have an extensive range of patents covering polymerization processes, products and applications for all major styrenics end markets. In addition, we conduct research and development that focuses on process improvements as well as product and application development in line with major market trends and needs. We believe our innovation pipeline, which comprises a substantial number of process, product and application/market driven projects, will help continue to generate cash flow in the future.

Experienced management team

Our senior management team has extensive experience in the styrenics industry, including knowledge in managing volatility and cyclicality such as the cyclical lows experienced in 2008 and 2009. Our management team also has a proven track record of increasing productivity, reducing costs and complexity and maximizing value, including through acquisitions and joint ventures. Our senior management team will be supported by a strong group of committed and knowledgeable employees with experience running a styrenics business. Our senior management team intends to organize our business units with a global business unit for styrene and procurement and three regional business units for our polystyrene, ABS and copolymers units, which will allow us to respond quickly to market developments and the needs of our customers.

Our Strategy

Our principal objectives are to maintain our position as a leading global supplier of styrenics and to increase the value of the joint venture by generating strong, sustainable and growing cash flow across industry cycles. To achieve these objectives we have the following key strategies:

Cost leadership

Our shareholders have significant experience in reducing costs, and we intend to implement a number of cost-saving initiatives designed to reduce our fixed and variable cost base and to improve our manufacturing facility efficiency. We believe the Joint Venture Transaction provides an opportunity for us to configure a more efficient global platform by closing redundant assets, converting heritage organizational structures into a single lean organization and securing raw materials through competitive sourcing arrangements and efficient supply chains. In addition, we intend to exploit opportunities to streamline our product offerings as well as opportunities to optimize processes, including automating the order-to-cash process while striving for highest reliability. As a joint venture, we will seek to operate low-cost, world-scale plants that are highly efficient. We intend to optimize our cost structure through continual evaluation of our performance compared to benchmarks.

Technology leadership

We intend to use, protect and further develop the intellectual property and unpatented proprietary know-how contributed or transferred to us in connection with the Joint Venture Transaction by identifying the best practices and the most efficient technologies of our heritage businesses and implementing them across the joint venture, while maintaining an emphasis on HSSE standards. We believe that technology leadership will help us to achieve a sustainable cost leadership position. We will seek to optimize the overall effectiveness of our asset base by making appropriate investments in maintenance, turnarounds and capital equipment, in conjunction with personnel training and site and plant benchmarking, in order to achieve state-of-the-art facilities capable of operating on a 24/7 basis at high standards of safety and reliability.

Management of volatility

Our business is sensitive to volatility in the costs of our raw materials and the market prices for our products. Our experienced management team intends to manage this volatility by maintaining strict control over working capital by monitoring inventory levels and striving to achieve the shortest benchmark payment terms in our markets. To achieve this objective, we intend to establish a sales force with broad and deep market coverage that will function as a "radar", which together with our flat, knowledgeable and empowered organizational hierarchy, will allow us to make fast decisions. In addition, we further intend to manage this volatility by seeking to achieve a cost structure in which as many of our costs as possible are variable costs and by taking advantage of flexibilities available to us in the value chain.

Management of cyclicality

The styrenics industry is cyclical, and our experienced management team intends to manage this cyclicality by maintaining a balanced and diversified mix of commodity and specialty products, which drives profits through both volumes and margins. We will seek to actively manage our customer and product portfolio, focusing on attractive and higher growth segments and regions. We will also strive to maintain stability through industry cycles by developing and maintaining relationships with customers that are industry leaders and relatively less vulnerable to economic downturns because of their financial strength and stable demand for their products, as well as by maintaining relatively low debt leverage levels.

Selective, value-oriented growth

We have developed distinct business models for our commodity and specialty styrenics products, and we intend to implement these models with a high degree of discipline. We will focus on maximizing profitability, which we believe is best achieved through close relationships with customers that are leaders in their respective industries, and actively managing the life cycle balance of our product portfolio through market-driven research and development. We intend to maintain several development centers, supported by a strong central research team. Together, they will manage a portfolio of projects through a collaborative approach in cross-functional project teams leveraging market, product, technology and research and development expertise. We intend to use a "stage gate process" approach to project management, whereby we will measure progress at critical project stages so that we are able to quickly identify bottlenecks, maintain flexibility and make fast decisions.

In addition, we plan to pursue strategic investment opportunities in businesses or regions that we believe will offer relatively higher or faster returns, such as the Asian market and the copolymers sector, to supplement our market position in existing areas or to build up a profitable position and foundation for further growth in regions where we are not yet active. Building on our strong foundation and profitable heritage business structures, especially in Europe and North America, we will seek to further expand our competitive position in key Asian markets, such as China and India, in both the commodity and copolymers sectors. We also plan to further develop our copolymers business in the established, but fast-growing, copolymers markets in Europe and North America.

We intend to finance our growth strategy predominantly out of free cash flow. Our capital expenditure plan is focused on projects with attractive and fast potential returns. We intend to realize capacity expansions through debottlenecking projects in existing plants (where incremental capacity additions can be achieved without significant incremental fixed costs) or through the potential construction of new world-scale plants with best-in-class cost structures exploiting our proprietary technology in key markets.

We believe that our employees are key to achieving our ambitions. We will look to attract top industry professionals to complement and enhance our existing team of highly committed, skilled and experienced employees. We plan to invest in the continual training and development of our human resources in striving to achieve top performance. We will further encourage a performance-oriented culture with clear entrepreneurial spirit.

Our Business

We sell styrene monomer, polystyrene, ABS and a number of other styrene based copolymers throughout Europe and North America, and we have a growing presence in Asia.

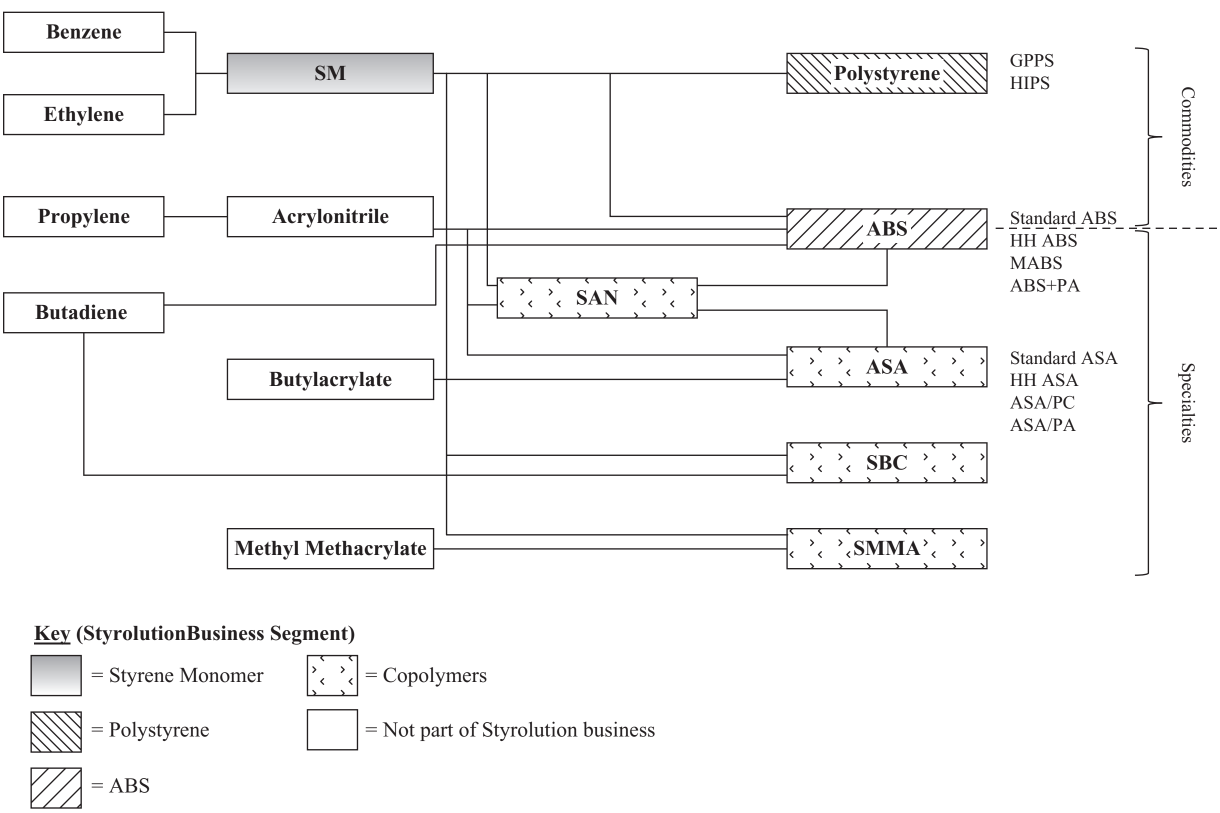
The following table provides an overview of the key products and sales volumes for the year ended December 31, 2010, together with the market positions with respect to such products for our business:

Key product	Aggregated sales volumes for the year ended December 31, 2010[(1)] (kilotonnes)	Market position based on capacity share[(2)]
Styrene Monomer (SM) . .	2,235	#1 Globally, #1 North America, #1 Europe
Polystyrene (PS)	1,985	#1 Globally, #1 North America, #1 Europe
Acrylonitrile butadiene styrene (ABS)	962	#2 Globally, #3 North America, #1 Europe
Copolymers	288	#1 Globally

(1) According to internal management estimates. In the future, these figures may change as we integrate our heritage businesses and allocate products among business units.

(2) According to Nexant and internal management estimates.

The following diagram sets forth a summary of the inputs and outputs of the production chain for our major products:



Products

Styrene Monomer (SM). Styrene is a liquid hydrocarbon produced from ethylene and benzene, using either the ethylbenzene dehydrogenation (“EBSM”) process or the propylene oxide styrene (“PO/SM”) process. EBSM is the more traditional method for producing styrene, where ethylene is alkylated with benzene to produce ethylbenzene, which is dehydrogenated to produce styrene. This basic method has been used commercially for about 50 years, during which time it has been adapted and refined to improve the quality of the end product and to minimize the amount of energy and other resources, such as electricity, fuel, steam and cooling water, used in its production. PO/SM is an alternative process whereby propylene oxide is manufactured and styrene is produced as a co-product. Both the EBSM and PO/SM processes are large scale and capital intensive. We use the EBSM method to produce our styrene because the alternative, the PO/SM process, is used only when the aim is to produce propylene oxide. Styrene is an intermediate used in the manufacture of plastics, resins, rubbers and latexes, with key end applications in areas such as packaging, electronics and appliances, construction (primarily insulation) and automotive components.

We have global styrene capacity of approximately 2.2 million tonnes, and access to additional capacity through various existing agreements, including tolling arrangements. We consume most of the styrene we produce in our downstream polymer production. We currently sell approximately 670 kilotonnes per year, or approximately 22%, of our annual production, to external customers, mainly in North America, for various industrial and consumer applications, though such amounts may change as we integrate our heritage businesses.

Polystyrene (PS). Polystyrene is a thermoplastic resin produced by the polymerization of styrene. It exists in solid state at room temperature but melts if heated and becomes solid again once cooled. It is converted through extrusion, thermoforming, stamping or injection molding into end products for a wide range of end applications, including packaging, electronics and appliances, building and construction, medical equipment, toys and office supplies.

Polystyrene is produced on dedicated lines (*i.e.*, other products are not produced on the same lines). Polymerization of styrene can be initiated by either heat or a catalyst, and usually occurs in stages with the temperature increasing at each stage. When the polymerization is complete, the polymer is removed from any diluent and/or catalyst, and washed. The polymer is then extruded and cut into easily transportable pellets. We produce two types of polystyrene: general purpose polystyrene (GPPS) and high-impact polystyrene (HIPS). Both GPPS and HIPS are used in injection molding and extrusion applications. We have global polystyrene capacity of 1.8 million tonnes and access to additional capacity through various existing agreements.

General purpose polystyrene (GPPS). GPPS is a clear, hard, usually colorless thermoplastic resin. GPPS is a crystal-clear amorphous product utilized in packaging, foamed containers, foam insulation, cutlery, medical lab-ware, clear cups and containers.

High-impact polystyrene (HIPS). HIPS, one of the most widely used thermoplastics, has great dimensional strength, high performance and balanced properties of impact strength and heat resistance, is easily processed, and is relatively low in cost. HIPS is essentially GPPS with around 5-10% rubber incorporated through a grafting process prior to polymerization to enhance the mechanical properties. HIPS products are used in refrigerator liners and parts, vending cups and lids, dairy containers, appliance components, cosmetics cases, toys and various consumer products. HIPS is translucent and resistant to breaks.

Customers have some ability to substitute between HIPS and GPPS, and many customers use HIPS and GPPS in a blend. The ability to substitute GPPS for HIPS or to change the respective proportions in the blend (the amount of HIPS in the blend may be increased up to approximately 20%) is based on the mechanical properties required by the customer.

Acrylonitrile butadiene styrene (ABS). ABS is a tough, opaque, scratch-resistant material with high impact resistance, which can be readily processed by most thermoplastic fabrication techniques, including injection molding (used to produce a variety of consumable and industrial goods) and extrusion (used to produce, among other things, sheet, pipe and electrical conduit). The main applications of ABS include electrical appliances such as vacuum cleaner components, washing machine panels and control devices, information technology devices such as computer and printer housings and automotive parts such as dashboard components, air vents, center consoles and glove boxes. ABS is regarded as a "bridge" polymer between commodity plastics (such as polystyrene, PP and PET) and higher performing engineering thermoplastics (such as nylon/polyamide (PA) or polycarbonate (PC) resins) and alloys with polyesters (PET and PBT) and PC (PC/ABS)). The major advantages of ABS include the ability to be painted, impact resistance and heat resistance as well as in general its lower cost compared to other engineering plastics. We have global ABS capacity of around 1.3 million tonnes per year.

ABS is produced from three monomers: acrylonitrile (provides thermal and chemical resistance), butadiene (provides rubber-like ductility and impact resistance) and styrene (provides stiffness, the ability to be processed and reduces overall cost). ABS resins typically contain at least 50% styrene, with varying proportions of acrylonitrile and butadiene. There are two main processes that can be used to produce ABS: mass and emulsion. In the mass process, styrene and acrylonitrile are mass polymerized in the presence of a rubber substrate (polybutadiene or styrene butadiene elastomer). In the emulsion process, an intermediate ABS is prepared by emulsifying a mixture of polybutadiene latex elastomer together with styrene and acrylonitrile. Emulsion process plants have traditionally been higher cost but have the benefit of allowing for larger production lines and hence better economies of scale, as well as a wider variety of grades of ABS. All of our plants are emulsion process plants, and over 90% of global ABS production occurs using the emulsion process.

Because ABS is usually visible in its final applications, ABS is almost always colored before use. The coloring step can be undertaken either by integrated resin producers, by independent compounders or by the customers themselves. Customers with self-coloring facilities generally favor buying natural (uncolored) product and self-coloring for the majority of their requirements but may elect to purchase pre-colored ABS if they desire relatively small volumes and/or a high degree of color-consistency.

Natural ABS. Customers who do not have in-house coloring equipment need to buy pre-colored ABS, either from an ABS producer or from a compounder. Independent compounders buy natural ABS from an ABS producer and then color it themselves for supply to end users. Compounders also compound ABS with other additives to tailor it to their customers' requirements. We offer both natural and pre-colored ABS products, with most of our natural ABS production coming from the BASF Styrenics Business facilities and most of our pre-colored ABS production coming from the INEOS ABS Business facilities. We typically produce natural ABS products (and some large-volume colors such as "standard black") using continuous lines which produce larger "runs" of the same grade.

Pre-colored ABS. We typically produce pre-colored ABS using "batch process" production which enables switching between colors without needing to clean the entire production line.

In addition to coloring, alterations in the mix of feedstocks used, and in the use of additives, allow considerable versatility in the tailoring of ABS properties to meet specific customer requirements. Such requirements can, for example, relate to the impact strength of the ABS (high impact grades), the flow properties (high flow grades), the vicat softening temperature (high heat grades), the flammability (flame retardant grades), and the platability (plating grades). We also produce medical grade ABS for use in medical applications such as inhalers. Customers may require some time to "qualify" our products using standard procedures and testing.

Copolymers

The styrene based copolymers market is composed primarily of the following product areas.

Methyl methacrylate acrylonitrile acrylonitrile butadiene styrene (MABS). MABS is a tough, transparent plastic, with high surface brilliancy and finish. It exhibits good chemical resistance, good tensile strength and stiffness and is easy to process, print on, sterilize and bond with other resins. MABS can be produced in several ways. One method involves the polymerization or blending of grafted rubber with a terpolymer of styrene, methacrylate and acrylonitrile. Another method involves compounding SAN with polymethyl methacrylate (PMMA) and polymethacrylate butadiene styrene rubber. MABS is used in applications including medical technology and diagnostics, cosmetics and hygiene (*e.g.*, toothbrushes and soap dispensers), sports and leisure (*e.g.*, musical instruments and watches) and home and office (*e.g.*, printers and loudspeakers).

Polyamide/ABS (ABS+PA). ABS+PA is a relatively new product—it is a blend based on polyamide and ABS, combining excellent impact strength at high and low temperatures, high surface quality, easy processing, chemical resistance, heat resistance and a pleasant feel. ABS+PA could potentially be used in applications in the automotive sector, in housings for power tools, and in garden equipment and sporting goods. ABS+PA is tougher and more durable than either PA or ABS separately but also has a high quality finish. It is formed by compounding the two base products together.

Styrene-acrylonitrile (SAN). SAN is a rigid and transparent polymer made from styrene, used principally in the production of ABS. In addition, it has some commercial end uses as a translucent polymer in its own right, including in kitchenware, computer products, packaging material, battery cases and plastic optical fibers. SAN is generally manufactured as an intermediate by-product in the ABS production process. It may also be produced in dedicated SAN plants. The bulk of our SAN is produced as an intermediate product. We have one dedicated SAN plant.

Styrene-butadiene block copolymers (SBCs). SBCs are a class of block copolymers of styrene and butadiene produced either as an elastomer or as a "rigid product". Rigid products have a high transparency and are often used to "toughen" GPPS. These products exhibit high surface gloss, rigidity and high flexibility, and they are easy to dye or print on and can be compounded with other materials. The other type of SBCs, elastomers such as styrene-butadiene-styrene (SBS), have high performance abrasion resistance and are frequently used for injection-molded parts as a hot-melt adhesive or as additives to improve the properties of bitumen. SBCs are produced on dedicated manufacturing lines. We focus primarily on "rigid products" and produce only one elastomer for highly specialized applications.

Acrylonitrile styrene acrylate (ASA). ASA is a styrene derivative produced by introducing a grafted acrylic ester elastomer (elastic polymer) during the copolymerization reaction between styrene and acrylonitrile. ASA was first introduced by the predecessor of today's BASF Group in the 1970s with the goal of creating a material similar to ABS but with better weather resistance. ASA has good toughness and rigidity, chemical resistance and thermal stability, outstanding resistance to weather, ageing and yellowing, and high gloss. ASA is suitable for injection molding, extrusion, blow molding and thermoforming. End uses include building and construction (siding panels, window frames, door panels, rain gutters and fences), automotive components (exterior mirror and lamp housings, radiator grills and dashboard trims), sports and leisure equipment (surfboard and sailboat parts), sheet applications for pool/spa use, telecoms (TV antenna parts, cable connection housings) and appliances (washing machine panels, refrigerator handles and microwaves). ASA is also blended with polycarbonate for use primarily in higher end automotive applications. We produce both ASA and ASA blends.

Styrene methylmethacrylate (SMMA). SMMA resins are clear, impact-resistant resins, which can be used in homeware, packaging, office, medical and electronic applications. Applications for SMMA resins include water filter jugs, vacuum and floor care components, cosmetics packaging, office products, pencil barrels, paper towel dispensers, medical devices and toys. SMMA resins are generally not produced on dedicated manufacturing lines. Some of our SMMA products, including the acrylic copolymers NAS® and Zylar®, have high impact strength coupled with high clarity, making these products suitable for applications requiring clear appearance and superior break-resistance.

Raw Materials and Energy

The principal raw materials and input costs for our business include ethylene, benzene, styrene and energy. We are backward integrated into world scale styrene monomer capacities in both North America and Europe. Our own production assets are supplemented by tolling and purchase arrangements to cover our remaining styrene feedstock needs at market rates, and other important feedstocks are provided by our affiliates through medium to long term contracts also at what we believe to be market rates.

Ethylene. Ethylene is a flammable gas obtained in a process called cracking, in which hydrocarbons are heated, causing chemical reactions that split the carbon-hydrogen or carbon-carbon bonds of the feedstock. Ethylene is a key building block of the petrochemical industry and is used to produce a large number of higher value-added chemicals, including styrene. Ethylene is either available directly on our production sites from adjacent steam cracking facilities or is supplied by one of the pipeline systems connecting major petrochemical complexes (*e.g.*, the ARG pipeline in Europe).

Benzene. Benzene is the main raw material for styrene (through its use in ethylbenzene) and is mainly produced from refinery processes or as a co-product of steam cracker operations. As a result, it is readily available in the vicinity of several of our sites or, like ethylene, is supplied by one of the major pipeline systems connecting major petrochemical complexes.

Styrene. Styrene (also called styrene monomer), a hydrocarbon that under normal conditions is a flammable liquid, is produced from ethylene and benzene, typically brought together in a reaction with a catalyst to form the intermediate ethylbenzene. Please see "*—Products—Styrene Monomer*" above. We produce styrene that satisfies approximately 78% of our global styrene requirements, though this amount may change as we integrate our heritage businesses.

Energy. Energy is a key utility throughout our production processes because styrenics production requires large amounts of electricity. The processing of styrene monomer requires larger amounts of energy, particularly steam and natural gas, compared to other chemical processes, and processes involving compounding steps (*e.g.*, ABS production) require additional amounts of energy.

Butadiene. Butadiene is a flammable, colorless gas used extensively for various polymerizations for plastics manufacturing. It is the key input to polybutadiene (PB), which is used in the manufacture of HIPS and is one of the three key inputs to ABS. Butadiene can be produced in two ways: as a byproduct of the steam cracking process used to produce ethylene and other olefins, or from ethanol. Butadiene is available within integrated chemical complexes and is also available on the open market with shipment by pipeline, ship, road or train.

Acrylonitrile. Acrylonitrile is a petrochemical intermediate used in the production of, among other things, SAN, ABS and ASA. Acrylonitrile is a globally supplied chemical intermediate, shipped by road, train or ship, with over 20 producers worldwide.

Butyl acrylate. Butyl acrylate is a flammable liquid and vapor. Butyl acrylate is used in the production of ASA and in the production of coatings and inks, adhesives, sealants and textiles.

Competition

We consume most of the styrene we produce in our polymer production, and we sell any excess externally. The styrene monomer markets in which we operate are highly competitive, with competition based primarily on price and reliability of supply. Our main competitors in North America include LyondellBasell, Americas Styrenics, Total Petrochemicals S.A., Shell, Westlake and SABIC. In Europe, our main competitors include LyondellBasell, Total Petrochemicals S.A., Shell, Styron, Polimeri Europa and Repsol. In Asia, our primary competitors for styrene monomer include Formosa, Shell, Indemitsu, Asahi Kasei, LG and Total Petrochemicals S.A. Styrene monomer is a true global commodity. It is relatively inexpensive to transport and is widely traded and exchanged between different regions. As a result, regional styrene monomer markets are greatly influenced by events in other markets.

The polystyrene markets in which we operate are highly competitive, with competition based primarily on price and reliability of supply. Our main North American competitors for polystyrene are Total Petrochemicals S.A., Americas Styrenics and Resirene. Imports into North America are limited by the costs of transportation and supply logistics. Our primary polystyrene competitors in Europe include Polimeri Europa, Total Petrochemicals S.A. and Styron (which has an ownership interest in Americas Styrenics in North America). We also face competition from polystyrene producers Synthos and Dioki. Polystyrene is imported into Europe, particularly from large producers in Asia and Russia, and is also expected to begin to come from new plants in the Middle East. Europe also exports polystyrene to Turkey and North Africa, in part because of certain arbitrage opportunities. In Asia, the polystyrene market is considerably more fragmented compared to other regions. Our main Asian competitors include Chi Mei, Formosa, Sinopec, LG and Asahi Kasei.

The ABS markets are highly competitive. The mix of key competitors largely depends on whether the customer desires a natural (uncolored) ABS product or a pre-colored ABS product. Our primary competitors for natural ABS include Chi Mei, LG, Styron and Polimeri. Our main competitors for pre-colored ABS include LG, Cheil (Samsung), Styron and SABIC, but we also compete with compounders, which supply nearly half of the global pre-colored ABS market and approximately one-third of the market in Europe. Key compounders active in Europe include Schulman, Ravago, Nord Color and Albis.

Competition in the copolymers market is dependent on the different product lines. In general, Denka, Chevron Phillips, Asahi Kasei, Toray LG, Cheil, JSR and UMG, among others, are active in this business. This market is characterized by customized solutions for the end use segments and individual customers, so the ability to provide differentiated products and quality service plays an important role.

Customers

We have a diverse customer base through which we serve a range of end markets. The top 10 customers in our polystyrene, ABS and copolymers segments account for less than 30% of their respective 2010 sales.

We consume most of the styrene we produce in our polymer production, and we sell any excess externally. Our external styrene customers include a number of consumers of styrene across all of the major end-use segments, including packaging, home construction (*i.e.*, insulation, paint, and carpet adhesives), automotive and recreational boat manufacturing, rubber and specialty polymer applications.

In the polystyrene market, we currently serve more than 80% of our customers on a direct basis and also utilize distribution partners to reach other customers, including smaller consumers of polystyrene. We have long-term relationships with industry leading customers, including household names in the consumer electronics and appliance segments, as well as some of the largest producers in the consumer packaging segment. We have strategic agreements with some of our key customers that encompass not only polystyrene supply agreements but also agreements to cooperate on certain mutually beneficial research and development efforts.

In the ABS markets, customers are generally focused on purchasing either natural or pre-colored ABS. Customers that have in-house self-coloring capabilities usually choose to purchase natural ABS products. Customers that find it economical or otherwise beneficial for us to deliver to them a product that meets their exact color specifications typically choose pre-colored ABS. When selling pre-colored ABS, we may work directly with end manufacturers to support them in designing an ABS product with characteristics (in terms of grade and color) that will meet their specific needs.

Copolymers are considered specialty products. In this area, we focus on offering more customized products and on developing tailored solutions for our customers.

Sales, Marketing and Distribution

The sales and marketing of all of our products is managed by our own global sales, product management and/or industry teams. The sales team is primarily distributed across continental Europe, the United States and Asia, but we also have sales offices in Africa, the Middle East and South America. The product management teams operate regionally supported by a global strategic team. Our industry teams operate on a global and/or regional basis, depending on the industry, and these teams focus on developing key markets for our products in end use applications with original equipment manufacturers ("OEMs") and their molders. Customer service is organized regionally, with service hubs in each of Brazil, China, Germany, India, Italy, Korea, Mexico, the Netherlands, Singapore and the United States. Most of the sales of our key products are made directly with key end-users and molders in a wide range of industries, but we also operate with a network of distributors, compounders and agents to sell into smaller markets and regions, including export markets, and to smaller customers. Most of our sales arrangements are made pursuant to sales contracts with a term of one year or less.

We have access to a comprehensive transportation network and associated logistics infrastructure. We believe this network enables us to move feedstocks and products at competitive rates. We typically distribute our products by sea, rail or truck or a combination of such modes of transportation. The prices of all of our products include applicable delivery and transportation charges.

We produce styrene primarily for captive use but we are also active as a merchant player in the global styrene market. Our target markets in the merchant market are primarily North America and Europe. We have a strong polystyrene position in North America and Europe and a presence in Asia. Our target polystyrene markets are packaging, disposables and appliances, as well as the computing, communication and consumer electronics industries. We have a leading ABS position globally and strong presence in all regions in the ABS markets. We target primarily the appliances, automotive, toys and, computing consumer electronics and communications sectors. These segments include natural ABS, as well as pre-colored ABS, depending on the individual customer's ability or desire to self-color the ABS. Our target copolymers markets are primarily packaging, automotive, building and construction, health care and diagnostics and electrical appliances and electronics.

Our Facilities

Overview

At the consummation of the Joint Venture Transaction, our combined businesses will operate a total of 19 manufacturing facilities in 10 different countries and we will have access to additional capacity through various agreements, such as tolling arrangements. The facilities will be located in North America, Europe and Asia. Most of our facilities are owned by us, and we have lease agreements for buildings and/or equipment for the facilities we do not wholly own. With these facilities, we believe we will able to offer customers throughout the world a high standard of service as well as consistent product quality. Most of our facilities are situated on integrated chemical sites, facilitating the secure and efficient delivery of our principal raw materials.

The following table sets forth the product, location and 2010 actual capacity of each of our production facilities and tolling arrangements. In this table, 'S' refers to a plant which will be retained by the relevant joint venture party but will supply us with all or part of its production.

OPERATOR[(1)]	COUNTRY	FACILITY (No. of Plants)	SM (kt)	PS (kt)	ABS (kt)	OTHER PRODUCTS CONTRIBUTED
Europe						
BASF	Belgium	Antwerp (4)	500	475	260	SBC, SAN
INEOS	France	Wingles (1)	—	180	—	
INEOS	Germany	Cologne (1)	—	—	125	SAN
INEOS	Spain	Tarragona (1)	—	—	90	SAN
INEOS	Sweden	Trelleborg (1)	—	80	—	
BASF	Germany	Ludwigshafen[(2)] (3)	—	175(S)	59	SAN, ABS/ASA swing, MABS
INEOS	Germany	Marl[(3)] (2)	350(S)	170(S)	—	
BASF	Netherlands	Ellba JV[(4)] (1)	300(S)	—	—	
INEOS	Netherlands	Breda[(5)] (1)	—	22(S)	—	
BASF	Germany	Schwarzheide (1)	—	—	—	compounding of copolymers
North America						
INEOS	USA	Bayport (1)	780	—	—	
INEOS	USA	Texas City (1)	454	—	—	
INEOS	Canada	Sarnia (1)	449	—	—	
INEOS	USA	Joliet (1)	—	399	—	
INEOS	USA	Decatur (1)	—	193	—	
INEOS	USA	Indian Orchard (1)	—	150	—	SMMA
BASF	Mexico	Altamira[(6)] (3)	—	175(S)	145(S)	ASA, SAN, SBS, SBC and compounding of copolymers
Asia						
BASF	South Korea	Ulsan (4)	—	250	276	SAN and compounding of copolymers
INEOS	Thailand	Map Ta Phut (1)	—	—	70	SAN
INEOS	India	Vadodara[(7)] (3)	—	—	79	SAN
BASF	India	Dahej (1)	—	78	—	
BASF	Singapore	Ellba JV[(4)] (1)	300(S)	—	—	

(1) In this table and in the accompanying footnotes and description below, the terms "BASF" and "INEOS" refer to BASF SE and INEOS AG, respectively, along with their respective subsidiaries that operate the production facilities described therein.

(2) The BASF Group will retain its styrene production and PS production at Ludwigshafen.

(3) The INEOS Industries Group will toll manufacture styrene monomer and polystyrene for us. Please see "*Shareholders and Related Party Transactions*".

(4) The BASF Group will retain its share in the Ellba plants in The Netherlands and Singapore with certain agreements to supply styrene and PS to us.

(5) The INEOS Industries Group will retain its EPS plant at Breda and will toll manufacture two minor polystyrene grades—microgranulate and styrosun—for us.

(6) We own a 49.0% equity interest in the styrenics operations in Altamira, Mexico while the BASF Group has retained a 51.0% interest. We will act as a distributor on a commission basis. We have an agreement with the BASF Group whereby its 51.0% interest will be transferred to us in January 2013, at which point we will operate the facilities as wholly owned operations. Please see "*The Transactions—The Joint Venture Transaction—Implementation*".

(7) Represents three plants in or around Vadodara, at Katol, Nandesari and Moxi.

The following is a brief description of our production facilities.

Europe

Antwerp, Belgium (BASF). This BASF site is the largest chemical production site in Belgium and is located along the river Schelde. The facility contributed to us produces a range of products, including ABS, polystyrene, styrene and SBC. The site includes the BASF Group's global technology organization for its styrenics business.

Wingles, France (INEOS). This site situated about 125 miles from Paris specializes in the manufacture of polystyrene. The facility has a European research center and provides certain technical support services.

Cologne (Dormagen), Germany (INEOS). The Dormagen facility, located near Cologne in Western Germany, produces customized specialty ABS grades and SAN. The site also has a small research center and is part of a large petrochemical complex with major cracker and downstream operations.

Tarragona, Spain (INEOS). The Tarragona plant is located near Barcelona in northeastern Spain. The plant uses emulsion polymerization technology and the latest compounding facilities to produce different lot sizes of SAN and ABS in an extensive range of grades and colors. The plant has color houses with well-equipped labs and small-scale compounding lines for color match plaques and development samples. The plant is part of a larger petrochemical site which has major cracker and downstream derivative operatives.

Trelleborg, Sweden (INEOS). Trelleborg is a "swing" plant. The HIPS line is a swing GPPS/ HIPS line, which can produce HIPS or GPPS on the same line.

Ludwigshafen, Germany (BASF). Ludwigshafen is the BASF Group's largest site and the world's largest integrated chemical complex. It produces, among other things, ABS, SAN, ASA, ABS+PA and MABS. The BASF Group will retain sole control of the styrene and polystyrene plants at this site but will supply styrene monomer and polystyrene to us pursuant to a supply contract at market rates.

Marl, Germany (INEOS). These production facilities are part of the Marl Chemical Park, which is the third largest chemicals site in Germany. The plant produces a range of products, including styrene and polystyrene. The INEOS Industries Group will retain ownership of these facilities. However, a tolling agreement will exist whereby an affiliate will toll manufacture styrene monomer and polystyrene for us. Please see "*Shareholders and Related Party Transactions*".

Ellba JV, Netherlands (BASF). The Ellba JV plant is a styrene production joint venture between Shell and the BASF Group. The plant will be retained by the BASF Group, but the BASF Group will exclusively dedicate its share of production of styrene to us under a supply contract.

Breda, Netherlands (INEOS). Breda is an EPS plant, retained by an INEOS Industries affiliate. The EPS plant produces two minor polystyrene grades (microgranulate and styrosun) and an affiliate will toll manufacture these polystyrene grades for us.

Schwarzheide, Germany (BASF). This plant is located in eastern Germany and focuses on the production of ABS blends and compounding.

North America

Bayport, USA (INEOS). The facility, located 10 miles southeast of Houston, is the largest single production line styrene plant in the world. It sits on a site located on the U.S. Gulf Coast ethylene supply grid.

Texas City, USA (INEOS). The facility is located approximately 25 miles southeast of Houston. The facility is strategically located on the U.S. Gulf Coast ethylene supply grid and produces styrene and ethylbenzene.

Sarnia, Canada (INEOS). Located in Sarnia-Lambton's Chemical Valley, about 180 miles west of Toronto, the Sarnia site supplies styrene to our polystyrene operations and to our styrene customers in North America. The site was upgraded with new equipment and technology in the late 1990s which increased its annual production capacity.

Joliet, USA (INEOS). Located on the Des Plaines River approximately 55 miles southwest of Chicago, this site served as the headquarters of the INEOS Styrenics Business. The site produces, among other things, HIPS and GPPS, as well as all grades of specialty polystyrene resins.

Decatur, USA (INEOS). Located in Alabama, this facility produces HIPS and GPPS.

Indian Orchard, USA (INEOS). Located in Massachusetts, this facility produces HIPS and GPPS and various grades of specialty polystyrene resins and SMMA.

Altamira, Mexico (BASF). The site produces a range of products, including polystyrene, ABS, SAN, ASA and SBC. The BASF Group will retain its interest in the EPS plant at this site as well as a 51.0% equity interest in the styrenics operations. We own a 49.0% equity interest in the styrenics operations in Altamira, Mexico while the BASF Group has retained a 51.0% interest. We will act as a distributor on a commission basis. We have an agreement with the BASF Group whereby its 51.0% interest will be transferred to us in January 2013, at which point we will operate the facilities as wholly owned operations. Please see "*The Transactions—The Joint Venture Transaction—Implementation*".

Asia

Ulsan, South Korea (BASF). The Ulsan site produces polystyrene, ABS and styrenic specialty compounds.

Map Ta Phut, Thailand (INEOS). The Map Ta Phut facility is located in southern Thailand. The plant serves as the headquarters for the Asia Pacific region and produces ABS and SAN. This site is embedded in the large petrochemical complex of the Industrial Estate of Thailand.

Vadodara, India (INEOS). These production facilities located in northern India include three facilities situated within 50 km of Vadodara: Nandesari, Moxi and Katol. These plants produce ABS and SAN. A research and development facility is part of the Moxi site serving customer needs for India.

Dahej, India (BASF). The Dahej facility produces polystyrene and is a regional manufacturing platform for India.

Ellba JV, Singapore (BASF). The Ellba JV plant is a styrene production joint venture between Shell and the BASF Group. The plant will be retained by the BASF Group, but the BASF Group will exclusively dedicate its share of production of styrene to us under a supply contract.

Turnarounds

Our manufacturing facilities are periodically shut down for scheduled turnarounds to carry out necessary inspections and testing, to comply with industry regulations and to carry out any necessary maintenance activities. Styrene units typically undergo major turnarounds every three to five years, with each turnaround lasting four to six weeks. Polystyrene and ABS plants are subject to more frequent maintenance shutdowns, typically one turnaround every one or two years, but each turnaround lasts only one to three weeks.

Non-controlling interests

The BASF Group has a 50% interest in the 50/50 Ellba Moerdijk production joint venture in the Netherlands and a 50% interest in the 50/50 Ellba production joint venture in Singapore, both of which produce styrene. The BASF Group will retain its interest in these plants, but most of its share of production will be supplied to Styrolution.

The BASF Group also has a 50% interest in a 50/50 full function joint venture at Nanjing in China, which produces polystyrene and styrene. The BASF Group will retain its interest, and the Nanjing joint venture or its joint venture partners will continue to market polystyrene and styrene independently.

We currently conduct the majority of our operations in India through a subsidiary organized under the laws of India. We hold approximately 83% of the voting shares of this subsidiary, with the remaining shares traded publicly on the National Stock Exchange of India. We intend to make a public offer for the remainder of these shares in accordance with local law.

We own a 49.0% equity interest in the styrenics operations in Altamira, Mexico while the BASF Group has retained a 51.0% interest. We will act as a distributor on a commission basis. We have an agreement with the BASF Group whereby its 51.0% interest will be transferred to us in January 2013, at which point we will operate the facilities as wholly owned operations. Please see "*The Transactions—The Joint Venture Transaction—Implementation*".

Health, Safety, Security and the Environment

Overview

Our business involves the use, manufacturing, handling and distribution of large volumes of hazardous materials and other chemicals. Accordingly, HSSE risks, such as environmental contamination, property damage and personal injury, are inherent in our business.

Our facilities and operations are subject to a wide range of HSSE requirements in all of the jurisdictions in which we operate. These requirements govern, among other things, air emissions, wastewater discharges, accidental releases into the environment, human exposure to hazardous materials, the management and disposal of hazardous materials and wastes, the clean-up of contamination, process safety, the maintenance of safe conditions in the workplace, and the security of our facilities. We have incurred, and will continue to incur, substantial capital and operating expenditures to ensure compliance with current and future HSSE laws and regulations, including the limits and controls contained in our operating permits. Other HSSE laws and regulations may impose product or raw material use, import or sale restrictions on us or on our customers. For example, it is possible that certain of our products or by-products or the raw materials we use may, in the future, be classified as hazardous or harmful, which could impact our production or demand for our products and, in turn, could materially and adversely affect our business and/or results of operations.

Any violations of HSSE laws, regulations or permit requirements, or failure to obtain any required permits, also could result in restrictions or prohibitions on our operations, civil or criminal sanctions and/or damage claims. In the ordinary course of our business, we are subject to periodic governmental inspections and we self-monitor as required by law and/or our permits. In some cases, these oversight activities have resulted in, and may in the future result in, compliance findings leading to fines or penalties or in other required expenditures for environmental or safety controls or improvements. In addition, numerous operating permits held by our production facilities are subject to renewal, modification and, in certain circumstances, suspension or revocation by government authorities. The enactment of new, or changes in existing, HSSE regulations or the more stringent enforcement of such requirements could result in significant additional operating or capital expenditures, limit or interrupt our operations or business, or require us to modify our facilities or production.

HSSE Compliance and Expenditures

We believe that our operations are currently in material compliance with all HSSE laws, regulations and permits. We actively address HSSE compliance issues in connection with our operations and properties, and we believe that we have systems in place, including safety controls and materials handling practices, to limit the environmental impacts of our operations. Our budgeted capital and operating expenditures for compliance with HSSE requirements over the next several years are not expected to be material. Nevertheless, estimates of future environmental costs and liabilities are inherently imprecise, and the imposition of new or unanticipated costs or obligations in excess of budgeted amounts could have a material adverse effect on our business, financial condition or results of operations in the period in which those costs are incurred.

IPPC and IED Directives

We believe we are in material compliance with requirements established under national legislation implementing the European Union Directive on Integrated Pollution Prevention and Control (the "IPPC"). This directive mandated a single integrated permit for air and water discharges, waste management activities, energy efficiency and other matters relating to the impact of operations on the environment. The permits establish specific emission limits based on the concept of Best Available Techniques ("BAT"), which, at some of our facilities, required environmental control improvements to prevent or minimize pollution. The directive also required us to assess, and may require us to remediate, soil and groundwater contamination at a facility or to make an investment in BAT for abatement. We have not incurred material costs to maintain or achieve compliance with the current requirements of the IPPC Directive. In the future, however, BAT requirements are expected to become more stringent, which could significantly affect our European operations and/or our anticipated costs to comply with environmental requirements. The Industrial Emissions Directive ("IED"), which maintains and extends the IPPC approach to permitting but effectively replaces the IPPC Directive, was adopted in November 2010 and came into force on January 6, 2011. The IED must be transposed into EU member state legislation by January 7, 2013 and most installations must comply with it starting in January 2014, although this depends on the type of installation. More stringent BAT requirements could be imposed on our operations through the IED.

Large Combustion Plant Directive

Some of our European facilities are subject to the EU Large Combustion Plant ("LCP Directive"), which applies to plants with a thermal input of 50 MW or greater, and establishes strict emissions limits, including for sulphur dioxide, nitrogen oxides, carbon monoxide and particulates. We believe we are currently in material compliance with the requirements of the LCP Directive, where applicable. No significant capital expenditures are anticipated. The IED will also replace the LCP Directive starting in January 2016, and more stringent emission limit values in respect of these pollutants are expected to be imposed on us through the IED.

Greenhouse Gas and Other Air Emissions Regulations

Our operations in Europe are covered by the EU ETS, which is an international trading system for industrial greenhouse gas ("GHG") emissions, including carbon dioxide. Industrial sites receive or purchase allowances to emit a GHG and must surrender one allowance for each tonne of a GHG. Companies which emit less of a GHG than their allowances cover are able to sell the excess allowances, whereas those which emit more must buy additional allowances through the EU ETS. The costs of those allowances are not currently anticipated to be material to us.

New and upcoming air emissions regulations in the United States and Canada include, among other things, monitoring and reporting of GHG emissions at certain facilities that produce, manufacture and distribute petrochemical and other products. We actively monitor state, regional, provincial and Federal GHG initiatives and other regulatory developments in anticipation of any potential effects on our operations. Although the United States has not ratified the Kyoto Protocol, and has not yet adopted a Federal program for regulating GHG emissions, Congress is considering comprehensive Federal legislation regarding climate change, and various regional initiatives regarding emissions associated with climate change are in effect or proposed. In addition, the USEPA has finalized or proposed several rules relating to emissions reporting and emissions reductions, including rules known as the "Boiler MACT", which would establish new standards for emissions of hazardous air pollutants from commercial and industrial boilers. Significant capital expenditures could be required for emissions control equipment in order to comply with the Boiler MACT rules issued by USEPA in March 2011, although we are still evaluating their precise impact, particularly in light of USEPA's announcement that they may reconsider certain requirements in the rules. The nature, scope and timing of any proposed legislation, including climate change legislation and/or other proposed rules regulating GHGs, is highly uncertain and, currently, we do not know what precise effect, if any, such legislation will have on our financial condition and operations.

In the United States, stringent controls on nitrogen oxides and ozone emissions, and/or the need to purchase nitrogen oxide emissions credits for certain facilities, impact our operations and, indirectly, the cost of our products. Credit pricing is subject to general economic conditions, but we believe such credits should remain available and affordable. The USEPA is expected to issue revised ozone standards in 2011, which would require states to restrict or prohibit emissions that "significantly contribute" to non-attainment of, or interfere with a state's ability to maintain, the revised ozone standard in other "downwind" states. As a result, emissions permits issued by states and/or the federal government to facilities such as ours could contain stricter limits for nitrogen oxides, including best available control technology, or other operating limitations that could cause us to incur additional compliance and/or capital costs and/or adversely impact our production and our results of operations.

In Ontario, Canada, a Point of Impingement standard has been proposed that significantly reduces allowable emissions of benzene. It is unknown when this proposed standard will be promulgated, but the approved standard will be in effect five years after promulgation.

In Korea, we are subject to the Framework Act on Low Carbon Green Growth, requiring us to prepare an emissions inventory and, in cooperation with the national government, to set and comply with carbon emissions reductions targets. We are currently conducting an inventory as well as an engineering study to evaluate options for reducing carbon emissions. It is not expected that the costs involved in implementing these measures will have a material adverse effect on our competitive or financial position or our ongoing results of operations.

Chemical Regulation and Product Stewardship

The EU regulates chemical products within the EU by imposing on all affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. The REACH Regulation, which came into effect in 2007, requires the registration of all chemicals manufactured or imported into the EU (either alone, in mixtures, or in articles) with the European Chemicals Agency (“ECHA”), which is located in Helsinki, Finland. The regulation requires formal documentation of the relevant data required for hazard assessments for each substance registered, as well as development of risk assessments for their registered uses. Most uses of high hazard substances such as carcinogens will require authorization by the ECHA. REACH requires extensive toxicological testing, documentation and risk assessments for many of our chemical products and raw materials. As a corollary to the REACH Regulation, the EU has recently adopted the CLP Regulation to harmonize the EU’s system of classifying, labeling and packaging chemical substances with the United Nations’ Globally Harmonized System. The CLP Regulation purports to standardize communication of hazard information with respect to chemicals and to promote regulatory efficiency. It introduces new classification criteria, hazard symbols and labeling phrases, while taking account of elements that are part of the current EU legislation. We believe we are in material compliance with applicable regulations under REACH, which affects many of our products, including products imported into the EU.

In addition, in Ontario, Canada, the Toxic Reduction Act recently took effect, requiring reduction in the use and creation of toxic substances, including styrene. This regulation requires tracking, public toxic substance reduction plans and reporting.

While most of our products have some hazardous properties, some of them, such as styrene and benzene, require specialized handling procedures due to their acute and chronic toxicity. In the United States, the National Toxicity Program of the Department of Health and Human Services has recommended classifying styrene as “reasonably anticipated” to be a human carcinogen. In addition, the USEPA is reviewing styrene toxicology and environmental exposure through its Integrated Risk Information System. The International Agency for Research on Cancer has classified styrene as a “possible” carcinogen since 2002. In addition, in the EU, a proposal to classify styrene as “a presumed human reproductive toxicant” under the REACH and CLP Regulations is currently under review by the ECHA. Classification of styrene as “reasonably anticipated” to be carcinogenic or as toxic to human reproduction or development could result in additional restrictions on our manufacturing operations, including more burdensome requirements for additional ventilation or protective equipment for workers at our plants, or on our sale or distribution of styrene, including relevant warnings on our material safety data sheets or on the packaging for our products, as well as legal action relating to product and other liabilities.

Our polymer products have widespread end-uses in a variety of tightly regulated consumer industries, including food packaging and medical applications. To manage these risks, our product stewardship team works closely with industry associations, government regulators and others to develop regulations which are based on science and are commensurate with the magnitude of the risk. We are also careful to ensure that transporters and customers have the appropriate information and processes to properly manage our products.

Prevention of Major Accidents/Seveso II Directive

Within the European Union, an EU directive on the control of major accident hazards (the “Seveso II Directive”), regulates facilities that present a risk of accidents involving hazardous materials and imposes specific plans and procedures on such facilities, particularly for the storage of such materials. The Directive provides for control measures aimed at preventing and limiting the consequences of major accidents. All operators under the scope of the Directive must provide a safety plan and establish a major-accident prevention policy, and all of our facilities must undergo annual audits to certify compliance with those requirements. In addition, any of our major production sites which qualify in the top tier of regulation under the Seveso II Directive due to the quantity of dangerous substances stored at such sites must establish a major-accident prevention policy, safety reporting system, safety management system and emergency plan.

Security and Crisis Management

In the United States, the Department of Homeland Security Act, the Marine Transportation Security Act and the Department of Transportation Hazardous Material security compliance regulations required some of our facilities to conduct a security vulnerability assessment. This assessment includes preparation of security mitigation plan measures, appointment and training of a designated security person and submission of plans for approval and inspection. The Chemical Facility Anti-Terrorism Standards regulation requires our facilities to assess potential security risks associated with listed chemicals. Emergency procedures for responding to Transportation Security Incidents and Security Threats are in place.

Proposed EU legislation would require similar actions at certain of our European facilities. Our facilities are periodically assessed to ensure that they meet appropriate security standards and safeguards and have appropriate systems for emergency response and crisis management.

Environmental Remediation and Closure Liabilities

Environmental laws and regulations may require us to remediate or otherwise address impacts resulting from the disposal or release of hazardous substances at our current or former sites or at other properties used in connection with our business. Under some of these laws and regulations, including the U.S. Superfund law, a current or previous owner or operator of property, or a party who sent wastes to such a property, may be held liable for the costs of clean-up of hazardous substances on that property regardless of whether that party knew of or caused the contamination and regardless of whether the practices that resulted in the contamination were legal at the time they occurred.

Some of our production sites, particularly those with an extended history of industrial use, have known or suspected soil and groundwater contamination, particularly in cases where the contamination is believed to be migrating off site. We have in the past incurred, and may in the future incur, costs to investigate, remediate or contain such contamination. In addition, the sale, expansion or closure of our production sites could trigger obligations with respect to existing contamination that, but for the sale, expansion or closure, we would not otherwise be required to undertake. We are, from time to time, identified as a potentially responsible party under Superfund sites. We may also be subject to claims alleging property damages or personal injuries, including those resulting from releases or migration of hazardous materials beyond the boundaries of our production sites and/or for the costs of addressing or repairing damages to public water bodies or other natural resources. Based upon our experience regarding environmental clean-up matters and current information about the nature and extent of contamination at these sites, we do not currently anticipate that the costs of environmental remediation will have a material adverse effect on our competitive or financial position or our ongoing results of operations. The discovery of additional contamination on-site, or migrating off site from, our facilities, or the imposition of more stringent cleanup requirements, however, could result in us incurring significant unanticipated costs.

Research, Product Development and Engineering

We believe that our involvement with all aspects of styrene technology and products, and the wide technological background we have built over the years, including through our strong BASF Group and INEOS Industries Group heritage, place us in a favorable position from which to develop leading products. With respect to our commodity products, such as styrene, polystyrene and natural ABS, our research and development efforts focus on improving and developing our manufacturing processes in order to increase productivity and reduce costs. We also develop new and improved products, ranges and grades, but those efforts are concentrated more in the area of specialty products, which includes some of our copolymer and specialty ABS products. We also emphasize new ways to address customers' technical needs.

We will receive research and development services from the BASF Group's Polymer Research Laboratory under a long term contract and in addition we will have a number of laboratories, such as an INEOS Styrenics Business central laboratory, a development team at the Cologne, Germany site focusing on specialty ABS grades, a development team at the Joliet, USA facility focusing on PS, ABS and Copolymer Regional Development Center at our Ulsan, Korea facility.

We have established best practices groups for our main products across our businesses, and these allow internal experts to compare their practices and generate ideas for improving safety, quality and capacity, and reducing production costs. These resources actively support our commercial activities in product sales. In addition, our engineering teams are involved in capital improvements from the basic engineering design to commissioning. The engineering teams work closely with the research teams in transferring technology from research and development to the plants.

Intellectual Property

The intellectual property and unpatented proprietary know-how of the BASF Styrenics Business, INEOS Styrenics Business and INEOS ABS Business will be contributed or transferred to us in connection with the Joint Venture Transaction. Thus, we maintain a portfolio of registered patents and trademarks in a number of territories. In addition, we maintain trade secrets and proprietary information through customary non-competition undertakings with our employees and contractors and through confidentiality agreements with our contractors, developers and customers. We receive certain intellectual property and technical knowledge related services from our affiliates on arm's length terms.

We are not aware of any threatened, proposed or actual proceedings that have been or will be brought against us for infringement of third-party rights or any infringement of our rights by third parties that if successfully prosecuted would have a material and adverse effect upon our business.

Insurance

Our plants, machinery, equipment, inventories and other assets are insured on an all risk basis for property damage, business interruption, machinery breakdown and terrorism risks, and our business as a whole is insured for public, product and environmental liability risks, and certain credit risks, under insurance policies currently maintained by our heritage businesses and by the BASF Group, INEOS AG and INEOS Industries for coverage of the entities under their respective control. We believe these insurance policies are generally in accordance with customary industry practices, including deductibles and limits of coverage. We currently expect to amend the existing policies to reflect Styrolution as a self managed company and named insured party. If we were to cease to be controlled by our current shareholders, we would no longer be entitled to coverage under certain of our current policies. For further information, please see "*Risk Factors—Risks Relating to Our Business and Industry—Our insurance coverage may not be adequate to cover all the risks we may face, and if we were no longer covered by our existing insurance, it may be difficult to obtain replacement insurance on acceptable terms or at all*".

Legal Proceedings

Like our competitors, we are and may from time to time be involved in proceedings or litigation arising in the ordinary course of business. We do not believe that the ultimate resolution of these matters will materially affect our financial condition or results of operations.

Employee Matters

Employees that worked fully for the BASF Styrenics Business, INEOS Styrenics Business and INEOS ABS Business will be allocated to Styrolution, along with certain other employees. As of January 1, 2011, after giving effect to the Joint Venture Transaction and including employees that will work for us pursuant to tolling or lease arrangements, we would have employed approximately 3,400 employees around the world. Approximately 46% of these employees would have been located in Europe, while approximately 33% would have been located in Asia and approximately 21% in the Americas. Our heritage businesses have historically reduced headcount (including contract resources) to increase efficiency and we expect to continue to do so in connection with our cost-cutting initiatives. Certain other employees will be made available to Styrolution under service agreements for a transitional period during the start up phase of our operations as a joint venture.

As a result of the technical nature of our business, there is a high level of technical and professional qualification among the management, and we place a high priority on technical training and personal and professional development for all staff. Our remuneration and benefits policies are designed to reward employees in line with good market practice (externally verified) in all countries in which we operate.

The BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business provide pension benefits for their employees, and we intend to maintain such benefits plans in line with local market practice and requirements. As a result, we operate a number of pension arrangements in several jurisdictions. Our most significant plans include defined benefit pension plans in Belgium, Canada, Germany, South Korea and the United States, along with defined benefit retirement medical plans in Canada, the United States and Belgium. Estimated underfunded IAS 19 liabilities for these plans at December 31, 2010 was approximately €56.8 million. As part of the start up arrangements for Styrolution, our shareholders have agreed to make cash contributions to us to fund these unfunded amounts (if any) over a four year period from the consummation of the Joint Venture Transaction. Our pension plans in France, India, Italy, Mexico, Spain, Sweden, Switzerland and Thailand are either defined contribution in nature or are less significant in scale. In all cases the plans are consistent with local regulatory requirements. In the case of employees working for us pursuant to tolling or lease arrangements, the relevant shareholder will include in its tolling or lease fee some allowance for pension costs.

Membership in trade unions varies in accordance with the business areas, local practice and country in which we operate. Other than management and professional personnel, the majority of our employees are represented by local trade unions and covered by collective bargaining agreements. These agreements typically govern, among other things, terms and conditions of employment and dispute resolution procedures. Terms and conditions of union agreements reflect the prevailing practices in each country.

Historically, we have enjoyed good labor relations, and we are committed to maintaining these relationships. There have been no material work stoppages or strikes at any of our sites during the past three years. We take a constructive approach to union relationships where there are unionized sites, and we have been able to secure the cooperation of both unions and the workforce with regard to significant changes and the process of continuous improvement of our businesses.

MANAGEMENT

The following table sets forth the name, age (as of the date of this offering memorandum) and principal position of each of our future directors and principal executive officers:

Name	Age	Position
Roberto César Gualdoni	54	Management Director; Chief Executive Officer
Christoph de la Camp	48	Management Director; Chief Financial Officer
Jaroslaw Michniuk	52	Management Director; Senior Vice President, Europe
H.T. Chang	59	Management Director; Senior Vice President, Asia
Kevin J. McQuade	54	Management Director; Senior Vice President, Americas
Gerhard Franken	60	Management Director; Senior Vice President, Global Styrene and Procurement

These executives will be appointed as our managing directors (*Geschäftsführer*) and registered in the commercial register (*Handelsregister*) pertaining to our company.

Roberto César Gualdoni. Management Director and Chief Executive Officer. Roberto César Gualdoni has been CEO of Styrolution GmbH since its foundation by the BASF Group in January 2011 and President of the BASF Group's Styrenics division since 2010. Before joining BASF Group's Styrenics division, Mr. Gualdoni headed, as Senior Vice President, BASF Group's global procurement of raw materials, as well as various operational business units in the polymers business—altogether having served the BASF Group for 24 years. Mr. Gualdoni holds a degree in Industrial Engineering from Universidad de Buenos Aires (Argentina) and an MBA from INSEAD, Fontainebleau (France).

Christoph de la Camp. Management Director and Chief Financial Officer. Chris de la Camp worked for BP from 1994 to 2005 in various strategic planning, sales management, integration management and financial management roles in their European Retail, Commercial Fuels and Styrenics businesses. Before his role as Chief Financial Officer of the INEOS Styrenics Business, he was Chief Financial Officer of the INEOS NOVA Styrenics Joint Venture and Finance Director of NOVA Innovene International S.A., the European styrenics polymer joint venture between NOVA Chemicals and INEOS Industries. Mr. de la Camp holds a Bachelor's Degree in Civil Engineering from Imperial College of Science and Technology in London and an MBA from the London Business School.

Jaroslaw Michniuk. Management Director and Senior Vice President, Europe. Jaroslaw Michniuk has been Managing Director of Styrolution GmbH since January 2011 and Group Vice President EMEA for the BASF Group's Styrenics division since 2008. Mr. Michniuk has nearly 30 years of experience in styrenics and, in the past 20 years, mainly in marketing and sales positions. He started his professional career as a researcher and process engineer before joining the BASF Group in 1991. Mr. Michniuk holds a Master of Science in Mechanical Engineering, from the Technical University of Warsaw.

H.T. Chang. Management Director and Senior Vice President, Asia. Hyung-Tae Chang has been Managing Director of Styrolution South East Asia since January 2011 and BASF Group Senior Vice President Styrenics Asia Pacific since 2002. Previously, he was Director of Business Management for the same business unit and worked for Hyosung Group, a BASF Group joint venture partner. Mr. Chang has been with the BASF Group for more than 30 years, joining the company as a Project Engineer in 1977. He has held a board position at Ellba Eastern Private Ltd, Singapore since 2004. Mr. Chang holds a degree in Chemical Engineering from Seoul National University.

Kevin J. McQuade. Management Director and Senior Vice President, Americas. Kevin McQuade has been President and Chief Executive Officer of the INEOS Styrenics Business since September 2006, including the time that the company was INEOS NOVA, a joint venture between NOVA Chemicals and INEOS Industries. Prior to that Mr. McQuade served as Commercial Director of the INEOS Styrenics Business and was responsible for global sales and marketing activities for styrene monomer and styrenic polymers. He has 30 years of experience in the petrochemical industry. Mr. McQuade represented INEOS Industries on the board of NOVA Innovene International S.A., the previous European styrenics polymer joint venture of NOVA Chemicals and INEOS Industries. Mr. McQuade has also held various technical, production, and commercial positions at Mobil Chemical and BASF in the styrenics and automotive industries. He has chemical engineering degrees from The Cooper Union and the University of Delaware and an MBA from New York University.

Dr. Gerhard Franken. Management Director and Senior Vice President, Global Styrene and Procurement. Dr. Gerhard Franken has been CEO of the global INEOS ABS Business since 2007, the year INEOS AG acquired the business. Prior to this role, Dr. Franken was Business Director of the INEOS AG polyolefin business, where he was responsible for all European polyolefin commercial activities. He has in total over 34 years of industry experience, mainly in senior business, commercial and procurement management roles. Since 1987 he has been exclusively working in plastics businesses. Dr. Franken has a PhD in Chemical Engineering from the Technical University of Aachen.

Management Structure

We are controlled by our indirect shareholders and our company is represented by its appointed managing directors.

Styrolution Holding GmbH, our indirect parent company, has a supervisory board of directors (the "Supervisory Board") and a management board of directors. We have only a management board of directors (the "Management Board") comprised solely of the members of the Styrolution Holding GmbH management board of directors.

The Management Board will be responsible for the day-to-day running of our business, and will meet on a regular basis to review our performance. The Management Board includes a Chief Executive Officer, Chief Financial Officer, Senior Vice President—Europe, Senior Vice President—Asia, Senior Vice President—Americas and Senior Vice President—Global Styrene & Procurement. Subject to certain exceptions, the Management Board of Styrolution Holding GmbH will not be permitted to undertake certain actions without the approval of the Supervisory Board, which includes, among other actions, the adoption of any new business plan or annual budget or any amendment to the current business plan or budget; the making of any investment or the liquidation of any investment; and the appointment, terms and conditions of employment, transfer and discharge of the executive management team. Please see "*The Transactions—The Joint Venture—Documentation*".

As of the date of this offering memorandum, the members of the Supervisory Board have not been nominated. Rather, upon the consummation of the Joint Venture Transaction, BASF and INEOS Industries will each appoint two members to serve as directors on the Supervisory Board (the "BASF Supervisory Directors" and the "INEOS Supervisory Directors", respectively). INEOS Industries will then select one of the two INEOS Supervisory Directors to serve as Chairman of the Supervisory Board.

Pursuant to the proposed Shareholders Agreement, the Supervisory Board will appoint each of the six above-referenced individuals as members of the Styrolution Holding GmbH management board, and they will also serve as the six members of our Management Board. Each such director will be appointed for an initial term of three years, and any reappointment decisions will be made by the Supervisory Board. For a discussion of potential conflicts of interests of the directors, please see "*Risk Factors—Risks Relating to Our Business and Industry—We are a joint venture controlled by three shareholders, and the actions of these shareholders or their respective majority shareholders could conflict with our interests and/or of the holders of the Notes*". We currently expect the Supervisory Board to meet at least four times each calendar year, with at last six meetings in the first year following the consummation of the Joint Venture Transaction.

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

We are a joint venture indirectly owned by three shareholders, INEOS Industries Holdings Limited, BASF SE and BASF Antwerpen N.V. We are wholly owned by Styrolution Beteiligungs GmbH, and Styrolution Beteiligungs GmbH is wholly owned by Styrolution Holding GmbH. INEOS Industries Holdings Limited owns 50.0% of the voting shares of Styrolution Holding GmbH, and as of the Issue Date, BASF SE and BASF Antwerpen N.V. own 15.0% and 35.0% of the voting shares of Styrolution Holding GmbH, respectively.

INEOS Industries Holdings Limited is a wholly owned subsidiary of INEOS Industries Limited, and INEOS Industries Limited is a wholly owned subsidiary of INEOS AG. James A. Ratcliffe, Andrew Currie and John Reece maintain significant influence over INEOS Industries Holding Limited (and therefore Styrolution) through their combined 100.0% voting shareholdings in INEOS AG. Messrs. Ratcliffe, Currie and Reece, through INEOS AG, also control (i) INEOS Group Holdings SA, which produces a range of chemicals including petrochemicals, specialty chemicals and oil products, (ii) Kerling plc, which produces chloralkali and polyvinyl chloride (PVC), (iii) INEOS Paraform Holdings Ltd., which manufactures formaldehyde-based chemicals and (iv) INEOS Technologies (Holdings) Ltd., which operates an electrolysis technology business.

BASF SE, the ultimate parent company of the BASF Group, is a global chemical company, with a product range that includes oil and gas, chemicals, plastics, performance products, agricultural products and fine chemicals. It is listed on the London, Frankfurt and Zurich stock exchanges with approximately 600,000 shareholders, the largest being BlackRock Inc. (5.40% as of December 9, 2010).

BASF Antwerpen N.V. is a company incorporated under the laws of Belgium and an indirect wholly indirectly owned subsidiary of BASF SE.

Related Party Transactions

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. These transactions include, among others, the purchase of feedstock. Below is a summary of certain of our most relevant related party transactions.

Intellectual Property; Research & Development

The intellectual property and unpatented proprietary know-how of the BASF Styrenics Business, INEOS Styrenics Business and INEOS ABS Business will be contributed or transferred to us in connection with the Joint Venture Transaction. Any intellectual property licenses, support or similar services provided to us by our affiliates of the BASF Group and INEOS AG will be provided on arm's length terms. Please see "*Business—Intellectual Property*".

We have entered into research and development service agreements with certain of our affiliates that largely focus on further developing our existing product range, improving product quality and reducing production costs. Such services are rendered on a cost plus basis. The agreements may not be terminated prior to the expiry of an initial five year term and can be extended if mutually agreed.

Site Service Agreements; Service Level Agreements

Upon consummation of the Joint Venture Transaction, various site service and service level agreements will exist between us and our affiliates. Site service agreements cover services such as utilities, infrastructure, security and safety, while service level agreements cover services such as information technology infrastructure, human resources, finance, legal, procurement, supply chain management and communication. Such services are rendered on a cost plus basis. These agreements generally permit the recipient and the service provider the right to continue or terminate services with an agreed notice period, though the service provider does not have the right to terminate if no reasonable alternative service provider exists. Certain of our sites contain both plants operated by us and plants operated by our affiliates of the BASF Group and INEOS AG, with a single site operator that supplies essential services—at these sites, both the service provider and the recipient are required to participate in the service agreement until the recipient no longer operates its plant at the site.

Feedstock Purchase Agreements

We have several purchase agreements with affiliates governing the purchase of feedstocks and raw materials, including at sites where we and our affiliates are connected by pipeline or otherwise share a continuing relationship with each other. The agreements are often based on similar forms, with jurisdiction- and site-specific differences, as well as certain commercial terms set out in separate term sheets. Absent certain extraordinary termination events, our strategic feedstock contracts may generally not be terminated prior to the expiry of an initial five year term, and they renew automatically at the end of the initial term. These agreements also require extended notice periods prior to termination. Suppliers do not have the right to terminate the agreement to the extent there is no reasonable alternative source of supply.

We have entered into a series of supply agreements with members and/or affiliates of the BASF Group and INEOS AG for the purchase of feedstock and other raw material supplies, such as ethylene, benzene, butadiene and butyl acrylate. A supply agreement will exist with BASF SE and BASF Antwerpen N.V. for the supply of ethylene and benzene to us in Europe, and BASF Corp. will supply ethylene, benzene, butadiene and butyl acrylate to us in North America. The unit prices for the feedstock are typically determined based on market price indicators, such as those quoted by ICIS, DeWitt or CMAI. Most of the agreements will run until 2015 or for an initial five year term upon consummation of the Joint Venture Transaction; however some of the agreements also have longer terms. In addition to the agreements for key feedstock supplies, we have also entered into other framework supply agreements for products such as additives, stabilizers and pigments with members of the BASF Group. These agreements are for an indefinite term and may be terminated by providing twenty-four months prior written notice, but not before end of 2015 or an initial five year period.

Similarly, we have entered into agreements with members and/or affiliates of INEOS AG for the purchase of certain raw material supplies, such as ethylene, benzene, butadiene and acrylonitrile, at our various production facilities. For instance, at the production facilities located at Bayport, USA and Texas, USA, we will purchase ethylene from an affiliate. Purchase volumes levels are set forth in the agreements, and unit prices are determined by market price indicators, such as the U.S. Gulf Coast net transaction price and CMAI spot price. The contracts will be for an initial five year term, and may be terminated with twenty-four month notice by either party; however some of the agreements also have longer terms.

INEOS AG has production facilities in the Marl Chemical Park, which is the third largest chemicals site in Germany. INEOS AG will retain ownership of these facilities. However, a tolling agreement will exist whereby we will procure all feedstock, raw material, packaging and freight services, retaining title to the same as well as the resulting finished products, and one or more of our INEOS AG affiliates will manufacture products on a cost plus margin basis. The site's ethylbenzene, styrene and polystyrene capacity will be dedicated exclusively to us. In addition, INEOS AG has a production facility in Breda, The Netherlands, where an INEOS AG affiliate will toll manufacture small volumes of specialty PS for us.

Where possible, we also source certain production inputs and other products such as information technology licenses from certain affiliates in order to obtain volume rebates that we might not otherwise be entitled to if we purchased the inputs or products on our own.

Agency and Distribution Agreements

Members of the BASF Group will conduct business as an agent or distributor of Styrolution in certain countries through agency or distribution agreements. When functioning as a sales agent, we will directly deliver the product to our customers and the BASF Group member will be paid a commission. When functioning as a distributor, the BASF Group member will purchase and sell our products on their own account. The price of products sold to the BASF Group members functioning as distributors will be determined by market price indicators. The agreements are for a term of twenty-four months and renew automatically at the end of the initial term.

Employee Matters

The BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business provide pension benefits for their employees, and we intend to maintain such benefits plans in line with local market practice and requirements. Estimated underfunded IAS 19 liabilities for these plans at December 31, 2010 was approximately €56.8 million. As part of the start up arrangements for Styrolution, our shareholders have agreed to make cash contributions to us to fund these unfunded amounts (if any) over a four year period from the consummation of the Joint Venture Transaction. In addition, some employees will work for us pursuant to tolling or leasing arrangements with our shareholders. In the case of such arrangements, the relevant shareholder will include in its tolling or lease fee some allowance for pension costs. Please see "*Business—Employee Matters*".

Non-controlling interests

The BASF Group has a 50% interest in the 50/50 Ellba Moerdijk production joint venture in the Netherlands and a 50% interest in the 50/50 Ellba production joint venture in Singapore, both of which produce styrene. The BASF Group will retain its interest in these plants, but most of its share of production will be supplied to Styrolution.

The BASF Group also has a 50% interest in a 50/50 full function joint venture at Nanjing in China, which produces polystyrene and styrene. The BASF Group will retain its interest, and the Nanjing joint venture or its joint venture partners will continue to market polystyrene and styrene independently.

We currently conduct the majority of our operations in India through a subsidiary organized under the laws of India. We hold approximately 83% of the voting shares of this subsidiary, with the remaining shares traded publicly on the Bombay Stock Exchange and the National Stock Exchange of India. We intend to make a public offer for the remainder of these shares in accordance with local law.

We own a 49.0% equity interest in the styrenics operations in Altamira, Mexico while the BASF Group has retained a 51.0% interest. We will act as a distributor on a commission basis. We have an agreement with the BASF Group whereby its 51.0% interest will be transferred to us in January 2013, at which point we will operate the facilities as wholly owned operations. Please see "*The Transactions—The Joint Venture Transaction—Implementation*".

Financing

Historically, our constituent businesses have had non-trade intercompany balances with affiliates relating to loans and cash management arrangements. In connection with the Joint Venture Transaction, we will settle such intercompany balances. Following the consummation of the Transactions, we will not have any outstanding non-trade balances with affiliates.

DESCRIPTION OF OTHER INDEBTEDNESS

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

The Securitization Program

Styrolution Group GmbH and certain of its subsidiaries (the "Sellers") have entered into a three-year €500 million trade receivables securitization (as amended, supplemented, varied, novated, extended or replaced from time to time) (the "Securitization Program"). Based on Styrolution's pro forma accounts receivable balance as of December 31, 2010, Styrolution would have been able to draw approximately €310 million under the Securitization Program. The margin under the Securitization Program is less than 2%.

Under the Securitization Program, and with effect from the Escrow Release Date, all trade receivables originated by the Sellers (other than those receivables that are specifically identified as "excluded receivables") will be sold to a bankruptcy remote special purpose vehicle incorporated under the laws of the Republic of Ireland, Styrolution Receivables Finance Limited (the "SPV"). The SPV finances these purchases from borrowings, primarily funded through an asset-backed commercial paper ("ABCP") conduit. The cost of funding for the ABCP conduit reflects the rating of the pooled financial assets in which they invest, thus allowing the Securitization Program to benefit from financing costs that are not linked to the group's corporate rating.

The Securitization Program is restricted to receivables denominated in specified currencies that are sold to the SPV at face value less a discount reflecting the funding cost until settlement. The SPV acquires title, on a non-recourse basis, to new receivables as they arise and settles its purchases with the Sellers on a daily basis. Cash received from customers is paid into segregated bank accounts in the name of the SPV or held on trust for the SPV. Responsibility for the administration of the receivables, including adherence to established credit and collection policies lies with Styrolution Group GmbH as Master Servicer acting on behalf of the SPV which delegates its servicing obligations to the Sellers.

The lenders' advance rate is adjusted each day to reflect the actual performance of the receivables portfolio according to standard Rating Agency methodology for calculating loss and dilution reserves and other potential shortfalls. The balance of the SPV's funding requirements to purchase receivables is provided by Styrolution Group GmbH through a subordinated loan facility.

Styrolution Group GmbH and certain of its subsidiaries grant security over collection accounts under the Securitization Program, and the Securitization Program contains customary terms and conditions applicable to trade receivable securitization facilities. The Securitization Program does not contain any financial maintenance covenants.

Other Financing

Indian Letters of Credit

The Indian operations of the INEOS ABS Business have working capital facilities with two financial institutions in India, and Styrolution (through such Indian operations) is expected to utilize such facilities after the consummation of the Joint Venture Transaction. One such facility was entered into in 2009, while the other facility was entered into in July 2010. These facilities provide for letters of credit of approximately US $35 million (the "Indian LCs"), of which US $22 million was drawn as of December 31, 2010. The letters of credit are generally secured by current assets. The facilities also provide for a limited number of other financial services, such as bank guarantees, though the INEOS ABS Business has not historically used such services. The facilities, which are at an agreed margin or the state bank advance rate, contain customary covenants and representations as well as termination events.

Receivables Financing Program

The INEOS Styrenics Business operated a non-committed receivables based finance program (the "Receivables Financing Program"), and Styrolution is expected to utilize this program after the consummation of the Joint Venture Transaction. The Receivables Financing Program was established in October 2010 with a one year term and amended in April 2011. Under this program, trade receivables in an amount of up to US $40 million can be sold without recourse at a discount to a financial institution counterparty. The Receivables Financing Program contains customary covenants and representations as well as termination events, and the program includes individual customer limits and requires the receivables be insured. As of December 31, 2010, the Receivables Financing Program was drawn to US$11.1 million.

Styrolution Shareholders Loan

Pursuant to a subordinated shareholder loan agreement (the "Styrolution Shareholders Loan"), the Issuer may require INEOS Industries and BASF to provide unsecured loans of up to €32,000,000 each to fund any costs or expenses, including (without limitation) interest, fees and a redemption premium arising in connection with the Notes, ticking fees and other expenses related to the Securitization Program and any associated escrow arrangements. With certain exceptions, the principal amount (and any interest thereon) shall be payable within a few days of the date on which the Contribution Payment has been paid in full to BASF or its affiliates, or such later date as may be agreed between INEOS Industries and BASF. Each €32,000,000 commitment shall be reduced to the extent any credit support in respect of a commitment has been called upon by the Issuer, or to the extent INEOS Industries or BASF or their respective affiliates discharge the expenses of the Issuer intended to be funded by their respective commitments. The Issuer may also request that INEOS Industries and BASF provide further loans to fund liquidity requirements of the Issuer prior to the release of the funds from the Securitization Program.

Intercreditor Agreement

On the Issue Date, the Issuer and certain of its subsidiaries will enter into an intercreditor agreement with, among others, the Trustee and the Security Trustee.

The intercreditor agreement is referred to in this description as the "Intercreditor Agreement". Any credit facility lender which is party to or accedes as party to the Intercreditor Agreement in accordance with its terms to share in transaction security pari passu with the priority hedge counterparties is referred to as a "Credit Facility Lender" and any such facility is referred to as a "Credit Facility". Any hedge counterparty which is party to or accedes as party to the Intercreditor Agreement in accordance with its terms is referred to as a "Hedge Counterparty" and any such hedging agreement is referred to as a "Hedging Agreement". Any lender which is party or accedes as party to the Intercreditor Agreement in accordance with its terms pari passu with the holders of the Senior Secured Notes is referred to as a "Pari Passu Creditor" and an agreement documenting such facility is referred to as a "Pari Passu Debt Document". Any holder of senior unsecured notes which is party or accedes as party to the Intercreditor Agreement in accordance with its terms is referred to as a holder of "Senior Unsecured Notes". The Issuer and each of its subsidiaries that incurs any liability or provides any guarantee or security under the Indenture, a Credit Facility, a Pari Passu Debt Document, a Hedging Agreement or in respect of the Senior Unsecured Notes, is referred to in this description as a "Debtor".

The Intercreditor Agreement governs the relationships and relative priorities between, among others: (i) the holders of the Notes; (ii) the Hedge Counterparties; (iii) the Credit Facilities Lenders; (iv) the Pari Passu Creditors; (v) the holders of the Senior Unsecured Notes; and (vi) the Debtors.

The Intercreditor Agreement will set out:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of the Collateral.

By accepting a Note, holders of the Notes shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The following description is a brief summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement or in any way purport to cover all matters of concern to a holder of the Notes and prospective holders of Notes are urged to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes.

Ranking and Priority

The Intercreditor Agreement will provide, subject to the provisions in respect of permitted payments briefly discussed below, that the liabilities of the Debtors will rank in right and priority of payment in the following order of priority:

- first, the liabilities of the Debtors under a Credit Facility (the "Credit Facility Lender Liabilities"), a Hedging Agreement (comprising the "Priority Hedging Liabilities" and the "Non Priority Hedging Liabilities"), the Notes (the "Senior Secured Notes Liabilities") and a Pari Passu Debt Document (the "Pari Passu Liabilities") and the liabilities of the issuer of, and any trustee in relation to, the Senior Unsecured Notes, pari passu and without any preference between them (each of these aforementioned liabilities other than those relating to the issuer of, and any trustee in relation to, the Senior Unsecured Notes together comprising the "Senior Secured Liabilities"); and
- second, the liabilities of the Debtors under any guarantee (provided in accordance with the terms of the Intercreditor Agreement) in respect of the liabilities owing under the Senior Unsecured Notes, pari passu and without any preference between them.

In the event of enforcement of security (or other distressed disposal following acceleration of any secured liabilities or certain unsecured notes or effected at the request of the Instructing Group (as defined below)) where security has become enforceable, holders of the Notes will receive proceeds from the security only after certain other creditors. Specifically, the parties to the Intercreditor Agreement will agree that the security provided by the Debtors in respect of the Senior Secured Liabilities will secure such liabilities in the following order:

- first, the liabilities owed to the Security Trustee;

- second, the liabilities owed to the Trustee and any agent or other representative in respect of the Credit Facility Lenders or the Pari Passu Creditors, pari passu and without any preference between them;
- third, the Credit Facility Lender Liabilities and the Priority Hedging Liabilities (together, the "Super Senior Liabilities") (other than liabilities owed to the Security Trustee or to any agent in respect of a Credit Facility) to the extent not exceeding €150,000,000, pari passu and without any preference between them; and
- fourth, the Senior Secured Notes Liabilities (other than liabilities owed to the Trustee), the Pari Passu Debt Liabilities (other than liabilities owed to a representative in respect of a Pari Passu Creditor) and the Non Priority Hedging Liabilities, pari passu and without any preference between them.

Neither the holders of the Senior Unsecured Notes nor the creditors in respect of the Subordinated Liabilities (as defined below) will share in the transaction security.

Under the Intercreditor Agreement, all proceeds from enforcement of the security will be applied as provided below under "*—Application of Proceeds*".

Permitted Payments

The Intercreditor Agreement will permit, among other things, payments to be made by the Debtors under a Credit Facility, the Notes, or in respect of any other agreement documenting a Senior Secured Liability, and does not in any way limit or restrict any payment by any Debtor in the ordinary course of business.

The Intercreditor Agreement also permits payments to be made by the Debtors to lenders in respect of any intra group loan (the "Intra Group Liabilities") if at the time of payment no acceleration event has occurred under a Credit Facility, the Notes, a Pari Passu Debt Document or the Senior Unsecured Notes.

Payments in respect of liabilities of the Issuer to its holding company ("Parent Liabilities") are permitted under the Intercreditor Agreement if they are expressly permitted under the terms of the debt documents in relation to the Senior Secured Liabilities, or where such payment relates to the Contribution Payment to be made to BASF or other costs and expenses required to be reimbursed to BASF or INEOS Industries or their affiliates on the Escrow Release Date, or shortly thereafter (the "Structural Liabilities"). Payments in respect of liabilities of the Issuer's parent ("Parent") to its holding company ("Holdco") are permitted provided they are not prohibited in the debt documents in relation to the Senior Creditor Liabilities, or if they relate to Structural Liabilities.

Prior to the date on which all Senior Secured Liabilities have been fully and finally discharged, payments in respect of the liabilities of the Debtors under any guarantee (provided in accordance with the terms of the Intercreditor Agreement) in respect of the liabilities owing under the Senior Unsecured Notes, are permitted, in certain circumstances provided for in the Intercreditor Agreement. Following the date on which all Senior Secured Liabilities have been fully and finally discharged, liabilities under the Senior Unsecured Notes may be paid in accordance with their terms.

Other than in respect of Structural Liabilities, no payments may be made in respect of liabilities owed by the Debtors to Holdco's shareholders ("Subordinated Liabilities") prior to the date on which all Senior Secured Liabilities and the liabilities owed under the Senior Unsecured Notes have been fully and finally discharged.

Entitlement to Enforce Collateral

The Security Trustee may refrain from enforcing the Collateral unless otherwise instructed by the relevant Instructing Group (please see "*—Manner of Enforcement*" below). The Security Trustee may disregard any instructions from any other person to enforce the Collateral and may disregard any instructions to enforce any Collateral if those instructions are inconsistent with the Intercreditor Agreement. The Security Trustee is not obliged to enforce the Collateral if it is not appropriately indemnified by the relevant creditors.

Limitation on Enforcement by Super Senior Creditors and Noteholders

If either the Majority Super Senior Creditors (following the establishment of a Super Senior Credit Facility) or the Majority Pari/Notes Creditors wish to instruct the Security Trustee to commence enforcement of any Collateral, such group of creditors must deliver a copy of the proposed instructions as to enforcement (the "Enforcement Instructions") to the Security Trustee. As soon as practicable following delivery of such Enforcement Instructions, the Security Trustee will provide a copy of such instructions to the relevant agents and creditor representatives and the counterparties under certain hedging liabilities.

Prior to the establishment of a Super Senior Credit Facility (i.e., where the Super Senior Creditors comprise only counterparties under certain hedging liabilities), the Majority Super Senior Creditors are not entitled to give Enforcement Instructions, without prejudice to the order of application of any proceeds of enforcement action in respect of the Collateral.

If, within 10 business days of the delivery of Enforcement Instructions, the Security Trustee has received conflicting enforcement instructions, the relevant agents and creditor representatives will consult with each other in good faith and the Security Trustee for a period of not less than 30 days (or such shorter period as the parties may agree) (the "Consultation Period"), with a view to coordinating instructions as to enforcement of the Collateral.

Manner of Enforcement

The Instructing Group entitled to give instructions to the Security Trustee in respect of enforcement of Collateral comprises the Majority Super Senior Creditors (following the establishment of a Super Senior Credit Facility) and the Majority Pari/Notes Creditors (in each case, acting through its respective representative) unless an insolvency event occurs in which case the instructions of the Majority Super Senior Creditors shall prevail. However, if no insolvency event has occurred and the Security Trustee has received conflicting enforcement instructions from the creditor representatives then, provided that the instructions from the Majority Pari/Notes Creditors (to the extent given) comply with the initial consultation requirements described above, the Security Trustee will comply with the instructions from the Majority Pari/Notes Creditors provided that if the Super Senior Liabilities have not been fully discharged within six months of the end of the relevant Consultation Period or no enforcement has occurred within three months of the end of the relevant Consultation Period, then the instructions of the Majority Super Senior Creditors will prevail.

Where all liabilities to the Super Senior Creditors have been discharged, the Instructing Group entitled to give instructions to the Security Trustee in respect of enforcement of the Collateral shall be comprised of the Majority Pari/Notes Creditors.

Turnover

The Intercreditor Agreement will provide that (subject to certain exclusions) if, at any time prior to the date on which all Senior Secured Liabilities and the liabilities owed under the Senior Unsecured Notes have been fully and finally discharged, any creditor in respect of the Senior Secured Liabilities, Subordinated Liabilities, Intra Group Liabilities, Parent Liabilities or the liabilities of any creditor which accedes to the Intercreditor Agreement in accordance with its terms as a subordinated lender (in the case of creditors in respect of the Senior Secured Liabilities only in the case of paragraph (c) below):

(a) receives or recovers (including by way of set-off) any payment or distribution of, or on account of or in relation to, any liability owed by the Debtors which is not a permitted payment under the Intercreditor Agreement;

(b) receives or recovers any amount (i) on account of or in relation to any liability owed by the Debtors after the occurrence of an acceleration event in respect of a Credit Facility, the Notes, a Pari Passu Debt Document or the Senior Unsecured Notes or as a result of the enforcement of any security or any other enforcement action against the Issuer or any of its subsidiaries (other than after the occurrence of an insolvency event in respect of the Issuer or such subsidiary) or (ii) by way of set-off in respect of any liability of the Debtors after the occurrence of an acceleration event in respect of a Credit Facility, the Notes or a Pari Passu Debt Document or otherwise as a result of the enforcement of any security;

(c) receives or recovers the proceeds of any enforcement of any security except in accordance with "*—Application of Proceeds*" below; or

(d) receives or recovers any distribution in cash or in kind or payment of, or on account of or in relation to, any liability owed by the Issuer or any of its subsidiaries which is not in accordance with "*—Application of Proceeds*" below and which is made as a result of, or after, the occurrence of an insolvency event in respect of the Issuer or such subsidiary,

that creditor will:

- in relation to receipts or recoveries not received or recovered by way of set-off, hold that amount on trust for the Security Trustee and promptly pay an amount equal to that amount to the Security Trustee for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Trustee for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds

The Intercreditor Agreement will provide that amounts received by the Security Trustee pursuant to the terms of, among others, the Intercreditor Agreement, any agreement evidencing a Senior Secured Liability, the security documents, the guarantees of the Notes and any agreement evidencing the Intra Group Liabilities or the Subordinated Liabilities or in connection with the realization or enforcement of all or any part of the security, shall be held by the Security Trustee on trust and will (at the discretion of the Security Trustee) be applied in the following order of priority:

- first, in discharging any sums owing to the Security Trustee or any receiver or delegate on its behalf for application towards the discharge of the fees, costs and expenses owed by the Debtors or any other relevant party to the Security Trustee or any receiver or delegate;
- second, in discharging any sums owing to the Trustee, or any agent or other representative for and on behalf of the Credit Facility Lenders or the Pari Passu Creditors for application towards the discharge of the fees, costs and expenses owed by the Debtors or any other relevant party to the Trustee or any other such agent or representative arising in connection with any realization or enforcement of the security taken in accordance with the terms of the

Intercreditor Agreement or any action taken at the request of the Security Trustee in accordance with the Intercreditor Agreement, on a pro rata basis and ranking pari passu;

- third, in payment to each agent on behalf of the Credit Facility Lenders, the arrangers in respect of any Credit Facility and the Hedge Counterparties in respect of Priority Hedging Liabilities for application towards the discharge of the Credit Facility Lender Liabilities, the liabilities of the arrangers in respect of any Credit Facility and the Priority Hedging Liabilities, on a pro rata basis and ranking pari passu;
- fourth, in payment to the Trustee on behalf of the holders of the Notes, the representative of the Pari Passu Creditors and the Hedge Counterparties in respect of Non-Priority Hedging Liabilities for application towards the discharge of the Senior Secured Liabilities (other than the Super Senior Liabilities), on a pro rata basis and ranking pari passu;
- fifth, if none of the Debtors is under any further actual or contingent liability under a Credit Facility, a Hedging Agreement, the Senior Secured Indenture or any other document evidencing a Senior Secured Liability, in payment to any person to whom the Trustee is obliged to pay in priority to any Debtor; and
- sixth, the balance, if any, in payment to the relevant Debtor.

Release of the Guarantees and the Security

The Intercreditor Agreement will provide that the Security Trustee is authorized to (i) release the security created by the security documents over the relevant asset and (ii) if the relevant asset consists of shares in the capital of a Debtor, to release that Debtor and any of its subsidiaries from its liabilities in its capacity as a guarantor or a borrower under a Credit Facility, the Notes, or a Pari Passu Debt Document and to release any security granted by that Debtor in connection with the disposal of any asset pursuant to the enforcement of the security.

Amendment

The Intercreditor Agreement will provide that it may only be amended with the consent of the Parent, the Trustee and a specified requisite percentage of the Super Senior Creditors, the holders of the Notes, the Pari Passu Creditors and the holders of the Senior Unsecured Notes unless any amendments are made to cure defects, resolve ambiguities or reflect changes of a minor, technical or administrative nature, which may be made by the Parent and the Security Trustee. Subject to the previous sentence, and certain exceptions, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on any party to the Intercreditor Agreement without their prior consent. Certain provisions of the Intercreditor Agreement will require unanimous agreement from each applicable class of creditor.

Agreed Security Principles

The Agreed Security Principles will be scheduled to the Intercreditor Agreement and will, among other things, and in the good faith determination of the Issuer:

(a) provide that no Guarantor shall be required to create any security interest or grant any guarantee (and a guarantee and/or a security interest shall be limited) to the extent that, among other things, it would (or would otherwise be) a breach of corporate benefit or financial assistance laws, result in a material risk to the officers of the relevant company of criminal or civil liability or result in costs disproportionate to the benefit received by the secured party;

(b) identify more specific instances where the creation of a security interest and the provision of a guarantee will not be required (or where a guarantee or security interest will be limited), such as any guarantees or security interests in relation to, or in respect of interests in, Styrolution India Pv. Ltd and INEOS ABS (India) Limited and in relation to certain real property of value below a specified threshold; and

(c) prescribe an agreed regime governing the delivery of certain documents and evidence supporting any new security interests, including among other things, corporate authorizations, customary legal opinions addressed to the Security Trustee and other notices and documents which may be required to be delivered pursuant to a security document.

Governing Law

The Intercreditor Agreement will be governed by English law.

DESCRIPTION OF THE NOTES

The Notes offered hereby will be issued under an indenture to be dated as of May 18, 2011 (the "**Indenture**"), among Styrolution Group GmbH, as issuer (the "**Issuer**"), Citibank, N.A. as trustee (the "**Trustee**") and Citicorp Trustee Company Limited, as Security Agent (the "**Security Agent**").

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer, together with funds drawn under the Styrolution Securitization Programs, to fund the Contribution Payment for the Joint Venture Transaction and to pay costs and expenses incurred in connection with the Transactions as set forth in this Offering Memorandum under the caption "Use of Proceeds." Pending consummation of the Joint Venture Transaction and the satisfaction of certain other conditions as described below, the Initial Purchasers will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit certain proceeds of this offering of the Notes into an escrow account (the "**Escrow Account**") pursuant to the terms of an escrow agreement (the "**Escrow Agreement**") dated as of the Issue Date among, *inter alia*, the Issuer, the Trustee and Citibank, N.A. as Escrow Agent (the "**Escrow Agent**"). If the Joint Venture Transaction is not consummated on or prior to May 18, 2012 (the "**Longstop Date**"), the Notes will be redeemed at a price equal to 101% of the aggregate issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below). Please see "*—Escrow of Proceeds; Special Mandatory Redemption*".

Upon the initial issuance of the Notes, the Notes will be obligations solely of the Issuer and will not be obligations of any Guarantor. Assuming the Escrow Release Date (as defined below) occurs on or prior to the Longstop Date and the funds are released from the Escrow Account, the Initial Guarantors will become parties to the Indenture and will guarantee the Notes on a senior secured basis on the Escrow Release Date. Prior to the Escrow Release Date, the Issuer will not control the BASF Styrenics Business, the INEOS Styrenics Business or the INEOS ABS Business, and none of the BASF Styrenics Business, the INEOS Styrenics Business or the INEOS ABS Business will be subject to the covenants described in this Description of Notes. As such, we cannot assure you that prior to the Escrow Release Date that such businesses will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Escrow Release Date.

The following summary of the Indenture does not purport to be complete. Where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Notes and the Indenture. The terms of the Notes include those set forth in the Indenture governing the Notes and those made part of the Indenture by reference to the Trust Indenture Act. The Indenture is not, however, required to be nor will it be qualified under the Trust Indenture Act and will not incorporate by reference all of the provisions of the Trust Indenture Act.

The Indenture, the Notes and the Guarantees will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements entered into in the future. The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Notes and the Guarantees. Please see the section entitled "*Description of Other Indebtedness—Intercreditor Agreement*" for a summary of the material terms of the Intercreditor Agreement.

The registered holder of a Note will be treated as its owner for all purposes. Only registered holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been registered under the Securities Act and are subject to certain transfer restrictions.

For definitions of certain capitalized terms used in the following summary, please see "*—Certain Definitions*".

Brief Description of the Notes, the Guarantees and the Security

The Notes

The Notes will:

- be secured senior obligations of the Issuer;
- rank equally in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated to the Notes;
- be guaranteed on a senior secured basis by the Guarantors;
- rank effectively senior to all existing and future Indebtedness of the Issuer that is unsecured or secured by Liens junior to the Liens securing the Notes to the extent of the value of the Collateral (as defined below under "*—Security*"); and
- be senior in right of payment to all existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes.

At the Issue Date, on an as adjusted basis after giving effect to the Transactions, on a consolidated basis the Issuer and its subsidiaries have no liabilities in respect of Priority Hedging Liabilities.

The Notes will be effectively subordinated to any existing and future secured Indebtedness of the Issuer to the extent of the value of the assets securing such Indebtedness (unless such assets also secure the Notes on an equal and ratable or senior basis). In addition, the Notes will be effectively subordinated to all existing and future indebtedness and other liabilities of the Issuer's subsidiaries that do not guarantee the Notes.

As of or for the year ended December 31, 2010, the subsidiaries of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business that will guarantee the Notes on the Escrow Release Date amounted to €268.6 million of EBITDA before exceptionals (which amount is equal to 66.0% of Styrolution's pro forma EBITDA before exceptionals) and amounted to €1,496.6 million of total assets (which amount is equal to 76.1% of Styrolution's pro forma total assets).

As of December 31, 2010, the subsidiaries of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business that will not guarantee the Notes had no borrowings, excluding intercompany obligations, which would have ranked structurally senior to the Notes and the Guarantees; however, any of the debt that our non-guarantor subsidiaries incur in the future in accordance with the Indenture will rank structurally senior to the Notes and the Guarantees.

Under the terms of the Intercreditor Agreement, the proceeds of any enforcement of the Collateral will be applied to repayment of the Priority Hedging Liabilities and other priority indebtedness permitted to be incurred under the Indenture and the Notes (including Additional Notes) and the Intercreditor Agreement prior to being applied to repayment of the Notes. Please see "*Description of Other Indebtedness—Intercreditor Agreement—Application of Proceeds*".

The Indenture and the Intercreditor Agreement also will permit the Issuer to issue Indebtedness secured by Liens on the collateral securing the Notes, which Liens may, under certain circumstances, rank ahead of the security interests on the collateral securing the Notes. Please see "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*".

The Guarantees

The Notes will be guaranteed by the Guarantors. Each Guarantee will:

- be joint and several and will be the general secured obligation of the applicable Guarantor (where such Guarantor is providing security);

- rank equally in right of payment with all existing and future Indebtedness of the applicable Guarantor that is not subordinated to such Guarantee; and
- rank senior in right of payment to all existing and future Subordinated Indebtedness of the applicable Guarantor.

The Guarantees will be effectively subordinated to any existing and future secured Indebtedness of the Guarantors (including the Priority Hedging Liabilities) to the extent of the value of the assets securing such Indebtedness (unless such assets also secure the Guarantees on an equal and ratable or senior basis). In the event of a bankruptcy or insolvency, each Guarantor's secured lenders will have a prior secured claim to any collateral of such Guarantor securing the debt owed to them.

On the Escrow Release Date, and subject to any restrictions or limitations imposed by local law, the following entities will provide Guarantees (it being understood and agreed that a disposition of any such entity made in compliance with the terms of the Indenture as though such restrictions applied to such entity at such time will relieve such entity of the requirement to provide a Guarantee on the Escrow Release Date) (the "**Initial Guarantors**"):

(a) Mexican New Co.;

(b) Styrolution Belgium N.V.;

(c) Styrolution GmbH;

(d) Styrolution South East Asia Pte. Ltd.;

(e) Styrolution USA LLC;

(f) INEOS ABS (Deutschland) GmbH;

(g) INEOS ABS (Jersey) Limited;

(h) INEOS ABS (Thailand) Co., Ltd.;

(i) INEOS Industries US LLC;

(j) INEOS Industries US II LLC;

(k) INEOS Styrenics Europe SA;

(l) INEOS Styrenics LLC; and

(m) INEOS Styrenics Ltd.

The obligations of the Guarantors under their Guarantees will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. In particular INEOS ABS (Thailand) Co., Ltd. must obtain a discretionary license from the Ministry of Commerce, pursuant to section 17 and annex 3(21) of the Alien Business Operation Act of 1999, before it can act as a Guarantor, and this may affect the deliverability of this Guarantee. Please see "*Risk Factors—Risks Relating to the Notes and Our Capital Structure—Your rights as a creditor may not be the same under German insolvency laws as under U.S. or other insolvency laws. Corporate benefit, capital maintenance and other limitations on the Guarantees and the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes and the security interests and will limit the amount that can be recovered under the Guarantees and the security interests granted by the Issuer and its subsidiaries*".

Release of the Guarantees

A Guarantor's Guarantee will be automatically and unconditionally released:

(a) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition complies with the requirements of the covenant set forth under the heading "*—Certain Covenants—Limitation on Sale of Assets*" or is otherwise permitted in accordance with the Indenture;

(b) in connection with any other sale or other disposition of the Capital Stock (or the shares of any holding company of such Guarantor (other than the Issuer or Parent)) of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition complies with the requirements of the covenant set forth under the heading "*—Certain Covenants—Limitation on Sale of Assets*", and after the sale or other disposition such Guarantor is no longer a Restricted Subsidiary;

(c) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(d) upon (i) legal defeasance or covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Defeasance or Covenant Defeasance of Indenture*" and "*—Satisfaction and Discharge*" or (ii) the full and final payment and performance of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(e) so long as no Event of Default has occurred and is continuing, such Guarantor is unconditionally released and discharged from its liability with respect to Indebtedness in connection with which such guarantee was executed pursuant to the covenant described under the caption "*—Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries*";

(f) in connection with a Distressed Disposal;

(g) pursuant to a transaction described under the caption entitled "*—Certain Covenants—Consolidation, Merger, Sale of Assets—Guarantors*" whereby the Guarantee is released pursuant to the second paragraph thereto; and

(h) as described under "*—Modifications and Amendments*".

Restricted and Unrestricted Subsidiaries

As of the Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries". Under the circumstances described below under "*—Certain Covenants—Limitation on Restricted Subsidiaries*", the Issuer will be permitted to designate certain of its other Subsidiaries as "Unrestricted Subsidiaries". Any Unrestricted Subsidiaries will not be subject to the covenants in the Indenture and will not guarantee the Notes.

Security

General

The obligations of the Issuer under the Notes will be secured by certain assets (the "**Collateral**") the benefit of which will be subject, under the Security Documents (as defined below) and the Intercreditor Agreement, to priority repayment (the "**Priority Liens**") of the Issuer's obligations under the Priority Hedging Liabilities and other priority Indebtedness permitted to be incurred under the Indenture and the Notes (including Additional Notes) and the Intercreditor Agreement.

On the Escrow Release Date, the obligations of the Issuer under the Notes will be secured by the following Collateral:

(1) A pledge of the Capital Stock of the Issuer.

(2) A pledge of the Capital Stock of the following subsidiaries of the Issuer:

(a) Mexican New Co.;

(b) Styrolution Belgium N.V.;

(c) Styrolution GmbH;

(d) Styrolution Korea Ltd;

(e) Styrolution South East Asia Pte. Ltd.;

(f) Styrolution USA LLC;

(g) INEOS ABS (Deutschland) GmbH;

(h) INEOS ABS (Jersey) Limited;

(i) INEOS ABS (Thailand) Co., Ltd.;

(j) INEOS Industries US LLC;

(k) INEOS Industries US II LLC;

(l) INEOS Styrenics Europe SA;

(m) INEOS Styrenics LLC;

(n) INEOS Styrenics Ltd.; and

(o) Elix Polymers, S.L.

Within 60 days of the Escrow Release Date, the Issuer will cause its obligations under the Notes to be secured with additional Collateral representing the material assets of the Issuer and certain Guarantors (comprising, where applicable, and without limitation, bank accounts, inventory, intellectual property and real property), subject to the Agreed Security Principles and limitations and restrictions imposed by local law. The Agreed Security Principles provide that a Security Interest need not be created where, among other things, the Issuer determines in good faith that an enforceable Security Interest cannot be provided or the cost of providing such Security Interest is disproportionate to the benefit obtained. Please see "*Description of Other Indebtedness—Intercreditor Agreement—Agreed Security Principles*".

Mexican asset security

On the Escrow Release Date, 49% of the Capital Stock of Styrolution Mexicana, S.A. de C.V. will be transferred to the Issuer. The remaining 51% will be transferred on or around January 2, 2013, pursuant to a forward sale agreement. On the Escrow Release Date, the obligations of the Issuer under the Notes will be secured by a pledge over 49% of the Capital Stock of Styrolution Mexicana, S.A. de C.V. The Issuer will use commercially reasonable efforts to cause its obligations under the Notes to be secured by an assignment by way of security over the forward sale agreement within 60 days of the Escrow Release Date; however, as a result of local registration requirements, there can be no assurance that an enforceable Security Interest will be created within such 60 day period. Once the remaining

51% of Styrolution Mexicana, S.A. de C.V. has been transferred to the Issuer, the Issuer will use commercially reasonable efforts to cause the obligations of the Issuer under the Notes to be secured by all of the Capital Stock of Styrolution Mexicana, S.A. de C.V.

Certain local law limitations

In relation to security to be provided by INEOS ABS (Thailand) Co., Ltd., the provisions of certain security interests may not be completed within 60 days of the Escrow Release Date because they are beyond the control of the Issuer or INEOS ABS (Thailand) Co., Ltd., as INEOS ABS (Thailand) Co., Ltd. must obtain a discretionary license from the Ministry of Commerce, pursuant to section 17 and annex 3(21) of the Alien Business Operation Act 1999.

For a pledge of shares in a Thai limited company, sections 753 and 1129 of a Thai Civil and Commercial Code require that the pledgor and pledgee be clearly identified, and the name and address of each pledgee must be entered in the share register book of the Thai company. As a result, if only the Security Trustee is registered as the pledgee, the pledge may not be valid.

Under German law the perfection of security over real estate requires registration in the land register. Such registration depends on the payment of land register fees and the filing of the security documents. There is a risk that such registration may not be completed within 60 days.

German account banks have a pledge over the bank accounts of their customers according to their general business conditions. In order for a pledge over bank accounts in favour of the Security Trustee to be first ranking, the German account bank has to waive its pledge. There is a risk that the German account bank will not waive its first ranking pledge at all or not within 60 days and that the security in favour of the Security Trustee will not become first ranking at all or within 60 days.

Excluded Assets

Certain assets, property and rights will be excluded from the Collateral described under "*—General*", including the Receivables Assets.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. Please see "*Risk Factors—Risks Relating to the Notes and Our Capital Structure—Your rights as a creditor may not be the same under German insolvency laws as under U.S. or other insolvency laws. Corporate benefit, capital maintenance and other limitations on the Guarantees and the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes and the security interests and will limit the amount that can be recovered under the Guarantees and security interests granted by the Issuer and its subsidiaries*".

Security Documents

The agreements to be entered into between, among others, the Security Agent, the Issuer and the Guarantors pursuant to which security interests in the Collateral are granted to secure the Notes and the Guarantees are referred to as the "**Security Documents**". The security interests that secure the obligations under the Notes and the Guarantees created by the Security Documents are referred to as the "**Security Interests**". As described above certain of the Security Interests will be created following the consummation of the Joint Venture Transaction and, in relation to Styrolution Mexicana, S.A. de C.V., on or after January 2, 2013, in each case in accordance with applicable law.

The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the Notes that are secured by the Collateral. Neither the Trustee nor the holders of the Notes may, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Trustee and the holders of the Notes, as the case may be, may only take action through the Security Agent. In certain jurisdictions, including Germany, due to the laws and other jurisprudence governing the creation and perfection of security interests in such jurisdictions, it is necessary that the grantee of certain types of collateral be a creditor of the relevant security provider. To address this, an own "parallel debt" obligation in favor of the Security Agent is created under the Intercreditor Agreement. The security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Notes or the Guarantees). The parallel debt construct has not been tested under law in certain of these jurisdictions. Please see "*Risk Factors—Risks Relating to the Notes and Our Capital Structure—The security interests over the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law*".

Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*", the Issuer and the Guarantors are permitted to pledge the Collateral in connection with certain future incurrences of Indebtedness or Indebtedness of the Restricted Subsidiaries, including any Additional Notes permitted under the Indenture on terms consistent with the relative priority of such Indebtedness. In addition, the Indenture and the Intercreditor Agreement also will permit the Issuer and its Restricted Subsidiaries to issue Indebtedness secured by liens on the Collateral, which liens may, under certain circumstances, rank ahead of the security interests on the Collateral. Please see "*—Certain Covenants—Limitation on Liens*" and "*Certain Covenants—Impairment of Security Interest*".

Each holder of Notes, by accepting a Note, shall be deemed (i) to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement and the Security Documents and (ii) to be bound thereby. Each holder of Notes, by accepting a Note, appoints the Trustee or the Security Agent, as the case may be, as its agent under the Security Documents and authorizes it to act as such.

The Indenture will provide that, subject to the terms thereof and of the Security Documents, the Notes and the Indenture, as applicable, will be secured by the Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged.

In the event that the Issuer or any of its subsidiaries enters into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents could be subject to potential challenges. If any challenge to the validity of the Security Interests is successful, the holders may not be able to recover any amounts under the Security Documents. Please see "*Risk Factors—Risks Relating to the Notes and Our Capital Structure—Your rights as a creditor may not be the same under German insolvency law as under U.S. or other insolvency laws. Corporate benefit, capital maintenance and other limitations on the Guarantees and the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes and the security interests and will limit the amount that can be recovered under the Guarantees and security interests granted by the Issuer and its subsidiaries*" and "*Limitations on the Validity and Enforceability of the Guarantees, the Collateral* and *Certain Insolvency Considerations*".

The Security Documents to be entered into on the Escrow Release Date or, as the case may be within 60 days of the Escrow Release Date, shall create Security Interests in relation to the Priority Hedging Liabilities and other Indebtedness permitted to be incurred under the Indenture and the Notes (including Additional Notes) and the Intercreditor Agreement. Whether the security so created with a broadly tailored security purpose will effectively cover (i) any other indebtedness permitted to be incurred under the Indenture and the Intercreditor Agreement, to the extent kind and scope of such indebtedness is not clear at the time of conclusion of the Security Documents or (ii) any Additional Notes, may be subject to uncertainty under some of the applicable laws. Therefore, it has become market practice in the relevant jurisdictions to take new (additional) security in relation to such secured liabilities. In addition, new (additional) security will be required to be taken in relation to any other priority Indebtedness incurred in the future, which is currently not included in the security purpose of the Security Documents. Any new (additional) security and any extension of the Security Interests created under the original Security Documents will rank junior to any security granted over the relevant Collateral previously and may be subject to new hardening periods and, consequently, to potential insolvency challenges subject to the same prerequisites as described under "*Limitations on the Validity and Enforceability of the Guarantees, the Collateral and Certain Insolvency Considerations*". As the Intercreditor Agreement provides that (i) the creditors of any priority Indebtedness would be entitled to share in the proceeds from the realization of the Collateral in priority to the Notes; and (ii) newly secured amounts under Additional Notes would be entitled to receive a *pari passu* treatment with the original Notes, any successful challenge against any new security may lead to a situation where in the case of an enforcement the proceeds available for distribution to the Noteholders may be significantly reduced.

Intercreditor Agreement

Under the terms of the Intercreditor Agreement, the proceeds of any enforcement of the Collateral will be applied to repayment of the Priority Hedging Liabilities and other priority Indebtedness permitted to be incurred under the Indenture and the Notes (including Additional Notes) and the Intercreditor Agreement in priority to repayment of the Notes. Please see "*Risk Factors—Risks Relating to the Notes and Our Capital Structure—The value of the collateral securing the Notes and the Guarantees may not be sufficient to satisfy our obligations under the Notes or the Guarantees*".

Enforcement of Security

The Security Documents generally only will become enforceable after the Security Agent gives notice of an intention to enforce following the occurrence of an Event of Default under the Indenture or other Indebtedness permitted to be incurred under the Indenture. The Security Agent will only be permitted to enforce the Security Documents in accordance with instructions permitted to be given under the Intercreditor Agreement. The Intercreditor Agreement restricts the ability of the Trustee or the holders of the Notes to take enforcement action. For a description of security enforcement and other intercreditor provisions, please see "*Description of Other Indebtedness—Intercreditor Agreement*". Please also see "*Risk Factors—Risks Relating to the Notes and our Capital Structure—The security interests over the Collateral will be granted to the Security Trustee rather than directly to the holders of the Notes. The ability of the Security Trustee to enforce the Collateral may be restricted by local law*".

Priority

The relative priority among (a) the Hedge Counterparties, (b) the lenders under other Indebtedness (including Additional Notes) permitted under the Notes ranking *pari passu* with the Notes, (c) the lenders under other priority Indebtedness permitted to be incurred under the Indenture and the Notes and the Intercreditor Agreement and (d) the Trustee, the Security Agent and the holders of the Notes with respect to the Liens on the Collateral that are created by the Security Documents and secure obligations under the Notes or the Guarantees and the Indenture will be established by the terms of the Intercreditor Agreement, the Indenture and the Security Documents, which provide that the obligations under the Hedging Liabilities, the Notes and other priority Indebtedness and any other Indebtedness permitted to rank *pari passu* with the Notes permitted to be incurred under the Indenture and the Notes (including Additional Notes) and the Intercreditor Agreement are secured equally and ratably by a first priority interest in the Collateral. Under the terms of the Intercreditor Agreement, however, in the event of enforcement of the Collateral, holders of the Notes will receive proceeds from the Collateral only after the Hedge Counterparties, to the extent they are owed Priority Hedging Obligations, and the lenders under any other priority Indebtedness permitted to be incurred under the Indenture and the Notes (including Additional Notes) and the Intercreditor Agreement have been repaid.

Release of Security

The Security Agent will determine the circumstances and manner in which the Collateral will be disposed of including, but not limited to, the determination of whether to release all or any portion of the Collateral from the Liens created by the Security Documents and whether to foreclose on the Collateral following an acceleration of the Notes. The Security Agent will follow any instructions given to it in accordance with the terms of the Intercreditor Agreement. Under German law, the Security Agent may be obliged to release upon request all or part of the German Security Interests insofar as the realizable value of the Security Interests exceeds, not only temporarily, the obligations secured by the Security Interests by more than 10%, even if such event occurs prior to the full and complete satisfaction of the obligations secured by the Security Interests.

The Liens on the Collateral will unconditionally (and, where permitted by local law, automatically) released without any action by the Trustee or Security Agent, as the case may be, or the holders of the Notes:

(a) in connection with any sale or other disposition of the property or assets to a Person that is not the Issuer or a Restricted Subsidiary, if the sale or other disposition complies with the requirements of the covenant set forth under "*—Certain Covenants—Limitation on Sales of Assets"* or is otherwise permitted in accordance with the Indenture;

(b) if such Collateral is an asset of a Guarantor or any of its Subsidiaries, in connection with any sale or other disposition of the Capital Stock (or the shares of any holding company of such Guarantor (other than the Issuer or Parent)) of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition complies with the requirements of the covenant set forth under the heading "*—Certain Covenants—Limitation on Sale of Assets*" and after the sale or disposition such Guarantor is no longer a Restricted Subsidiary;

(c) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture (for a Guarantor not required to provide a Guarantee on the Escrow Release Date), the Security Documents or the Intercreditor Agreement, the release of the property and assets, and Capital Stock, of such Guarantor;

(d) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets of such Restricted Subsidiary;

(e) upon (i) legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Defeasance or Covenant Defeasance of the Indenture*" and "*—Satisfaction and Discharge*" or (ii) the full and final payment and performance of all obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(f) as described under "*—Modifications and Amendments*";

(g) in connection with any Permitted Reorganization;

(h) in connection with a Distressed Disposal; and

(i) if such Collateral is the Capital Stock of the Issuer, in connection with any sale or other disposition of the Capital Stock (or the shares of any holding company of the Issuer) of the Issuer to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary.

Other

Subject to the terms of the Security Documents, and subject to certain exceptions required to ensure the Security Interests under the Security Documents are perfected, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to collect, invest and dispose of any income therefrom and to vote pledged shares. The Issuer and the Guarantors may, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral, including, without limitation but subject to the covenant contained under the caption "*—Certain Covenants—Asset Sales*," (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property and assets subject to Security Interests under the Security Documents, which has become worn out, defective or obsolete or no longer used or useful in the business, and (ii) selling, transferring or otherwise disposing of assets in the ordinary course of business.

No appraisal of any of the Collateral has been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after sharing with other creditors entitled to share in such proceeds would be sufficient to satisfy the obligations owed to the holders of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral will be able to be sold in a short period of time, if at all. In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to cause the sale of some of the Collateral, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. Similar limitations also apply under German law with respect to certain types of Security Interests such as pledges over the Capital Stock of German companies.

The Indenture will provide that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Security Documents and the Intercreditor Agreement.

Principal, Maturity and Interest

The Notes initially will be issued in the aggregate principal amount of €480 million and will mature on May 15, 2016, unless redeemed prior thereto as described herein. The Indenture allows additional Notes to be issued from time to time (the "**Additional Notes**"), subject to certain limitations described under "*—Certain Covenants—Limitation on Indebtedness*;" *provided* that if any Additional Notes are not fungible with the relevant series of Notes for U.S. federal income tax purposes, such Additional Notes will be issued as a separate series under the Indenture and will have a separate CUSIP number or common code and ISIN, as applicable, from the relevant series of Notes; *provided, further*, however, that in any event the Notes and any Additional Notes will be treated as a single class for all purposes of the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "*Description of the Notes*" include any Additional Notes that may be issued from time to time.

Each Note will bear interest at the rate set forth on the cover page of this offering memorandum from and including May 18, 2011, or from and including the most recent interest payment date to which interest has been paid, payable semiannually in arrears on May 15 and November 15 in each year, commencing November 15, 2011. The Issuer will make each interest payment to the holders of record of the Notes on the immediately preceding May 1 and November 1. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on overdue principal and, to the extent permitted by law, on overdue installments of interest will accrue at the rate of interest borne by the Notes.

Principal of, premium, if any, any Additional Amounts (as defined below) and interest on the Notes will be payable, and the Notes will be exchangeable and transferable, at the office or agency of the Issuer in London maintained for such purposes (which initially will be the corporate trust office of the Trustee) and, so long as the Notes are listed and admitted for trading on the Global Exchange Market of the Irish Stock Exchange, at the offices of the paying agent in London. Principal, interest and premium, if any, on the global notes (as described below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more global notes registered in the name of or held by a nominee of Euroclear and/or Clearstream Banking, as applicable, will be made by wire transfer of immediately available funds to the account specified by the holder or holders thereof.

The Notes will be represented by global notes and will be issued only in fully registered form without coupons and only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The global notes will be deposited with a common depositary for Euroclear and Clearstream Banking, or its nominee. Ownership of interests in the global notes, referred to as "book-entry interests," will be limited to Persons that have accounts with Euroclear or Clearstream Banking or Persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream Banking and their participants. Please see "*Book-Entry, Delivery and Form*."

Settlement for the Notes will be made in same day funds. All payments of principal, any Additional Amounts and interest will be made by the Issuer in same day funds.

When issued, the Notes will be a new issue of securities with no established trading market. No assurance can be given as to the liquidity of the trading market for the Notes. Application has been made for the Notes to be listed and traded on the Global Exchange Market of the Irish Stock Exchange.

Escrow of Proceeds; Special Mandatory Redemption

Pending consummation of the Joint Venture Transaction as described in this offering memorandum under the heading "*The Transactions*" and the satisfaction of certain other conditions as described below, the initial purchasers will deposit certain of the proceeds of this offering of the Notes. BASF SE and INEOS Industries Holdings Limited have agreed to lend, pursuant to the Styrolution Shareholders Loan, to the Issuer an amount sufficient, when considered with the deposited proceeds in the Escrow Account, to pay the Special Mandatory Redemption Price (as defined below) on the Longstop Date. BASF SE and INEOS Industries Holdings Limited have each agreed to contribute 50.0% of such amount to be loaned to the Issuer pursuant to the Styrolution Shareholders Loan, and the obligations of each to so fund are several, rather than joint. The obligation of INEOS Industries Holdings Limited to fund the Styrolution Shareholders Loan in the event of a Special Mandatory Redemption (as defined below) is supported by an irrevocable letter of credit (the "**INEOS Letter of Credit**"), and the obligation of BASF SE to fund is supported by a guarantee by BASF SE (the "**BASF Guarantee**"). In the event that the issuer of the INEOS Letter of Credit does not or is prohibited from honoring its obligations under the INEOS Letter of Credit, the Trustee will not have recourse to the BASF Guarantee and similarly in the event that BASF SE is unable to meet its obligations under the BASF Guarantee, the Trustee will not have recourse to the INEOS Letter of Credit. The Escrow Account will be charged in favour of the Trustee for the benefit of the holders of the Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Trustee (the "**Escrow Charge**"). The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement) are referred to, collectively, as the "**Escrowed Property**".

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "**Release**"), the Escrow Agent shall have received from the Issuer, at a time that is on or before the Longstop Date, an Officer's Certificate to the effect that:

(a) all the terms and conditions to consummation of the Joint Venture Transaction (other than funding conditions relating thereto) have been satisfied (or, where applicable, waived) or will be satisfied substantially simultaneously with the Release;

(b) immediately after the consummation of the Joint Venture Transaction, those documents, legal opinions and certificates attached as exhibits to the Escrow Agreement that are required to be delivered on the relevant date of Release have been delivered in accordance with the terms of the Escrow Agreement;

(c) the Escrowed Property will be applied, directly or through intercompany transfers, for the permitted uses, substantially as described in this offering memorandum under the heading "*The Transactions*," and, promptly upon such application, the Joint Venture Transaction will be consummated and the Issuer will own and control the business and assets of the BASF Styrenics Business, the INEOS ABS Business and the INEOS Styrenics Business, all on substantially the same terms as described in this offering memorandum under the heading "*The Transactions*", which, for the avoidance of doubt, shall permit the Issuer and its direct or indirect shareholders to, among other things, taken any actions that are necessary in the judgment of the Issuer to secure approval of the Joint Venture Transaction from relevant competition authorities in an expeditious manner so long as such action has been taken in compliance with the covenant set forth under the heading "*—Certain Covenants—Limitation on Sale of Assets*," and any other applicable covenant set forth under the heading "*—Certain Covenants*";

(d) no event of default has occurred and is continuing under the Indenture;

(e) any disposal of assets by the Issuer or its Restricted Subsidiaries in connection with remedies imposed by competition authorities has been made in compliance with the covenant set forth under the heading "*—Certain Covenants—Limitation on Sale of Assets*," and any other applicable covenants set forth under the heading "*—Certain Covenants*";

(f) immediately after consummation of the Joint Venture Transaction, the Initial Guarantors will each execute and deliver a supplemental indenture or other instrument pursuant to which it will guarantee the obligations of the Issuer under the Notes and the Indenture;

(g) immediately after consummation of the Joint Venture Transaction, the Issuer, Styrolution Beteiligungs GmbH (as applicable) and the Initial Guarantors will execute and deliver the applicable Security Documents, or such other documents as are necessary in the judgment of the Issuer to secure their respective obligations under the Notes and the Guarantees with the Collateral described under the heading "*—Security*";

(h) prior to the consummation of the Joint Venture Transaction, the Issuer shall have received a certificate from the Securitization Program agent confirming that all documentary conditions precedent (other than any such condition which is dependent upon the release from escrow of the proceeds of the offering of the Notes or consummation of the Joint Venture Transaction) to funding the Securitization Program have been satisfied (the "Securitization Program Agent Certificate"); and

(i) prior to the consummation of the Joint Venture Transaction, the Issuer shall have received a certificate from BASF SE to the effect that it has agreed to receive the Outstanding Balance at the conclusion of the Securitization Transfer Period.

The Release shall occur promptly upon the satisfaction of the conditions set forth above (the date of such satisfaction, the "**Escrow Release Date**"). Upon the Release, the Escrow Account shall be reduced to zero and closed, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (i) the Escrow Release Date does not take place on or prior to the Longstop Date, (ii) there occurs a repudiation by the Issuer of any of its obligations under the Escrow Agreement or the Escrow Charge or the Escrow Agreement or the Escrow Charge is finally and judicially determined unenforceable against the Issuer for any reason, (iii) at any time prior to the Longstop Date, the BASF Group and the INEOS Industries Group cease to beneficially own and control 100% of the issued and outstanding Capital Stock of the Issuer, (iv) at any time prior to the Longstop Date, any conditions to the Release of the proceeds can not reasonably be deemed by the Issuer to be capable of being satisfied on or prior to the Longstop Date or (v) at any time prior to the Longstop Date, the Master Agreement terminates (the date of any such event being the "**Escrow Termination Date**"), the Issuer will redeem all of the Notes (the "**Special Mandatory Redemption**") at a price equal to 101% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts (as defined below), if any, from the Issue Date to the Special Mandatory Redemption Date (as defined below) (the "**Special Mandatory Redemption Price**") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Notice of the Special Mandatory Redemption will be mailed by the Issuer, within one Business Day following the earlier of the Escrow Termination Date and the Longstop Date, to the Trustee and to each holder of the Notes and the Escrow Agent, and will provide that the Notes shall be redeemed on a date that is no later than the third Business Day after such notice is mailed (the "**Special Mandatory Redemption Date**"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay to the Paying Agent for payment to each holder the Special Mandatory Redemption Price for such holder's Notes and, concurrently with the payment to such holders, deliver any excess Escrowed Property (if any) to the Issuer.

If the Special Mandatory Redemption Date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

Prior to the Escrow Termination Date, if an interest payment date occurs, the Trustee will pay such interest payment:

(1) to the extent indicated by the written instruction of the Issuer received at least three Business Days prior to such interest payment date, from escrowed cash (provided the INEOS Letter of Credit and BASF Guarantee each remain valid, outstanding and with no change in amount due to the payment of such amount from the escrowed cash);

(2) to the extent that cash has been funded to the Trustee at least three Business Days prior to such interest payment date by the Permitted Holders, from such funds; or

(3) if such instruction or cash (as set forth above under paragraphs (1) or (2)) has not been received by the Trustee by 11:00 am London time on the date that is three Business Days prior to the interest payment date with respect to the full amount of such interest payment, the Trustee will call the necessary funds from either or each of the INEOS Letter of Credit and the BASF Guarantee pursuant to a drawing instruction from the Issuer, or from funds from the Escrow Account (provided that the INEOS Letter of Credit and BASF Guarantee each remain valid, outstanding and with

no change in amount due to the payment of such amount from the escrowed cash), in accordance with the Indenture.

To the extent the Permitted Holders fund interest pursuant to clause (2) above, the BASF Guarantee and/or the INEOS Letter of Credit will be reduced accordingly.

No provisions of the Escrow Agreement (including, without limitation, those relating to the Release) and, to the extent such provisions relate to the Issuer's obligation to redeem the Notes in a Special Mandatory Redemption, the Indenture, may be waived or modified in any manner materially adverse to the holders of the Notes without the written consent of holders of at least 90% in aggregate principal amount of Notes affected thereby.

Optional Redemption

The Notes will be subject to redemption at any time and from time to time prior to May 15, 2013 at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium and accrued and unpaid interest to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Notes will be subject to redemption at any time and from time to time on or after May 15, 2013 at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' prior notice at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning May 15 of the years indicated below:

Year	Redemption Price
2013	105.719
2014	102.859
2015 and thereafter	100.000

together with any Additional Amounts and 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).

In addition, at any time and from time to time on or prior to May 15, 2014, the Issuer or the direct or indirect parent of the Issuer, at its option, may use the net cash proceeds of one or more Public Equity Offerings to redeem Notes and Additional Notes in an amount up to an aggregate of 35% of the sum of the initial aggregate principal amount of the Notes originally issued under the Indenture and the aggregate principal amounts of any Additional Notes issued under the Indenture after the initial closing date at a redemption price equal to 107.625% of the aggregate principal amount of the Notes, plus any Additional Amounts and accrued and unpaid interest thereon, 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); *provided* that Notes and Additional Notes in an amount equal to at least 65% of the initial aggregate principal amount of Notes originally issued under the Indenture and the aggregate principal amount of any Additional Notes issued under the Indenture after the date of the Indenture remains outstanding immediately after the occurrence of such redemption. In order to effect the foregoing redemption, the Issuer must mail a notice of redemption no later than 60 days after the closing of the related sale and must consummate such redemption within 90 days of the closing of the sale.

In addition, at any time on or prior to May 15, 2014, the Issuer may redeem during each 12-month period commencing with the Issue Date up to 10% of the aggregate principal amount of the Notes outstanding at its option, from time to time, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

Selection and Notice of Optional Redemption

If less than all of the Notes are to be redeemed, the Trustee shall select the Notes or portions thereof to be redeemed in compliance with the requirements of the principal security exchange, if any, on which such Notes are listed, and/or in compliance with the requirements of Euroclear or Clearstream Banking, as applicable, or if such Notes are not so listed or such exchange prescribes no method of selection and such Notes are not held through Euroclear or Clearstream Banking or Euroclear or Clearstream Banking prescribes no method of selection, on a pro rata basis, by lot or by any other method the Trustee shall deem fair and reasonable.

No Notes shall be redeemed in part if the resulting Note would have a minimum denomination that is less than €100,000. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture, in each case in accordance with the provisions of the Indenture.

A notice of redemption shall state the redemption date, the redemption price and the amount of accrued interest, if any, to be paid; the paragraph of the Indenture pursuant to which the Notes are being redeemed; the name and address of the Paying Agent; that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price; that unless the Issuer defaults in making the redemption payment, interest, if any, on Notes called for redemption shall cease to accrue on and after the redemption date; that, if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed, and the only remaining right of the holders of such Notes is to receive payment of the redemption price upon surrender to the paying agent of such Notes; that, if less than all the Notes are to be redeemed, the identification of the particular Notes and the principal amount (or portion thereof) of such Notes to be redeemed and the aggregate principal amount of Notes to be outstanding after such partial redemption; and whether the redemption is conditioned on any events and what such conditions are. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

So long as the Notes are listed and admitted for trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will inform the Irish Stock Exchange of any such redemption and will publish a notice regarding such redemption in a leading newspaper having a general circulation in Ireland (which is expected to be *The Irish Times*) or on the Irish Stock Exchange's website, *www.ise.ie*

Redemption Upon Changes in Withholding Taxes

If, as a result of:

(a) any amendment to, or change in, the laws (or regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined below under "*—Payment of Additional Amounts*"); or

(b) any change in the official application or the official interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) (each of the foregoing in clauses (a) and (b), a "**Change in Tax Law**"), the Issuer, any Guarantor or Surviving Entity (as defined below under "*—Certain Covenants—Consolidation, Merger, Sale of Assets*") would be obligated to pay, on the next date for any payment, Additional Amounts, as described below under "*—Certain Covenants—Payment of Additional Amounts*," which are more than a *de minimis* amount (but, in the case of the relevant Guarantor, only if such amount cannot be paid by the Issuer or another Guarantor who can pay such amount without the obligation to pay Additional Amounts) and the Issuer, such Guarantor or such Surviving Entity cannot avoid by the use of reasonable measures available to it (including making payment through a paying agent located in another jurisdiction), then the Issuer or the Surviving Entity, as the case may be, may redeem all, but not less than all, of the Notes at any time after such amendment or change, upon not less than 30 nor more than 60 days' notice, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In the case of Germany or any other jurisdiction that is a Relevant Taxing Jurisdiction on the Issue Date, the applicable Change in Tax Law must not have been publicly announced as formally proposed before and becomes effective on or after the date of this offering memorandum. In the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction after the Issue Date, the applicable Change in Tax Law must not have been publicly announced as formally proposed before and becomes effective after the date that such jurisdiction becomes a Relevant Taxing Jurisdiction.

Prior to the giving of any notice of redemption described in this paragraph, the Issuer, or the Surviving Entity, as the case may be, will deliver to the Trustee:

(i) an Officer's Certificate of the Issuer, or the Surviving Entity, as the case may be, stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer, such Guarantor or such Surviving Entity taking reasonable measures available to it; and

(ii) a written opinion of independent legal counsel of recognized standing addressed to the Issuer or the Surviving Entity, as the case may be, to the effect that the Issuer, such Guarantor or such Surviving Entity has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law described above.

Absent manifest error, the Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions to a redemption upon a Change in Tax Law, including any changes in withholding taxes, in which event it will be conclusive and binding on the holders of the Notes.

Notwithstanding the foregoing, no such notice will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or the relevant Surviving Entity or Guarantor, as the case may be, would be obliged to pay such Additional Amounts if a payment were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

The foregoing provisions shall apply to a Guarantor only after such time as such Guarantor is obligated to make at least one scheduled payment of principal or interest on the Notes.

Payment of Additional Amounts

All payments that the Issuer, any Guarantor or any Surviving Entity makes under or with respect to the Notes, or that any Guarantor makes with respect to any Guarantee, will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, "**Taxes**") imposed or levied by or on behalf of any jurisdiction in which the Issuer, or, if applicable, any Guarantor or any Surviving Entity, as the case may be, is incorporated, organized, engaged in business for tax purposes or otherwise resident for tax purposes or from or through which any of the foregoing makes any payment on the Notes (including the jurisdiction of any Paying Agent) or by any taxing authority therein or political subdivision thereof (each, as applicable, a "**Relevant Taxing Jurisdiction**"), unless the Issuer, such Guarantor or such Surviving Entity, as the case may be, is required to withhold or deduct Taxes by law or by the interpretation or administration of law. If the Issuer, a Guarantor or such Surviving Entity is required to withhold or deduct any amount for, or on account of, Taxes of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes or any Guarantee, the Issuer, such Guarantor or such Surviving Entity, as the case may be, will pay such additional amounts ("**Additional Amounts**") as may be necessary to ensure that the net amount received by each holder of the Notes after such withholding or deduction will be not less than the amount the holder would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer, any Guarantor nor any Surviving Entity will, however, be required to pay Additional Amounts to a holder or beneficial owner of Notes in respect of or on account of:

(a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction, including, without limitation, the holder or beneficial owner being or having been a citizen, national, or resident, being or having been engaged in a trade or business, being, or having been, physically present in or having or having had a permanent establishment in a Relevant Taxing Jurisdiction (but not including, in each case, any connection arising from the mere receipt or holding of Notes or the receipt of payments thereunder or under a Guarantee or the exercise or enforcement of rights under any Notes or the Indenture or a Guarantee);

(b) any Taxes that are imposed or levied by reason of the failure of the holder or beneficial owner of Notes, following the written request of the Issuer, any Guarantor or any Surviving Entity (as the case may be) addressed to the holder (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with that request) made in accordance with the notice procedures set forth in the Indenture, to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

(c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(d) any Tax that is payable otherwise than by withholding or deduction from payments made under or with respect to the Notes;

(e) any Tax that is imposed or levied by reason of the presentation (where presentation is required in order to receive payment) of such Notes for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the beneficial owner or holder thereof would have been entitled to Additional Amounts had the Notes been presented for payment on any date during such 30 day period;

(f) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

(g) any Tax that is imposed or levied on or with respect to a payment made to a holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the Notes to another paying agent in a Member State of the European Union; or

(h) any combination of items (a) through (g) above.

Nor will Additional Amounts be paid with respect to the Notes to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of the payment under or with respect to the Notes, to the extent that payment would be required by the laws of a Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the holder of the Notes.

The Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer, any Guarantor or a Surviving Entity will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer, the relevant Guarantor or the relevant Surviving Entity (as the case may be) will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders on the payment date. The Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will promptly publish a notice in accordance with the notice provisions set forth in the Indenture stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

Upon written request, the Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will furnish to the Trustee or to a holder of the Notes copies of tax receipts evidencing the payment of any Taxes by the Issuer, such Guarantor or such Surviving Entity in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Issuer, such Guarantor or such Surviving Entity. If, notwithstanding the efforts of the Issuer, such Guarantor or such Surviving Entity to obtain such receipts, the same are not obtainable, the Issuer, such Guarantor or such Surviving Entity will provide the Trustee or such holder with other evidence reasonably satisfactory to the Trustee or the holder. If reasonably requested by the Trustee, the Issuer or the relevant Guarantor or the relevant Surviving Entity (as the case may be) will provide to the Trustee such information as may be in the possession of the Issuer or the Guarantors (and not otherwise in the possession of the Trustee) to enable the Trustee to determine the amount of withholding taxes attributable to any particular holder; *provided, however*, that in no event shall the Issuer or the Guarantor or the Surviving Entity be required to disclose any information that it reasonably deems to be confidential.

In addition, the Issuer, any Guarantor and any Surviving Entity, as the case may be, will pay any present or future stamp, issue, registration, court, documentation, excise or property taxes or other similar taxes, charges and duties, including interest and penalties with respect thereto, imposed by or in any Relevant Taxing Jurisdiction in respect of the execution, issue, enforcement or delivery of the Notes or any other document or instrument referred to thereunder (other than on or in connection with a transfer of the Notes other than the initial resale by the Initial Purchasers).

Whenever the Indenture, the Notes or this "*Description of the Notes*" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note or with respect to any Guarantee, such reference includes the payment of Additional Amounts, if applicable.

Currency Indemnity

The Euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under the Notes and any Guarantee of the Notes. Any amount received or recovered in currency other than Euro in respect of the Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuer or any Guarantor of the Notes shall constitute a discharge of the Issuer or any Guarantor of the Notes only to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that Euro amount is less than the Euro amount expressed to be due to the recipient under any Note, the Issuer and each Guarantor of the Notes, jointly and severally, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this indemnity, it will be sufficient for the holder to certify (indicating the sources of information used) that it would have suffered a loss had the actual purchase of Euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of Euro on such date had not been possible, on the first date on which it would have been possible).

The above indemnity will, to the extent permitted by law:

- constitute a separate and independent obligation from the other obligations of the Issuer and any Guarantor;
- give rise to a separate and independent cause of action;
- apply irrespective of any waiver granted by any holder; and
- continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

The indemnity described in this paragraph shall be subordinated with respect to the Guarantors on the same basis as all other payment obligations of the Guarantors hereunder.

Sinking Fund

The Notes will not be entitled to the benefit of any sinking fund.

Open Market Purchases

The Issuer and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

Purchase of Notes Upon a Change of Control

If a Change of Control shall occur at any time, then each holder of Notes shall have the right to require that the Issuer purchase such holder's Notes in whole or in part (equal to €100,000 or an integral multiple of €1,000 in excess thereof), at a purchase price (the "**Change of Control Purchase Price**") in cash in an amount equal to 101% of the principal amount of such Notes, plus any Additional Amounts and accrued and unpaid interest, if any, to, but not including, the date of purchase (the

"**Change of Control Purchase Date**") (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date), pursuant to the offer described below (the "**Change of Control Offer**") and in accordance with the other procedures set forth in the Indenture; *provided*, *however*, that the Issuer shall not be obliged to repurchase Notes as described under this heading "*Change of Control*" in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*." No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below €100,000.

Within 30 days of any Change of Control, the Issuer shall notify the Trustee thereof and give written notice of such Change of Control to each holder of Notes by first class mail, postage prepaid, at the address appearing in the security register, stating, among other things:

- that a Change of Control has occurred and the date of such event;
- the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);
- the purchase price and the purchase date which shall be fixed by the Issuer on a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act;
- that any Note not tendered will continue to accrue interest and unless the Issuer defaults in payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and
- certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency) and, so long as the Notes are listed and admitted for trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, in Ireland (which is expected to be *The Irish Times*) or on the Irish Stock Exchange's website, *www.ise.ie*, the notice described above.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The future Indebtedness of the Issuer and its Subsidiaries may contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the holders of the Notes upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a holder's right to require the Issuer to repurchase such holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Trustee will promptly authenticate and deliver a new note or notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated notes; *provided* that each such new note will be in a principal amount of €100,000 or an integral multiple of €1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The definition of "Change of Control" includes a disposition of "all or substantially all" of the assets of the Issuer. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer must make an offer to repurchase the Notes as described above.

The Issuer will comply, to the extent applicable, with the requirements under Rule 14e-1 under the Exchange Act and any other applicable securities laws or regulations (including those of the United States and Germany) in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), the Issuer will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

Certain Covenants

The Indenture contains, among others, the following covenants:

Limitation on Indebtedness

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, create, issue, incur, assume, guarantee or otherwise in any manner become directly or indirectly liable for the payment of or otherwise incur, contingently or otherwise (collectively, "**incur**"), any Indebtedness (including any Acquired Indebtedness); *provided*, *however*:

(1) that if, on the date of such incurrence and after giving effect thereto on a *pro forma* basis no Default or Event of Default has occurred or is continuing, the Issuer and the Restricted Subsidiaries may incur Indebtedness if the Issuer's Consolidated Fixed Charge Coverage Ratio for the most recent four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Indebtedness taken as one period is at least equal to or greater than 2.0:1; and

(2) that if the Indebtedness to be incurred is Senior Secured Indebtedness, the Issuer and the Restricted Subsidiaries may incur such Senior Secured Indebtedness if the Issuer's Consolidated Senior Secured Leverage Ratio for the most recent four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Senior Secured Indebtedness taken as one period is not greater than 2.0:1.

The financial statements referred to above may be pro forma or internal financial statements as specified under "—*Provision of Financial Statements*".

(b) Notwithstanding the foregoing, the Issuer and, to the extent specifically set forth below, the Restricted Subsidiaries may incur each and all of the following in each case only if, on the date of such incurrence and after giving effect thereto on a *pro forma* basis, no Default or Event of Default has occurred or is continuing (collectively, the "**Permitted Indebtedness**"):

(1) Indebtedness of the Issuer and its Restricted Subsidiaries under Credit Facilities in an amount not in excess of €150.0 million;

(2) Indebtedness of the Issuer pursuant to the Notes (other than Additional Notes) and Indebtedness of the Guarantors pursuant to the Guarantees, including Additional Guarantees, of the Notes (other than Additional Notes);

(3) Indebtedness of the Issuer or any Restricted Subsidiary outstanding on the date of the Indenture and not otherwise referred to in this definition of "Permitted Indebtedness;"

(4) Indebtedness of the Issuer owing to a Restricted Subsidiary; *provided* that any Indebtedness of the Issuer owing to a Restricted Subsidiary that is not a Guarantor is unsecured and is subordinated in right of payment to the payment and performance of the Issuer's obligations under the Notes; *provided*, *further*, that any disposition or transfer of any such Indebtedness to a Person (other than a disposition or transfer to a Restricted Subsidiary) shall be deemed to be an incurrence of such Indebtedness by the Issuer or other obligor not permitted by this clause (4);

(5) Indebtedness of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary; *provided* that any disposition or transfer of any such Indebtedness to a Person (other than a disposition or transfer to the Issuer or a Restricted Subsidiary) shall be deemed to be an incurrence of such Indebtedness by the obligor not permitted by this clause (5);

(6) guarantees by any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary made in accordance with the provisions of "—*Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries*" and guarantees of Additional Notes by the Guarantors; *provided* that the Indebtedness represented by the Additional Notes is incurred in accordance with the Indenture;

(7) guarantees by the Issuer of Indebtedness of any Restricted Subsidiary made in accordance with the Indenture so long as the incurrence of such Indebtedness by such Restricted Subsidiary is otherwise permitted by the Indenture; *provided* that if the Indebtedness being guaranteed is subordinated in right of payment to any Guarantee, then such guarantee will be subordinated to the Notes substantially to the same extent as the relevant Indebtedness guaranteed;

(8) obligations of the Issuer or any Guarantor:

(A) pursuant to Interest Rate Agreements,

(B) under any Currency Hedging Agreements, relating to (i) Indebtedness of the Issuer or any Guarantor and/or (ii) obligations to purchase or sell assets or properties, or

(C) under any Commodity Price Protection Agreements,

in each case entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the board of directors or senior management of the Issuer);

(9) Indebtedness of the Issuer or any Restricted Subsidiary represented by Capital Lease Obligations or Purchase Money Obligations or other Indebtedness incurred or assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets, in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of construction or improvement of property used in the business of the Issuer and the Restricted Subsidiaries in an aggregate principal amount pursuant to this clause (9) not to exceed €50.0 million outstanding at any time; *provided* that the principal amount of any Indebtedness permitted under this clause (9) did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;

(10) Indebtedness of the Issuer or any Restricted Subsidiary represented by Permitted Refinancing Indebtedness with respect to Indebtedness that was permitted to be incurred under paragraph (a) of this covenant or clauses (2), (3), (10), (13) or (18) of this paragraph (b);

(11) Indebtedness of the Issuer and its Restricted Subsidiaries in respect of (A) letters of credit issued in the ordinary course of business of such Person with respect to trade payables relating to purchase of materials by such Person, (B) other letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (C) any customary cash management, cash pooling or netting or setting off arrangements; *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(12) Indebtedness of the Issuer and its Restricted Subsidiaries owed to their employees in connection with loan stock issued under employee stock purchase plans so long as the aggregate principal amount of all such Indebtedness shall not exceed €4.0 million outstanding at any one time in the aggregate;

(13) Indebtedness of the Issuer and its Restricted Subsidiaries in connection with any Permitted Receivables Financing;

(14) Indebtedness represented by guarantees of any Management Advances;

(15) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the

maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(16) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within five Business Days of incurrence;

(17) Indebtedness of the Issuer and its Restricted Subsidiaries in respect of any (A) Unrestricted Subsidiary or (B) entity in which the direct or indirect interest of the Issuer or any Restricted Subsidiary is greater than 10% and equal to or less than 50%, and in each case which is in a business relating to the business of the Issuer and the Restricted Subsidiaries and which Indebtedness, together with any Investments made pursuant to clause (n) of the definition of "Permitted Investment", does not exceed €50.0 million outstanding at any one time;

(18) Acquired Indebtedness; *provided, however*, with respect to this clause (18), that at the time of the acquisition or other transaction pursuant to which such Acquired Indebtedness was deemed to be incurred (x) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to paragraph (a) of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (18) or (y) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction; and

(19) Indebtedness of the Issuer and its Restricted Subsidiaries in addition to that described in clauses (1) through (18) above, and any renewals, extensions, substitutions, refinancings or replacements of such Indebtedness, so long as the aggregate principal amount of all such Indebtedness shall not exceed €100.0 million outstanding at any one time in the aggregate.

For purposes of determining compliance with this "*Limitation on Indebtedness*" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (19) above, or is entitled to be incurred pursuant to the paragraph (a) of this covenant, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence and, except with respect to Indebtedness incurred under clause (b)(1) of this covenant, reclassify such item of Indebtedness, in each case at any time and in any manner that complies with this covenant.

For purposes of determining any particular amount of Indebtedness under this "*Limitation on Indebtedness*" covenant, guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of a particular amount will not be included.

For purposes of determining compliance with this "*Limitation on Indebtedness*" covenant, the principal amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in conformity with GAAP. Accrual of interest, accrual of dividends, the accretion of accreted value and the payment of interest in the form of additional shares of Preferred Stock will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

For purposes of determining compliance with any Euro-denominated restriction on the incurrence of Indebtedness where Indebtedness is denominated in a different currency, the amount of such Indebtedness will be the Euro Equivalent determined on the date of such determination; *provided*, *however*, that if any such Indebtedness that is denominated in a different currency is subject to a Currency Hedging Agreement (with respect to Euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in Euro will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Indebtedness incurred pursuant to clause (10) above, if incurred in the same currency as the Indebtedness being refinanced, will be the Euro Equivalent of the Indebtedness refinanced, determined on the date such Indebtedness being refinanced was initially incurred. The principal amount of any Permitted Refinancing Indebtedness incurred pursuant to clause (10) above, if incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing. Notwithstanding any other provision of this "*Limitation on Indebtedness*" covenant, the maximum amount that the Issuer or a Restricted Subsidiary may incur pursuant to this "*Limitation on Indebtedness*" covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies.

For the purposes of determining compliance with this covenant, Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

Limitation on Restricted Payments

(a) The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly take any of the following activities (each of which, other than any such action that is a Permitted Payment (as defined below) is a "**Restricted Payment**" and which are collectively known as "**Restricted Payments**"):

(1) declare or pay any dividend on, or make any distribution on the Issuer's Capital Stock to any Person (other than dividends or distributions payable solely in shares of its Qualified Capital Stock or in options, warrants or other rights to acquire shares of such Qualified Capital Stock) or make any payment of cash interest in respect of Subordinated Shareholder Funding;

(2) purchase, redeem, defease or otherwise acquire or retire for value, directly or indirectly, (a) the Issuer's Capital Stock or any Capital Stock of any Affiliate of the Issuer (other than a Restricted Subsidiary) held by Persons other than the Issuer or a Restricted Subsidiary, (b) options, warrants or other rights to acquire such Capital Stock or (c) any Subordinated Shareholder Funding held by any Person;

(3) make any principal payment on, or repurchase, redeem, defease, retire or otherwise acquire for value, prior to any scheduled principal payment, sinking fund payment or maturity, any Subordinated Indebtedness (other than the purchase, repurchase, redemption, defeasance or other acquisition or retirement of (a) Subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness incurred pursuant to clause (4) or (5) of paragraph (b) of the covenant

described under "—*Limitation on Indebtedness*") or any Subordinated Shareholder Funding;

(4) declare or pay any dividend or distribution on any Capital Stock of any Restricted Subsidiary to any Person (other than (A) to the Issuer or any of its Wholly Owned Restricted Subsidiaries, (B) dividends or distributions made by a Restricted Subsidiary on a pro rata basis to all stockholders of such Restricted Subsidiary or (C) dividends or distributions payable solely in its Qualified Capital Stock or in options, warrants or other rights to acquire shares of such Qualified Capital Stock or in Subordinated Shareholder Funding); or

(5) make any Investment in any Person (other than any Permitted Investments).

If any Restricted Payment described above is not made in cash, the amount of any such Restricted Payment will be the Fair Market Value of the assets proposed to be transferred.

(b) Notwithstanding the foregoing limitations, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing;

(2) the Issuer could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions described under "—*Limitation on Indebtedness*"; and

(3) the aggregate amount of all such Restricted Payments declared or made after the date of the Indenture (and not returned or rescinded, and except as set forth in paragraph (d) below) does not exceed the sum of:

(A) 50% of the aggregate Consolidated Net Income of the Issuer accrued on a cumulative basis during the period from the beginning of the fiscal quarter commencing immediately prior to the Issue Date to the last day of the Issuer's last fiscal quarter ending prior to the date of the Restricted Payment (or, if such aggregate cumulative Consolidated Net Income shall be a loss, minus 100% of such loss);

(B) the aggregate Net Cash Proceeds received after the date of the Indenture by the Issuer either (x) as capital contributions to the Issuer in respect of Qualified Capital Stock of the Issuer or (y) from the issuance or sale (other than to any of its Subsidiaries) of Qualified Capital Stock of the Issuer or any options, warrants or rights to purchase such Qualified Capital Stock of the Issuer or from any Subordinated Shareholder Funding (except, in each case, to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock, Subordinated Indebtedness or Subordinated Shareholder Funding as set forth in clause (2) or (3) of paragraph (c) below) (and excluding the Net Cash Proceeds from the issuance of Capital Stock or Subordinated Shareholder Funding financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid in cash);

(C) the aggregate Net Cash Proceeds received after the date of the Indenture by the Issuer (other than from any of its Subsidiaries) upon the exercise of any options, warrants or rights to purchase Qualified Capital Stock of the Issuer (and excluding the Net Cash Proceeds from the exercise of any options, warrants or rights to purchase Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid);

(D) the aggregate Net Cash Proceeds received after the date of the Indenture by the Issuer from the conversion or exchange, if any, of debt securities or Redeemable Capital Stock of the Issuer or its Restricted Subsidiaries into or for Qualified Capital Stock of the Issuer plus, to the extent such debt securities or Redeemable Capital Stock were issued after the date of the Indenture, the aggregate Net Cash Proceeds from their original issuance (in the case of Redeemable Capital Stock only to the extent such Redeemable Capital Stock was originally sold for cash or Temporary Cash Investments) (and excluding the Net Cash Proceeds from the conversion or exchange of debt securities or Redeemable Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); and

(E) the amount equal to the sum of:

(i) 100% of the aggregate Net Cash Proceeds received by the Issuer or a Restricted Subsidiary upon the sale of an Investment that had been a Restricted Payment or from repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payment or return of capital) by such Person to the Issuer or any Restricted Subsidiary;

(ii) upon the full and unconditional release of a Guarantee that had been a Restricted Payment that was an Investment made by the Issuer or a Restricted Subsidiary to any Person (other than the Issuer or a Restricted Subsidiary), to the extent not included in clause (i) above, an amount equal to the amount of such Guarantee;

(iii) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in the case of any Unrestricted Subsidiary, the Fair Market Value of the Issuer's or the relevant Restricted Subsidiary's interest in such Unrestricted Subsidiary;

(iv) 100% of the Net Cash Proceeds received by the Issuer or a Restricted Subsidiary from a sale or disposition of Capital Stock of an Unrestricted Subsidiary (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any of its subsidiaries for the benefit of its employees); and

(v) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary;

provided, *however*, that no amount will be included under this clause (E) to the extent it is already included in Consolidated Net Income.

(c) Notwithstanding the foregoing, and in the case of clauses (2) through (6), and (10) so long as no Default or Event of Default is continuing or would arise therefrom, the foregoing provisions shall not prohibit the following actions (each of clauses (1) through (12) being referred to as a "**Permitted Payment**"):

(1) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of paragraph (a) of this covenant and such payment shall have been deemed to have been paid on such date of declaration;

(2) any Restricted Payment included in clauses (2) and (5) of the definition thereof made by exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip) or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary and excluding the Net Cash Proceeds from the issuance of any Capital Stock or of Subordinated Shareholder Funding financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid in cash) of other shares of Qualified Capital Stock, a capital contribution of cash to the Issuer or of Subordinated Shareholder Funding; *provided* that the Net Cash Proceeds from the issuance of such shares of Qualified Capital Stock, of Subordinated Shareholder Funding or from such capital contribution (to the extent the Net Cash Proceeds are used to make any Investment or are used to repurchase, redeem, acquire or retire for value (i) such Capital Stock, (ii) options, warrants or other rights to acquire such Capital Stock or (iii) Subordinated Shareholder Funding) are excluded from clause (3)(B) of paragraph (b) of this covenant;

(3) the repurchase, redemption, defeasance, retirement or acquisition for value or payment of principal of any Subordinated Indebtedness in exchange for, or in an amount not in excess of the Net Cash Proceeds of a substantially concurrent issuance and sale for cash (other than to any subsidiary of the Issuer) of any Qualified Capital Stock or Subordinated Shareholder Funding of, or a capital contribution to, the Issuer; *provided* that the Net Cash Proceeds from the issuance of such shares of Qualified Capital Stock or Subordinated Shareholder Funding (to the extent the Net Cash Proceeds are used to repurchase, redeem, defease, retire or acquire such Subordinated Indebtedness) are excluded from clause (3)(B) of paragraph (b) of this covenant;

(4) the repurchase, redemption, defeasance, retirement, refinancing, acquisition for value or payment of principal of any Subordinated Indebtedness (other than Redeemable Capital Stock and Subordinated Shareholder Funding) through the substantially concurrent issuance of new Subordinated Indebtedness of the Issuer or any Restricted Subsidiary that qualifies as Permitted Refinancing Indebtedness;

(5) the repurchase, redemption, defeasance, retirement, refinancing or other acquisition of Subordinated Indebtedness (other than Subordinated Shareholder Funding) of the Issuer or any Restricted Subsidiary (other than

Subordinated Indebtedness held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreement governing such Subordinated Indebtedness, but only (x) if the Issuer shall have complied with the covenant described under the caption "*—Purchase of Notes upon a Change of Control*" or "*—Limitation on Sale of Assets*," as the case may be, and the Issuer repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Subordinated Indebtedness and (y) in the case of an Asset Sale, to the extent of the Excess Proceeds offered to holders of the Notes pursuant to the offer made pursuant to the Asset Sale;

(6) to the extent constituting Restricted Payments, the Specified Affiliate Payments;

(7) the declaration or payment of dividends or distributions, or the making of any loan or advance, by the Issuer or by the Issuer to any Parent to pay dividends or distributions in respect of Qualified Capital Stock of the Issuer or a Parent issued in a Public Equity Offering of such Qualified Capital Stock; *provided* that the aggregate amount of all such dividends or distributions under this clause shall not exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Equity Offering and (b) following the initial Public Equity Offering, an amount equal to 5% of the Issuer's Market Capitalization, *provided* that after giving *pro forma* effect to the payment of any such dividend or making of any such distribution, the Consolidated Senior Secured Leverage Ratio of the Issuer would not exceed 1.5 to 1.0;

(8) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, not to exceed €5.0 million in the aggregate;

(9) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(10) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation or any other fees and payments in connection with a Permitted Receivables Financing;

(11) the Transactions, including but not limited to payments or distributions related to (i) the acquisition by the Issuer or a Restricted Subsidiary of the outstanding interest in INEOS ABS (India) Limited and the outstanding interest in Styrolution Mexicana, S.A. de C.V., (ii) balancing payments, reimbursements and similar payments or disbursements, including those related to the Styrolution Shareholders Loan, as described in *"The Transactions—The Joint Venture Transaction—Implementation—Settlement"* and (iii) any other Restricted Payment pursuant to or in connection with the Transactions; and

(12) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (12) does not exceed €75.0 million.

(d) In determining the amount of Restricted Payments made after the date of the Indenture, cash amounts expended pursuant to clauses (2), (3), (4), (6), (7), (8), (10) and (11) of the immediately preceding paragraph shall be excluded from such calculation. The amount of any non-cash Restricted Payment shall be deemed to be equal to the Fair Market Value thereof at the date of the making of such Restricted Payment.

Limitation on Transactions with Affiliates

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of the Issuer (other than the Issuer or a Restricted Subsidiary) unless such transaction or series of related transactions is entered into in good faith and in writing and:

(1) (i) such transaction or series of related transactions is on terms that are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that would be available in a comparable transaction in arm's length dealings with an unrelated third party or (ii) such transaction or series of related transactions is on terms that are fair from a financial point of view taking into account all relevant circumstances;

(2) with respect to any transaction or series of related transactions involving aggregate value in excess of €10.0 million, either (x) such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the board of directors of the Issuer, or in the event there is only one Disinterested Director, by such Disinterested Director, or (y) the Issuer delivers to the Trustee a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert with experience, appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is fair from a financial point of view taking into account all relevant circumstances; *provided* that the liability of such investment bank or accounting firm in giving such opinion may be limited to the amount of its fees in respect of such engagement; and

(3) with respect to any transaction or series of related transactions involving aggregate value in excess of €40.0 million, (x) such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the board of directors of the Issuer, or in the event there is only one Disinterested Director, by such Disinterested Director and (y) the Issuer delivers to the Trustee a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that (i) the transaction or series of related transactions is on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate or (ii) fair from a financial point of view taking into account all relevant circumstances.

(b) The restrictions in paragraph (a) shall not apply to:

(1) any employment agreement, collective bargaining agreement, consultant agreement, employee benefit arrangements with any employee, consultant,

officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(2) payment of compensation to employees, consultants, officers or directors in the ordinary course of business;

(3) maintenance in the ordinary course of business (and payments required thereby) of benefit programs, or arrangements for employees, consultants, officers or directors, including vacation plans, health and life insurance plans, deferred compensation plans, severance plans, employees', consultants', directors' and officers' indemnification agreements and retirement or savings plans and similar plans so long as the board of directors of the Issuer approved the terms thereof and deemed the services thereto fair, or thereafter to be performed for such compensation or payments (including fees and expenses) to be fair, consideration therefor;

(4) Management Advances;

(5) transactions between or among the Issuer and its Restricted Subsidiaries or among Restricted Subsidiaries;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the "*Limitation on Restricted Payments*" covenant;

(7) any Permitted Investment other than those described in clauses (n) and (o) of the definition thereof;

(8) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or a joint venture or similar Person that would otherwise be subject to this covenant solely because the Issuer or a Restricted Subsidiary owns any of the Capital Stock of or otherwise controls such Affiliate, joint venture or similar Person;

(9) any payments or other transactions pursuant to Tax Sharing Agreements between the Issuer and any other Person or a Restricted Subsidiary and any other Person with which the Issuer or a Restricted Subsidiary files a consolidated tax return or with which the Issuer or a Restricted Subsidiary is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided*, *however*, that any such tax sharing or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Issuer and its Restricted Subsidiaries on a stand alone basis;

(10) (a) issuances or sales of Qualified Capital Stock of the Issuer or options, warrants or other rights to acquire such Qualified Capital Stock or issuances of Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the board of directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding is in compliance with the other provisions of the Indenture and the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) any transaction effected in connection with a Permitted Receivables Financing;

(12) Specified Affiliate Payments;

(13) the provision of administrative or infrastructure goods or services, asset sharing, or any other transaction with customers, clients, suppliers, or purchasers or sellers of goods or services (including, among others, feedstocks and raw materials), in each case in the ordinary course of business between the Issuer or a Restricted Subsidiary and an Affiliate, *provided* that such transactions are in all material respects on terms substantially consistent with those that would have been obtained in comparable transactions at such time on an arm's length basis from a Person who is not an Affiliate, as determined by the Issuer in good faith (it being understood that where such transactions are entered into pursuant to a master agreement or similar arrangement, such arm's length determination may be made with respect to such agreement or arrangement, which will cover all transactions entered into pursuant thereto); and

(14) the Transactions, including but not limited to payments or distributions related to (i) the acquisition by the Issuer or a Restricted Subsidiary of the outstanding interest in INEOS ABS (India) Limited and the outstanding interest in Styrolution Mexicana, S.A. de C.V. (ii) the exercise of the put and/or call options described in "*The Transactions—The Joint Venture Transaction—Documentation*", (iii) balancing payments, reimbursements and similar payments or disbursements, including those related to the Styrolution Shareholders Loan, as described in "*The Transactions—The Joint Venture Transaction—Implementation—Settlement*" and (iv) any transaction pursuant to or in connection with the Transactions.

Limitation on Liens

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, affirm or suffer to exist any Lien (the "**Initial Lien**") of any kind securing any Indebtedness (other than Permitted Liens) upon any property or assets of the Issuer or any Restricted Subsidiary, including any shares of stock or intercompany notes or other indebtedness of any Restricted Subsidiary, owned on the date of the Indenture or acquired after the date of the Indenture, or any income, profits or proceeds therefrom, or assign or convey any right to receive any income or profits therefrom, except (a) in the case of any property or asset that does not constitute Collateral, Permitted Liens; *provided* that any Lien on such property or assets will be permitted notwithstanding that it is not a Permitted Lien if the Notes (or a Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably or on a prior basis with the obligation or liability secured by such Lien, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens; *provided* that, subject to the Agreed Security Principles, no such Permitted Collateral Lien will be granted on property unless such assets or property also secure the Notes directly.

Any Lien created for the benefit of the holders of the Notes pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien, (b) upon the sale or other disposition of the assets subject to such Initial Lien (or the sale or other disposition of the Person that owns such assets) in compliance with the terms of the Indenture, (c) with respect to any Guarantor the assets or the Capital Stock of which are encumbered by such Lien, upon the release of the Guarantee of such Guarantor in accordance with the terms of the Indenture, (d) upon the designation of a Restricted Subsidiary whose property or assets secure such Initial Lien as an Unrestricted Subsidiary in accordance with the terms of the Indenture, (e) upon the effectiveness of any defeasance or satisfaction and discharge of the Notes as specified in the Indenture or (f) as otherwise provided under "*—Security—Release of Security*".

Limitation on Sale of Assets

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) except to the extent the Asset Sale is a Permitted Asset Swap or a Specified Competition Disposal, at least 75% of the consideration from such Asset Sale or series of Asset Sales is received (A) in cash or Temporary Cash Investments or (B) in the form of the assumption by the purchaser of the liabilities of the Issuer or those of any of its Restricted Subsidiaries (other than the liabilities that are by their terms subordinated to the Notes) as a result of which the Issuer and its Restricted Subsidiaries are no longer obligated with respect to such liabilities; and

(2) the Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the shares or assets subject to such Asset Sale (including, for the avoidance of doubt, if such Asset Sale is a Permitted Asset Swap).

(b) If all or a portion of the Net Cash Proceeds of any Asset Sale is not required to be applied to repurchase or repay permanently any Indebtedness under the Credit Facilities (or any Permitted Refinancing Indebtedness in respect thereof) then outstanding as required by the terms thereof, or the Issuer or any Restricted Subsidiary determines not to apply such Net Cash Proceeds to the permanent prepayment of such Indebtedness under the Credit Facilities (or any Permitted Refinancing Indebtedness in respect thereof) or other Indebtedness of any Restricted Subsidiary that is not *Pari Passu* Indebtedness, or if no such Indebtedness is then outstanding, then the Issuer or a Restricted Subsidiary may within 365 days of the Asset Sale invest, or commit to invest (provided that it actually invests within the later of 365 days of the Asset Sale and 180 days of the commitment), the Net Cash Proceeds in properties and other assets (including Capital Stock of a business) that (as determined by the board of directors of the Issuer or Restricted Subsidiary, as the case may be) replace the properties and assets that were the subject of the Asset Sale or in properties and assets that will be used in or are related to the businesses of the Issuer or its Restricted Subsidiaries existing on the date of the Indenture. The amount of Net Cash Proceeds not used or invested within the later of 365 days of the Asset Sale and 180 days of a commitment to invest as set forth in this paragraph constitutes "**Excess Proceeds**". Pending the final application of the Net Cash Proceeds, the Issuer or any Restricted Subsidiary may temporarily reduce Indebtedness or otherwise invest such Net Cash Proceeds in Temporary Cash Investments.

(c) When the aggregate amount of Excess Proceeds exceeds €25.0 million, the Issuer will apply the Excess Proceeds to the repayment of Indebtedness under the Notes and any other *Pari Passu* Indebtedness (which shall be deemed to include any Permitted Receivables Financing) outstanding with similar provisions requiring the Issuer or a Restricted Subsidiary to make an offer to purchase such Indebtedness with the proceeds from any Asset Sale as follows:

(1) the Issuer or a Restricted Subsidiary will make an offer to purchase (an "**Offer**") from all holders of the Notes in accordance with the procedures set forth in the Indenture in the maximum principal amount (expressed as a multiple of €1,000) of Notes that may be purchased out of an amount (the "**Note Amount**") equal to the product of such Excess Proceeds multiplied by a fraction, the numerator of which is the outstanding principal amount of the

Notes, and the denominator of which is the sum of the outstanding principal amount of the Notes and such *Pari Passu* Indebtedness (subject to proration in the event such amount is less than the aggregate Offered Price (as defined herein) of all Notes tendered);

(2) to the extent required by such *Pari Passu* Indebtedness to permanently reduce the principal amount of such *Pari Passu* Indebtedness, the Issuer or a Restricted Subsidiary, as the case may be, will make an offer to purchase or otherwise repurchase or redeem *Pari Passu* Indebtedness (a "***Pari Passu* Offer**") in an amount (the "***Pari Passu* Debt Amount**") equal to the excess of the Excess Proceeds over the Note Amount; *provided* that in no event will the Issuer or a Restricted Subsidiary be required to make a *Pari Passu* Offer in a *Pari Passu* Debt Amount exceeding the principal amount of such *Pari Passu* Indebtedness plus the amount of any premium required to be paid to repurchase such *Pari Passu* Indebtedness; and

(3) the offer price for the Notes will be payable in cash in an amount equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date (the "**Offer Date**") such Offer is consummated (the "**Offered Price**"), in accordance with the procedures set forth in the Indenture. To the extent that the aggregate Offered Price of the Notes tendered pursuant to the Offer is less than the Note Amount relating thereto or the aggregate amount of *Pari Passu* Indebtedness that is purchased in a *Pari Passu* Offer is less than the *Pari Passu* Debt Amount, the Issuer or any Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes and *Pari Passu* Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Upon the completion of the purchase of all the Notes tendered pursuant to an Offer and the completion of a *Pari Passu* Offer, the amount of Excess Proceeds, if any, shall be reset at zero.

(d) If the Issuer or a Restricted Subsidiary becomes obligated to make an Offer pursuant to clause (c) above, the Notes and the *Pari Passu* Indebtedness shall be purchased by the Issuer or a Restricted Subsidiary, at the option of the holders thereof, in whole or in part (in a principal amount of €100,000 in the case of Notes) or an integral multiple of €1,000 in excess thereof, such that no Note of less than €100,000 remains outstanding thereafter) on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Offer is given to holders, or such later date as may be necessary for the Issuer or a Restricted Subsidiary to comply, to the extent applicable, with the requirements under the Exchange Act or other applicable laws or regulations (including, without limitation, those of any securities exchange on which the Notes are listed).

(e) The Indenture will provide that, if the Issuer or a Restricted Subsidiary is required to make an Offer, the Issuer and such Restricted Subsidiary will comply, to the extent applicable, with the requirements under the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations (including those of the United States and Germany) in connection with an Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an Offer pursuant to this covenant), the Issuer and such Restricted Subsidiary, as the case may be, will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

(f) If the Offer Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders of the Notes who tender Notes pursuant to the Offer.

(g) For the purposes of clause (a)(1) of this covenant, the following will be deemed to be cash:

(1) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Temporary Cash Investments within 180 days following the closing of such Asset Sale;

(2) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale; *provided* that that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Sale;

(3) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and

(4) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of 2.5% of Total Assets or €50.0 million (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Additional Subsidiary Guarantees and Security Interests

On, or within 5 Business Days after, the date that Styrolution Mexicana, S.A. de C.V. becomes a direct or indirect wholly owned subsidiary of the Issuer, the Issuer will cause Styrolution Mexicana, S.A. de C.V. to become a Guarantor.

The Issuer will cause any subsidiary incorporated or organized under the laws of Switzerland to (i) become a Guarantor and (ii) enter into appropriate Security Documents to secure the obligations of the Issuer under the Notes by a pledge of the Capital Stock of such Guarantor and, in connection therewith, cause such Subsidiary to deliver such agreements, instruments, certificates and opinions of counsel that may be required by the Security Documents or as reasonably requested by the Trustee, in each case subject to the Agreed Security Principles.

Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries

(a) The Issuer will not cause or permit any Restricted Subsidiary (which is not a Guarantor), directly or indirectly, to guarantee, assume or in any other manner become liable with respect to (i) any Indebtedness of the Issuer or any Restricted Subsidiary under any Credit Facilities or (ii) any Public Debt of the Issuer or any Guarantor, unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of the Notes on the same terms as the other Guarantees of the Notes by the Guarantors, except that:

(1) no Guarantee shall be required as a result of any guarantee of Indebtedness that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

(2) no Guarantee shall be required as a result of any guarantee in connection with a Permitted Receivables Financing;

(3) such Guarantee need not be secured unless required pursuant to the "*Limitation on Liens*" covenant;

(4) if such Indebtedness is by its terms expressly subordinated to the Notes or any Guarantee, any such assumption, guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary's Guarantee of the Notes at least to the same extent as such Indebtedness is subordinated to the Notes or any other Guarantee;

(5) no Guarantee shall be required as a result of any guarantee given to a bank or trust company incorporated in Switzerland, any member state of the European Union as of the date of the Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P") and at least A2 or the equivalent thereof by Moody's Investors Service, Inc. ("Moody's"), in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary;

(6) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary; and

(7) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

(b) Notwithstanding the foregoing, any Guarantee by a Restricted Subsidiary of the Notes created pursuant to the provisions in paragraph (a) above shall be automatically and unconditionally released and discharged upon:

(1) any sale, exchange or transfer, directly or indirectly, to any Person that is not the Parent, the Issuer or one of its Subsidiaries, of all of the Capital Stock held by the Issuer and other Restricted Subsidiaries in, or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the Indenture) and such Restricted Subsidiary is released from all guarantees, if any, by it of other Indebtedness of the Issuer or any Restricted Subsidiaries;

(2) (with respect to any Guarantees created after the date of the Indenture) the release by the holders of the Indebtedness of the Issuer or Restricted Subsidiary described in clause (a) above of their security interest or their Guarantee by such Restricted Subsidiary at such time as (A) no other Indebtedness of the Issuer or any other Restricted Subsidiary has been secured or guaranteed by such Restricted Subsidiary, as the case may be, or (B) the holders of all such other Indebtedness which is secured or guaranteed by such Restricted Subsidiary also release their security interest in or Guarantee by such Restricted Subsidiary;

(3) any defeasance or discharge of the Notes as provided in "*Defeasance or Covenant Defeasance of Indenture*" or "*Satisfaction and Discharge*;" and

(4) the satisfaction of the requirements of any of the other provisions described under "*—Brief Description of the Notes, the Guarantees and the Security—The Guarantees—Release of the Guarantees*."

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distribution on its Capital Stock or any other interest or participation in or measured by its profits to the Issuer or any Restricted Subsidiary;

(2) pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;

(3) make any loans or advances to the Issuer or any other Restricted Subsidiary; or

(4) transfer any of its properties or assets to the Issuer or any other Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

(b) the provisions of clauses (1) to (4) of paragraph (a) above will not prohibit:

(1) any encumbrance or restriction pursuant to any agreement in effect on the date of the Indenture and any indenture for any Public Debt of the Issuer or any Restricted Subsidiary;

(2) any encumbrance or restriction with respect to a Restricted Subsidiary that is not a Restricted Subsidiary of the Issuer on the date of the Indenture in existence at the time such Person becomes a Restricted Subsidiary of the Issuer and not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; *provided* that such encumbrances and restrictions are not applicable to the Issuer or any Restricted Subsidiary or the properties or assets of the Issuer or any Restricted Subsidiary other than such Subsidiary which is becoming a Restricted Subsidiary;

(3) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person which is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which the Issuer or any Restricted Subsidiary entered into such transaction) and outstanding on such date, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or property or assets or capital stock of the Person, so acquired;

(4) any encumbrance or restriction under the Indenture and the Notes (including Additional Notes), the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents;

(5) any encumbrance or restriction under Purchase Money Obligations and Capital Lease Obligations in the ordinary course of business that impose restrictions with respect only to the property the subject thereof of the nature described in clause (6) of this paragraph (b) on the property so acquired or any restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) with respect to clause (4) of paragraph (a) above only, any encumbrance or restriction (A) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, (B) by virtue of any transfer of, agreement to transfer, option or right with respect to or Lien on, any property or assets of the Issuer or any Restricted Subsidiary not otherwise prohibited by the Indenture, (C) contained in security agreements or mortgages securing Indebtedness to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages or (D) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(7) contracts for the sale of assets, including any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(8) restrictions on cash or other deposits or net worth imposed by leases or other agreements entered into in the ordinary course of business;

(9) any customary encumbrances or restrictions created under any agreement (A) with respect to Indebtedness permitted to be incurred subsequent to the date of the Indenture pursuant to the provisions of the covenant described under the caption "—*Limitation on Indebtedness*" if the encumbrances and restrictions are materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and the Issuer determines at the time of the incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (B) constituting an Additional Intercreditor Agreement entered into in compliance with the covenant described under "—*Additional Intercreditor Agreements*" below;

(10) any encumbrances or restrictions required by any governmental, local or regulatory authority having jurisdiction over the Issuer or any of its Restricted Subsidiaries or any of their businesses;

(11) customary provisions in joint venture agreements; *provided*, *however*, that any such encumbrance or restriction is applicable only to such Restricted Subsidiary and *provided*, *further*, that the Issuer determines that any such encumbrance or restriction will not materially affect the ability of the Issuer to make any anticipated principal or interest payments on the Notes;

(12) with respect to clauses (1) and (4) of paragraph (a) above only, encumbrance or restrictions existing by reason of any lien permitted under "—*Limitation on Liens*;"

(13) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(14) any encumbrance or restriction pursuant to Hedging Obligations;

(15) any encumbrance or restriction effected in connection with the Styrolution Securitization Programs;

(16) any encumbrance or restriction effected in connection with a Permitted Receivables Financing (other than the Styrolution Securitization Programs) that, in the good faith determination of the board of directors of the Issuer, is necessary or advisable to effect such Permitted Receivables Financing;

(17) contracts entered into in the ordinary course of business, not relating to Indebtedness, and that do not, individually or in the aggregate, (a) detract from the value of property or assets of the Issuer or any Restricted Subsidiary of the Issuer in any manner material to the Issuer or such Restricted Subsidiary or (b) materially interfere with the Issuer's ability to make payments of principal or interest in respect of the Notes; and

(18) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (17) or in this clause (18); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or

pursuant to the agreement evidencing the Indebtedness so extended, renewed, refinanced or replaced as determined in good faith by the board of directors or senior management of the Issuer.

Limitation on Layered Debt

The Issuer will not, and will not permit any Guarantor to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise in any manner become directly or indirectly liable for or with respect to or otherwise permit to exist any Indebtedness (including Permitted Indebtedness) that is subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the Guarantor's Guarantee (as applicable) on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis or by virtue of not being guaranteed. In addition, junior liens, second liens and other contractual arrangements that provide for priorities among holders of the same or different issues of Indebtedness with respect to any collateral or the proceeds of collateral or tranching of debt under Credit Facilities shall not constitute subordination in right of payment.

Limitation on Unrestricted Subsidiaries

The Issuer may designate after the date of the Indenture any Subsidiary (other than a Guarantor) as an "**Unrestricted Subsidiary**" under the Indenture (a "**Designation**") only if:

(a) no Default shall have occurred and be continuing at the time of or after giving effect to such Designation;

(b) either (i) the Subsidiary to be so designated has total assets of €1,000 or less or (ii) the Issuer would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation) pursuant to the first paragraph of "*—Limitation on Restricted Payments*" above in an amount (the "**Designation Amount**") equal to the greater of (1) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with GAAP or (2) the Fair Market Value of the Issuer's interest in such Subsidiary;

(c) such Unrestricted Subsidiary does not own any Capital Stock of the Issuer or any Restricted Subsidiary of the Issuer which is not simultaneously being designated an Unrestricted Subsidiary; and

(d) such Unrestricted Subsidiary is not a party to any agreement, contract, arrangement or understanding at such time with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer or any Restricted Subsidiary or would be permitted to the extent described under "*—Limitation on Transactions with Affiliates*" or, in the event such condition is not satisfied, the value of such agreement, contract, arrangement or understanding to such Unrestricted Subsidiary shall be deemed a Restricted Payment.

In the event of any such Designation, the Issuer will be deemed to have made an Investment constituting a Restricted Payment pursuant to the covenant "*Limitation on Restricted Payments*" for all purposes of the Indenture in the Designation Amount.

The Indenture will also provide that the Issuer will not and will not cause or permit any Restricted Subsidiary to at any time (a) provide a guarantee of, or similar credit support for, or subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or (b) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary, except to the extent permitted under the covenant "*—Limitation on Indebtedness*." For purposes of the foregoing, the Designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary shall be deemed to be the Designation of all of the Subsidiaries of such Subsidiary as Unrestricted Subsidiaries.

The Issuer may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a "**Redesignation**") if:

(a) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Redesignation;

(b) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred at such time, have been permitted to be incurred for all purposes of the Indenture; and

(c) unless such redesignated Subsidiary shall not have any Indebtedness outstanding (other than Indebtedness that would be Permitted Indebtedness), immediately after giving effect to such proposed Redesignation, and after giving *pro forma* effect to the incurrence of any such Indebtedness of such redesignated Subsidiary as if such Indebtedness was incurred on the date of the Redesignation, the Issuer could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the covenant described under "*—Limitation on Indebtedness*."

All Designations and Redesignations must be evidenced by a resolution of the board of directors of the Issuer delivered to the Trustee certifying compliance with the foregoing provisions.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status, the provisions of the Indenture summarized under the following captions will not apply to the Notes: "*—Certain Covenants—Limitation on Indebtedness*," "*—Certain Covenants—Limitation on Restricted Payments*," "*—Certain Covenants—Limitation on Transactions with Affiliates*," "*—Certain Covenants—Limitation on Sale of Assets*," "*—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*," the provisions of clause (c) of the covenant described under "*—Consolidation, Merger, Sale of Assets—Issuer*" and clause (c) of the covenant described under "*—Consolidation, Merger, Sale of Assets—Guarantors*" and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "*Limitation on Restricted Payments*" covenant will be interpreted as if it had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

Impairment of Security Interest

The Issuer will not, and will not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral for the benefit of the Trustee and the holders of the Notes, and the Issuer will not, and will not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent or Trustee, for the benefit of the Trustee and the holders of the Notes (other than Additional Notes) and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral, except as permitted in the Security Documents; *provided* that (a) nothing in this provision will restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) subject to the succeeding paragraph, the Issuer and its Restricted Subsidiaries may incur Permitted Collateral Liens. Subject to the succeeding paragraph, no Secured Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced unless contemporaneously with such amendment, extension, renewal, supplement, modification or renewal, the Issuer delivers to the Trustee one of the following: (i) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Issuer and its Restricted Subsidiaries, taken as a whole, after giving effect to any transaction related to such amendment, extension, renewal, restatement, supplement, modification or replacement; (ii) a certificate from the board of directors or chief financial officer of the Issuer (acting in good faith), substantially in the form set forth as an exhibit to the Indenture, confirming the solvency of the Issuer and its Restricted Subsidiaries, taken as a whole, after giving effect to any transaction related to such amendment, extension, renewal, supplement, modification or replacement; or (iii) an opinion of counsel reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications) confirming that, after giving effect to any transaction related to such amendment, extension, renewal, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

The Indenture will provide that, at the direction of the Issuer and without the consent of the holders of the Notes, the Trustee and the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein or reflect changes of a minor, technical or administrative nature, (ii) provide for Permitted Collateral Liens, (iii) add to the Collateral or (iv) make any other change thereto that does not adversely affect the holders of the Notes in any material respect; *provided*, *however*, that no Security Document may be amended and no waiver of any of the requirements of, or granting of any consent under, any Security Document may be made unless any such amendment, waiver or consent applies equally to the holders of all security granted under the Security Document.

In the event that the Issuer complies with this covenant, the Trustee and the Security Agent will (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from holders of the Notes.

Additional Intercreditor Agreements

The Indenture will provide that the Issuer, each Guarantor and the Trustee and the Security Agent are authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement and any other intercreditor agreement or deed in favor of the Hedge Counterparties with substantially the same terms as the Intercreditor Agreement.

The Indenture will also provide that, at the direction of the Issuer and without the consent of the holders of the Notes, the Trustee and the Security Agent will upon direction of the Issuer from time to time enter into one or more amendments to the Intercreditor Agreement or any additional intercreditor agreement or deed to: (i) cure any ambiguity, omission, defect or inconsistency therein;

(ii) increase the amount of Indebtedness or the types covered thereby that may be incurred by the Issuer or a Restricted Subsidiary that is subject thereto and to provide for Permitted Liens; (iii) add Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iv) permit payments to be made to the Issuer that would not otherwise have been permitted pursuant to the terms thereof; (v) further secure the Notes (including Additional Notes); (vi) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens; or (vii) make any other such change thereto that does not adversely affect the rights of the holders of the Notes in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or, if applicable, any additional intercreditor agreement or deed, without the consent of the holders of a majority in principal amount of the outstanding Notes.

Each holder of a Note, by accepting such Note, will be deemed to have:

(a) appointed and authorized the Trustee and the Security Agent to give effect to such provisions;

(b) authorized each of the Trustee and the Security Agent to become a party to any future intercreditor arrangements described above;

(c) agreed to be bound by such provisions and the provisions of any future intercreditor arrangements described above; and

(d) irrevocably appointed the Trustee and the Security Agent to act on its behalf to enter into and comply with such provisions and the provisions of any future intercreditor arrangements described above.

Provision of Financial Statements

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2011, annual reports containing, to the extent applicable, a level of detail that is comparable in all material respect to this offering memorandum (with appropriate revisions, as reasonably determined by the Issuer, to reflect changes in segment reporting and in any case need not include separate financial information for any predecessor business of the Issuer as of the Issue Date) and the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X under the Exchange Act, "**Regulation S-X**"), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause 2(b) or 2(c) below; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; (e) a description of material risk factors and material recent developments; (f) earnings

before interest, taxes, depreciation and amortization; (g) capital expenditures; (h) depreciation and amortization; and (i) income (loss) from operations in GAAP; *provided* that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 20-F under the Exchange Act with respect to such item will be deemed to satisfy the Issuer's obligations under this clause (1) with respect to such item;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending March 31, 2011, all quarterly financial statements of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods (which may be presented on a *pro forma* basis), together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause 2(a) or 2(c); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; *provided* that that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 10-Q under the Exchange Act with respect to such item will be deemed to satisfy the Issuer's obligations under this clause (2) with respect to such item; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

Notwithstanding the foregoing, through and including the fiscal year ending December 31, 2011, the Issuer may provide reports containing only the following financial statements and the other information set forth in (1) or (2) above, as applicable:

(a) within 120 days following the Issuer's fiscal year ending December 31, 2011, the Issuer will provide an audited consolidated balance sheet, statement of income and statement of cash flow as of or for the year ended December 31, 2011; *provided* that the financial information with respect to the comparable prior year period contained therein or in any operating and financial review or other disclosure contained as part of the report thereof need not be audited and may be prepared on a *pro forma* basis (which need not comply with Article 11 of Regulation S-X); and

(b) within 90 days following the end of each of the first three fiscal quarters beginning with the quarter ending March 31, 2011, the Issuer will provide an unaudited condensed consolidated balance sheet, statement of income and statement of cash flow prepared on a pro forma basis (which need not comply with Article 11 of Regulation S-X) as of or for the applicable three months then ended; *provided* that the financial information with respect to the comparable prior year periods contained therein or in any operating and financial review or other disclosure contained as part of the report thereof may be prepared on a *pro forma* basis (which need not comply with Article 11 of Regulation S-X).

Notwithstanding the above, at any time prior to the consummation of the Joint Venture Transaction, financial information and any operating and financial review or other disclosure contained as part of the report thereof need not be audited and may be prepared on a *pro forma* basis (which need not comply with Article 11 of Regulation S-X).

All financial statements and *pro forma* financial information shall be prepared in accordance with GAAP on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable GAAP, present earlier periods on a basis that applied to such periods, subject to the provisions of the Indenture. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum. No report need include separate financial information for any predecessor business of the Issuer as of the Issue Date prior to the combination of such business under common control and management of the Issuer.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also (a) file a press release with the appropriate internationally recognized wire services (including, without limitation, through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency) in connection with such report and (b) post such report on the Issuer's website. In the event that the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, the Issuer will, for so long as it continues to file the reports required by Section 13(a) with the Commission, make available to the Trustee the annual reports, information, documents and other reports that the Issuer is required to file with the Commission pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding three paragraphs.

The Indenture also provides that, so long as any of the Notes remain outstanding, the Issuer will make available to any prospective purchaser of Notes or beneficial owner of Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act. The Issuer will also make any of the foregoing information available during normal business hours at the offices of the paying agent if and so long as the Notes are listed and admitted for trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the stock exchange so require.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the first paragraph of this Provision of Financial Statements covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Listing

Application has been made for the Notes to be listed and to be traded on the Irish Stock Exchange's Global Exchange Market. The Issuer will use its commercially reasonable efforts to obtain the listing of the Notes as promptly as practicable and to maintain the listing of the Notes on the Irish Stock Exchange for trading on the Irish Stock Exchange's Global Exchange Market; *provided*, *however*, that if the Issuer is unable to list the Notes on the Global Exchange Market, or if maintenance of such listing becomes unduly onerous, it will, prior to the delisting of the Notes from the Global Exchange Market, use all commercially reasonable efforts to list and maintain a listing of such Notes on another internationally recognized stock exchange.

Additional Covenants

The Indenture also contains covenants with respect to the following matters: (a) payment of principal, premium, any Additional Amounts and interest; (b) maintenance of an office or agency in London and (c) arrangements regarding the handling of money held in trust.

Consolidation, Merger, Sale of Assets

Issuer

The Issuer will not, in a single transaction or through a series of related transactions, consolidate with or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons, or permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions, if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries on a Consolidated basis to any other Person or group of Persons, unless at the time of the transaction and after giving effect thereto:

(a) either:

(1) the Issuer or the Parent will be the continuing corporation; or

(2) the Person (if other than the Issuer or the Parent) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries on a Consolidated basis (the "**Surviving Entity**") will be a corporation duly organized and validly existing under the laws of Switzerland, any EU state which is a member of the EU on the date of the Indenture or the United States of America, any state thereof or the District of Columbia and such Person expressly assumes, by a supplemental indenture, in a form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture, as the case may be, and the Notes and the Indenture will remain in full force and effect as so supplemented (and any Guarantees will be confirmed as applying to such Surviving Entity's obligations);

(b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness not previously an obligation of the Issuer or any of its Restricted Subsidiaries which becomes the obligation of the Issuer or any of its Restricted Subsidiaries as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(c) immediately after giving effect to such transaction on a *pro forma* basis (on the assumption that the transaction occurred on the first day of the four-quarter period for which financial statements are available ending immediately prior to the consummation of such transaction with the appropriate adjustments with respect to the transaction, including treating any obligation incurred by the Issuer or any Restricted Subsidiary in connection with or as a result of such transaction or series of transactions as having been incurred by the Issuer or such Restricted Subsidiary at the time of such transaction, being included in such *pro forma* calculation), the Issuer (or the Surviving Entity if the Issuer is not the continuing obligor under the Indenture) (i) could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions of "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the

Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction;

(d) at the time of the transaction, each Guarantor, if any, unless it is the other party to the transactions described above, will have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations under the Indenture; and

(e) at the time of the transaction, the Issuer or the Surviving Entity will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and, where a supplemental indenture is executed, an opinion of independent counsel, each to the effect that such consolidation, merger, transfer, sale, assignment, conveyance, lease or other transaction and the supplemental indenture (if any) in respect thereof comply with the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Issuer is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power of the Issuer and the Issuer would be discharged from all obligations and covenants under the Indenture and the Notes.

Guarantors

A Guarantor (other than a Guarantor whose Guarantee is to be released in accordance with the terms of the Guarantee and the Indenture as described under "*—Release of Guarantees*") will not, in a single transaction or through a series of related transactions, consolidate with or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons, or permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions, if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Guarantor and its Restricted Subsidiaries on a Consolidated basis to any other Person or group of Persons, unless at the time of the transaction and after giving effect thereto:

(a) either:

(1) a Guarantor will be the continuing corporation; or

(2) the Person (if other than a Guarantor) formed by such consolidation or into which the Guarantor is merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all of the properties and assets of the Guarantor (the "**Surviving Entity**") will be a corporation duly organized and validly existing under the laws of Switzerland, any EU state which is a member of the EU on the date of the Indenture or the United States of America, any state thereof or the District of Columbia and such Person expressly assumes, by a supplemental indenture, in a form reasonably satisfactory to the Trustee, all the obligations of the Guarantor under its Guarantee and the Indenture, as the case may be, and the Guarantee and the Indenture will remain in full force and effect as so supplemented (and any Guarantees will be confirmed as applying to such Surviving Entity's obligations);

(b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness not previously an obligation of the Guarantor or any of its Restricted Subsidiaries which becomes the obligation of the Guarantor or any of its Restricted Subsidiaries as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing; and

(c) at the time of the transaction, the Guarantor or the Surviving Entity will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and, where a supplemental indenture is executed, an opinion of independent counsel, each to the effect that such consolidation, merger, transfer, sale, assignment, conveyance, lease or other transaction and the supplemental indenture (if any) in respect thereof comply with the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Guarantor is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made shall succeed to, and be substituted for, and may exercise every right and power of the Guarantor and the Guarantor will be discharged from all obligations and covenants under the Indenture and its Guarantee.

General

Notwithstanding the preceding paragraphs under "—*Issuer*" and "—*Guarantors*" above (which do not apply to transactions referred to in this sentence), (i) any Restricted Subsidiary of the Issuer and any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or any Guarantor, (ii) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (iii) the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Events of Default

An Event of Default will occur under the Indenture if:

(a) there shall be a default in the payment of any interest or Additional Amounts on any Note when it becomes due and payable, and such default shall continue for a period of 30 days;

(b) there shall be a default in the payment of the principal of (or premium, if any, on) any Note at its Maturity;

(c) (1) there shall be a default in the performance, or breach, of any covenant or agreement of the Issuer or any Guarantor under the Indenture or any Guarantee (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with in clause (a), (b) or in clause (2) or (3) of this clause (c)) and such default or breach shall continue for a period of 60 days after written notice has been given, by certified mail, (x) to the

Issuer by the Trustee or (y) to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Notes voting as a single class,

(2) there shall be a default in the performance or breach of the provisions described in "—*Consolidation, Merger, Sale of Assets*",

(3) the Issuer shall have failed to make or consummate an Offer in accordance with the provisions of "—*Certain Covenants—Limitation on Sale of Assets*", or

(4) the Issuer shall have failed to make or consummate a Change of Control Offer in accordance with the provisions of "—*Purchase of Notes Upon a Change of Control*";

(d) any default in the payment of the principal, premium, if any, or interest on any Indebtedness shall have occurred under any of the agreements, indentures or instruments under which the Issuer, any Guarantor or any Significant Restricted Subsidiary then has outstanding Indebtedness in excess of €25.0 million when the same shall become due and payable in full and such default shall have continued after any applicable grace period and shall not have been cured or waived and, if not already matured at its final maturity in accordance with its terms, the holder of such Indebtedness shall have accelerated such Indebtedness;

(e) any Guarantee shall for any reason cease to be, or shall for any reason be asserted in writing by any Guarantor or the Issuer not to be, in full force and effect and enforceable in accordance with its terms, except to the extent contemplated by the Indenture and any such Guarantee;

(f) one or more of the Security Documents shall, at any time, cease to be in full force and effect, or a Security Document shall be declared invalid or unenforceable by a court of competent jurisdiction, other than, in each case, pursuant to limitations on enforceability, validity or effectiveness imposed by applicable law or the terms of such Security Document or except in accordance with the terms of such Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Indenture, including the release provisions thereof and such failure to be in full force and effect shall have continued uncured for a period of 15 days after the Issuer becomes aware of such failure;

(g) one or more judgments, orders or decrees of any court or regulatory or administrative agency for the payment of money in excess of €25.0 million, either individually or in the aggregate, shall be rendered against the Issuer, any Guarantor or any Significant Restricted Subsidiary or any of their respective properties and shall not be discharged and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal or otherwise, shall not be in effect;

(h) (1) a decree or order for relief in respect of the Issuer or a Significant Restricted Subsidiary in an involuntary case or proceeding under any applicable Bankruptcy Law is sanctioned by a court of competent jurisdiction and becomes unconditional or (2) a decree or order adjudging the Issuer or a Significant Restricted Subsidiary bankrupt or insolvent, or other than on a solvent basis seeking reorganization, arrangement, adjustment, proposal or composition of or in respect of the Issuer or a Significant Restricted Subsidiary under any applicable law, or other than on a solvent basis appointing a Custodian, receiver (provisional, interim or permanent) or manager, liquidator, assignee, trustee, sequestrator (or other similar official) thereof for any substantial part of their respective properties or other than on a solvent basis ordering the winding up, dissolution or liquidation of their affairs, is sanctioned by a court of competent jurisdiction and becomes unconditional and any such decree, order or appointment pursuant to any Bankruptcy Law for relief shall continue to be in effect, or any such other decree, appointment or order shall be unstayed and in effect, for a period of 100 consecutive days;

(i) the Issuer or any Significant Restricted Subsidiary (1) consents to the filing of a petition, application, answer, proposal or consent seeking reorganization or relief under any applicable Bankruptcy Law, (2) consents to the entry of a decree or order for relief in respect thereof in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or (3) (x) other than on a solvent basis consents to the appointment or, or taking possession by, a Custodian, receiver (provisional, interim or permanent) or manager, liquidator, administrator, supervisor, assignee, trustee, sequestrator or similar official thereof, or of any substantial part of their respective properties, (y) other than on a solvent basis makes an assignment or proposal for the benefit of creditors or (z) admits it is insolvent or admits in writing its inability to pay its debts generally as they become due or commits an "act of bankruptcy" under any applicable Bankruptcy Law which, in the case of each of (1), (2) or (3) above, is sanctioned by a court and becomes unconditional; or

(j) any default by the Issuer or any Guarantor in the performance of any of its obligations under the Security Documents (after the lapse of any applicable grace periods) which materially adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the collateral or which materially adversely affects the condition or value of the collateral, taken as a whole, repudiation or disaffirmation by the Issuer or any Guarantor of any of their respective obligations under the Security Documents or the determination of a judicial proceeding that the Security Documents are unenforceable or invalid against the Issuer or any Guarantor for any reason, other than as a result of any release of security in accordance with the provisions of the Indenture described under "*—Brief Description of the Notes, the Guarantees and the Security—Security—Release of Security*".

If an Event of Default (other than as specified in clauses (h) or (i) of the prior paragraph) shall occur and be continuing with respect to the Indenture, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding may, and the Trustee, at the request of such holders, shall declare all unpaid principal of, premium, if any, any Additional Amounts and accrued interest on all Notes to be due and payable immediately, by a notice in writing to the Issuer (and to the Trustee if given by the holders of the Notes) and upon any such declaration, such principal, premium, if any, any Additional Amounts and interest shall become due and payable immediately. If an Event of Default specified in clause (h) or (i) of the prior paragraph occurs and is continuing, then all the Notes shall *ipso facto* become and be due and payable immediately in an amount equal to the principal amount of the Notes, together with any Additional Amounts and accrued and unpaid interest, if any, to the date the Notes become due and payable, without any declaration or other act on the part of the Trustee or any holder. Thereupon, the Trustee may, at its discretion, proceed to protect and enforce the rights of the holders of Notes by appropriate judicial proceedings. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (d) of the prior paragraph has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (d) shall be remedied or cured, or waived by the holders of the Indebtedness that gave rise to such Event of Default, or such Indebtedness shall be discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the

Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

After a declaration of acceleration, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of Notes outstanding by written notice to the Issuer and the Trustee may rescind and annul such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(1) all sums paid or advanced by the Trustee under the Indenture and the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel,

(2) all overdue interest and Additional Amounts on all Notes then outstanding,

(3) the principal of and premium, if any, on any Notes then outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes, and

(4) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Notes;

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(c) all Events of Default, other than the non-payment of principal of, premium, if any, and any Additional Amounts and interest on the Notes, which have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture. No such rescission shall affect any subsequent default or impair any right consequent thereon.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may on behalf of the holders of all outstanding Notes waive any past default under the Indenture and its consequences, except a default:

(a) in the payment of the principal of, premium, if any, any Additional Amounts or interest on any Note (which may only be waived with the consent of each holder of Notes affected) or

(b) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holders of not less than 90% of the then outstanding amount of the Notes, in which case the consent of the holders of at least 90% of the then outstanding Notes shall be required.

No holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made written request, and offered reasonably satisfactory indemnity, to the Trustee to institute such proceeding as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt of such notice and the Trustee, during such 60-day period, has not received directions inconsistent with such written request from holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and any Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

The Issuer is required to notify the Trustee within 15 Business Days of the occurrence of any Default that has not otherwise been cured in such 15 Business Day period. If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will mail to each holder of the Notes notice of the Default or Event of Default within five Business Days after being notified of its occurrence. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the Trustee may withhold the notice to the holders of such Notes if a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of the holders of the Notes. The Issuer is required to deliver to the Trustee, on or before a date not more than 120 days after the end of each fiscal year, a written statement as to compliance with the Indenture, including whether or not any Default has occurred. The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the Notes unless such holders offer to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred thereby.

Defeasance or Covenant Defeasance of Indenture

The Issuer may, at its option and at any time, elect to have all of its obligations terminated with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to the Guarantees ("**Legal Defeasance**") and cure all then existing Events of Default, except for, among other things, certain obligations, including those respecting the defeasance trust, obligations to transfer or exchange Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a paying agent, and obligations with respect to the rights, powers, trusts, duties and immunities of the Trustee.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to certain covenants that are described in the Indenture and the Guarantees ("**Covenant Defeasance**") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, and, solely with respect to the Issuer, bankruptcy and insolvency events) described under "*—Events of Default*" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance, the Issuer must irrevocably deposit in trust with the Trustee, for the benefit of the holders of Notes, cash in euros, European government obligations, or a combination thereof, in such aggregate amounts as will be sufficient to pay the principal of, interest and premium, if any, on the Notes to maturity and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax and other matters.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) as to all outstanding Notes under the Indenture when:

(a) either:

(1) all such Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid or Notes whose payment has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation, or

(2) all Notes not theretofore delivered to the Trustee for cancellation (A) have become due and payable, (B) will become due and payable at their Stated

Maturity within one year, or (C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust an amount in Euro or European government obligations or a combination thereof sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, including the principal of, premium, if any, any Additional Amounts and accrued interest on, such Notes at such Maturity, Stated Maturity or redemption date;

(b) the Issuer or any Guarantor has paid or caused to be paid all other sums payable under the Indenture by the Issuer and any Guarantor; and

(c) the Issuer has delivered to the Trustee an Officer's Certificate and an opinion of independent counsel, each stating that

(1) all conditions precedent under the Indenture relating to the satisfaction and discharge of such Indenture have been complied with, and

(2) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument to which the Issuer, any Guarantor or any Subsidiary is a party or by which the Issuer, any Guarantor or any Subsidiary is bound;

provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

Modifications and Amendments

Modifications and amendments of the Indenture, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement and/or the Security Documents may be made by the Issuer, each Guarantor and the Trustee with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding; *provided*, *however*, that no such modification or amendment may, without the consent of the holders of not less than 90% of the then outstanding aggregate principal amount of the Notes:

(a) change the Stated Maturity of the principal of, or any installment of any Additional Amounts or interest on, or change to an earlier date the time at which any Note may be redeemed, or waive a default in the payment of the principal of, premium, if any, any Additional Amounts or interest on, any such Note or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which the principal of any such Note or any premium or any Additional Amounts or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);

(b) reduce the percentage in principal amount of such outstanding Notes, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver or compliance with certain provisions of the Indenture;

(c) modify any of the provisions relating to the supplemental indentures requiring the consent of holders or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of such outstanding Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each such Note affected thereby;

(d) except as otherwise permitted under "*—Certain Covenants—Consolidation, Merger, Sale of Assets*", consent to the assignment or transfer by the Issuer or any Guarantor of any of its rights and obligations under the Indenture;

(e) amend or modify any of the provisions of the Indenture in any manner which subordinates the Notes issued thereunder in right of payment to any other Indebtedness of the Issuer or the Guarantee of any Guarantor in right of payment to any other Indebtedness of such Guarantor;

(f) make any change to the provisions of the Indenture described under the captions "*—The Guarantees*" or any other provisions of the Indenture affecting the ranking of the Notes, in each case in a manner that adversely affects the rights of the holders of the Notes;

(g) release a Lien on the Collateral described under "*—Security*" other than pursuant to the terms of the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement or as otherwise permitted by the Indenture;

(h) make any change in the provisions of the Indenture described under "*—Payment of Additional Amounts*" that adversely affects the holder's entitlement to (x) any exemption, in whole or in part, from withholding Taxes or (y) Additional Amounts, in each case as described thereunder, unless the Issuer agrees to pay Additional Amounts (if any) in respect thereof; or

(i) except as permitted by the Indenture, release any Guarantee.

Notwithstanding the foregoing, without the consent of any holders of the Notes, the Issuer and the Trustee (without the need for any consent of or execution by any other party to the Indenture) may modify or amend the Indenture, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document:

(a) to evidence the succession of another Person to the Issuer or any Guarantor or any other obligor under the Notes and the assumption by any such successor of the covenants of the Issuer or such Guarantor in the Indenture and in the Notes and in any Guarantee in accordance with "*—Certain Covenants—Consolidation, Merger, Sale of Assets*";

(b) to add to the covenants of the Issuer, any Guarantor or any other obligor upon the Notes for the benefit of the holders of the Notes or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor upon the Notes, as applicable, in the Indenture, in the Notes or in any Guarantee;

(c) to cure any ambiguity, or to correct or supplement any provision in the Indenture or in any supplemental indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document which may be defective or inconsistent with any other provision in the Indenture or in any supplemental indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document or to make any other provisions with respect to matters or questions arising under the Indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document that shall not adversely affect the rights of the holders of the Notes in any material respect or that shall improve or increase the rights of the holders of the Notes;

(d) to add a Guarantor under the Indenture (and the supplemental indenture providing for the accession of such additional Guarantor need only be authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee);

(e) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(f) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the holders of the Notes as additional security for the payment and performance of the Issuer's or any Guarantor's obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to the Indenture or otherwise (any such additional security shall be deemed to be Collateral for all purposes under the Indenture);

(g) to provide for the issuance of Additional Notes in accordance with the Indenture;

(h) to conform the text of the Indenture or the Notes to any passage in the "*Description of the Notes*" to the extent that such passage was intended to be a verbatim recitation of a provision of the Indenture or the Notes;

(i) to make, complete or confirm any grant of Collateral permitted or required by the Indenture or any release of Collateral permitted under the terms of the Indenture, the Intercreditor Agreement or the Security Documents;

(j) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code); or

(k) to limit or terminate the benefits available to any holder of Senior Indebtedness.

The holders of a majority in aggregate principal amount of the Notes outstanding may waive compliance with certain restrictive covenants and provisions of the Indenture.

Additional Information

Anyone who receives this offering memorandum may, following the Issue Date, obtain a copy of the Indenture, the form of Note, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement without charge by writing to the Issuer at Carl-Bosch-Straße 38, 67056 Ludwigshafen, E-100, Germany. Attention: Managing Director.

So long as the Notes are listed and admitted for trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, copies, current and future, of all of the Issuer's annual audited consolidated financial statements and unaudited consolidated interim financial statements, and this offering memorandum, may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in London.

Governing Law

The Indenture, the Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement will be governed by the laws of England. The Security Documents will be governed by applicable local law of the jurisdiction under which Security Interests are granted.

Consent to Jurisdiction and Service

The Indenture will provide that the Issuer and each Guarantor will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees and for actions brought under U.S. Federal or New York state securities laws brought in any Federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since many of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, redemption price and any purchase price with respect to the Notes, may not be collectable within the United States. Please see "*Service of Process and Enforcement of Judgments*."

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator, member or shareholder of the Issuer, any Guarantor, any of their respective parent companies or any of their respective Subsidiaries or Affiliates as such, shall have any liability for any obligations of the Issuer under the Indenture (including the Guarantees), the Notes or the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. Federal securities laws and it is the view of the Commission that such a waiver is against public policy.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Concerning the Trustee

The Indenture will contain certain limitations on the rights of the Trustee, should it become a creditor of the Issuer or any Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs (which has not been cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes unless such holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Certain Definitions

"**Acquired Indebtedness**" means Indebtedness of a Person:

(a) existing at the time such Person becomes a Restricted Subsidiary;

(b) assumed in connection with the acquisition of assets from such Person; or

(c) at the time it merges or consolidates with the Issuer or any Restricted Subsidiary,

in each case, other than Indebtedness incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Indebtedness shall be deemed to be incurred on the date of the related acquisition of assets from any Person, the date the acquired Person becomes a Restricted Subsidiary or at the time of such merger or consolidation, as the case may be.

"**Affiliate**" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person.

For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agreed Security Principles**" means the Agreed Security Principles set forth in the Intercreditor Agreement (or a schedule thereto), as applied reasonably and in good faith by the Issuer.

"**Applicable Redemption Premium**" means, with respect to any Note on any redemption date, the greater of (a) one percent of the principal amount of the Note and (b), the excess of:

(x) the present value at such redemption date of the redemption price of such Note at May 15, 2013, plus all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and May 15, 2013 excluding accrued but unpaid interest, computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points, over

(y) the principal amount of such Note.

"**Asset Sale**" means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a "**transfer**"), directly or indirectly, in one or a series of related transactions, of:

(a) any Capital Stock of any Restricted Subsidiary (other than directors' qualifying shares);

(b) all or substantially all of the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or

(c) any other properties or assets of the Issuer or any Restricted Subsidiary other than in the ordinary course of business.

For the purposes of this definition, the term "**Asset Sale**" shall not include any transfer of properties and assets:

(i) that is governed by the provisions described under "*—Certain Covenants—Consolidation, Merger, Sale of Assets*";

(ii) that is by the Issuer to any Restricted Subsidiary, or by any Restricted Subsidiary to the Issuer or any Restricted Subsidiary in accordance with the terms of the Indenture;

(iii) that is a disposition of cash, Cash Equivalents or Temporary Cash Investments;

(iv) that is a disposition of inventory, trading stock or other assets in the ordinary course of business;

(v) that is of obsolete equipment or other assets that are no longer useful in the conduct of the business of the Issuer or any Restricted Subsidiary;

(vi) for purposes of the "*Limitation on Sale of Assets*" covenant, the Fair Market Value of which in the aggregate does not exceed €10.0 million in any transaction or series of related transactions;

(vii) that is a Restricted Payment permitted by the covenant under the caption "*—Certain Covenants—Limitation on Restricted Payments*" or a Permitted Payment or Permitted Investment;

(viii) that is a disposition in connection with any Permitted Liens;

(ix) that is a disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(x) that is a foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(xi) that is a sale or disposition of inventory in connection with any inventory financing;

(xii) that is a sale or disposition of receivables in connection with any Permitted Receivables Financing or in the ordinary course of business or the conversion or exchange of accounts receivable for notes receivable; or

(xiii) that is by the Issuer or a Restricted Subsidiary by way of lease or license in respect of land to a trading counterparty to whom the Issuer or Restricted Subsidiary, as applicable, provides services on that land in the ordinary course of its trading.

"**Average Life**" means, as of the date of determination with respect to any Indebtedness, the quotient obtained by dividing

(a) the sum of the products of

(x) the number of years from the date of determination to the date or dates of each successive scheduled principal payment of such Indebtedness multiplied by

(y) the amount of each such principal payment by

(b) the sum of all such principal payments.

"**Bankruptcy Law**" means any law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization or relief of debtors or any amendment to, succession to or change in any such law, including, without limitation, Title 11, United States Bankruptcy Code of 1978, as amended, the U.K. Insolvency Law and the German Insolvency Statute.

"**BASF Holders**" means BASF SE and its Affiliates.

"**BASF Guarantee**" means the guarantee by BASF SE in favor of the Issuer to support the obligations of BASF SE under the Styrolution Shareholders Loan to lend up to €32.0 million to the Issuer for interest payments and, in the event of a Special Mandatory Redemption, the Special Mandatory Redemption Price pursuant to the Indenture.

"**Bund Rate**" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to May 15, 2013; *provided*, *however*, that if the period from the redemption date to May 15, 2013 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to May 15, 2013 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in Ireland, London, United Kingdom, or New York, United States are authorized or required by law to close.

"**Capital Lease Obligation**" of any Person means any obligation of such Person and its Restricted Subsidiaries on a Consolidated basis under any capital lease of (or other agreement conveying the right to use) real or personal property which, in accordance with GAAP, is required to be recorded as a capitalized lease obligation.

"**Capital Stock**" of any Person means any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, other equity interests whether now outstanding or issued after the date of the Indenture, partnership interests (whether general or limited), any other interest or participation that confers on a Person that right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person and any rights (other than debt securities convertible into Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock.

"**Cash Equivalents**" means marketable debt securities with a maturity of three months or less and with a short term debt rating of at least A1+ granted by S&P or P1 granted by Moody's to which the Issuer or a Restricted Subsidiary is beneficially entitled, and which can be promptly realized by the Issuer or such Restricted Subsidiary without condition.

"**Change of Control**" means the occurrence of any of the following events:

(a) prior to the consummation of an initial Public Equity Offering, any event the result of which is that the Permitted Holders are or become the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of less than 50% of the total outstanding Voting Stock of the Issuer;

(b) on and after the consummation of an initial Public Equity Offering, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total outstanding Voting Stock of the

Issuer and Permitted Holders do not beneficially own the same or a larger percentage of such Voting Stock than such Person;

(c) the Issuer consolidates with or merges with or into any Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, or any Person consolidates with or merges into or with the Issuer, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Issuer is converted into or exchanged for cash, securities or other property, other than any such transaction where (1) the outstanding Voting Stock of the Issuer is changed into or exchanged for Voting Stock of the surviving corporation which is not Redeemable Capital Stock and (2) immediately after such transaction, no "person" or "group," other than Permitted Holders, is the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total outstanding Voting Stock of the surviving corporation; or

(d) the Issuer or any Guarantor is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under "*—Certain Covenants—Consolidation, Merger, Sale of Assets*."

For purposes of this definition, any transfer of an equity interest of an entity that was formed for the purpose of acquiring Voting Stock of the Issuer will be deemed to be a transfer of such portion of such Voting Stock as corresponds to the portion of the equity of such entity that has been so transferred.

"**Code**" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, including the regulations proposed or promulgated thereunder.

"**Commission**" means the U.S. Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the Securities Act, Exchange Act and Trust Indenture Act, as amended, then the body performing such duties at such time.

"**Commodity Price Protection Agreement**" means any forward contract, commodity swap, commodity option or other similar financial agreement or arrangement relating to, or the value of which is dependent upon, fluctuations in commodity prices.

"**Consolidated Fixed Charge Coverage Ratio**" of any Person means, for any period, the ratio of (a) the sum of Consolidated Net Income (Loss), plus, in each case to the extent deducted in computing Consolidated Net Income (Loss) for such period, Consolidated Interest Expense, Consolidated Income Tax Expense and Consolidated Non-cash Charges for such period, of such Person and its Restricted Subsidiaries on a Consolidated basis, all determined in accordance with GAAP, less all non-cash items increasing Consolidated Net Income for such period and less all cash payments during such period relating to non-cash charges that were added back to Consolidated Net Income in determining the Consolidated Fixed Charge Coverage Ratio in any prior period to (b) the sum of Consolidated Interest Expense for such period plus cash and noncash dividends due (whether or not declared) on any Preferred Stock of such Person or its Restricted Subsidiaries during such period, in each case after giving *pro forma* effect to:

(1) the incurrence of the Indebtedness giving rise to the need to make such calculation and (if applicable) the application of the net proceeds therefrom, including to

refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, on the first day of such period;

(2) the incurrence, repayment or retirement of any other Indebtedness by such Person and its Restricted Subsidiaries since the first day of such period as if such Indebtedness was incurred, repaid or retired at the beginning of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period) *provided, however*, that the *pro forma* calculation of Consolidated Interest Expense shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to subparagraph (b) of the covenant set forth in "*Certain Covenants—Limitation on Indebtedness*" and (ii) any discharge on the date of termination of any Indebtedness to the extent such discharge results from the proceeds of Indebtedness incurred pursuant to subparagraph (b) of the covenant set forth in "*Certain Covenants—Limitation on Indebtedness*";

(3) in the case of Acquired Indebtedness or any acquisition occurring at the time of the incurrence of such Indebtedness, the related acquisition, assuming such acquisition had been consummated on the first day of such period; and

(4) any acquisition or disposition by such Person and its Restricted Subsidiaries of any company or any business or any assets out of the ordinary course of business, whether by merger, stock purchase or sale or asset purchase or sale, or any related repayment of Indebtedness, in each case since the first day of such period, assuming such acquisition or disposition had been consummated on the first day of such period; *provided* that:

(A) whenever *pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense attributable to any Indebtedness incurred in connection therewith, the *pro forma* calculations shall be determined in good faith;

(B) in making such computation, the Consolidated Interest Expense attributable to interest on any Indebtedness computed on a *pro forma* basis and (i) bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period and (ii) which was not outstanding during the period for which the computation is being made but which bears, at the option of such Person, a fixed or floating rate of interest, shall be computed by applying at the option of such Person either the fixed or floating rate (in the case of (i) and (ii) taking into account any Interest Rate Agreement applicable to such Indebtedness for a period equal to the remaining term of such Interest Rate Agreement); and

(C) in making such computation, the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

For purposes of this definition, whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of such Person (including in respect of anticipated expense and cost reduction synergies).

"**Consolidated Income Tax Expense**" of any Person means, for any period, the provision for Federal, state and local income taxes of the United States, Germany or any other jurisdiction of such Person and its consolidated Restricted Subsidiaries for such period as determined in accordance with GAAP.

"**Consolidated Interest Expense**" of any Person means, without duplication, for any period, the sum of:

(a) the interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis in accordance with GAAP (excluding any amortization of debt issuance costs, currency translation differences, and in each case any amortization thereof, and any amortization of discount in relation to pension liabilities) including, without limitation:

(1) amortization of debt discount;

(2) the net costs associated with Interest Rate Agreements, Currency Hedging Agreements and Commodity Price Protection Agreements;

(3) the interest portion of any deferred payment obligation;

(4) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers acceptance financing; and

(5) accrued interest; plus

(b) (1) the interest component of the Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period; and

(2) all capitalized interest of such Person and its Restricted Subsidiaries, in each case determined on a consolidated basis in accordance with GAAP; plus

(c) the interest expense under any Guaranteed Debt of such Person and any Restricted Subsidiary to the extent not included under clause (a)(4) above, to the extent paid by such Person or its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP (excluding any amortization of debt issuance costs); *provided* that such payments have been made in compliance with the covenant described in "—*Certain Covenants—Limitation on Restricted Payments*."

"**Consolidated Net Income (Loss)**" of any Person means, for any period, the Consolidated net income (or loss) of such Person and its Restricted Subsidiaries for such period on a Consolidated basis as determined in accordance with GAAP, adjusted, to the extent included in calculating such net income (or loss), by excluding, without duplication:

(a) all extraordinary or exceptional gains or losses net of taxes (less all fees and expenses relating thereto);

(b) the portion of net income (or loss) of such Person and its Restricted Subsidiaries on a consolidated basis allocable to interests in unconsolidated Persons or Unrestricted Subsidiaries to the extent that cash dividends or distributions have not actually been received by such Person or one of its consolidated Restricted Subsidiaries (except to the extent any loss has been funded with cash from such Person or a Restricted Subsidiary);

(c) net income (or loss) of any Person combined with such Person or any of its Restricted Subsidiaries on a "pooling of interests" basis attributable to any period prior to the date of combination;

(d) any gain or loss, net of taxes, realized upon the termination of any employee pension benefit plan;

(e) gains or losses, net of taxes (less all fees and expenses relating thereto), in respect of dispositions of assets other than in the ordinary course of business;

(f) the net income of any Restricted Subsidiary to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders other than by encumbrances which are permitted under the covenant "*—Certain Covenants—Limitation on Dividend and other Payment Restrictions Affecting Restricted Subsidiaries*;"

(g) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the date of the Indenture;

(h) any net gain arising from the acquisition of any securities or extinguishment, under GAAP, of any Indebtedness of such Person;

(i) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards;

(j) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness;

(k) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of such Person or any Restricted Subsidiary owing to such Person or any Restricted Subsidiary;

(l) the impact of capitalized or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(m) to the extent included, any losses arising on the sale or a writedown of fixed assets or deducting any profit from a sale or revaluation of a fixed asset;

(n) the cumulative effect of a change in accounting principles; and

(o) any expenses, costs or other charges (including any non-cash charges) related to the Transactions.

"**Consolidated Non-cash Charges**" of any Person means, for any period, the aggregate depreciation, amortization and other non-cash charges of such Person and its Restricted Subsidiaries on a Consolidated basis for such period, as determined in accordance with GAAP (excluding any non-cash charge which requires an accrual or reserve for cash charges for any future period).

"**Consolidated Senior Secured Leverage Ratio**" of any Person means, as at any date of determination, the ratio of (a) the outstanding Senior Secured Indebtedness of such Person and its Restricted Subsidiaries as of such date to (b) the sum of Consolidated Net Income (Loss) for the four most recent full fiscal quarters ending immediately prior to such date for which financial statements are available, plus, in each case to the extent deducted in computing Consolidated Net Income (Loss) for such period, Consolidated Interest Expense, Consolidated Income Tax Expense and Consolidated Non-cash Charges for such period, of such Person and its Restricted Subsidiaries on a Consolidated basis, all determined in accordance with GAAP, less all non-cash items increasing Consolidated Net Income for such period and less all cash payments during such period relating to non-cash charges that were added back to Consolidated Net Income in determining the Consolidated Fixed Charge Coverage Ratio in any prior period of such Person, in each case after giving *pro forma* effect to:

(1) the incurrence of the Indebtedness giving rise to the need to make such calculation and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, on the first day of such period;

(2) the incurrence, repayment or retirement of any other Indebtedness by such Person and its Restricted Subsidiaries since the first day of such period as if such Indebtedness was incurred, repaid or retired at the beginning of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period), *provided, however*, that the *pro forma* calculation of Consolidated Interest Expense shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to subparagraph (b) of the covenant set forth in "*Certain Covenants—Limitation on Indebtedness*" and (ii) any discharge on the date of termination of any Indebtedness to the extent such discharge results from the proceeds of Indebtedness incurred pursuant to subparagraph (b) of the covenant set forth in "*Certain Covenants—Limitation on Indebtedness*";

(3) in the case of Acquired Indebtedness or any acquisition occurring at the time of the incurrence of such Indebtedness, the related acquisition, assuming such acquisition had been consummated on the first day of such period; and

(4) any acquisition or disposition by such Person and its Restricted Subsidiaries of any company or any business or any assets out of the ordinary course of business, whether by merger, stock purchase or sale or asset purchase or sale, or any related repayment of Indebtedness, in each case since the first day of such period, assuming such acquisition or disposition had been consummated on the first day of such period; *provided* that:

    (A) whenever *pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense attributable to any Indebtedness incurred in connection therewith, the *pro forma* calculations shall be determined in good faith;

    (B) in making such computation, the Consolidated Interest Expense attributable to interest on any Indebtedness computed on a *pro forma* basis and (i) bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period and (ii) which was not outstanding during the period for which the computation is being made but which bears, at the option of such Person, a fixed or floating rate of interest, shall be computed by applying at the option of such Person either the fixed or floating rate (in the case of (i) and (ii) taking into account any Interest Rate Agreement applicable to such Indebtedness for a period equal to the remaining term of such Interest Rate Agreement); and

    (C) in making such computation, the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

For purposes of this definition, whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of such Person (including in respect of anticipated expense and cost reduction synergies).

"**Consolidation**" means, with respect to any Person, the consolidation of the accounts of such Person and each of its subsidiaries if and to the extent the accounts of such Person and each of its subsidiaries would normally be consolidated with those of such Person, all in accordance with GAAP. The term "**Consolidated**" shall have a similar meaning.

"**Credit Facilities**" means one or more debt facilities (including, without limitation, Public Debt) or commercial paper facilities, agreements, credit facility documentation or arrangements with banks, insurance companies or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale or factoring of receivables to such lenders or to special purpose entities formed to borrow from or issue securities to such lenders against such receivables), letters of credit or other forms of guarantees and assurances or other indebtedness, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced, refinanced, increased or extended in whole or in part from time to time, and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or other institutional lenders and whether provided under one or more other credit agreements or financing agreements and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Hedging Agreements**" means one or more of the following agreements: foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against the fluctuations in currency values.

"**Custodian**" means any receiver, trustee, assignee, liquidator, custodian, administrator or similar official under any Bankruptcy Law.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-Cash Consideration**" means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sale of Assets.*"

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the board of directors of the Issuer who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. A member of the board of directors of the Issuer shall not be deemed to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"**Distressed Disposal**" has the meaning set forth in the Intercreditor Agreement.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than Euro, at any time of determination thereof, the amount of Euro obtained by translating such other currency involved in such computation into Euro at the spot rate for the purchase of Euro with the applicable other currency as published in *The Financial Times* (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, a comparable source as may be selected in good faith by the Issuer) on the date two Business Days prior to such determination.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Fair Market Value**" means, with respect to any asset or property, the sale value that would be obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy; *provided, however*, that when determining Fair Market Value with respect to a sale made in connection with securing approval of the Joint Venture Transaction from relevant competition authorities, the Issuer may consider all factors relevant to such a sale made in order to secure approval in an expeditious manner, including, among others, compulsion and timing constraints. In all cases, Fair Market Value shall be determined by the Issuer acting in good faith.

"**Generally Accepted Accounting Principles**" or "**GAAP**" means International Financial Reporting Standards ("**IFRS**"), consistently applied, as in effect from time to time. At any time after the Issue Date, the Issuer may elect to apply generally accepted accounting principles in the United States ("**U.S. GAAP**") in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean U.S. GAAP as in effect (except as otherwise provided in the Indenture) from time to time; *provided* that any such election, once made, shall be irrevocable and that upon first reporting its fiscal year results under U.S. GAAP it shall restate its financial statements on the basis of U.S. GAAP for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of U.S. GAAP. The Issuer shall give notice of any such election to the Trustee and the holders of the Notes.

"**Guarantee**" means the guarantee by any Guarantor of the Issuer's Indenture Obligations.

"**Guaranteed Debt**" of any Person means, without duplication, all Indebtedness of any other Person referred to in the definition of Indebtedness below guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement:

(a) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness;

(b) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss;

(c) to supply funds to, or in any other manner invest in, the debtor (including any agreement to pay for property or services without requiring that such property be received or such services be rendered);

(d) to maintain working capital or equity capital of the debtor, or otherwise to maintain the net worth, solvency or other financial condition of the debtor or to cause such debtor to achieve certain levels of financial performance; or

(e) otherwise to assure a creditor against loss; *provided* that the term "guarantee" shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

"**Guarantor**" means each of the guarantors listed in the Indenture and any Subsidiary which is a guarantor of the Notes, including any Person that is required after the date of the Indenture to execute a guarantee of the Notes pursuant to the "*Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries*" covenant, until (i) the Guarantee of such Person has been released in accordance with the provisions of the Indenture or (ii) a successor replaces such party pursuant to the applicable provisions of the Indenture and, thereafter, shall mean such successor.

"**Hedge Counterparties**" has the meaning set forth in the Intercreditor Agreement.

"**Hedging Agreement**" has the meaning set forth in the Intercreditor Agreement.

"**Hedging Obligations**" means with respect to any Person, the obligations of such Person under Interest Rate Agreements, Currency Hedging Agreements or Commodity Price Protection Agreements.

"**Indebtedness**" means, with respect to any Person, without duplication:

(a) all indebtedness, obligations and liabilities of such Person for borrowed money or for the principal component of all obligations of such Person to pay the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities arising in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such Person in connection with any letters of credit issued under letter of credit facilities, acceptance facilities or other similar facilities (including reimbursement obligations with respect thereto except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of incurrence);

(b) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;

(d) all obligations under Interest Rate Agreements, Currency Hedging Agreements or Commodity Price Protection Agreements of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(e) all Capital Lease Obligations of such Person;

(f) all indebtedness referred to in clauses (a) through (e) above of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness (*provided*, *however*, that the amount of such indebtedness will be the lesser of (1) the Fair Market Value of such asset at the date of determination and (2) the amount of such indebtedness of such other Person);

(g) all Guaranteed Debt of such Person;

(h) all Redeemable Capital Stock issued by such Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends;

(i) Preferred Stock of any Restricted Subsidiary of the Issuer or any Guarantor; and

(j) any amendment, supplement, modification, deferral, renewal, extension, refunding or refinancing of any liability of the types referred to in clauses (a) through (i) above.

The term "**Indebtedness**" shall not include:

(i) Subordinated Shareholder Funding or the Styrolution Shareholders Loan;

(ii) any lease of property (or Guarantee thereof) which would be considered an operating lease under GAAP as in effect on the Issue Date;

(iii) contingent obligations incurred in the ordinary course of business;

(iv) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter; or

(v) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement obligations, pension fund obligations or contributions or social security or wage Taxes.

For purposes hereof, the "**maximum fixed repurchase price**" of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value is to be determined as set forth herein.

"**Indenture Obligations**" means the obligations of the Issuer and any other obligor under the Indenture or under the Notes, including any Guarantor, to pay principal of, premium, if any, any Additional Amounts and interest when due and payable, and all other amounts due or to become due under or in connection with the Indenture, the Notes and the performance of all other obligations to the Trustee and the holders of Notes under the Indenture and the Notes, according to the respective terms thereof.

"**INEOS Holders**" means:

(a) any of James A. Ratcliffe, John Reece and Andrew Currie;

(b) any Person that is directly or indirectly solely owned by James A. Ratcliffe, John Reece or Andrew Currie;

(c) any Person having a relationship with James A. Ratcliffe, John Reece or Andrew Currie by blood, marriage or adoption not more remote than first cousin; and

(d) any trust or similar arrangement held solely on behalf of James A. Ratcliffe, John Reece or Andrew Currie or any Person mentioned in (c) above; *provided* that James A.

Ratcliffe, John Reece or Andrew Currie retains sole control over the voting rights of the Capital Stock held by such trust or arrangement.

"**INEOS Letter of Credit**" means the irrevocable letter of credit issued by Citibank International Plc on behalf of INEOS Styrenics International SA in favor of the Issuer to support the obligations of INEOS Industries Holdings Limited under the Styrolution Shareholders Loan to lend up to €32.0 million to the Issuer for interest payments and, in the event of a Special Mandatory Redemption, the Special Mandatory Redemption Price pursuant to the Indenture.

"**Independent Financial Advisor**" means a firm which, in the judgment of the board of directors of the Issuer, is independent and qualified to perform the task for which it is to be engaged.

"**Initial Public Offering**" means a Public Equity Offering of common stock or equity of the Issuer or any Parent or any successor of the Issuer or any Parent (the "**IPO Entity**"), as a result of which the shares of common stock or equity of the IPO Entity in such offering are listed on an internationally recognized market.

"**Intercreditor Agreement**" means the Intercreditor Agreement to be dated the Issue Date among, amongst others, the Issuer, the Trustee, the Guarantors, the Hedge Counterparties and Citicorp Trustee Company Limited, as Security Agent, as amended, waived or consented from time to time.

"**Interest Rate Agreements**" means one or more of the following agreements: interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) and/or other types of interest rate hedging agreements from time to time.

"**Investment**" means, with respect to any Person, directly or indirectly, any advance (other than advances to customers in the ordinary course of business), loan (including guarantees), or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities issued or owned by any other Person; *provided* that:

(a) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture; and

(b) endorsements of negotiable instruments and documents in the ordinary course of business

shall in each case not be deemed to be an Investment.

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*:"

(a) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a Redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (1) the Issuer's "Investment" in such Subsidiary at the time of such Redesignation less (2) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so Redesignated a Restricted Subsidiary; and

(b) any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment plus the cost of all additional Investments therein by such Person or any of its Restricted Subsidiaries, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment, reduced (at such Person's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Status**" shall occur when the Notes receive both of the following:

(1) a rating of "BBB−" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other "nationally recognized statistical ratings organization" (within the meaning of Rule 436 under the Securities Act).

"**Issue Date**" means the original issue date of the Notes under the Indenture.

"**Joint Venture Transaction**" means the combining of the businesses and assets of the BASF Styrenics Business, the INEOS Styrenics Business and the INEOS ABS Business (each as defined in "*The Transactions*") under the control and management of the Issuer, as described in this offering memorandum under the heading "*The Transactions*" assuming, without regard to the description in this offering memorandum, the businesses are contributed on a cash free and debt free basis (such that any Indebtedness of the businesses outstanding on the Escrow Release Date will be tested as an "incurrence" of Indebtedness at such time).

"**Lien**" means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, assignment, easement, hypothecation, claim, preference, priority or other encumbrance upon or with respect to any property of any kind (including any conditional sale, capital lease or other title retention agreement, real or personal, movable or immovable, now owned or hereafter acquired). A Person will be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease Obligation or other title retention agreement.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of any Parent, the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €5.0 million in the aggregate outstanding at any time.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the Issuer or any direct or indirect parent company of the Issuer on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmatic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividends.

"**Maturity**" means, when used with respect to the Notes, the date on which the principal of the Notes becomes due and payable as therein provided or as provided in the Indenture, whether at Stated Maturity, the Offer Date or the redemption date and whether by declaration of acceleration, offer in respect of Excess Proceeds, Change of Control Offer in respect of a Change of Control, call for redemption or otherwise.

"**Net Cash Proceeds**" means:

(a) with respect to any Asset Sale by any Person, the proceeds thereof (without duplication in respect of all Asset Sales) in the form of cash or Temporary Cash Investments including payments in respect of deferred payment obligations when received in the form of, or stock or other assets or any Designated Non-Cash Consideration when disposed of for, cash or Temporary Cash Investments, but only as and when received and excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Sale (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary) net of:

  (1) brokerage commissions and other reasonable fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

  (2) provisions for all taxes payable as a result of such Asset Sale;

  (3) payments made to retire Indebtedness where payment of such Indebtedness is secured by the assets or properties the subject of such Asset Sale;

  (4) amounts required to be paid to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

  (5) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an officers' certificate delivered to the Trustee; and

(b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "*—Certain Covenants—Limitation on Restricted Payments*," the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Temporary Cash Investments (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees (including placement agents' fees, listing fees, or other discounts and commissions) and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Officer's Certificate**" means a certificate signed by an officer of the Issuer, or Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

"**Outstanding Balance**" means the amount of the Contribution Payment that remains due to BASF SE and/or its affiliates after the initial date of the consummation of the Joint Venture Transaction.

"**Parent**" means any Person (other than a natural person) of which the Issuer is or becomes a direct or indirect Subsidiary after the Issue Date; *provided* that the primary purpose of such Person is to serve as a direct or indirect holding company of the Issuer.

"***Pari Passu* Indebtedness**" means (a) any Indebtedness of the Issuer that is *pari passu* in right of payment to the Notes and (b) with respect to any Guarantee, Indebtedness which ranks *pari passu* in right of payment to such Guarantee.

"**Paying Agent**" means any Person authorized by the Issuer to pay the principal of (and premium, if any), or interest on any Notes on behalf of the Issuer.

"**Permitted Asset Swap**" means the concurrent purchase and sale or exchange of assets used or useful in a business, service or activity relating to the business of the Issuer and the Restricted Subsidiaries or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets*."

"**Permitted Collateral Liens**" means:

(a) Liens on the Collateral to secure the Notes (and the Guarantees) on the Issue Date and any Permitted Refinancing Indebtedness in respect thereof when the lenders under such Permitted Refinancing Indebtedness accede to the Intercreditor Agreement as an "Additional *Pari Passu* Debt Creditor";

(b) any Priority Lien on the Collateral to secure Indebtedness under the Credit Facilities and in respect of the Priority Hedging Liabilities when such Indebtedness is permitted to be incurred by clause (1) or (8) under the definition of "Permitted Indebtedness" when the lenders and/or hedge providers of such Senior Indebtedness accede to the Intercreditor Agreement as additional "Super Senior Creditors";

(c) any Lien on the Collateral to secure Senior Indebtedness that is (i) also *Pari* Passu Indebtedness and (ii) permitted to be incurred by clauses (1) or (19) under the definition of "Permitted Indebtedness" when the lenders under such Senior Indebtedness accede to the Intercreditor Agreement as "Additional *Pari Passu* Debt Creditors";

(d) any Lien on the Collateral to secure Senior Indebtedness that is (i) also *Pari Passu* Indebtedness and (ii) permitted to be incurred by the first paragraph of the "*Limitation on Indebtedness*" covenant (including, for the avoidance of doubt, Additional Notes) when the lenders and/or hedge providers of such Senior Indebtedness accede to the Intercreditor Agreement as an "Additional *Pari Passu* Debt Creditor";

(e) Liens on the Collateral that are described in one or more of clauses (b), (d), (f), (i), (k), (l), (m), (n), (p), (q), (r) and (u) of the definition of "Permitted Liens";

(f) any Lien on the Collateral to secure Subordinated Indebtedness permitted to be incurred by the first paragraph of the "*Limitation on Indebtedness*" covenant or under the definition of "Permitted Indebtedness;" *provided* that such Lien must rank junior to the Liens on the Collateral securing the Notes; and

(g) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (f) above; *provided* that any such extension, renewal or replacement will be no more restrictive in any material respect than the Lien so extended, renewed or replaced and will not extend in any material respect to any additional property or assets and the Collateral securing such Lien secures the Notes and the Guarantees on a senior or *pari passu* basis.

"**Permitted Holders**" means any of the BASF Holders and/or the INEOS Holders.

"**Permitted Investment**" means:

(a) Investments in (1) the form of loans or advances to the Issuer, (2) any Restricted Subsidiary (including the purchase of Capital Stock of any Restricted Subsidiary from a Person other than an Affiliate of the Issuer) or (3) any Person which, as a result of such Investment, (A) becomes a Restricted Subsidiary or (B) is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or any Restricted Subsidiary;

(b) Indebtedness of the Issuer or a Restricted Subsidiary described under clauses (4), (5), (6) and (7) of the definition of "Permitted Indebtedness;"

(c) Investments in any of the Notes;

(d) cash, Cash Equivalents and Temporary Cash Investments;

(e) Investments acquired by the Issuer or any Restricted Subsidiary in connection with an Asset Sale permitted under "*—Certain Covenants—Limitation on Sale of Assets*" to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant;

(f) Investments in existence on the date of the Indenture;

(g) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(h) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(i) loans or advances to employees made in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary not to exceed €5.0 million in the aggregate at any one time outstanding;

(j) stock, obligations or securities received in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;

(k) Hedging Obligations, which transactions or obligations are incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*;"

(l) loans, indemnities or other Investments required to be entered into in connection with a Permitted Receivables Financing;

(m) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitations on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(n) Investments by the Issuer or any Restricted Subsidiary in (A) an Unrestricted Subsidiary or (B) an entity in which the direct or indirect interest of the Issuer or any Restricted Subsidiary is greater than 10% and equal to or less than 50%, and which in each case is in a business relating to the business of the Issuer and the Restricted Subsidiaries and which Investments, together with any Indebtedness incurred pursuant to clause (17) of the definition of "Permitted Indebtedness," do not exceed €50.0 million outstanding at any one time; *provided* that if an Investment is made pursuant to this clause in a Person that subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary as described under *"—Certain Covenants—Limitation on Unrestricted Subsidiaries*," such Investment shall thereafter be deemed to have been made pursuant to clause (a) of this definition of "Permitted Investment" and not this clause;

(o) [*Reserved*]; and

(p) Investments by the Issuer or any Restricted Subsidiary, together with all other Investments under this clause (p), in an aggregate amount at the time of such Investment not to exceed €50.0 million outstanding at any one time.

In connection with any assets or property contributed or transferred to any Person as an Investment, such property and assets shall be equal to the Fair Market Value at the time of Investment.

"**Permitted Lien**" means:

(a) any Lien existing as of the date of the Indenture;

(b) any Lien arising by reason of:

(1) any judgment, decree or order of any court and any Liens that are required to protect or enforce any rights in any administrative, arbitration or other court proceedings in the ordinary course of business;

(2) taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith;

(3) security for payment of workers' compensation or other insurance (including general liability exposure of the Issuer and its Restricted Subsidiaries);

(4) good faith deposits in connection with tenders, bids, leases and contracts (other than contracts for the payment of money);

(5) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights of way, utilities, sewers, electric lines, telephone or telegraph lines, and other similar purposes, provisions, covenants, conditions, waivers, restrictions on the use of property or minor irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee), none of which materially impairs the use of any parcel of property material to the operation of the business of the Issuer or any Restricted Subsidiary or the value of such property for the purpose of such business;

(6) deposits to secure public or statutory obligations, or in lieu of surety or appeal bonds; or

(7) operation of law in favor of mechanics, carriers, warehousemen, landlords, materialmen, laborers, employees or suppliers, incurred in the ordinary course of business for sums which are not yet overdue for a period of more than 60 days or are being contested in good faith by negotiations or by appropriate proceedings which suspend the collection thereof;

(c) any Lien securing Acquired Indebtedness created prior to (and not created in connection with, or in contemplation of) the incurrence of such Indebtedness by the Issuer or any Restricted Subsidiary; *provided* that such Lien does not extend to any property or assets of the Issuer or any Restricted Subsidiary other than the assets acquired in connection with the incurrence of such Acquired Indebtedness;

(d) any Lien to secure the performance bids, trade contracts, leases (including, without limitation, statutory and common law landlord's liens), statutory obligations, surety and appeal bonds, letters of credit and other obligations of a like nature and incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary;

(e) any Lien securing Indebtedness permitted to be incurred under Hedging Obligations; *provided* that the hedging counterparties accede to the Intercreditor Agreement as "Additional *Pari Passu* Debt Creditors" and, subject to the Agreed Security Principles, the holders of the Notes are granted Liens over the same assets (with the ranking of such security claims to be governed by the Intercreditor Agreement);

(f) any Lien securing Capital Lease Obligations or Purchase Money Obligations incurred in accordance with the Indenture (including clause (9) of the definition of "Permitted Indebtedness") and which are incurred or assumed solely in connection with the acquisition, development or construction of real or personal, moveable or immovable property within 180 days of such incurrence or assumption; *provided* that such Liens only extend to such acquired, developed or constructed property, such Liens secure Indebtedness in an amount not in excess of the original purchase price or the original cost of any such assets or repair, addition or improvement thereto, and the incurrence of such Indebtedness is permitted by the "*Limitation on Indebtedness*" covenant;

(g) Liens on property and assets of any Restricted Subsidiary securing Credit Facilities permitted by the first paragraph of the "*Limitation on Indebtedness*" covenant and by clause (1) of the definition of "Permitted Indebtedness;" *provided* that the lenders under such Credit Facilities accede to the Intercreditor Agreement as additional "Super Senior Creditors" and, subject to the Agreed Security Principles, the holders of the Notes are granted equal Liens over the same assets with the same priority set out in the Intercreditor Agreement;

(h) Liens in favor of the Issuer or any Restricted Subsidiary;

(i) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution; *provided* that such deposit account is not intended by the Issuer or any Restricted Subsidiary to provide collateral to the depository institution;

(j) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(k) (1) mortgages, liens, security interests, restrictions, encumbrances or any other matters or record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (2) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(l) any provision for the retention of title to any asset by the vendor or transferor of such asset which asset is acquired by the Issuer or any Restricted Subsidiary in a transaction entered into in the ordinary course of business of the Issuer or such Restricted Subsidiary and for which kind of transaction it is normal market practice for such retention of title provision to be included;

(m) Liens provided the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (m) does not exceed €40.0 million;

(n) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(o) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(p) Liens created or incurred in connection with a Permitted Receivables Financing;

(q) Liens on assets of a Receivables Subsidiary to secure Indebtedness or other obligations incurred in connection with one or more Permitted Receivables Financings;

(r) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(s) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(t) any limited recourse Lien to secure Indebtedness incurred in connection with any project financing; *provided* that the assets or revenues which are subject to that Lien are:

   (i) assets which are the subject of the applicable project; or

   (ii) claims, revenues or proceeds which arise from the use or operation, failure to meet specifications, failure to complete, expropriation, sale, or loss of or damage to, those assets;

(u) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer's or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which that pledge exists;

(v) Liens created on any asset acquired by the Issuer or a Restricted Subsidiary or developed by the Issuer or a Restricted Subsidiary after the Issue Date for the sole purpose of financing or refinancing that acquisition or development and securing not more than 100% of the cost of acquisition or development; *provided* such Lien is released within 6 months of such acquisition;

(w) Liens (other than floating charges) constituting finance leases over the assets leased pursuant to such permitted finance leases;

(x) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal;

(y) limited recourse Liens in respect of the ownership interest or assets owned by joint ventures securing obligations of joint ventures; *provided* that the liability secured by such Lien constitutes Permitted Indebtedness;

(z) Permitted Collateral Liens;

(aa) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness (without any requirement to secure the Notes with a Lien on such proceeds loan);

(bb) Liens incurred to secure cash management services or to implement cash pooling arrangements in the ordinary course of business;

(cc) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (bb); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder; and

(dd) Liens on the escrow account created for the benefit of or to secure, directly or indirectly, the Notes.

"**Permitted Receivables Financing**" means the Styrolution Securitization Programs and any other financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in an aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be customary for such transactions and shall be on market terms (as determined in good faith by the Issuer's board of directors) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Issuer's board of directors) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries except to a limited extent customary for such transactions.

"**Permitted Refinancing Indebtedness**" means any Indebtedness that renews, extends, repays, substitutes, refinances or replaces (collectively, "**refinances**," "**refinanced**" and "**refinancing**" shall have correlative meanings) any Indebtedness, including any successive refinancings, so long as:

(a) such Indebtedness is in an aggregate principal or commitment amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (1) the aggregate principal or commitment amount (or, if incurred with original issue discount, the aggregate accreted value) then outstanding or in effect, respectively, of the Indebtedness being refinanced and (2) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(b) (1) the Average Life of such Indebtedness is equal to or greater than the Average Life of the Indebtedness being refinanced, (2) the Stated Maturity of such Indebtedness is no earlier than the Stated Maturity of the Indebtedness being refinanced, and (3) in the case of a refinancing of Subordinated Indebtedness, such Indebtedness being refinanced is subordinated to the Notes and the Guarantees thereof on substantially the same terms as provided in the Intercreditor Agreement;

provided that Permitted Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a non-Guarantor Subsidiary that refinances Indebtedness of the Issuer or a Guarantor.

"**Permitted Reorganization**" means an amalgamation, merger, demerger, reconstruction or other re-organization on a solvent basis of the Issuer or any Restricted Subsidiary where (1) all the business and assets of such Restricted Subsidiary remain at the Issuer or one of its Restricted Subsidiaries (and if such Restricted Subsidiary was a Guarantor immediately prior to such re-organization being implemented, (x) all the business and assets of such Restricted Subsidiary are retained by one or more Guarantors or (y) the condition in clause (2)(A) of this definition is satisfied or the limit in clause (2)(B) of this definition is not exceeded) and (2) either (A) that the re-organization will not be materially adverse to the Collateral (taken as a whole) (and for this purpose, it shall not be deemed to be adverse if the re-organization involves new hardening periods running as a result of the release and re-grant of Collateral if it is not reasonably likely that a liquidator or similar officer would be able to avoid the relevant Security Interests as a consequence of such new hardening periods) or (B) the value determined by the Issuer acting reasonably of assets and/or shares released from the Collateral in connection with re-organizations does not exceed in the aggregate €5.0 million per annum (after taking into account any grant of Collateral over assets and/or shares in the same year).

"**Person**" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Preferred Stock**" means, with respect to any Person, any Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class in such Person.

"**Priority Hedging Liabilities**" has the meaning set forth in the Intercreditor Agreement.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering registered under the Securities Act or (b) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission. The term "**Public Debt**" shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (provided that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not to be underwritten), or any Indebtedness under commercial bank or similar Indebtedness, Capitalized Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering."

"**Public Equity Offering**" means an underwritten public offering of ordinary shares (other than Redeemable Capital Stock) of the Issuer or a direct or indirect parent company of the Issuer (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar Persons) and, with respect to offerings by a parent company, pursuant to which the net cash proceeds are contributed to the Issuer in the form of a subscription for, or a capital contribution in respect of, Qualified Capital Stock or as Subordinated Shareholder Funding.

"**Purchase Money Obligation**" means any Indebtedness secured by a Lien on assets related to the business of the Issuer and any additions and accessions thereto, which are purchased by the Issuer or any Restricted Subsidiary at any time after the Notes are issued; *provided* that

(a) the security agreement or conditional sales or other title retention contract pursuant to which the Lien on such assets is created (collectively a "**Purchase Money Security Agreement**") shall be entered into within 180 days after the purchase or substantial completion of the construction of such assets and shall at all times be confined solely to the assets so purchased or acquired, any additions and accessions thereto and any proceeds therefrom,

(b) at no time shall the aggregate principal amount of the outstanding Indebtedness secured thereby be increased, except in connection with the purchase of additions and accessions thereto and except in respect of fees and other obligations in respect of such Indebtedness and

(c) (1) the aggregate outstanding principal amount of Indebtedness secured thereby (determined on a per asset basis in the case of any additions and accessions) shall not at the time such Purchase Money Security Agreement is entered into exceed 100% of the purchase price to the Issuer or any Restricted Subsidiary of the assets subject thereto or (2) the Indebtedness secured thereby shall be with recourse solely to the assets so purchased or acquired, any additions and accessions thereto and any proceeds therefrom.

"**Qualified Capital Stock**" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"**Receivables Asset**s" means any assets that are or will be the subject of a Permitted Receivables Financing.

"**Receivables Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Permitted Receivables Financing.

"**Receivables Repurchase Obligation**" means any obligation of a seller of receivables in a Permitted Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Receivables Subsidiary**" means a subsidiary of the Issuer that engages in no activities other than in connection with a Permitted Receivables Financing and that is designated by the Issuer's board of directors (as provided below) as a Receivables Subsidiary:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(1) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to representations, warranties, covenants, and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing);

(2) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing; or

(3) subjects any property or asset of the Issuer or any Restricted Subsidiary (other than accounts receivable and related assets as provided in the definition of Permitted Receivables Financing), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing;

(b) with which neither the Issuer nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing accounts receivable; and

(c) with which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such Subsidiary's financial condition or cause such Subsidiary to achieve certain level of operating results.

Any such designation by the Issuer's board of directors will be evidenced to the Trustee by filing with the Trustee a board resolution giving effect to such designation and an officer's certificate certifying that such designation complied with the proceeding conditions.

"**Redeemable Capital Stock**" means any Capital Stock that, either by its terms or by the terms of any security into which it is convertible or exchangeable or otherwise, is or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the principal of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in circumstances where the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity at the option of the holder thereof.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**RPI**" means the index entitled "General Index of Retail Prices" prepared by the Office for National Statistics from time to time (or, if that index ceases to be so prepared, such other comparable index as is generally accepted).

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Senior Indebtedness**" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries that is not Subordinated Indebtedness.

"**Senior Secured Indebtedness**" means (1) any Senior Indebtedness that is secured by a Lien or (2) any Indebtedness that is guaranteed by a Restricted Subsidiary that is not a Guarantor.

"**Significant Restricted Subsidiary**" means, at the date of determination, any Restricted Subsidiary that together with its Restricted Subsidiaries (i) for the most recent fiscal year, accounted for more than 5% of the Consolidated revenues of the Issuer or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 5% of the Consolidated assets of the Issuer.

"**Specified Affiliate Payments**" means:

(a) the repurchase of any (1) Capital Stock of the Issuer, any Restricted Subsidiary or any Parent or (2) employee loan stock of the Issuer, any Restricted Subsidiary or any Parent for a repurchase price not greater than the original purchase price paid for such loan stock, in each case held by any future, present or former employee, director or officer of the Issuer or any of its Restricted Subsidiaries (or their estates or beneficiaries under their estates) pursuant to any management equity subscription agreement, stock option agreement, put agreement, consulting agreement, stockholder agreement or similar agreement or employee loan stock scheme that may be in effect from time to time (or dividends from the Issuer to the parent of the Issuer to effect the same in respect of Capital Stock and employee loan stock of such parent held pursuant to any such agreement or scheme by any future, present or former employee, director or officer of the Issuer or any of its Restricted Subsidiaries (or their estates or beneficiaries under their estates)); *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock and employee loan stock shall not exceed €5.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum amount of repurchases, redemptions or other acquisitions pursuant to this clause (a) of €10.0 million in any calendar year);

(b) transactions with customers, clients, suppliers, and distributors and other purchases or sales of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which when taken together are fair to the Issuer and its Restricted Subsidiaries in the reasonable determination of the board of directors of the Issuer or the senior management of the Issuer, or are on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(c) dividends, bonus, distributions or other amounts paid to a direct or indirect parent of the Issuer in amounts equal to amounts required for such Person to pay (i) audit fees and expenses, (ii) directors' fees, remuneration and expenses (including customary indemnification obligations and director and officer insurance premia), (iii) corporate overhead and salary or other compensation to employees allocable to the Issuer and the Restricted Subsidiaries, (iv) other normal course expenses required to maintain its corporate existence, and (v) amounts required in relation to public reporting and registration and on-going administration of any securities;

(d) the payment of dividends or distributions, or loans, by the Issuer to its direct or indirect parent in amounts equal to amounts required by such parent to pay income or corporation taxes or VAT, but only to the extent such income or corporation taxes or VAT are attributable to the business of the Issuer or its Restricted Subsidiaries;

(e) the payment of an annual management fee to the Permitted Holders or one or more of their Subsidiaries; *provided* that the total amount of Specified Affiliate Payments made under this clause (e) does not exceed €5.0 million in any fiscal year); and

(f) the payment of any other Specified Affiliate Payments; *provided* that the total aggregate amount of Specified Affiliate Payments made under this clause (f) does not exceed €5.0 million in any fiscal year.

"**Specified Competition Disposals**" means any transfer or transfers (as defined in the definition of Asset Sale), directly or indirectly, in one or more of transactions, of:

(a) any Capital Stock of any Restricted Subsidiary (other than directors' qualifying shares);

(b) all or substantially all of the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or

(c) any other properties or assets of the Issuer or any Restricted Subsidiary other than in the ordinary course of business,

where:

(i) such transfer or transfers are necessary in the judgment of the Issuer to secure approval of the Joint Venture Transaction from relevant competition authorities in an expeditious manner;

(ii) the Fair Market Value of the property and assets sold or disposed of in all such transfers in the aggregate does not exceed €250.0 million; and

(iii) at the time of and after giving *pro forma* effect to all such transfers, the loss in earnings before interest, taxes, depreciation and amortization of the Issuer and its subsidiaries on a consolidated basis resulting, directly or indirectly, from all such transfers in the aggregate does not exceed €50.0 million for the most recent four full fiscal quarters for which financial statements are available.

For purposes of the covenant described under "*—Certain Covenants—Limitation of Sale of Assets*", to the extent the Fair Market Value of the property and assets sold or disposed of exceeds €250.0 million, the limitations imposed by clause (a)(i) therein shall apply only to the extent the consideration for such sale or disposal exceeds €250.0 million.

"**Stated Maturity**" means, when used with respect to any Indebtedness or any installment of interest thereon, the dates specified in such Indebtedness as the fixed date on which the principal of such Indebtedness or such installment of interest, as the case may be, is due and payable.

"**Styrolution Securitization Programs**" means (i) the trade receivables securitization program established on May 6, 2011 by Styrolution Receivables Finance Limited (as purchaser and borrower) and Styrolution Group GmbH (as master servicer, seller agent and subordinated lender) with, among others, HSBC Bank plc (as facility agent and conduit support lender) and The Law Debenture Trust Corporation plc (as security trustee) and (ii) the receivables financing program pursuant to the receivables purchase agreement dated as of October 21, 2010, by and between INEOS NOVA LLC and WELLS FARGO BANK, N.A. (as such programs may be amended, supplemented, varied, novated, extended or replaced from time to time and including without limitation any further receivables purchase agreements and other documents evidencing the accession of further receivables sellers to such programs and any additional security from time to time created by or in connection with any additional sellers).

"**Styrolution Shareholders Loan**" means the subordinated shareholders loan agreement between BASF SE, INEOS Industries Holdings Limited and the Issuer dated May 10, 2011, as may be amended, supplemented, varied, novated, extended or replaced from time to time.

"**Subordinated Indebtedness**" means Indebtedness of the Issuer or any of its Restricted Subsidiaries that is either (i) unsecured or (ii) subordinated in right of payment to the Notes or a Guarantee.

"**Subordinated Shareholder Funding**" means Subordinated Indebtedness of the Issuer issued to any Parent or any Affiliate of any Parent:

(a) which, by its terms or pursuant to the terms of any subordination agreement to which it is subject:

(i) does not (including upon the happening of any event) mature or require any amortization and is not (including upon the happening of any event) mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder, in whole or in part, and does not include any provision requiring repurchase by the Issuer or any Restricted Subsidiary (including upon the happening of any event) prior to the first anniversary of the Stated Maturity of the Notes;

(ii) does not (including upon the happening of any event) require or provide for the payment, in cash or otherwise, of interest, cash withholding amounts or other cash gross-ups or any other amounts prior to its final Stated Maturity (*provided* that interest may accrete while such Subordinated Indebtedness is outstanding and accreted interest may become due upon acceleration of maturity as permitted by clause (b)(ii) below and any interest may be satisfied at any time by the issue to the holders thereof of additional Subordinated Shareholder Funding);

(iii) contains no change of control or similar provisions, has no right to declare a default or event of default, does not provide (including upon the happening of any event) for the acceleration of its maturity, the ability to take any enforcement action or the exercise of remedies prior to the date on which the Notes mature and are repaid;

(iv) does not require or provide for, and is not secured by, a Lien on any assets of the Issuer or any Restricted Subsidiary and is not guaranteed by any Subsidiary;

(v) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Indenture;

(vi) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Indebtedness;

(vii) does not (including upon the happening of an event) constitute Voting Stock; and

(viii) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Redeemable Capital Stock) of the Issuer; and

(b) is contractually subordinated (by its terms in favor of, or pursuant to an agreement with, the Trustee) and junior in right of payment to the prior payment in full in cash of all obligations (including principal, interest, premium (if any) and Additional Amounts (if any)) of the Issuer under the Notes and the Indenture such that:

(i) the Issuer shall make no payment in respect of such Subordinated Indebtedness (whether in cash, securities or otherwise, except as permitted by clause (a)(ii) above) and may not acquire such Subordinated Indebtedness except as permitted by the Indenture until the prior payment in full in cash of all obligations in respect of the Notes and the Indenture;

(ii) upon any total or partial liquidation, dissolution or winding up of the Issuer or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Issuer or its property, the holders of the Notes will be entitled to receive payment in full in cash of the obligations under the Notes and the Indenture, including Additional Amounts, if any, before the holders of such Subordinated Indebtedness will be entitled to receive any payment in respect of such Subordinated Indebtedness;

(iii) such Subordinated Indebtedness may not be amended such that it would cease to qualify as Subordinated Shareholder Funding until a date that is after the prior payment in full in cash of all obligations in respect of the Notes and the Indenture;

(iv) the holders of such Subordinated Indebtedness shall assign any rights to vote, including by way of proxy, in a bankruptcy, insolvency or similar proceeding to the Trustee to the extent necessary to give effect to the priority and subordination provisions described in this definition; and

(v) the holders of such Subordinated Indebtedness shall agree that, in the event any payment on such Subordinated Indebtedness is received by such holder in contravention of the terms of the Indenture and any applicable subordination agreement, then such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee, on behalf of the holders of the Notes;

provided that any event or circumstance that results in such Subordinated Indebtedness ceasing to qualify as Subordinated Shareholder Funding shall (x) constitute an incurrence of such Indebtedness by the Issuer and (y) reduce the sum described in clause (b)(3)(B) of "*—Certain Covenants—Limitation on Restricted Payments*," by an amount equal to the principal amount of such Indebtedness, and any and all Restricted Payments made since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that must satisfy the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" at a time on or after the date of the original issuance of such Subordinated Shareholder Funding after giving effect to the reduction referred to above in clause (y) of this sentence.

"**Subsidiary**" of a Person means (i) any corporation more than 50% of the outstanding voting power of the Voting Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof, (ii) any limited partnership of which such Person or any Subsidiary of such Person is a general partner, or (iii) any other Person in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries, directly or indirectly, has more than 50% of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof.

"**Tax Sharing Agreement**" means any tax sharing agreement with customary terms entered into with any Parent, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"**Temporary Cash Investments**" means

(a) any evidence of Indebtedness, maturing not more than one year after the date of acquisition, issued by the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 or an instrumentality or agency thereof, and guaranteed fully as to principal, premium, if any, and interest by any of the foregoing;

(b) any certificate of deposit, maturing not more than one year after the date of acquisition, issued by, or time deposit of, a commercial banking institution that is a member of the Federal Reserve System or a bank or trust company organized in the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 and that has combined capital and surplus and undivided profits of not less than $500.0 million, whose debt has a rating, at the time as of which any investment therein is made, of "P-1" (or higher) according to Moody's or any successor rating agency or "A-1" (or higher) according S&P or any successor rating agency;

(c) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate or Subsidiary of the Issuer) organized and existing under the laws of the United States of America, any state thereof or the District of Columbia, Switzerland or any state that was a member state of the European Union on December 31, 2003 with a rating, at the time as of which any investment therein is made, of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(d) any money market deposit accounts issued or offered by a commercial bank organized in the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 having capital and surplus in excess of $500.0 million; *provided* that the short term debt of such commercial bank has a rating, at the time of Investment, of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(e) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (a) and (b) entered into with any bank meeting the qualifications specified in clause (b) above;

(f) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (a) through (e) above; and

(g) other short-term investments utilized by Restricted Subsidiaries in accordance with normal investment practices for cash management not exceeding €2.0 million (or an equivalent amount in other currencies) in aggregate principal amount outstanding at any time.

"**Total Assets**" means the total consolidated assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

"**Transactions**" means the Joint Venture Transaction, the offering of the Notes, and the entering into and borrowings under the Styrolution Securitization Programs and the Indian LCs, and the transactions contemplated by each, as further described in "*The Transactions*".

"**Trust Indenture Act**" means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute.

"**Unrestricted Subsidiary**" means any Subsidiary of the Issuer (other than a Guarantor) designated as such pursuant to and in compliance with the covenant described under "*—Certain Covenants—Limitation on Unrestricted Subsidiaries*."

"**Unrestricted Subsidiary Indebtedness**" of any Unrestricted Subsidiary means Indebtedness of such Unrestricted Subsidiary

(a) as to which neither the Issuer nor any Restricted Subsidiary is directly or indirectly liable (by virtue of the Issuer or any such Restricted Subsidiary being the primary obligor on, guarantor of, or otherwise liable in any respect to, such Indebtedness), except Guaranteed Debt of the Issuer or any Restricted Subsidiary to any Affiliate, in which case (unless the incurrence of such Guaranteed Debt resulted in a Restricted Payment at the time of incurrence) the Issuer shall be deemed to have made a Restricted Payment equal to the principal amount of any such Indebtedness to the extent guaranteed at the time such Affiliate is designated an Unrestricted Subsidiary and

(b) which, upon the occurrence of a default with respect thereto, does not result in, or permit any holder of any Indebtedness of the Issuer or any Subsidiary to declare, a default on such Indebtedness of the Issuer or any Subsidiary or cause the payment thereof to be accelerated or payable prior to its Stated Maturity; *provided* that notwithstanding the foregoing any Unrestricted Subsidiary may guarantee the Notes.

"**Voting Stock**" of a Person means Capital Stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"**Wholly Owned Restricted Subsidiary**" means a Restricted Subsidiary all the Capital Stock of which is owned by the Issuer or another Wholly Owned Restricted Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by a global note in registered form without interest coupons attached (the "Rule 144A Global Note"). Notes sold to persons outside the United States in reliance on Regulation S under the Securities Act will be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"). The Global Notes will be deposited with, or on behalf of, a common depositary (the "Common Depositary") for the accounts of Euroclear and Clearstream Banking and registered in the name of the nominee of the Common Depositary.

Ownership of interests in the Rule 144A Global Note ("Rule 144A Book-Entry Interests") and in the Regulation S Global Note (the "Regulation S Book-Entry Interests" and, collectively with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream Banking, or persons that hold interests through such participants. Euroclear and Clearstream Banking will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream Banking and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of the Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream Banking, as applicable (or their respective nominees), will be considered the sole holders of Global Notes for all purposes under the Indenture governing the Notes. In addition, participants in Euroclear and/or Clearstream Banking must rely on the procedures of Euroclear and/or Clearstream Banking and the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders under the Indenture governing the Notes.

Neither the Issuer nor the Trustee under the Indenture governing the Notes will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream Banking (or their respective nominees), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream Banking, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream Banking, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream Banking will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no Book-Entry Interest of €100,000 principal amount or less may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts, if any) to the Common Depositary or its nominee, which will distribute such payments to participants in accordance with their procedures. The Issuer will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Payment of Additional Amounts*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Payment of Additional Amounts*", the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture governing the Notes, the Issuer and the Trustee will treat the registered holders of the Global Notes (*e.g.*, Euroclear or Clearstream Banking (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream Banking or any participant or indirect participant relating to payments made on account of a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream Banking or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream Banking or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream Banking and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream Banking in euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Trustee, the initial purchasers or any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream Banking have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes (including the presentation of the Notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream Banking will not exercise any discretion in the granting of consents or waivers, or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream Banking reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "Definitive Registered Notes"), and to distribute Definitive Registered Notes to its participants.

Transfers

Transfers between participants in Euroclear and Clearstream Banking will be effected in accordance with Euroclear and Clearstream Banking rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of securities or to pledge such securities, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream Banking and in accordance with the procedures set forth in the Indenture governing the Notes.

The Rule 144A Global Note will bear a legend to the effect set forth in "*Notice to Investors*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in "*Notice to Investors*".

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note of the same series will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture governing the Notes, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream Banking notifies the Issuer that it is unwilling or unable to continue as depositary and a successor depositary is not appointed by the Issuer within 120 days;
- if Euroclear or Clearstream Banking so requests following an event of default under the Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream Banking following an event of default under the Indenture.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such note by surrendering it to the registrar or transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note shall be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed shall be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 shall be issued, and the Notes will only be issued in such denominations or integral multiples of €1,000 in excess thereof. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer shall not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (a) the record date for any payment of interest on the Notes, (b) any date fixed for redemption of the Notes or (c) the date fixed for selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the transfer agent may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the registrar or at the office of a transfer agent, the Issuer shall issue and the Trustee shall authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Trustee or the Issuer may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of the Trustee and the Issuer to protect the Issuer, the Trustee or the paying agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for its expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the transfer agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. Please see "*Notice to Investors*".

Information Concerning Euroclear and Clearstream Banking

The Issuer's understanding with respect to the organization and operations of Euroclear and Clearstream Banking is as follows: Euroclear and Clearstream Banking hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream Banking provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream Banking interface with domestic securities markets. Euroclear and Clearstream Banking participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream Banking is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream Banking participant, either directly or indirectly.

LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES, THE COLLATERAL AND CERTAIN INSOLVENCY CONSIDERATIONS

The following is a brief description of certain limitations on the validity and enforceability of the Guarantees and security interests for the Notes and certain aspects of insolvency law in each of the jurisdictions in which the Issuer, the Guarantors of the Notes and the providers of security to the Notes are organized. In the event that any one or more of the Issuer, the guarantors of the Notes and the providers of security to the Notes or any other of the Issuer's subsidiaries experienced financial difficulty, it is not possible to know with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer, the Guarantors of the Notes and the providers of security to the Notes. The descriptions below are only a summary and do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Guarantees or other security interests. Please see: "*Risk Factors—Risks Relating to the Notes and Our Capital Structure—Your rights as a creditor may not be the same under German insolvency laws as under U.S. or other insolvency laws. Corporate benefit, capital maintenance and other limitations on the Guarantees and the security interests may adversely affect the validity and enforceability of the Guarantees of the Notes and the security interests and will limit the amount that can be recovered under the Guarantees and the security interests granted by the Issuer and its subsidiaries*".

European Union

The Issuer and some of the Guarantors are organized under the laws of Member States of the European Union. Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court that has jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views. To date, no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the EU Insolvency Regulation throughout the EU.

The term "center of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "center of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "center of main interests."

If the "center of main interests" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation, with these proceedings being governed by the *lex fori concursus i.e.*, the local laws of the court opening such main insolvency proceedings. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

Germany

German insolvency law

One or more of the guarantors of the Notes and providers of security to the Notes (together the "German Security Providers") and the Issuer are incorporated in Germany. In the event of an insolvency of any such German company, subject to the statements made above under the heading "*European Union*," insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law.

Under German law, insolvency proceedings are not initiated by the competent court ex officio, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) or illiquidity (*Zahlungsunfähigkeit*) of the debtor. The debtor is over-indebted if its liabilities exceed the value of its assets which must be assessed on the basis of an over-indebtedness balance sheet (*Überschuldungsstatus*) to be drawn up either (i) on the basis of the liquidation value of the debtor or (ii) based upon the going concern value if a continuation of the business is more likely than not, provided that according to temporary legislation being in force until end of 2013, the debtor is not deemed over-indebted if, given the circumstances, its continuation as a going concern is more likely than not. The debtor is illiquid if it is unable to pay its debts as and when they fall due. If a limited liability company (*Gesellschaft mit beschränkter Haftung*), any other kind of corporation or partnership without an individual as its personally liable partner gets into a situation of illiquidity and/or over-indebtedness, the management of such company or corporation (or of the relevant personally liable partner(s)) is obliged to file for insolvency without delay. In addition, the debtor can file for insolvency proceedings if it is imminently at risk to be unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*).

Insolvency proceedings are controlled by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings as far as these protective measures are reasonable to protect the debtor's assets and/or to ensure the continuation of the debtor's business. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and to preserve the debtor's property and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. The court orders the opening (*Eröffnungsbeschluss*) of main insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if (i) the debtor is in a situation of imminent illiquidity (if the petition has been filed by the debtor) or illiquidity and/or over-indebted and (ii) there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be suffient, the petition for opening of insolvency proceedings will usually be dismissed. If insolvency proceedings are opened, the court usually appoints an insolvency administrator (*Insolvenzverwalter*) who has full power to dispose of the debtor's assets, and the debtor is no longer entitled to dispose of its assets. As an exception, the court may order insolvency proceedings to be run by the relevant debtor itself under the supervision of a custodian (*Sachwalter*), in which case the relevant debtor retains, to a large extent, its authority to dispose of its assets. Such order remains subject to review and may be repealed in which case an insolvency administrator would be appointed. An insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations and satisfaction of these liabilities as preferential debts of the estate (*Masseschulden*) will be preferred to any insolvency claims of unsecured creditors (this also includes such portion of a secured creditor's claim which exceeds the amount obtained through a disposal of the relevant collateral).

All creditors, whether secured or unsecured, (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)) that wish to assert claims against the debtor in person need to participate in the insolvency proceedings. Any judicial enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). If, during the final month preceding the date of filing for insolvency proceedings, a creditor acquires through execution (*i.e.*, attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the insolvency proceedings. Unsecured creditors may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Secured creditors are not entitled to enforce their security interests after an insolvency petition has been filed to the extent the Insolvency Code authorizes the insolvency administrator to dispose of the relevant collateral (though, between the time when an insolvency petition is filed and the time when insolvency proceedings commence, such stay on enforcement requires a court order) but have only certain preferential rights (*Absonderungsrechte*) in the insolvency proceedings. Whether or not, after the initiation of insolvency proceedings, a secured creditor remains entitled to enforce security granted to it by the relevant debtor depends on the type of security. However, even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the insolvent secured creditor retains a right of preferred satisfaction with regard to the disposal proceeds. As a consequence, the enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts ("excess-proceeds") are distributed among the unsecured creditors. If the Issuer, a German Guarantor or other German security provider of the Issuer grants security over its assets to other creditors than the holders of the Notes, such security may result in a preferred satisfaction of such other creditors' secured claims (however, the preferential treatment would be limited to the proceeds obtained through the disposal of the relevant collateral). The excess-proceeds resulting from the disposal of collateral provided to such other creditors may not be sufficient to satisfy the unsecured claims of the holders of the Notes against the Issuer or under the guarantee granted by such German Guarantor (if any). In addition, it may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (that is, there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who became a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors.

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Most executory contracts become unenforceable at such time unless and until the insolvency administrators opts for performance.

Limitation on enforcement

Any security (including a guarantee) granted by a German Security Provider incorporated in the form of a GmbH (limited liability company) or another kind of German company with limited liability is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*—"GmbHG").

Sections 30 and 31 of the GmbHG ("Sections 30 and 31") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e.*, assets minus liabilities and liability reserves) is already less or would fall below the amount of its stated share capital (*Stammkapital*). The granting of guarantees, share pledges and other security by a GmbH in order to guarantee or secure liabilities of a direct or indirect parent or sister company may be considered disbursements under Sections 30 and 31. Therefore, in order to enable a GmbH to issue guarantees or create security to secure guarantee liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries in the legal form of a GmbH or a limited liability partnership with a GmbH as its sole general partner (GmbH & Co. KG), incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees and secured parties agree to enforce the guarantee and security interest against the GmbH only to the extent that such enforcement would not result in the GmbH's (or, in the case of a GmbH & Co. KG, its general partner's) net assets falling below its stated share capital or, if the net assets are already below its stated share capital, does not further reduce such amount. Accordingly, the documentation in relation to the Guarantees and security, to the extent they concern a German Security Provider, contain such limitation language and, hence, such Guarantees and security interests are limited in the manner described.

German capital maintenance rules are subject to ongoing court decisions. Future court rulings may further limit the access of shareholders to assets of their subsidiaries constituted in the form of a GmbH, which can negatively affect the ability of the Issuer to make payment on the Notes, of the subsidiaries to make payments on the guarantees, of the secured parties to enforce the collateral or of the beneficiaries of the guarantees to enforce the guarantees.

In addition the enforcement of the Guarantees and security interests granted by subsidiaries of the Issuer may be limited to the extent that it would lead to the illiquidity (*Zahlungsunfähigkeit*) of the company granting such Guarantee or security interest.

Parallel Debt

Under German law, certain "accessory" security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee who does not itself hold the secured claim. The holders of interests in the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes from time to time to benefit from pledges granted to the Security Trustee under German law the Intercreditor Agreement provides for the creation of a "parallel debt." Pursuant to the parallel debt, the Security Trustee becomes the holder of a claim equal to each amount payable by an obligor under, in particular, the Notes and the indenture. The pledges governed by German law will directly secure the parallel debt only. There are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt, and hence there is no certainty that German courts will uphold such pledges.

Hardening periods and fraudulent transfer

In the event of insolvency proceedings with respect to a German Security Provider governed by insolvency laws of Germany, the Guarantee and other security provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

Based on these rules, an insolvency administrator may challenge (*anfechten*) transactions that are deemed detrimental to the insolvent debtor's creditors as a whole and were effected prior to the commencement of insolvency proceedings. Such transactions can include the payment of any amounts to the noteholders as well as granting them any security interest or guarantee, such as the Guarantee and security granted in connection with the issuance of the Notes, or providing credit support for their benefit. An administrator's right to challenge transactions can, depending on the circumstances, extend to transactions that have occurred up to ten years prior to the filing of the petition for commencement of insolvency proceedings. In the event such a transaction is successfully avoided, the Security Trustee and noteholders would be under an obligation to repay the amounts received to the insolvency estate or to forfeit the security interest or Guarantee.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which term includes the issuance of guarantees and granting of security as well as the repayment of debt) may be avoided in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security (including a guarantee) or satisfaction (*Befriedigung*) (i) if such act was performed during the last three months prior to the filing of the petition for the commencement of the insolvency proceedings and the debtor was illiquid (*zahlungsunfähig*) at the time when such act was performed and the creditor had knowledge of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time, or (ii) if such act was performed after the filing of the petition for the commencement of the insolvency proceedings and the creditor had knowledge of the illiquidity of the debtor or the filing of such petition (or of circumstances that imperatively suggesting such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security (including a guarantee) or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction if (i) such act was performed during the last month prior to the filing of the petition for the commencement of the insolvency proceedings or after such filing, (ii) such act was performed during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (iii) such act was performed during the second or third month prior to the filing of the petition for the commencement of the insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or of circumstances that imperatively suggest that such act was detrimental to the other insolvency creditors);
- any transaction by the debtor that is directly detrimental to the insolvency creditors or by which a proprietary claim against a debtor is obtained or becomes enforceable if (i) it was entered into during the three months prior to the filing of the petition of the commencement of the insolvency proceedings, the debtor was illiquid at the time of such transaction and the counterparty to such transaction had knowledge of the illiquidity at such time or (ii) it was entered into after such filing and the counterparty to such transaction had knowledge of either the debtor's illiquidity or such filing at the time of the transaction;

- any act performed by the debtor during the ten years prior to the filing of the petition for the commencement of insolvency proceedings on or after such filing with the intent to prejudice the insolvency creditors and the other party knew of such intention at the time of such act;
- any act whereby a debtor grants security (including guarantees) for a third party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*), if it was effected in the four years prior to the filing of a petition for the commencement of insolvency proceedings against the debtor;
- any act that provides security (including a guarantee) or satisfaction for a shareholder loan made to the debtor or a similar claim if (i) in the case of the provision of security, the act occurred during the ten years prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition, or (ii), in the case of satisfaction, the act occurred during the last year prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition; and
- any act whereby the debtor satisfies for a loan payment claim or an economically equivalent claim of a third party if: (i) the transaction was effected in the last year prior to the filing of a petition for commencement of insolvency proceedings or thereafter; and (ii) a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

Furthermore, even in the absence of an insolvency proceeding, a third party creditor that has obtained an enforcement order but has failed to obtain full satisfaction of its enforceable claims by a levy of execution, has, under certain circumstances, the right to avoid certain transactions, such as the payment of debt and the granting of guarantees and security interests pursuant to the German Act on Avoidance (*Anfechtungsgesetz*).

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction is aware of any circumstances indicating that the debtor is close to financial collapse (*Zusammenbruch*), or has reason to enquire further with respect thereto.

Belgium

Insolvency

One or more of the guarantors are incorporated under the laws of Belgium (the "Belgian Guarantors"). Consequently, in the event of an insolvency of any of the Belgian Guarantors, insolvency proceedings may be initiated in Belgium. Such proceedings would then be governed by Belgian law. Under certain circumstances, Belgian law also allows bankruptcy proceedings to be opened in Belgium over the assets of companies that are not established under Belgian law.

The following is a brief description of certain aspects of Belgian insolvency law.

Belgian insolvency laws provide for two insolvency procedures: a judicial restructuring procedure (*gerechtelijke reorganisatie/réorganisation judiciaire*) and a bankruptcy procedure (*faillissement/faillite*).

Judicial Restructuring

A debtor may file a petition for judicial restructuring if the continuity of the enterprise is at risk, whether immediately or in the future. If the net assets of the debtor have fallen below 50% of the debtor's registered capital, the continuity of the enterprise is always presumed to be at risk.

As long as the court overseeing a judicial restructuring has not issued a ruling on the restructuring petition, the debtor cannot be declared bankrupt or wound up by court order. In addition, during the period between the filing of the petition and the court's decision, none of the debtor's assets may be disposed of by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

Within a period of ten days as from the filing of the petition and subject to the satisfaction of the filing conditions, the court will declare the judicial restructuring procedure open, allowing a temporary moratorium for a maximum period of six months. At the request of the debtor and pursuant to the report issued by the delegated judge, the moratorium period can be extended by six months. In exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment), and in the interest of the creditors, the court may order an additional extension of the moratorium period for six months.

The granting of the moratorium operates as a stay. No enforcement measures with respect to pre-existing claims in the moratorium can be continued or initiated against any of the debtor's assets from the time that the moratorium is granted until the end of the period. During the duration of the moratorium, no attachments can be made with regard to pre-existing claims.

Conservatory attachments that existed prior to the opening of the judicial restructuring retain their conservatory character, but the court may order their release, provided that such release does not have a material adverse effect on the situation of the creditor concerned.

Receivables pledged by the debtor in favor of a creditor prior to the opening of the judicial restructuring procedure are not covered by the moratorium, and the holder of such pledged receivables is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (*e.g.*, the debtor's customers) during the moratorium. A pledge on financial instruments or cash held on accounts in the meaning of the Financial Collateral Law of 15 December 2004 can be enforced notwithstanding the enforcement prohibition imposed by the moratorium. Personal guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium.

During the judicial restructuring procedure, the board of directors and management of the debtor continue to exercise their management functions. However, upon request of the debtor or any other interested party and to the extent it is deemed useful for reaching the aims of the restructuring, the court may appoint, in its decision to open the judicial restructuring procedure or at any other point in time during the course of the procedure, a judicial administrator (*gerechtsmandataris/mandataire de justice*) to assist the debtor during the restructuring.

The restructuring procedure aims to preserve the continuity of a company as a going concern. Consequently, the initiation of the procedure does not terminate any contracts, and contractual provisions which provide for the early termination or acceleration of the contract upon the initiation or approval of a restructuring procedure, and certain contractual terms such as default interest, may not be enforceable during such a procedure. The Belgian law on judicial restructuring provides that a creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the restructuring procedure if the debtor remedies such default within a 15-day period following the notification of such default.

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the restructuring procedure, provided that the debtor notifies the creditor, and the decision is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the company or its assets.

Judicial Restructuring by Amicable Settlement by Collective Agreement, or by Court-ordered Transfer of Enterprise

A judicial restructuring procedure may result in an amicable settlement between the debtor and two or more of its creditors, or a collective agreement.

In the case of a judicial restructuring by collective agreement, the creditors agree to a restructuring plan during the restructuring procedure. The plan must be filed with the Clerk's Office of the Commercial Court at least 14 days in advance of the date on which the creditors will vote on the approval of the restructuring plan. The court needs to ratify the restructuring plan prior to its taking effect.

Within a period of 14 days following the ruling declaring the judicial restructuring procedure open, the debtor must inform each of its creditors individually of the amount of its claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the restructuring procedure, or definitively, on the condition that it has jurisdiction in that respect, but that the decision relating to the dispute cannot be taken in a sufficiently short time frame.

The debtor must use the moratorium period to complete and finalize a restructuring plan, with the assistance of the court-appointed administrator, as the case may be.

The court-ordered transfer of all or part of the debtor's enterprise can be requested by the debtor in his petition or at a later stage in the procedure. It can be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court can order such transfer in specific circumstances.

Bankruptcy

A bankruptcy procedure may be initiated by the debtor, by unpaid creditors or upon the initiative of the Public Prosecutor's office, or the provisional administrator of the merchant's assets or the liquidator of "main insolvency proceedings" opened in another EU member state (except Denmark) according to the EU Insolvency Regulation.

Conditions for a bankruptcy order (*declaration de faillite/aangifte van faillissement*) are that the debtor must be in a situation of cessation of payments (*cessation de paiements/staking van betaling*) and be unable to obtain further credit (*ebranlement de credit/wiens krediet geschokt is*). Cessation of payments is generally accepted to mean that the debtor is not able to pay its debts as they fall due. Such situation must be persistent and not merely temporary. In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy receiver (*curateur/curator*) becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver. Creditors may oppose the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

The receiver must decide whether or not to continue performance under ongoing contracts (*i.e.*, contracts existing before the bankruptcy order). The receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

(a) the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an automatic early termination or acceleration event; and

(b) *intuitu personae* contracts (*i.e.*, contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment, since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy if such decision is necessary for the management and liquidation of the bankrupt estate. The counterparty to that agreement may make a claim for damages in the bankruptcy (and such claim will rank *pari passu* with claims of all other unsecured creditors) and/or seek a court order to have the relevant contract dissolved. The counterparty may not seek injunctive relief or require specific performance of the contract.

The enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy trustee may proceed against the debtor and liquidate its assets. However, such suspension does not apply to a pledge of financial instruments or cash held on account.

For creditors with claims secured by movable assets, such suspension would normally be limited to the period required for the first report of verification of the claims. At the request of the bankruptcy receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court, which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors but without prejudicing the secured creditors, and provided that those secured creditors have been given the opportunity to be heard by the court.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy receiver is necessary to pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the first report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee, provided that the mortgagee has been given the opportunity to be heard by the court. However, a pledge on financial instruments or cash held on accounts can be enforced during the suspension period.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, like tax administration or social security.

The debts of the bankrupt estate generally will be ranked as to priority on the basis of complex rules. The following is a general overview of such rules:

(a) Estate debt: Costs and indebtedness incurred by the receiver during the bankruptcy proceedings, the so-called "estate debts", have a senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors;

(b) Security interests: Creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization);

(c) Privileges: Creditors may have a particular privilege on certain or all assets (*e.g.*, tax claims, claims for social security premiums, etc.). Privileges on specific assets rank before privileges on all assets of the debtor; and

(d) *Pari passu*: Once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the receiver among the unsecured creditors who rank *pari passu* (unless a creditor agreed to be subordinated).

Limitation on Enforcement

The grant of a guarantee or collateral by a Belgian company for the obligations of another group company must be for the corporate benefit of the granting company.

The question of corporate benefit is determined on a case-by-case basis and consideration has to be given to any direct and/or indirect benefit that the company would derive from the transaction. Two principles apply to such evaluation: (i) the risk taken by the company in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction and (ii) the financial support granted by the company should not exceed its financial capabilities.

If the corporate benefit requirement is not met, the directors of the company may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee or collateral could be declared null and void and, under certain circumstances, the creditor that benefits from the guarantee or collateral could be held liable for up to the amount of the guarantee. Alternatively, the guarantee or collateral could be reduced to an amount corresponding to the corporate benefit, or the creditor may be held liable for any guarantee amount in excess of such amount. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee and collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated or established in Belgium. Accordingly, the Purchase Agreement, the Indenture and the security documents will contain such limitation language and the security and the guarantees of the Belgian Guarantors will be so limited.

The Indenture will expressly provide substantially to the effect that the obligations of each Belgian Guarantor under the guarantee clause of the Indenture:

(a) shall not include any liability which would constitute unlawful financial assistance (as determined in article 329/430/629 of the Belgian Company Code); and

(b) shall be limited to a maximum aggregate amount equal to the greater of (a) 90% of such Belgian Guarantor's net assets (as defined in article 320/429/617 of the Belgian Company Code but not taking intra-group debt into account as debt) as shown in its most recent audited annual financial statements as approved at its meeting of shareholders, and (b) the aggregate of the amounts, either directly or through one or more other companies of the Issuer, made available to such Belgian Guarantor and its subsidiaries (if any) directly and/or indirectly using all or part of the proceeds of the Notes (increased by all interests, commissions, costs, fees, expenses and other sums accruing or payable in connection with such amount) whether or not such intra-group loan is retained by the relevant Belgian guarantor for its own purposes or on-lent.

Mandates and third party rights

Due to the registration and other fees payable in connection with the grant of Belgian law mortgages in respect of real property and pledges over business assets, the amounts secured under these security documents will be capped. Additional amounts will be secured by way of a mortgage mandate or business pledge mandate (as applicable). Pursuant to such mandates, the respective Belgian Guarantors will grant a power of attorney for the purposes of creating one or more mortgages or pledges over the relevant property or business assets on behalf of the Security Trustee.

The creation of mortgages and business pledges pursuant to these mandates will not have any retroactive effect, *i.e.*, the security interest will be created as of the date of conversion of the mortgage mandate into a mortgage and the date of conversion of the business pledge mandate into a business pledge and will take rank at that date. In addition, if a mortgage mandate or a business pledge mandate is converted into a mortgage or a business pledge during the hardening period (*verdachte periode/période suspecte*) as security interest for a pre-existing debt, such security interest will not be enforceable against the bankrupt estate (*niet tegenwerpelijk aan de boedel/inopposable à la masse*).

In addition, various rights may have been granted or may exist in favor of third parties on some parcels of immovable goods on which mortgages will be granted. These rights could either limit the rights of the Security Trustee under the mortgage or impose an obligation that the prior consent of the relevant third party is obtained before the mortgage is granted.

Trust

As there is no established concept of "trust" or "trustee" under the present Belgian legal system, the precise nature, effect and enforceability of the duties, rights and powers of a security agent as agent or trustee for noteholders in respect of security interests such as pledges are debated under Belgian law.

Hardening Periods and Fraudulent Transfer

In the event that bankruptcy proceedings are governed by Belgian law, certain business transactions may be declared ineffective against third parties if concluded or performed during a so-called "hardening period."

In principle, the cessation of payments (which constitutes a condition for filing for bankruptcy) is deemed to have occurred as of the date of the bankruptcy order. The court issuing the bankruptcy order may determine, based on serious and objective indications, that the cessation of payments occurred on an earlier date. Such earlier date may not be earlier than six months before the date of the bankruptcy order, except in cases where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined as being the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the "hardening period" (*période suspecte/verdachte periode*).

The business transactions entered into during the hardening period which may be declared ineffective against third parties include, among others, (i) transactions entered into on extremely beneficial terms, (ii) payments other than in money for debts due, and (iii) security provided for existing debt.

The Belgian receiver may request the court to declare payments of a Belgian Guarantor during the hardening period for debts due ineffective against third parties, provided that it can be proven that the creditor concerned was aware of the cessation of payment of the company.

Finally, regardless of any declaration by the commercial court of a hardening period, transactions of which it can be demonstrated that they have been entered into with fraudulent prejudice to third creditors may be declared ineffective against third parties.

Canada

One or more of the guarantors are incorporated under the laws of Canada (the "Canadian Guarantors"). Consequently, in the event of an insolvency of any of the Canadian Guarantors, insolvency proceedings may be initiated in Canada. Bankruptcy and insolvency matters are within the jurisdiction of the federal laws of Canada, but provincial laws can also affect bankruptcy and insolvency proceedings relating to those entities. In the event of the insolvency of any of the Canadian Guarantors, insolvency proceedings with respect to that Canadian Guarantor may be initiated in Canada. Canadian insolvency laws, as supplemented by applicable provincial legislation, would govern those proceedings (subject to laws or protocols that may be applicable to international insolvencies if proceedings also occur in other jurisdictions in respect of those Guarantors). The insolvency laws of Canada may not be as favorable to your interest as creditors as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain post-filing interest and other amounts and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under insolvency laws of other jurisdictions.

In Canada, there are two primary federal statutes that govern insolvency and restructuring proceedings of corporate debtors. The Bankruptcy and Insolvency Act (the "BIA") contains provisions for the liquidation of insolvent companies (in a manner loosely akin, in substance, to U.S. Chapter 7 proceedings, although there are important distinctions) and for the restructuring of corporations (in a manner loosely akin, in substance, to U.S. Chapter 11 proceedings, although there are important distinctions). Similar to bankruptcy proceedings in the U.S., a corporate debtor may be adjudicated bankrupt following application by a creditor (*i.e.*, involuntary proceedings) or file for bankruptcy or reorganization (*i.e.*, voluntary proceedings). In addition to the BIA, Canada also has the Companies' Creditors Arrangement Act ("CCAA"), which is a restructuring statute that operates in a manner loosely akin, in substance, to U.S. Chapter 11 proceedings, although there are important distinctions. CCAA proceedings are only available to insolvent debtor companies or a group of affiliated companies having debts in excess of CDN$5 million (or such other amount prescribed by regulation under the CCAA). Insolvency proceedings in Canada, whether under the BIA or the CCAA, are court-supervised. In addition, it may be possible to restructure certain debt obligations, including guarantees, under the applicable corporate governing statute (such as the Canada Business Corporations Act in respect of the Canadian Guarantors).

Upon the bankruptcy of a debtor corporation, whether voluntarily or involuntarily, the BIA imposes a stay of any action, execution or other proceeding by unsecured creditors in respect of the debtor, unless a creditor first obtains leave of the applicable court to lift the stay. In a liquidation (as opposed to restructuring) context, the stay of proceedings does not generally apply to secured creditors, who are free to exercise their rights of self-help or to otherwise realize on their security outside of the BIA. However, there may be a delay of up to six months to allow the trustee to review the security and generally to consider its right to realize on any equity in the secured collateral, which rights includes redeeming the security or requiring the sale of the collateral. Upon becoming bankrupt, whether voluntarily or involuntarily, all of a debtor's assets (subject to very limited exceptions) vest in a trustee in bankruptcy (subject to the rights of secured creditors with validly perfected security interests), at which point the debtor no longer has any ability to deal with those assets. The trustee typically proceeds to liquidate the assets and distribute the proceeds of the assets in accordance with the provisions of the BIA.

The BIA sets out the priority scheme for the payment of claims against a bankrupt debtor, which priority scheme takes precedence over any operative priority scheme outside of bankruptcy. Subject to certain statutory priority claims (including, without limitation, a "super priority" charge under the BIA against a debtor's current assets for certain statutory remittances, employee wages and vacation pay of up to CDN$2,000 per employee, expenses up to CDN$1,000 per travelling salesperson and certain pension plan contributions) and true trust claims, secured creditors have the right to look first to the assets charged by their validly perfected security for payment. Thereafter, the BIA provides a list of preferred creditors who recover their debts or portions thereof in priority to the general body of unsecured creditors. Preferred claims are paid in full, in order of their ranking. before any payments to lower ranking preferred creditors or general unsecured creditors. All other claims will be considered general unsecured claims and rank *pari passu*. If there is any surplus after payment to the unsecured creditors, the balance will be used to pay interest from the date of the bankruptcy at 5% per annum on all claims proved in the bankruptcy according to their priority. Any remaining amount would then be available for shareholders. Distributions made by a trustee are subject to a levy imposed by the Superintendent of Bankruptcy.

In the present instance, the proceeds resulting from the realization of the estate of an insolvent Canadian debtor that has guaranteed the Notes may not be sufficient to satisfy secured claims or your deficiency claims as unsecured creditors under the Guarantees granted by the Canadian Guarantors after the applicable Canadian Guarantors' prior-ranking secured creditors and other claims that rank in priority to claims of holders of Notes have been satisfied.

Corporate restructurings in Canada may be implemented under either the BIA or the CCAA, with the latter being more commonly used by larger corporations. In either case, a broad stay of creditors' rights and enforcement proceedings is generally implemented (in the case of the BIA by a statutory stay, and in the case of the CCAA by a court-ordered stay authorised by statute). The stay generally applies to secured creditors, subject to certain limited exceptions. Under this court-ordered protection, the debtor will typically formulate a restructuring proposal or plan or conduct an orderly liquidation or a sale as a going concern. In the event of a restructuring proposal or plan, a double majority of the creditors (*i.e.*, a simple majority in number having two-thirds in value of the claims in question) present and voting either in person or by proxy at a meeting of creditors for each designated class must approve the proposal or plan, and the proposal or plan must be sanctioned by the court. Secured creditors may be included in such a proposal or plan (in which case they may have a right to vote in a separate class) or may be dealt with outside of the proposal or plan. In the event of a liquidation/sale as a going concern, proceeds are generally distributed in accordance with the priority established by statute and the court (which may differ in some respects from those in a bankruptcy under the BIA, including certain priorities which may rank ahead of secured creditors). The court may also authorize the creation of priority charges ranking ahead of other creditors in both CCAA and BIA restructurings (for example, charges securing DIP financings, directors' and officers' indemnification, critical suppliers' claims and/or professional fees).

In the present instance, the proposed treatment of secured and unsecured creditors under the Guarantee granted by the Canadian Guarantors in a restructuring proposal or plan is generally at the discretion of the Canadian Guarantors, subject to the rights of creditors affected by the proposal or plan to vote on such proposal or plan and subject to sanction by the court, the application for which may be opposed by an affected creditor.

Where a debtor deals with his property in a manner that prejudices its creditors (particularly where such debtor is or becomes thereafter insolvent), such transactions by the debtor may be subject to challenge by creditors and the scrutiny of the court. Under Canadian federal and provincial law, there are a number of statutory means to challenge or avoid such transactions. Where a transaction subject to review is held to be contrary to Canadian law, the transaction is subject to be impugned and a wide variety of possible remedies may be imposed. Should the Canadian Guarantors become insolvent within applicable time periods, the granting of the Guarantees, and the grant of security in connection therewith, could be subject to challenge and the Guarantees and security potentially avoided, and any amounts obtained under the Guarantees or security in support thereof that is avoided would have to be repaid. Should the holders of the Notes be repaid or otherwise recover from the Canadian Guarantors at a time when such guarantors are insolvent, or if the Canadian Guarantors thereafter become insolvent within applicable time periods, the repayment or recovery may be subject to challenge.

Secured creditors may also enforce their security by applying to the court for the appointment of an interim receiver, a receiver or a receiver/manager.

Jersey

Insolvency

One of the Guarantors, INEOS ABS (Jersey) Limited, is incorporated under the laws of Jersey (the "Jersey Guarantor"). Consequently, in the event of an insolvency of the Jersey Guarantor, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: désastre and winding-up (including summary winding up, just and equitable winding up and creditors' winding up). The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (Désastre) (Jersey) Law 1990, as amended (the "Jersey Bankruptcy Law") declaring the property of a debtor to be "en désastre" (a"declaration"). On a declaration of désastre, all of the property and powers of the debtor vest automatically in the Viscount, an official of the Royal Court of Jersey (the "Viscount"). With effect from the date of declaration, a creditor has no other remedy against the property or person of the debtor, and may not commence or continue any legal proceedings to recover the debt (except with the consent of the Viscount or the court).

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "Jersey Companies Law") (a "creditors' winding up"). On a creditors' winding up, liquidators are appointed, usually by the creditors. The liquidators will stand in the shoes of the directors and administer the winding up, gather in assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved.

The Jersey Companies Law requires a creditor of a company to be bound by an arrangement entered into by the company and its creditors immediately preceding or in the course of its creditors' winding up if *inter alia*, three quarters in number and value of the creditors agree to the arrangement.

Transactions at an undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law the court may, on the application of the Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "other party") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of "désastre" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

Preference

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "other party"). There is a twelve-month look-back period from the date of commencement of the winding up or declaration of "désastre" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

Extortionate Credit Transactions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of "désastre" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Disclaimer of Onerous Property

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of désastre and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the "rights, interests and liabilities of the company in or in respect of the property disclaimed" but "does not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person." A person sustaining loss or damage in consequence of a disclaimer is deemed to be a creditor of company to the extent of the loss or damage and may prove for the same in the désastre or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

Fraudulent Dispositions

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example a Pauline action) under which dispositions of assets with the intention of defeating creditors claims may be set aside.

Floating Charges

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside the Island of Jersey, but to the extent that any floating charge is expressed to apply to any asset, property or undertaking of a person incorporated, resident or domiciled in Jersey, such floating charge is not likely to be held valid and enforceable by the Courts of Jersey in respect of Jersey situs assets.

Administrators, Receivers and Statutory and Non-statutory Requests for Assistance

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey Court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey Court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Jersey Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If the request comes from a prescribed country but not by a court-made request or from a non-prescribed country, then common law and principles of comity will be considered by the Jersey Court by virtue of its inherent jurisdiction. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime. If the requesting country adheres to principals of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles as Jersey, the Jersey Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Jersey Court. It would also be wrong to assume for European countries that the position will be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of centre of main interests does not apply as a result (although the Jersey Court may still have regard to the concept of centre of main interests).

Korea

Overview

Until 1 April, 2006, the basic insolvency laws in Korea were the Bankruptcy Act, the Composition Act, the Corporate Reorganisation Act and the Act on Individual Debtor Rehabilitation. With the exception of the Composition Act (which was abolished), these acts were replaced by the "Act concerning Debtor Rehabilitation and Bankruptcy" (the "Consolidated Insolvency Act") effective from 1 April, 2006.

Under the Consolidated Insolvency Act, the ability of secured creditors to enforce their rights to security may be subject to rescheduling under the debtor rehabilitation proceeding. Under the bankruptcy proceeding and the individual debtor rehabilitation proceeding, however, it is possible for secured creditors to enforce their security interests, subject to certain restrictions.

Consolidated Insolvency Act

The Consolidated Insolvency Act contains:

(a) provisions applicable to rehabilitation pursuant to Chapter 2 Proceedings, which are based on the previous Corporate Reorganisation Act and expand the scope of eligible applicants for rehabilitation procedures to all types of legal entities including individuals, corporations, and unincorporated foundations or associations;

(b) provisions applicable to bankruptcy procedures, which are based on the previous Bankruptcy Act;

(c) provisions applicable to individual rehabilitation pursuant to Chapter 4 Proceedings, which are based on the previous Act on Individual Debtor Rehabilitation and are applicable only to certain individual debtors who are wage earners or self-employed earners with debts of no more than a certain specified amount; and

(d) provisions applicable to international insolvency proceedings, which have been newly introduced.

Under the Consolidated Insolvency Act, the petitioner must specify which procedure he or she wishes to use.

For a debtor that has filed for bankruptcy proceedings, after the court issues an order preserving the debtor's assets, a receiver will be appointed to liquidate the assets of the debtor and to distribute the proceeds to its unsecured creditors on a pro-rata basis. Secured creditors remain free to exercise their interests under the bankruptcy proceedings.

On the other hand, the goal of Chapter 2 Proceedings and Chapter 4 Proceedings is to rehabilitate insolvent companies or, as the case may be, individuals. While in a Chapter 2 Proceeding secured creditors will not be able to enforce their security outside such Chapter 2 Proceeding, secured creditors in a Chapter 4 Proceeding will be able to enforce their security interests notwithstanding such Chapter 4 Proceeding (x) unless the court issues an order to suspend or prohibit such exercise during the period after the filing of the petition for the Chapter 4 Proceeding but before the court decides to commence the Chapter 4 Proceeding, or (y) once the court decides to commence the Chapter 4 Proceeding, only after the earlier of (i) the court's approval of the repayment plan or (ii) the final decision by the court to discontinue such Chapter 4 Proceeding.

The Consolidated Insolvency Act makes it easier for the court to avoid the debtor's transactions with certain shareholders or equity holders of the debtor ("specially related persons"), by presuming that the specially related persons acted knowingly in such transactions. For example, the Consolidated Insolvency Act extends this sixty-day period to one year in the case of transactions with specially related persons.

Chapter 2 Proceedings

A Chapter 2 Proceeding (*i.e.*, rehabilitation proceeding) is designed for use by an insolvent debtor which desires to rehabilitate itself. This type of proceeding is tightly controlled by the court so that most of the material actions or decisions of the debtor may be taken or made only with the approval of the court.

All types of legal entities, including joint stock companies, limited liability companies and unincorporated foundations or associations, as well as individuals, can rehabilitate pursuant to Chapter 2 Proceedings.

The Consolidated Insolvency Act provides that, in principle, the debtor itself or, in case where the debtor is a company, its own representative, and not a third party, should be elected as the receiver. Further, the Consolidated Insolvency Act permits a legal entity to be appointed as the receiver in the rehabilitation proceeding, in which case this legal entity should designate one of its directors to exercise the rights and powers conferred to it as a receiver and report such designation to the court.

Under the Consolidated Insolvency Act, the debtor may file a petition to the court for Chapter 2 Proceedings in cases where (i) debts cannot be repaid without causing material damage to the continuance of the debtor's business or (ii) any events leading to bankruptcy of the debtor may arise. If the debtor is a joint stock company or a limited liability company, (a) a creditor who has claims in an amount of not less 10 per cent. of the debtor's paid-in capital or (b) a shareholder or equity holder who holds shares or equity interest not less than 10 per cent. of the debtor's paid-in capital may also apply for a Chapter 2 Proceeding. If the debtor is not a joint stock company or a limited liability company, a creditor who has claims in an amount of not less than KRW50 million or an equity holder who holds an equity interest of not less than 10 per cent. of the debtor's equity can apply for a Chapter 2 Proceeding.

When the debtor itself or its creditor or equity holder satisfying the above requirements applies for a Chapter 2 Proceeding, the court may, upon the request of interested parties or in its sole discretion, but after hearing the opinion of the management committee, issue a preservation order against individual assets of the debtor, and may issue an injunction against bankruptcy proceedings or enforcement proceedings initiated by the debtor's secured or unsecured creditors. Further, if the court determines that the object of the Chapter 2 Proceedings may not be achieved through individual asset preservation orders, it may, upon the petition of interested parties or in its sole discretion, issue a comprehensive injunction against enforcement proceedings initiated by creditors against the assets of the debtor. If a comprehensive injunction is issued, enforcement proceedings that are already in progress will be suspended, and the court may cancel such enforcement proceedings upon the request of the debtor or, as the case may be, the receiver, if deemed necessary for the continuance of the debtor's business. However, if the court determines that a creditor may sustain unjust damages as a result of such comprehensive injunction, the court may revoke the injunction for that particular creditor upon the request of such creditor.

When a petition for a Chapter 2 Proceeding is filed, the court is required within one month of the date of petition to determine whether to commence such proceeding. Once the commencement of the Chapter 2 Proceeding is declared, most claims against the debtor that arose prior to such commencement date are automatically stayed, while claims arising after such commencement date are generally not subject to the proceedings. Also, the court will appoint a permanent receiver with the power to conduct all of the debtor's business and manage all of the debtor's properties, subject to court supervision.

The Consolidated Insolvency Act strengthens the role of the committee of creditors by mandating its composition, unless the debtor is a small- or medium-sized enterprise or an individual, and by granting the committee the right to nominate an auditor and to request investigation of the debtor company's business status after the approval of the rehabilitation plan.

As a general rule, any creditor whose claim against the debtor arose prior to the commencement of the Chapter 2 Proceeding, whether secured or unsecured, may not enforce such claims other than as provided for in the rehabilitation plan adopted at the meeting of interested parties and approved by the court. The rehabilitation plan may alter or modify the rights of creditors or shareholders. Accordingly, there can be no assurance that the rights of the creditors, whether secured or unsecured, will not be adversely affected by a Chapter 2 Proceeding. Further, a creditor who intends to participate in the rehabilitation plan must file its claim with the court within the period fixed by the court.

Under a Chapter 2 Proceeding, creditors are classified into three basic categories: (i) creditors with unsecured rehabilitation claims, (ii) creditors with secured rehabilitation claims and (iii) creditors with claims for common benefits. The former two categories of creditors are subject to Chapter 2 Proceedings and generally may not receive payment or repayment for their respective claims other than as provided in the rehabilitation plan. Creditors with claims for common benefits are not subject to the rehabilitation plan, and include, among others, those creditors whose claims either arose after the commencement of a Chapter 2 Proceeding (subject to certain exceptions) or those creditors whose claims were approved by the court during the preservation period.

In order to encourage mergers and/or acquisitions of insolvent companies, the Consolidated Insolvency Act loosens the requirements for approval of rehabilitation plans contemplating liquidation, by requiring the approval of the creditors representing four-fifths of the outstanding amount of secured rehabilitation claims. However, in case of rehabilitation plans contemplating the continuance of the debtor's business including, without limitation, merger, spin-off or business transfer, the consent of the creditors representing not less than three-quarters of the amount of secured rehabilitation claims and of the creditors representing not less than two-thirds of the amount of unsecured rehabilitation claims is required. For approval of all types of rehabilitation plans, the consent of the shareholders having not less than half of the voting rights is also required.

If the debtor fails to perform its payment obligations in accordance with the rehabilitation plan, affected creditors are not permitted to initiate lawsuits or enforce their security interests. Instead, they (or the receiver of the debtor) may only request the court to amend the rehabilitation plan. However, if such amendment could have an adverse effect on creditors with rehabilitation claims or shareholders of the debtor, the court may amend the rehabilitation plan only by obtaining an affirmative vote at a meeting of interested parties. If it becomes apparent, either before or after the court approves the rehabilitation plan, that the debtor cannot be rehabilitated, the court may, at its sole discretion or upon the request by the receiver or a creditor with a rehabilitation claim, issue an order to discontinue the Chapter 2 Proceeding.

Once the Chapter 2 Proceeding is discontinued and if the court determines the debtor is insolvent, the court must declare the debtor bankrupt and must initiate the bankruptcy proceeding against the debtor. The compulsory declaration of bankruptcy in Chapter 2 Proceedings is limited to those cases where a final decision has been made to terminate the Chapter 2 Proceedings after the approval of the rehabilitation plan. Declaration of bankruptcy is optional in cases of:

(i) the dismissal of a petition for the commencement of Chapter 2 Proceedings;

(ii) the non-approval of a rehabilitation plan; and

(iii) an order to terminate Chapter 2 Proceedings before the approval of the rehabilitation plan.

If the bankruptcy proceedings are initiated, unsecured rehabilitation claims are characterized as general liquidation claims, and creditors with unsecured rehabilitation claims will be paid pursuant to the bankruptcy proceedings. Creditors with secured rehabilitation claims, on the other hand, may immediately enforce their security interest once the rehabilitation proceeding is discontinued; provided however that, if the terms of the secured claim are amended by the rehabilitation plan, such claim may only be enforced in accordance with such amendment and the original terms shall not be revived.

Bankruptcy Proceeding

A bankruptcy proceeding is a court administered process designed to liquidate an insolvent debtor's assets and formally begins upon an adjudication by the court that the debtor is indeed "bankrupt". The court will make its determination as to whether grounds for bankruptcy exist based on the written pleadings and oral argument of the petitioner. The adjudication of bankruptcy also has the effect of automatically staying all unsecured creditors from executing their claims against the bankruptcy estate.

The receiver appointed by the court will be vested with the exclusive right to manage and dispose of the bankruptcy estate, and to conduct an investigation and assessment of the bankruptcy estate. The Consolidated Insolvency Act, unlike the Bankruptcy Act, permits a legal entity to be appointed the receiver of the bankruptcy proceeding. If a legal entity is appointed the receiver, it shall designate one of its directors to exercise the right and power conferred to it as receiver and shall report such designation to the court. After reviewing the reports prepared by the receiver, the creditors will have a meeting and vote on a resolution deciding whether to continue or discontinue the debtor business and the manner of safeguarding the bankruptcy estate.

Subject to certain statutory limitations and approval by the inspection commissioners, the receiver has the power to liquidate the bankruptcy estate, and to determine the manner and timing of such liquidation. The receiver distributes the proceeds from the liquidation of the bankruptcy estate to the creditors in proportion to their claims. The distribution proceeds in several stages. Claims entitled to distribution are differentiated according to the priority of claims. Bankruptcy creditors are classified as follows, in accordance with their priorities: (i) secured creditors, who have the right to proceed against their securities on the same terms as would be available if the debtor were not in bankruptcy; (ii) creditors with estate claims, which include costs of judicial proceeding, tax claims, wages and payment of severance, management expenses incurred in connection with management, liquidation and distribution of the bankruptcy estate, and other claims arising from administration of the bankruptcy estate; (iii) creditors with other statutorily preferred claims (including policyholders' claims against an insurance company to the extent of the amount equal to the relevant reserves); (iv) general claims; and (v) less preferred claims.

The Consolidated Insolvency Act ensures that the priority rights of tenants under the Residential Tenant Protection Act and the Commercial Building Tenant Protection Act are also protected under bankruptcy proceedings.

International Insolvency Proceedings

The representative in a foreign insolvency proceeding (*i.e.*, a person or entity recognized by the applicable court as the receiver or representative in the foreign insolvency proceeding) may file with the Korean court for approval of such foreign insolvency proceeding. Once the foreign insolvency proceeding is approved by the Korean court, the representative in such proceeding may apply for insolvency proceedings in Korea or participate in the insolvency proceeding that is already in progress in Korea. On the other hand, the receiver or bankruptcy trustee in the insolvency proceeding in Korea may, for purposes of such proceeding, take actions in foreign jurisdictions to the extent permitted by the applicable laws.

Corporate Restructuring Promotion Act

In addition to the Consolidated Insolvency Act, the Corporate Restructuring Promotion Act restricts certain creditor financial institutions' ability to enforce security interests given by a company which may not be able to repay its borrowings without external financial support or additional borrowings (other than borrowings in the ordinary course of business) (a "Failing Company").

The Corporate Restructuring Promotion Act expired on December 31, 2010, but on April 29, 2011, the National Assembly of Korea passed the new Corporate Restructuring Promotion Act (the "CRPA"), which will remain in effect until December 31, 2013. The CRPA is intended, among other things, to promote the corporate restructuring of Korean companies by market mechanisms.

The following is a summary of the CRPA, which would apply to creditor financial institutions specified in the CRPA and in the presidential decree thereunder ("Creditor Financial Institutions") which provide credit to a company having not less than 50 billion Korean Won of credit provided by Creditor Financial Institutions. Under the CRPA, the definition of Creditor Financial Institution includes the branches of foreign financial institutions in Korea, but overseas offices of foreign financial institutions are not creditor financial institutions as defined under the Act.

Under the CRPA, the main creditor bank of a Failing Company is required to notify the Failing Company if it determines that such company is a Failing Company. Upon receipt of such notice from the main creditor bank, the Failing Company may petition the main creditor bank for the commencement of one of the following actions, attaching a business plan.

- assumption of joint management of the Failing Company by a committee of Creditor Financial Institutions (a "Creditor Committee");
- assumption of joint management of the Failing Company by a Committee of the Creditor Banks (a "Credit Bank Committee"); or
- assumption of management of the Failing Company by the main Creditor Bank.

The main creditor bank is then required to convene a Creditor Committee or a Creditor Bank Committee (except where the assumption of management of the Failing Company by the main Creditor Bank has been petitioned) to determine whether it will commence the actions or not, within seven days of receipt of the petition.

Even if one of the above actions has been commenced, the Failing Company or Creditor Financial Institution may petition for rehabilitation proceedings under the Consolidated Insolvency Act. If the court issues a commencement order for rehabilitation of the Failing Company, the above actions shall be deemed to have ceased.

Under the CRPA, in the event that the Creditor Financial Institutions decide to assume the joint management of the Failing Company with the Creditor Committee and accordingly call for a meeting of the Creditor Committee, this should be notified to the Governor of the Financial Supervisory Service of Korea. Upon receipt of such notice, the Governor of the Financial Supervisory Service of Korea may request the Creditor Financial Institutions to grant a moratorium on the enforcement of claims (including the enforcement of security interests) until the first meeting of the Creditor Committee (which should be held within seven days of the notice of the meeting). In addition, during the first meeting of the Creditor Committee, Creditor Financial Institutions representing at least 75 percent of the outstanding credit to the Failing Company may declare a moratorium for up to three months if an investigation of the Failing Company's financial status is necessary, or up to one month if such investigation is not necessary (which may be extended by a further month).

If the Creditor Committee cannot agree on the moratorium period or if the corporate rehabilitation plan is not approved by the date the moratorium period ends, the joint management of the Failing Company by the Creditor Committee shall be deemed to have ceased. The Creditor Committee can approve the rescheduling of the debt owed by the Failing Company or provide new credit to it with the approval of Creditor Financial Institutions representing not less than 75 percent of the outstanding secured claims, as well as the approval of Creditor Financial Institutions representing not less than 75 percent of all outstanding credit. A Creditor Financial Institution whose outstanding credit to the Failing Company is less than 5 per cent. of the total outstanding credit may be excluded from the Creditor Committee.

Parallel Debt

In Korea, due to certain laws and jurisprudence governing the creation and perfection of security interests and enforceability of such security interests, it is necessary in order to grant the relevant Collateral (i.e., the Capital Stock of Styrolution Korea Ltd., the "**Korean Collateral**") to the Security Trustee, that the Security Trustee hold its own "parallel debt" claim ("**Parallel Debt**").

The Intercreditor Agreement will thus provide for the creation of such Parallel Debt in favor of the Security Trustee, mirroring the obligations of the Issuer towards the holders of the Notes and the Trustee under or in connection with the Indenture and the Intercreditor Agreement ("**Principal Obligations**"). This Parallel Debt is created to address a Korean law requirement that the Security

Trustee, as the grantee of the security interest created by the security documents governed by Korean law (the "**Korean Security Documents**"), be a creditor of the relevant security provider.

The pledge of the Korean Collateral will be granted to the Security Trustee as security for the Parallel Debt and will not directly secure the Principal Obligations. In respect of the security interest granted to secure the Parallel Debt, as the holders of the Notes from time to time will not be party to the Korean Security Documents, such holders of the Notes will not have direct security interests in the Korean Collateral and will not be entitled to take direct enforcement actions, individually or collectively, in respect of such security interests except through the Security Trustee. Therefore, although the Security Trustee will have, pursuant to the Parallel Debt, a claim against the Issuer for the full principal amount of the Notes, the holders of the Notes will bear the risk of insolvency or bankruptcy of the Security Trustee in relation to the Korean Collateral. In addition, the Parallel Debt construct has not been tested under Korean law and to the extent that the security interests in the Korean Collateral created under the Parallel Debt construct are successfully challenged in Korea by other parties, the holders of the Notes will not receive any proceeds from an enforcement of such security interests in Korea.

Limitation on Enforcement

The grant of a guarantee or collateral by a Korean company for the obligations of another group company must be for the corporate benefit of the granting company. The question of corporate benefit is determined on a case-by-case basis and at the time when such guarantee or collateral is provided considering the totality of the circumstances at that point in time.

Under Korean law, if there is no corporate benefit justifiable for a Korean company to provide guarantee or security interest securing another group company's obligations, such provision of guarantee or security interest can raise a breach of fiduciary duty issue for the directors of such Korean company. In a recent case, the Korean Supreme Court ruled that the provision of security interests by a Korean company securing its parent company's obligations in a certain transaction without consideration constituted a breach of fiduciary duty.

Hardening periods and fraudulent transfer

Under the Korean Civil Code, a creditor of a company may apply to the court for cancellation and restitution of any "legal act" (including, but not limited to the debtor company's provision of a guarantee) of a company if (i) the company committed such a legal act, (ii) such act is detrimental to its creditors and (iii) both the company and the transferee (or beneficiary) had knowledge that such act would be detrimental to the company's creditors. In order to constitute a fraudulent conveyance under Korean law, a transaction should be detrimental to the general creditors of the company. Conceptually, this "detriment to creditors" requirement requires that the company become insolvent due to the transaction or, if the company is already insolvent, that the financial condition of the company worsen due to the transaction, since the purpose of a fraudulent conveyance action is to protect the unsecured creditors by preventing a diminution of the gross assets of the company to a level where such gross assets would not be sufficient to cover the creditors' claims.

Under Korean insolvency laws, the receiver or the bankruptcy trustee of an insolvent Korean company has the right to exercise its "avoidance" right with respect to acts (e.g., transfer of assets, provision of a guarantee, etc.) of such insolvent Korean company for which it does not receive any compensation during the period allotted by statute. Specifically, the general rule under Korean insolvency laws is that the receiver of an insolvent Korean company may avoid such act committed by such Korean company if it is committed within six (6) months of a relevant insolvency event, if no compensation (or compensation virtually equivalent to no compensation) was provided to the insolvent Korean company and the receiver and the bankruptcy trustee will have the right to avoid any such act with no compensation for a period of one (1) year from the date of a relevant insolvency event, if such act was made by the insolvent Korean company to a specially-related party.

Other Local Law Considerations

Under the Foreign Exchange Transaction Law of Korea, in the case a guarantee or collateral is provided by a non-resident to a non-resident of Korea for the obligations of another non-resident of Korea, the non-resident guarantee or collateral provider may be required to file a report with the Ministry of Strategy and Finance with respect to such provision of guarantee or collateral, which report should be accepted by the Ministry of Strategy and Finance. If the Korean Collateral was acquired in accordance with the Foreign Investment Promotion Act of Korea, however, such report to the Ministry of Strategy and Finance would not be required.

Mexico

One or more of the guarantors are organized under the laws of Mexico. In the event of insolvency, insolvency proceedings may, therefore, be initiated in Mexico. Mexican law would then govern those proceedings. The insolvency laws of Mexico may not be as favorable to your interests—or may even preclude your interests as creditors—as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the enforceability of securities, the ability to obtain post-petition interest and the duration of the insolvency proceedings, may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The Mexican insolvency law (*Ley de Concursos Mercantiles*) contemplates a single proceeding for reorganization (*concurso mercantil*) and bankruptcy (*quiebra*) with two successive stages: the first stage, known as the "mediation" stage, is compulsory and is designed to reorganize the insolvent entity, and the second stage, known as the "bankruptcy" stage, provides for the bankruptcy and liquidation of the insolvent entity.

In Mexico, a person will be declared insolvent when it generally fails to pay its obligations as and when they become due. Insolvency of a person will be adjudicated upon the request of the insolvent entity, the Mexican attorney general's office or any creditor of the insolvent entity when (a) the insolvent entity has defaulted in its payment obligations with two or more creditors and (b) when, on the date of such request, (i) 35% or more of such obligations have been delinquent for more than 30 days; and/or (ii) the insolvent entity does not have sufficient liquid assets (namely, cash and cash equivalents, such as bank deposits and other receivables with a maturity of no more than 90 days, or securities that may be sold within 30 days, in each case, from the date of filing of the insolvency request) to pay at least 80% of its due and payable obligations on the date of filing of the insolvency request. If the insolvency request is filed voluntarily by the insolvent entity, only one of the conditions described in items (i) and (ii) of clause (b) above would have to be satisfied. If the insolvency request is filed by the attorney general's office or any creditor of the insolvent entity, both conditions described in items (i) and (ii) of clause (b) above would have to be satisfied. An insolvency presumption will exist with respect to any person or entity when, *inter alia*, its assets for attachment in aid of execution of a judgment or claim are insufficient; it has failed to pay two or more creditors; or it has participated in fraudulent or fictitious acts to avoid payment to creditors.

Upon filing of a petition for a judgment declaring insolvency, the court will instruct the Federal Institute of Insolvency Specialists (*Instituto Federal de Especialistas de Concursos Mercantiles*) to appoint an inspector (*visitador*) to visit the entity presumed to be insolvent. The inspector will then issue an opinion regarding the commercial entity's insolvency, which will enable the court to issue a judicial resolution declaring the legal insolvency of such person. Following the issuance of such insolvency judgment, the Federal Institute of Insolvency Specialists will designate and appoint a mediator (*conciliador*) who will facilitate the negotiations between the insolvent entity and its creditors in order to reach a creditors' agreement. The issuance of the insolvency judgment and the appointment of the mediator will initiate the "mediation" stage of the insolvency proceeding. The insolvency proceeding in Mexico is at all times court controlled, and upon receipt of an insolvency petition, the insolvency court may take preliminary measures (*providencias precautorias*) to secure the property of the insolvent entity.

During the "mediation" stage, the insolvent entity and those creditors that have been recognized within the insolvency proceeding as creditors of the insolvent entity would negotiate an agreement with respect to the payment of the outstanding obligations of the insolvent entity. In order for such creditors' agreement to become effective and binding, it must be entered into between the insolvent entity and those recognized creditors holding title to more than 50% of the sum of (i) the amount of all unsecured claims of all unsecured recognized creditors of the insolvent entity, and (ii) the amount of all secured claims of those secured recognized creditors that enter into such creditors' agreement. The creditors' agreement would then have to be approved by the insolvency court. A secured claim under the Mexican insolvency law is considered to be a claim secured under a pledge or a mortgage or otherwise benefiting from any other form of statutory privilege or priority of payment.

Under the Mexican insolvency statute, the creditors' agreement would be deemed entered into by an unsecured recognized creditor (whether or not such creditor actually enters into the agreement) if the agreement expressly contemplates (a) the payment of all amounts due and payable to such creditor on the date of the respective insolvency judgment converted to *Unidades de Inversión*, (b) the payment of all amounts that would become due and payable to such creditor from the date of the insolvency judgment until the date of approval of the creditors' agreement by the insolvency court, which would be converted into *Unidades de Inversión* on the date such amounts become due and payable, and (c) the payment of all amounts that would become due and payable to such creditor after the date of approval of the creditors' agreement, also converted into *Unidades de Inversión* on the date such amounts become due and payable.

The creditors' agreement could also provide, with respect to any unsecured recognized creditors that are not a party to such agreement, (i) a stay of such creditors' claim (with a capitalization of ordinary interest), but only to the extent the term of such stay is at least equal to the shortest stay assumed by those unsecured creditors that are a party to the creditors' agreement and whose claims amount to 30% of all aggregate recognized claims, (ii) a write-off of such creditors' claim, but only to the extent such write-off is at least equal to the lowest write-off assumed by those unsecured creditors that are a party to the creditors' agreement whose claims amount to 30% of all aggregate recognized claims, or (iii) a combination of a stay and a write-off of such creditors' claim, to the extent it is identical to the combinations accepted by those unsecured creditors that are a party to the creditors' agreement whose claims amount to 30% of all aggregate recognized claims.

Secured recognized creditors that do not become a party to the creditors' agreement may commence or continue foreclosure of their respective collateral; unless, the creditors' agreement contemplates the payment of their respective claims or the payment of the price of the properties constituting such collateral. In this case, any excess with respect to the value of such properties would be deemed an unsecured claim for purposes of the insolvency proceeding.

At the request of the insolvent entity, if the "mediation stage" expires without the filing of an approved creditors' agreement before the insolvency court or at the request of the mediator, the insolvency court would be required to issue a judgment declaring the bankruptcy of the insolvent entity. Upon such declaration of bankruptcy, the insolvency court would appoint a receiver (*síndico*) that would be charged with the management of the insolvent entity until its liquidation. The receiver would carry out the liquidation of the insolvent entity through the sale of its assets, in accordance with certain preset rules and conditions. The proceeds obtained from the liquidation of the assets of the insolvent entity would be applied by the receiver to make payments to creditors in the following order of priority:

- first, payment of labor claims for salaries and severance for the two calendar years preceding the insolvency judgment;
- second, payment of liabilities and obligations of the estate of the insolvent entity (*i.e.*, management costs, fees and expenses incurred after the insolvency judgment);
- third, payment of litigation costs and expenses, and fees and expenses of the inspector, the mediator and any appointed receivers;
- fourth, payments to secured creditors (including costs and expenses relating to foreclosure and the enforcement of their respective rights), but only to the extent of the value of their respective collateral;
- fifth, payment of other labor claims and tax claims;
- sixth, payments to other creditors that qualify as "privileged" under Mexican commercial laws (*e.g.*, creditors that are entitled to retain an asset until payment is made), but only to the extent of the value of the respective privilege; and
- seventh, payments to unsecured creditors.

Generally, the issuance of an insolvency judgment may affect the enforceability of the Guarantees granted by the Mexican guarantors and the security interests provided by such Mexican guarantors. On the date of an insolvency judgment issued against any of the Mexican guarantors, the obligations of such Mexican guarantor under the Notes (i) would be converted into Mexican pesos at the exchange rate prevailing at the time of the insolvency judgment and then from Mexican pesos into *Unidades de Inversión*, a Mexican inflation-pegged accounting unit, and would not be adjusted to take into account any devaluation of the Mexican peso relative to the U.S. Dollar occurring after such conversion, (ii) would be subject to the outcome of, and priorities recognized in, the Mexican insolvency law, (iii) would cease to accrue interest from the date a reorganization proceeding is declared, and (iv) would be subject to certain statutory preferences, including tax, social security and labor claims and claims of secured creditors.

Under Mexican law, the Guarantees provide a basis for a direct claim against any Mexican guarantors; however, it is possible that the Guarantees may not be enforceable under the Mexican insolvency law. While Mexican law does not prohibit the giving of Guarantees and as a result does not prevent the Guarantees of the Notes from being valid, binding and enforceable against any Mexican guarantors, in the event that a Mexican guarantor becomes subject to an insolvency proceeding, the relevant guarantee may be deemed to have been a fraudulent transfer and declared void. Under the Mexican insolvency law, any action consummated by a Mexican guarantor prior to the date of an insolvency judgment will be deemed fraudulent when the Mexican guarantor is knowingly defrauding its creditors, and the third party participating in any such action had actual knowledge of such fraudulent intent. If the action is gratuitous, the action will be deemed fraudulent even if the third party had no actual knowledge of the fraudulent intent. Any action consummated by a Mexican guarantor at any time after the date that is 270 calendar days prior to the date of the applicable insolvency judgment (i) will be deemed fraudulent when, *inter alia*, (a) the Mexican guarantor receives no consideration, or the consideration received or paid by the Mexican guarantor, or the terms and conditions of the transaction, are clearly or materially below market, or (b) the Mexican guarantor makes a payment of indebtedness not yet due, or forgives receivables owed to it and (ii) will be presumed fraudulent, unless the interested third party proves that it was acting in good faith, when (a) the Mexican guarantor grants or increases collateral that was not originally contemplated and (b) the Mexican guarantor makes any payments in-kind that were not originally contemplated. In addition, certain transactions among related parties will also be deemed fraudulent and may be set aside by the insolvency court. In Mexico, the obligations of the Mexican guarantors would be considered to be ancillary obligations (*obligaciones accesorias*) to the principal obligations that they secure. If the principal obligations were to be declared null and void by the insolvency court, the ancillary obligations would also be considered to be null and void.

As regards the creation by any Mexican guarantor of a security interest through the transfer of collateral to a security trust (*fideicomiso de garantía*) in Mexico, under Mexican law such assets should not be considered to be assets of such Mexican guarantor, but rather assets held by the trustee under such security trust exclusively for the purposes set forth therein. If such Mexican guarantor were to become insolvent, the exercise of rights of the secured parties under the security trust may be substantially delayed and could be adversely affected by the ensuing insolvency proceeding.

Other Local Law Considerations

Under Mexican law, the implementation of a security trust or a floating lien pledge (*prenda sin transmisión*) to create a security interest requires compliance with certain formalities. In the case of a security trust, if the assets being transferred to the trustee as collateral consist of movable property which amount is equal to or greater than the Mexican peso equivalent of 250,000 *unidades de inversion* (a Mexican inflation-pegged accounting unit), the parties to the related security trust agreement are required to ratify their signatures in the presence of a Mexican notary public. If the assets being transferred to the trustee as collateral consist of real estate property, the agreement documenting such assignment would have to be granted in a public deed in the presence of a Mexican notary public, and such public deed would have to be recorded in the Public Registry of Property of the jurisdiction where such real estate property is located in order for such transfer to become effective before third parties.

Similarly, in the case of a floating lien pledge, the related floating lien pledge agreement is required to be documented in writing and, when the secured obligations equal or exceed the Mexican peso equivalent of 250,000 *unidades de inversion*, the parties thereto shall ratify their signatures in the presence of a Mexican notary public. The floating lien pledge agreement will become effective among the parties on the execution date thereof; *provided* that such agreement will only become effective before third parties after it has been recorded in the Public Registry of Commerce of the jurisdiction of the domicile of the pledgor.

Singapore

Difference in Insolvency Law

One of the guarantors is incorporated under the laws of Singapore (“Singapore Guarantor”).

Any insolvency proceedings applicable to it are likely to be governed by Singapore insolvency laws. Singapore insolvency laws differ from the insolvency laws of the United States and may make it more difficult for holders of the Notes to recover the amount in respect of the Singapore Guarantor’s Guarantee of the Notes and/or the Collateral securing the same than they would have recovered in a liquidation or bankruptcy proceeding in the United States.

Priority of Secured Creditors

Singapore insolvency laws generally recognize the priority of secured creditors over unsecured creditors. The holders of the Notes have, or will have, security interests on certain of the assets of the Singapore Guarantor.

Security over Book Debts

Where security is taken over the book debt of a Singapore company by way of an assignment, the Civil Law Act (Cap 43) of Singapore prescribes that a statutory assignment must be by way of an absolute assignment by writing under hand of the assignor and express notice in writing thereof must be given to the debtor, trustee or other person from whom the assignor would have been entitled to receive or claim such book debt. Where such notice is not given, the assignment may only be effective as an equitable assignment. Section 131 of the Singapore Companies Act (as defined herein) further prescribes that the assignment shall be lodged with the Registrar of Companies for registration, within 30 days after the creation of the assignment. Failure to do so will render the assignment, so far as any security on the company's property or undertaking is thereby conferred, void against any liquidator or creditor of the company.

Fixed/Floating Charges

Fixed charges are superior to floating charges in a number of aspects. Until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security. In addition, a floating charge security created within six months of the commencement of winding up of the chargor company may be invalid except as to certain amounts of cash as prescribed in Section 330 of the Singapore Companies Act, unless it is proved that the chargor company was solvent immediately after the creation of the charge. Where the assets of the chargor company are insufficient to pay certain preferential debts (these include winding up costs, wages and salaries and retrenchment benefits), those preferential debts would have priority over debts secured by a floating charge.

Amounts received in a winding-up or receivership from the realization of assets subject to a floating charge must from a priority perspective first be used to pay the holders of any fixed charge over such assets and then certain preferential creditors if applicable (explained above) before any distribution is made to the holders of a floating charge.

It is open to a court to find that assignments and charges described as fixed charges constitute floating charges rather than fixed charges, the description given to them as fixed charges not being determinative. One of the three characteristics of a floating charge is the ability of the chargor to carry on business in the ordinary course so far as concerns the particular class of assets in question until some further step is taken by or on behalf of the chargee. Where the chargor, without the consent of the chargee, is free, whether by the terms of the security document or in practice, to deal with the assets or the proceeds of such assets that form the subject matter of the charge, the court would be likely to hold that the charge in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge. In addition, to the extent that any of the assets secured by the Collateral are not specifically identified, an insolvency official may hold that such assets, which are expressed to be subject to a fixed charge, may in fact be subject to a floating charge.

Preferential Creditors

Under Section 328 of the Singapore Companies Act (Cap 50) (the "Singapore Companies Act"), in a winding-up of an Singapore company preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (a) to (c) and (e) to

(f) below) if the assets of the chargor company are insufficient to satisfy such preferential debts. The preferential debts covered by Section 328 of the Singapore Companies Act are described briefly below:

(a) costs and expenses of the winding up;

(b) employees' wages and salaries;

(c) retrenchment benefits under employment contracts;

(d) work injury compensation under the Work Injury Compensation Act (Cap 354) of Singapore;

(e) certain amounts due under employees' superannuation or provident funds or under any scheme of superannuation which is an approved scheme under the law relating to income tax in Singapore;

(f) other remuneration payable to employees such as in respect of vacation leave and death benefits; and

(g) taxes assessed, goods and services tax and any other sums which are included and ranked as taxes.

Other preferential debts include gratuity or other sum of money due and owing to an employee on his retirement or on termination of his services pursuant to a collective agreement or an award, as provided under Section 47 of the Employment Act (Cap 91).

There are certain preferential debts that are required to be paid in priority to secured debts even if such debts are secured by a fixed charge and/or floating charge. These include employees' wages and salaries falling within Section 33 of the Employment Act (Cap 91) and certain governmental or quasi-governmental taxes or dues such as property tax levied under the Property Tax Act (Cap 254).

Voidable Transactions

Under Singapore insolvency law, if a Singapore company goes into liquidation or judicial management, and has entered into certain transactions at an undervalue within the last 5 years, or has entered into a transaction by way of unfair preference in the past 6 months (a 2-year period applies in the case of a transaction with a connected party) or has entered into an extortionate credit transaction within the last 3 years, those transactions may be liable to be made void or voidable.

Disclaimer of Onerous Contracts

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable, or not readily saleable, by reason of its binding the possessor thereof to the performance of any onerous act or payment of any sums of money, the liquidator may apply to disclaim such property within certain time periods prescribed by the Singapore Companies Act.

Other Processes: Schemes of Arrangement, Judicial Management and Receivership

Singapore law provides for several avenues when companies fall into difficulty. In addition to liquidation, there is also the possibility of pursuing a scheme of arrangement between the company and its creditors, a judicial management, where the possibility of the company being rehabilitated is present or a receivership according to the provisions of the relevant security document or as ordered by the court.

Schemes of Arrangement

The Singapore Companies Act provides for schemes of arrangement to be entered into and binding upon, *inter alia*, a company and its creditors (or any class of them). Such schemes, which can provide for restructuring of outstanding indebtedness, would be subject to (a) court sanction and (b) the requisite approvals of the relevant creditors in a court-ordered meeting. Generally, the relevant approval threshold is a majority in number of creditors present and voting either in person or by proxy, holding at least 75% in value of the total indebtedness. Any arrangement between the company and its creditors may also be binding in accordance with Section 309 of the Singapore Companies Act on the company if sanctioned by a special resolution, and on creditors if acceded to by 75% in value and 50% in number of the creditors, every creditor for under S$50 being reckoned in value only. Even after the resolution has been approved by the requisite majority, creditors may still raise objections in court. The scheme will only be binding on the company and all the relevant creditors if the court approves it, which approval may be subject to such alterations or conditions as the court thinks just and equitable.

Judicial Management

Where there is a reasonable probability of rehabilitating the company or of preserving all or part of the business as a going concern, or the interests of creditors would be better served than by resorting to a winding up, an application may be made to the court for an order that the company be placed under the judicial management of a judicial manager. Upon such application, the court may make a judicial management order if the court is satisfied that the order if made is likely to achieve either (i) the surivival of the company, or the whole or part of its undertaking as a going concern; (ii) the approval of a compromise or arrangement between the company and its creditors; or (iii) the more advantageous realization of the company's assets than would occur in a winding up. Upon a judicial management order being made, the business and property of the company will be managed by the appointed judicial manager. During the period for which the judicial management order is in force, all powers and duties of the directors shall be exercised and performed by the judicial manager. The judicial manager shall take into his custody or control all the property to which the company is or appears to be entitled and may do all such things as are necessary for the management of the affairs of the company and shall do all such things as the court may sanction. During the period of the judicial management order, certain enforcement actions against the company will be suspended (or may only be proceeded with subject to court approval), such as winding up, enforcement of security and litigation.

Receivership

Receivership arises principally by way of enforcement of the right of the holders of security under mortgage or charges, as set out in the security document. The receiver is, in effect, often an agent of the chargor company. Some of the rights and obligations of the receivers are commonly set out in the security document itself. Receivers can be appointed on the basis of the powers set out in the security document. A person appointed on the basis of a fixed charge over specific assets will act as receiver in respect of those assets. However, mortgages containing a floating charge over all of the assets and undertaking typically provide for enforcement by means of the appointment of a receiver having full powers as a receiver and manager over all of the secured assets (*i.e.*, all of the assets and undertaking of a chargor), including the power of sale of the assets. The court may also appoint receivers and/or managers.

Financial Assistance

Any provision of financial assistance by a Singapore company in connection with the acquisition of shares or certain interests in shares in the company or its holding company would amount to financial assistance under the Singapore Companies Act. The Singapore Companies Act provides that, *inter alia*, the provision of security and granting of guarantees will amount to financial assistance, for the purpose of the Singapore Companies Act and includes the provision of financial assistance whether direct or indirect, and whether at or after the acquisition. Such financial assistance is prohibited unless the appropriate whitewash procedures are complied with prior to the giving of the financial assistance. All contracts or transactions entered into in contravention of the financial assistance provisions in the Singapore Companies Act shall be void.

United States

Under the U.S. Bankruptcy Code or comparable provisions of state fraudulent transfer or fraudulent conveyance laws, the incurrence of the obligations under the Notes, the issuance of the Guarantees and the grant of security, whether now or in the future, by the Issuer and the Guarantors (together, the "Obligors") could be avoided, if, among other things, at the time the Obligors incurred the obligations, issued the related guarantee or gave the security, the Obligors intended to hinder, delay or defraud any present or future creditor; or received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness or the grant of such security and either:

- were insolvent or rendered insolvent by reason of such incurrence or grant of security;
- were engaged in a business or transaction for which the Obligors' remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that they would incur, debts beyond their ability to pay such debts as they mature.

The right of a holder of the Notes to enforce its security interests against the Obligors upon the occurrence of an event of default under the Indenture governing the Notes is likely to be significantly impaired by applicable U.S. bankruptcy law if we became subject to a case under the U.S. Bankruptcy Code before such security interest was enforced. Upon the commencement of a case under the U.S. Bankruptcy Code, a secured creditor such as a holder of Notes is prohibited by the automatic stay imposed by the U.S. Bankruptcy Code from obtaining possession or exercising control over its collateral or enforcing its security interest against a debtor in a U.S. bankruptcy case, without bankruptcy court approval, which may not be given. Moreover, the U.S. Bankruptcy Code permits the debtor to continue to retain and use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given "adequate protection." The term "adequate protection" is not defined in the U.S. Bankruptcy Code, but it includes making periodic cash payments, providing an additional or replacement lien or granting other relief, in each case to the extent that the collateral decreases in value during the pendency of the bankruptcy case as a result of, among other things, the use, sale or lease of such collateral or the imposition of the automatic stay. The type of adequate protection provided to a secured creditor may vary according to circumstances. A U.S. bankruptcy court may determine that a secured creditor may not require additional adequate protection for a diminution in the value of its collateral if the value of the collateral exceeds the amount of the debt that it secures.

In view of the automatic stay, the lack of a precise definition of the term "adequate protection" and the broad discretionary power of a U.S. bankruptcy court, it is impossible to predict:

- whether or when a holder of the Notes could enforce its security interests;
- the value of the collateral at the time of the bankruptcy petition; or
- whether or to what extent holders of the Notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of "adequate protection".

Any future grant of security interest with regard to the collateral in favor of the Notes, including pursuant to security documents delivered after the date of the Indenture governing the Notes, might be avoidable by the grantor (as debtor in possession) or by its trustee in bankruptcy as a preference if certain events or circumstances exist or occur, including, among others, if the grantor is insolvent at the time of the grant, the security interest permits the holders of the Notes to receive a greater recovery than if the bankruptcy case were a case under chapter 7 of the Bankruptcy Code and the security had not been given and a bankruptcy case in respect of the grantor is commenced within 90 days following the grant, or in certain circumstances, a longer period.

Spain

Bankruptcy

Insolvency proceedings with respect to any Spanish company may proceed under, and be governed by, the Spanish Insolvency Act (Ley 22/2003, de 9 de Julio, Concursal), as amended (the "Spanish Insolvency Act").

The following is a brief description of certain aspects of the Spanish Insolvency Law.

In Spain, bankruptcy proceedings are only triggered in the event of a debtor's insolvency. A debtor is deemed insolvent when it becomes unable to meet regularly its obligations as they become due. The bankruptcy proceedings may be initiated either by the debtor ("voluntary bankruptcy") or by any of its creditors ("compulsory bankruptcy"). Whether bankruptcy proceedings are voluntary or compulsory will affect the basis for the bankruptcy and is likely to impact upon the debtor's capacity.

Voluntary Bankruptcy

If the debtor requests the bankruptcy, it must prove its current or imminent insolvency. The debtor is obligated to file a petition for a declaration of bankruptcy within two months after it becomes aware, or should have become aware, of its state of insolvency (*insolvencia actual*). It is presumed that the debtor becomes aware of its state of insolvency, unless otherwise proved, if any of the circumstances that qualify as the basis for a petition for compulsory bankruptcy occur. The debtor may also, but is not required to, file for insolvency if its insolvency is imminent (*insolvencia inminente*). Directors that fail to file for insolvency within two months of being in a state of actual insolvency may be held liable for the payment of any debts that cannot be paid with the debtor's assets upon its liquidation, given that it will be presumed -unless proven otherwise- that the insolvency has been fraudulent (*concurso culpable*).

Compulsory Bankruptcy

If a creditor requests the bankruptcy, it must prove that it has failed to attach any assets, or sufficient assets, to pay the amount owned by the relevant debtor following a seizure proceeding or otherwise provide evidence of the debtor's insolvency in the terms and by the means stated under Article 2.4 of the Spanish Insolvency Act such as (i) generalized default on payments by the debtor, (ii) the occurrence of generalized attachments on the debtor's assets, (iii) hasty or loss-making liquidation of assets, or (iv) generalized default on certain tax, social security and employment obligations during the applicable statutory period (three (3) months).

Pre-bankruptcy filing

According to Spanish Insolvency Act, there can be no stay of proceedings or enforcement prior to the court's formal declaration of bankruptcy. However, RDL 3/2009 introduced certain rules that govern the period immediately preceding the declaration of bankruptcy. As described above, as general rule, a debtor must file for bankruptcy within two months of being in a situation of actual insolvency (*insolvencia actual*). As an exception to this obligation, RDL 3/2009 established that a debtor in a state of actual insolvency that notifies the court that it has started negotiations with its creditors to seek support for an early composition agreement (*propuesta anticipada de convenio*) will have three additional months to reach the agreement and one more to file for insolvency, provided that it files the notice with the court within the two-month limitation period. Any application for bankruptcy filed by creditors during this grace period shall be stayed until it elapses. In practice, the grace period are seldom been used to negotiate early composition agreements, which are a form of in-court restructuring. On the contrary, pre-bankruptcy filings are normally used to facilitate out-of-court agreements.

Effects of the Bankruptcy for the Debtor

If the bankruptcy is voluntary, the debtor usually retains its powers to manage and dispose of its business, albeit under supervision by the bankruptcy administrators (*administración concursal*). If the bankruptcy is compulsory, then the debtor is removed from its power over its assets, which become subject to management by the bankruptcy administrators.

These situations may be modified at any time by the competent court. Actions carried out by the debtor that breach any required supervision of the bankruptcy administrators may be declared null and void.

Effects of the Bankruptcy on Contracts

Under Article 61 of the Spanish Insolvency Act, all clauses that entitle any party to terminate an agreement based solely on the other party's declaration of bankruptcy are deemed void. The declaration of bankruptcy does not affect agreements with reciprocal obligations pending performance by either the insolvent or the other party. However, the bankruptcy authorities (together with the bankrupt or by their sole discretion if the bankrupt is not allowed to carry on its business) may request the court to terminate the relevant contract (on the grounds of convenience to the bankruptcy).

Likewise, in the event of breach of contract, the non-defaulting party may request the termination of the contract, although the court may still disregard such breach and force the parties to perform the contract for the remainder term regardless of whether such breach of contract occurred before or after the declaration of insolvency.

There are cases in which the Spanish law expressly allows to establish an agreement for termination in the event of bankruptcy (e.g., agency contracts).

Rules on Priority of Credits

Before the insolvency creditors (*acreedores concursales*) are paid, following the order described in the Spanish Insolvency Act, certain creditors, called creditors of the bankruptcy estate (*acreedores de la masa*) will have claims against the bankruptcy estate (*créditos contra la masa*). These claims must be paid as they fall due and will therefore be deducted from the bankruptcy estate before the distribution to the bankruptcy creditors begins. As an exception, assets subject to a security interest cannot be affected by the claims of the creditors of the bankruptcy estate.

The Spanish Insolvency Act contains a closed list of claims against the bankruptcy estate, the most significant of which are: (i) claims by employees for salaries accrued during the 30 days immediately preceding the declaration of bankruptcy in an amount that does not exceed twice the Spanish minimum statutory salary (*salario mínimo interprofesional*); (ii) costs and expenses of the bankruptcy proceedings, including the cost of filing for bankruptcy, cost of publication of the declaration of bankruptcy or any other court resolution, and fees and costs of the bankruptcy administrators until the bankruptcy concludes; (iii) costs incurred as a result of the survival of the business after the declaration of bankruptcy, including salaries and the cost of any employment restructuring; (iv) payments resulting from agreements with outstanding reciprocal obligations surviving after the declaration of bankruptcy (e.g., lease agreements), and any amounts due as a result of their termination, either as a result of a breach or by a court order; (v) claims resulting from the rehabilitation of credit or facility agreements; (vi) claims resulting in favour of a creditor subject to a claw-back action, except if the creditor acted in bad faith; (vii) claims resulting from obligations validly entered into by the debtor with the approval of the bankruptcy administrators during the bankruptcy proceedings; and (viii) claims resulting from obligations arising from applicable laws.

Under the Spanish Insolvency Act, the claims of the creditors (*acreedores concursales*) of any debtor are divided into privileged, ordinary and subordinated. Privileged credits can have a special or general privilege, depending on whether the security was created over a specific asset (special privilege) or over all of the bankruptcy estate (general privilege). As for *in rem* security interests, the Spanish Insolvency Act gives them the status of credits with special privilege, because the law includes in such category those in which the collateral is comprised of specific property or rights (mortgage, pledge or antichresis) or equivalent rights (financial lease agreement for the leased property).

The ranking of claims determines the order of payment of credits and their mandatory subjection to any composition with creditors that may be achieved. Privileged creditors are only bound by the composition if they accept it voluntarily.

Limitations to Enforcement by a Secured Creditor

Notwithstanding the rules on priority mentioned in "Rules on Priority of Credits" above, in the event of the debtor's insolvency and in accordance with the provisions of the Spanish Insolvency Act, the ability of a secured creditor to enforce the collateral is limited if such collateral is allocated to the debtor's professional or business activity or to a productive unit owned by the debtor. In such instances, the enforcement or realization of security may not be commenced until (a) either (i) a composition agreement is approved (the content of which does not affect this right) or (ii) one year elapses from the insolvency declaration without liquidation phase having been opened, and (b) unless at the time of the insolvency declaration, the announcements to auction the collateral had been published.

Composition Agreement

Once the debtor's assets and liabilities have been identified, the Spanish Insolvency Act encourages creditors to reach a composition agreement with the debtor. This agreement may be proposed either by the debtor or by the creditors, and it shall set forth how, when and up to what amount creditors are to be paid. Once executed, composition agreements must be honored by the debtor and respected by the creditors.

The composition agreement should contain proposals for write-off and payment extensions. With regard to ordinary credits, the write-off may not be in excess of 50% and the extension may not exceed five years, although these limits can be exceeded with court approval if the debtor is a company that is relevant for the national economy. It may contain alternative proposals for all creditors or for certain classes, including conversion of the credit into shares or into profit-sharing credits. It may also include proposals for allocation of the whole business or of certain business units to a specific person with a commitment from the acquirer to continue the activity and to pay off the debt as determined in the settlement. However, the composition agreement may not: (i) include an assignment of assets for the repayment of claims or any other form of global liquidation of the debtor; (ii) entail a change in the ranking of creditors established in the Insolvency Act; (iii) be conditional, although the proposal can be subject to the approval of the composition agreements of other companies of the group in the event of "group insolvency"; and (iv) impose additional obligations on any creditor, unless accepted by every affected creditor (e.g., the proposal cannot impose conditions on the subordinated creditors that are more burdensome than those applicable to ordinary creditors).

The proposals contained in the composition agreement shall include a payment schedule.

The composition agreement must be approved by creditors representing at least one-half of the bankrupt's ordinary debts. If the settlement proposes payment in full of ordinary credits within a maximum term of three years, or a write-off of less than 20%, the favorable vote of a simple majority of the creditors attending to the meeting (i.e., more votes in favor than against) will be sufficient (privileged creditors voting in favor of the settlement will also be counted). If the composition agreement provides special treatment to specific groups of creditors (e.g.; shorter deferral), the agreement will require the approval of the majority creditors not affected by the special treatment.

The holders of subordinated credits and those who have acquired their credits by means of *inter vivos* transactions subsequent to the declaration of bankruptcy, with certain exceptions, are not entitled to vote.

A special case arises with early composition agreements (*propuesta anticipada de convenio*). This has two main advantages: (i) in terms of time—it may be submitted along with the petition for voluntary bankruptcy or until conclusion of the term for giving notice of credits, allowing for it to be accepted prior to the composition phase, and it may be approved by the court upon conclusion of the common phase; and (ii) in terms of contents—if the proposed composition requires a write-off or extension in excess of those allowed by Spanish law, the court may allow such legal limits to be exceeded. There is a condition, however, whereby the proposal must be submitted with the prior support of at least 20% of the total debt (or 10% if the anticipated proposal of composition agreement is filed with the debtor's petition of insolvency) and it may only be submitted by diligent debtors (i.e., not those affected by legal prohibitions).

Liquidation

Liquidation is conceived as an alternative outcome to settlement. It operates where a composition is not reached or when it is decided upon by the instigator. The debtor is also obligated to file a petition for liquidation if, during the period while the composition agreement is in force, it becomes aware of no longer being able to meet the payment commitments and obligations undertaken after the approval of such composition agreement. If the debtor is a company, its dissolution will be declared, as well as the removal of its administrators and liquidators. Deferred credits will compulsorily fall due and credits consisting of other benefits are converted into cash credits.

The bankruptcy authority is required to prepare a liquidation plan that must be approved by the court. The aim of the Spanish Insolvency Act is to preserve companies or production units through their allocation as a block, except where it is more protective for the interests of the bankruptcy to divide them up or sell some or all the elements separately, with preference given to the alternatives allowing the continuity of the business.

The bankruptcy administratorsare required to report quarterly on the liquidation and has one year to complete it. If the liquidation is not completed within one year, the court may appoint a different bankruptcy administrators.

Limitations on Enforcement

Article 150 of the Spanish Corporation Act (*Ley de Sociedades de Capital*) prohibits financial assistance for limited liability companies (*sociedades de responsabilidad limitada*), in relation to the acquisition of their own shares and the shares of any member of their corporate group. No whitewash procedures are available. In addition, Article 402 of the Spanish Corporations Law states that a limited liability company, such as Elix Polymers, S.L., cannot issue nor secure bonds or other debt securities.

Spanish law is based, *inter alia*, on the principle of specialty (*principio de especialidad*), by virtue of which a security interest can secure only a main obligation and its ancillary obligations, such as interest, costs, etc. As a general principle, where two different main obligations are to be secured, two different security interests must be created. However, such general principle differs in certain regional laws (such as the Catalonian law).

Under Spanish law, while there is no express legal recognition of the grant of two or more pledges over the same asset or right, its permissibility has been based on the acceptance of the application of mortgage principles by analogy. Nevertheless, granting second-ranking or simultaneous first-ranking pledges over the same asset has become market practice in Spain and is generally considered acceptable in Spanish academic literature.

The legal concept of security agent does not exist under Spanish law. Therefore, if the termination or enforcement of the Notes, or any other action on behalf of the note holders, is carried out by the Security Agent, the Security Agent may be required to be empowered by each note holder by granting sufficient powers of attorney in front of a local notary public and, in the case of note holders incorporated in any jurisdiction out of Spain, duly "apostilled" pursuant to The Hague Convention of October 5, 1961 or legalized by an equivalent procedure.

Under Spanish law, all guarantees and security interests in general shall be deemed to be null and void if the principal obligations secured thereunder are declared null and void.

Hardening Periods and Fraudulent Transfer

The Spanish Insolvency Act provides that the Spanish insolvency court may only declare null and void acts and challenge actions that took place before the declaration of bankruptcy that are detrimental to the bankruptcy estate, as follows:

- Actions carried out in the two years preceding the declaration of bankruptcy may be challenged, even in the absence of fraudulent intent.
- Such actions must be "to the detriment of the bankruptcy estate", which is presumed:
  - without admission of proof to the contrary: (x) in actions of disposal for no consideration, except for ordinary largesse (*liberalidades de uso*); or (y) regarding payments or other actions cancelling obligations with a due date after the declaration of bankruptcy;
  - with admission of proof to the contrary: (x) in actions for valuable consideration carried out for any party especially related to the bankrupt (as defined by the Spanish Insolvency Act); or (y) in granting of *in rem* security covering preexisting debts or new debts incurred to cancel preexisting debts.

Otherwise, the damage must be proved by the person seeking rescission. Pursuant to the Spanish Insolvency Act:

- actions carried out in the debtor's ordinary course of professional or entrepreneurial business and under market conditions cannot be rescinded; and
- neither refinancing agreements, nor any transactions, acts and payments accomplished or any guarantees instituted in the performance of such agreements, will be subject to an action for rescission (save in the case of fraud), *provided* that: (i) the agreement has been entered into with creditors whose credits represent at least three-fifths of the debtor's liabilities as of the date of the agreement; (ii) such agreement is accompanied by a report submitted by an independent expert appointed by the Spanish Commercial Registry of the place where the debtor has its registered office, on the sufficiency of the information provided by the debtor, the reasonability of the viability plan and the proportionality of the guarantees undertaken in keeping with market conditions; and (iii) the refinancing agreement and the documents substantiating performance of conditions (i) and (ii) above are executed by way of a Spanish public deed.

Switzerland

Some of the guarantors are organized under the laws of Switzerland. In the event of insolvency, insolvency proceedings relating to such guarantors' guarantee and any security interests provided by such guarantors would likely be subject to Swiss insolvency law.

Swiss insolvency law provides for two primary insolvency regimes. The composition procedure (*Nachlassvertrag*) is in general intended to restructure a debtor's critical financial situation and enable the debtor to continue its business on a reorganized financial basis. It can also be used to liquidate the debtor. Bankruptcy procedure (*Konkurs*) is merely designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Swiss Federal Act on Debt Enforcement and Bankruptcy ("Bankruptcy Act"; *Bundesgesetz vom 11. April 1889 über Schuldbetreibung und Konkurs (SchK*G)).

The composition procedure will result in a settlement with all creditors called the composition agreement. It may take the form of: (i) a percentage agreement, where the debtor promises the creditors to pay only part of its debts and the creditors waive any excess claims; such percentage agreement can also be limited to a grant of a respite, where the debtor and the creditors agree on a payment plan according to which the debtor will pay its debts in full, but over time, or (ii) an assignment of assets (also called "liquidation agreement"), where the debtor liquidates its assets with the creditors being satisfied out of the proceeds of the liquidation. Exceeding claims will be deemed waived.

To initiate a composition procedure, an application for a moratorium of payments (in German: *Nachlassstundung*) will be made by the debtor itself. In certain circumstances, this can also be done by creditors. For a percentage agreement, the debtor has to show that such an agreement is in the best interest of the creditors, whereas for a liquidation agreement it is required that creditors receive a higher dividend than in a bankruptcy. If the debtor's application meets the statutory prerequisites, the court will grant the debtor a moratorium that may last four to six months. Such moratorium can be extended to twelve months and, in particularly complex cases to twenty-four months. In the event of an extension exceeding twelve months, the creditors must be heard. The moratorium can also be granted provisionally. The provisional moratorium shall not exceed the duration of two months and during that period the debtor must reapply for the final moratorium.

A security interest granted by the debtor is not affected by the moratorium and private enforcement of pledged assets is still possible. However, enforcement proceedings cannot be initiated or continued as long as the moratorium is in effect, except for claims secured by a mortgage on real estate, but such real estate may not under any circumstances be realized during the moratorium.

The moratorium affects the rights of unsecured creditors. In particular, the debtor is protected against involuntary bankruptcy, and the enforcement of final and enforceable judgments is stayed. Unless the composition agreement otherwise stipulates, claims of unsecured creditors no longer bear interest.

The court has to appoint an administrator. His authority may range from supervision of the debtor's activities to actually taking over management of the debtor.

The debtor and the administrator jointly draft a composition agreement to be discussed at a creditors' meeting. A majority of creditors, representing two-thirds of all claims admitted, need to consent to the composition agreement. If that majority cannot be reached, it is sufficient if one-quarter of all creditors, which shall represent at least three-quarters of all claims admitted, have approved the composition agreement. Secured claims are only counted to the extent of the part which, in the administrator's estimation, is not be covered by the security. Secured creditors are generally not affected by a composition agreement.

Prior to the end of the moratorium, the administrator shall file his report with the court with his recommendation to the court whether to ratify the composition agreement. The court will only ratify the agreement if the debtor's offer is reasonable compared to its financial capacities. Once ratified, the composition agreement is binding on any pre-moratorium creditor and any creditor with a claim that has not been approved by the administrator during the moratorium.

Under Swiss bankruptcy proceedings, bankruptcy may be the result of a creditor instituting a simple debt collection proceeding. In Switzerland, an entity is subject to bankruptcy if it is registered in the commercial register. Upon confirmation of the debt by the competent court, debt collection is continued by a specific request to the debt collection office, which for a corporation, if approved, leads to bankruptcy. In certain specific circumstances, especially if a debtor has ceased to pay its debts as and when they fall due, the creditors may request that bankruptcy be opened without prior collection proceedings. Further, under Swiss corporate law, a corporation which is over-indebted (i.e., where its liabilities exceed the value of its assets) has to apply for bankruptcy.

The goal of bankruptcy is to sell the debtor's assets in order to satisfy claims of the creditors who, whether secured or unsecured, all need to participate in the bankruptcy proceedings. The assets are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their specific claims, with certain creditors having preferential or priority claims, such as secured creditors, debtor's employees or tax and social security authorities. With the opening of bankruptcy proceedings, interest ceases to accrue against the debtor. However, interest on claims secured by pledges continues to accrue until the realization of the pledge, provided the proceeds exceed the amount of the claim and the interest had accrued by the date of the opening of bankruptcy proceedings.

An administrator of the estate shall be appointed by the court and will have full administrative and disposal authority over the debtor's assets. The bankruptcy administrator shall draw up an inventory of the assets and, further to a creditors' call for the filing of claims, establish a schedule of claims (in German: *Kollokationsplan*).

Any creditor wishing to contest the schedule of claims because his claim has been entirely or partially rejected by the administrator or not allocated in the rank requested must bring an action against the estate before the competent court. If any creditor wishes to contest the admission of another creditor to the schedule of claims or the allocated rank, he must bring an action against such creditor. Such court proceedings could cause holders of notes to recover less than the principal amount of their notes or less than they could recover in a United States liquidation. Such proceedings could also cause payment to the holders of the notes to be delayed, as compared with holders of undisputed claims.

Pledged assets form part of the bankruptcy estate. As a consequence, the private enforcement of pledged assets is not permitted and the enforcement mandatorily occurs according to the rules of the Bankruptcy Act. The priority rights of the pledgee, however, remain effective, and the proceeds from the sale of the pledged assets (after deduction of the estate costs) are used exclusively to satisfy the secured claims, unless the proceeds from the sale of the pledged assets exceed the secured claims, in which case the surplus is available for distribution to the unsecured creditors. If the enforcement proceeds are not sufficient to fully satisfy the secured claims, the remainder of the claims have equal rank as unsecured claims with all other unsecured and non-prioritized claims. If several pledges secure the same claim, the amount realized is applied proportionally to the claim.

Future claims assigned by way of security or pledged but that come into existence after the date of the bankruptcy or similar insolvency proceedings fall into the bankruptcy estate as the assignor or pledgor is deemed to lose the capacity to dispose of such claims. As a consequence, the assignee or pledgee has no security interest and no privilege on such future claims.

Under Swiss insolvency and other laws, a bankruptcy administrator can, under certain circumstances avoid any claim for the payment of debt, including any payments under guarantees or security interests or, if payment has already been made, require that the recipient return the payment to the relevant payor. The right of avoidance applies if any of the following applies: (i) an over-indebted company repays unmatured debts or grants collateral for previously unsecured liabilities within one year before the opening of bankruptcy proceedings; (ii) a debtor disposes of assets for free or for inadequate consideration within one year before the opening of bankruptcy proceedings; or (iii) the debtor intentionally favors some creditors compared to others and in doing so damages the other creditors within five years before the opening of bankruptcy proceedings (whereby the actual test for such intention is an objective one relating to the circumstances at the relevant time and does not require proof of such intention to favor or harm certain creditors). Under certain circumstances, these time periods may be suspended. The granting of guarantees and security interests is not voidable under (i) above as long as the creditor does not have or should not have any actual or constructive knowledge of the grantor's over-indebtedness. A bona fide creditor is therefore protected but bears the burden to plead and prove its good faith. In the event such disputed transactions are successfully avoided, the noteholders are under an obligation to repay the amounts received or to waive the guarantee or security interest. The above principle of avoidance applies in particular to the guarantees or security interests granted by the Swiss guarantors. In the case of such avoidance of a guarantee or security interest granted by a Swiss guarantor, any amounts obtained by the noteholders under the guarantee or security interest that is avoided would have to be repaid by the noteholders. The noteholders who have restituted the avoided amount paid to them regain their original claim against the Swiss guarantor and are entitled to list their claim in the schedule of claims in their respective rank and priority. The Swiss principles on avoidance may therefore limit the noteholders' ability to recover payments due on the guarantees or security interest.

In addition, all bankruptcy proceedings including the composition with creditors and avoidance actions are governed by Swiss law.

Pursuant to the majority opinion of Swiss scholars, if a Swiss corporation (*Société anonyme)* or a Swiss limited liability company (*Société à responsabilité limitée*) guarantees, secures or jointly assumes liabilities of its affiliates (other than direct or indirect subsidiaries) or subordinates claims to those of creditors of such affiliates without receiving an at-arm's-length consideration therefor ("Upstream-Collateral"), the Upstream-Collateral will be limited to the balance sheet profit available for dividend distrubtion at the time of enforcement and will be subject to withholding tax (currently at the rate of 35%). The Upstream-Collateral is valid only if approved by the general meeting at the time of enforcement in accordance with the rules applicable to the distribution of dividend. As a result the creditors to be secured by any Upstream-Collateral should take into account that the actual value of such Upstream-Collateral may be very limited. This shall in particular be relevant for the purpose of the Guarantee (or any other security) to be granted by any Swiss Guarantor for the benefit of the Holders of the Notes.

Under Swiss law, pledges are accessory to the obligations they secure and, therefore, pledges may only be constituted for the benefit of the creditors of the secured obligations. Any pledge governed by Swiss law to secure claims of the Holders of the Notes under the Indenture should therefore be constituted for the benefit of the Holders of the Notes acting as pledgees. In the present case, however, any such pledge is likely to be constituted for the benefit of the Security Trustee acting as pledgee. The pledge would not directly secure the claims of the Holders of the Notes but an independent claim of the Security Trustee stated to be at all times equal to the outstanding claims of the Holders of the Notes (parallel debt language). It is uncertain whether such arrangement would be valid and enforceable under Swiss law as it could be viewed as a circumvention of the accessory nature of the pledge.

Thailand

One of the guarantors is incorporated under the laws of Thailand. In the event of insolvency of the Thai guarantor, judicial reorganization or bankruptcy proceedings relating to such guarantor may be initiated in Thailand under its Bankruptcy Act, which would govern those proceedings. The insolvency laws of Thailand may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including in respect of the designation and priority of creditors. Under Thai law, you may be treated as an unsecured creditor. This status may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

According to Thai bankruptcy law, creditors will be regarded as secured creditors only if they (i) hold preferential rights over the assets of a debtor under a mortgage, pledge or right of retention or (ii) possess preferential rights in the same nature as pledgees. Creditors who otherwise have only a contractual interest against the debtor, such as a guarantee, will be treated as unsecured creditors under Thai law. The rights of secured and unsecured creditors differ when claims are made for debt repayment and vary according to the class of the creditor under a business reorganization plan, as described below.

Thailand's Bankruptcy Act provides for both bankruptcy proceedings and business reorganization proceedings against a Thai guarantor (hereinafter referred to as a "debtor" who, in the case of a business reorganization, must be a juristic person). These proceedings may be initiated if the debtor is either (i) domiciled in Thailand or (ii) operates its business in Thailand, whether by itself or by its representative, at the time an application is filed or anytime within the year preceding the filing.

Bankruptcy Proceedings

An application for bankruptcy may be filed by (a) a creditor, whether secured or unsecured, if the debtor is insolvent and the debtor (if a juristic person) owes one or more creditors at least Baht 2,000,000, irrespective of maturity date or (b) the liquidator of a company, when the company is being wound-up and its fully paid up share capital is not sufficient to meet all its liabilities.

If, during the hearing on the petition of the creditor, the Thai bankruptcy court finds that the facts set forth in the petition are true, the Thai bankruptcy court will order that the debtor enter absolute receivership. Upon a receivership order, the official receiver, appointed by the Minister of Justice, acting as independent government officer, will be empowered by the Thai Bankruptcy Act to manage the assets and business of the debtor and the debtor will no longer be able to take any action relating to its assets or business, unless such acts are otherwise ordered or approved by the Thai bankruptcy court, the official receiver, the administrator of the asset or a creditors' meeting.

To be eligible for debt repayment under bankruptcy proceedings, creditors must file a debt application with the official receiver within two months following the date of publication of the order of absolute receivership in the Government Gazette. For creditors residing outside Thailand, the official receiver may, in its discretion, extend the two-month period by up to an additional two months. If any creditor fails to file the debt application within such time, it will lose its claim against the debtor under the bankruptcy proceedings. A secured creditor may choose to receive repayment from security granted to it without filing a debt claim, but only if the secured creditor allows the receiver to inspect the security.

After the expiry of the debt application filing period, there will be a meeting to consider whether the debtor should become bankrupt, or if requested by the debtor, whether there should be a conciliation between the creditors and the debtor. If the creditors pass a resolution requesting that the debtor be declared bankrupt, or if no conciliation is approved, the Thai bankruptcy court shall declare the debtor bankrupt. The receiver will then be empowered to collect and manage the assets of the debtor for distribution among all entitled creditors.

The secured creditors will have priority over the assets secured to them. If any proceeds remain after payment of the claims of the secured creditors, then the claims of unsecured creditors will be settled in the following order: (1) expenses for administration of a deceased debtor's estate; (2) expenses of the receiver in managing the debtor's assets; (3) funeral expenses of a deceased debtor proper to his status; (4) administration fees in connection with the collection of assets; (5) fees of the petitioning creditor and counsel's fee as the Thai bankruptcy court or the receiver may prescribe; (6) taxes that have become due within six months prior to the order for receivership of the assets and wages that employees of the debtor have the right to receive prior to the order for receivership of the assets for work performed for the debtor during the period of four months prior to the order of receivership (but not exceeding Baht 100,000 per employee), and pursuant to the law concerning labor protection and (7) other debts, which includes the obligations owed to the unsecured creditors.

Business Reorganization Proceedings

A business reorganization proceeding can be initiated in Thailand either by a debtor or by a secured or unsecured creditor. In order to file a petition for business reorganization, (i) the debtor must be insolvent; (ii) it must owe an aggregate amount of not less than Baht 10,000,000 to one or more creditors, regardless of the maturity date of the debt; and (iii) there must be reasonable grounds and prospects to rehabilitate the business of the debtor.

When the Thai bankruptcy court accepts the petition for business reorganization proceedings, an automatic stay, or moratorium, applies to protect the debtor against actions by creditors such as litigation, enforcement of security and bankruptcy proceedings. As such, secured creditors would be unable to enforce their security outside the business reorganization proceedings, unless the Thai bankruptcy court approves. Creditors whose rights are restricted under the moratorium may submit an application to the Thai bankruptcy court requesting an order amending, modifying or annulling the limitations on their rights on the grounds that the restrictions are not necessary for the business reorganization process or because such restrictions do not sufficiently protect the rights of secured creditors. Subject to judicial discretion, the Thai bankruptcy court may (a) allow the enforcement of security; (b) order the debtor to provide additional collateral or (c) otherwise amend the restrictions of the moratorium. The moratorium will last until the earlier of (1) the scheduled date for completion of the business reorganization plan (as discussed below) (the "plan"); (2) the actual completion of the plan; (3) the date of dismissal or discharge of the petition; (4) the date of cancellation of the reorganization order (as discussed below) or (5) the date on which the receivership order is cancelled.

The moratorium also allows the plan to be prepared by a planner and submitted to creditors and the Thai bankruptcy court for approval. The planner may be a person or entity related to the debtor or an independent third-party appointed by the Thai bankruptcy court. A planner must prepare the plan and control the affairs of the debtor in the period prior to the approval of the plan. All of the powers of the debtor's directors and the rights of the debtor's shareholders, except the right to receive a dividend, are transferred to the planner.

After the Thai bankruptcy court orders that the debtor is subject to business reorganization proceedings, creditors are required to file debt repayment applications against the debtor with the official receiver within one month from the date on which the order appointing the planner is published in the Government Gazette. Failure to file a claim by the end of the one-month period (which is not extendable) will result in the creditor losing its claim against the debtor. A secured creditor may opt to receive repayment from security granted to it without filing a debt repayment claim. However, enforcement of security by the secured creditor is subject to the moratorium and, as discussed above, permission from the Thai bankruptcy court to enforce the security is required.

The procedure for creditors to vote on the approval or rejection of a plan depends upon the required threshold of creditors, both in terms of the number of creditors and the value of debt outstanding. The resolution approving the plan must be a special resolution (a majority of creditors whose debts equal three quarters of the total debts of creditors present at the creditors' meeting in person by proxy, and voting on such resolution) by (i) the creditors' meetings of each and every class of creditors (as classified below) or (ii) the creditors' meeting of at least one group of the creditors (who is not a group of creditors receiving an offer to be repaid in full or to receive repayment under an existing contract or a subordinated creditor), and the total debt of the creditors who have approved the plan at the meeting of all groups of creditors is not less than 50% of the debt of the creditors attending the meeting in person or by proxy and voting on such resolution.

Under any given plan, the debt of creditors can either be written off, converted to equity or subject to extended payment conditions, interest rates and other terms. The business reorganization process also allows for the sale of assets and the issuance of new shares to be carried out under a plan.

Thai law requires that creditors be divided into different classes:

(i) Large Secured Creditor: This class can only contain one creditor, however there may be more than one large secured creditor class. To be classified as a large secured creditor, the creditor must hold secured debt amounting to more than 15% of the total debt for which a claim for repayment may be filed in the business reorganization of the debtor. The value of the secured debt for these purposes is calculated as the amount that a sale of the secured assets would realize upon the enforcement of security. If more than one creditor would be classified as large secured creditors, then each would be placed in its own separate large secured creditor class;

(ii) Other Secured Creditors: This class comprises those creditors that do not meet the criteria of large secured creditors. This class can contain multiple creditors;

(iii) Unsecured Creditors: This class can be divided into subclasses, depending upon interests and claims. Separate subclasses of unsecured creditors may contain, for example, unsecured financial creditors, employee creditors, trade creditors, government creditors (for taxes and custom duties) and contingent creditors (*i.e.,* creditors holding guarantees or performance bonds from the debtor); and

(iv) Subordinated Creditors: This class comprises creditors who, either by law or by contract, have the right to receive repayment only after other creditors have received repayment in full. This class can contain multiple creditors.

The business reorganization proceedings permit the debtor to remain in reorganization for up to five years, subject to two one-year extensions with creditor and Thai bankruptcy court approval. The conditions for full implementation of the plan do not have to include full repayment of the debt.

While the debtor is in business reorganization proceedings, it can only carry out acts in accordance with the plan, authorized by the Thai bankruptcy court or otherwise "essential for the debtor to carry on its business as usual". There is no specific definition of what is "essential for the debtor to carry on its business as usual" and this condition is widely interpreted.

Subject to the automatic stay, transactions are still valid and binding against the debtor even if the debtor enters into the reorganization process. However, certain transactions may be refused or cancelled by the Thai bankruptcy court if they are regarded as fraudulent acts or as giving undue preference.

In the case of an onerous contract, the plan administrator is empowered to refuse or disclaim the right of the debtor under a contract if he considers that such right is subject to terms more onerous than the benefits receivable. The right to disclaim must be exercised within two months from the date the plan administrator is informed of the count's approval of the plan. The exercise of this right in the context of an unperformed contract will involve an assessment of the costs of performance of the contract against the value of the benefits to be received. Where the right to disclaim is exercised, any person who suffers loss as a result can file a claim with the court for such loss within 14 days after being informed of the disclaiming act.

Any transaction entered into by the debtor with the knowledge that it would prejudice its creditors is regarded as a fraudulent act. The official receiver, planner or plan administrator can file a motion with the Thai bankruptcy court for an order to cancel that transaction if either (i) the person enriched by such transaction is, at the time of the transaction, aware of the fact that the transaction would prejudice the creditors, or (ii) it is a gratuitous transaction. A similar request can be made in a bankruptcy proceeding of a debtor. Furthermore, Thai insolvency law specifies that if the transaction occurs within a year prior to the filing of the bankruptcy petition or the business reorganization petition, or where the debtor receives less than a reasonable amount of compensation for that transaction, it shall be presumed that both the debtor and the person who is enriched by that transaction knew that such act would prejudice the creditors. Under these circumstances, the fraudulent transaction can be nullified by order of the Thai bankruptcy court, after which any assets would be returned to the debtor to be made available to its creditors.

Thai insolvency law also provides for "undue preferences" to be unwound. A transaction can be cancelled if it was entered into by a debtor with the intention of giving an undue preference to one of its creditors within three months prior to the filing of the bankruptcy petition or the business reorganization petition, or one year in the case of an "undue preference" extended to an insider. In that case, the assets would be returned to the debtor and made available to its creditors.

In addition, under Thai law, all appointments of an agent, including the grant of a power of attorney, appointment of a proxy or other authorization granted expressly (including those expressed to be irrevocable) or by implication, are revocable by notice at any time. In particular, these appointments and authorizations terminate by law and without notice upon the bankruptcy of the grantor.

Parallel Debt Provision

There is uncertainty as to the enforceability of the parallel debt provision in Thailand. This is because there is no parallel debt concept under the Thai Bankruptcy Act. In addition, it is uncertain as to whether security interests, including those relating to the mortgage of real property and registered machinery and to the pledge of shares in a limited company, can be granted to a party other than the creditor of the claim purported to be secured by such security interests.

A parallel debt undertaking in the security documents or guarantee entered into by the Thai guarantor results in (i) the collateral agent/trustee becoming the holder of the secured claims equal to the principal amount of the Notes plus certain other amounts for the benefit of the collateral agent/trustee and the holders of the Senior Secured Notes and (ii) the Thai guarantor undertaking, as a separate and independent obligation, to pay to the collateral agent/trustee on behalf of the holders of the Notes the amounts equal to the amounts it is due to pay to the other creditors. The parallel debt undertaking thus creates debt which is owed to the collateral agent/trustee as a creditor in its own right and not as a representative of the creditors. As a result, the Security Trustee and Trustee would be able to demand payment in the capacity of creditor, not as an agent of the actual creditors. In addition, if the actual creditor fails to take steps to preserve its entitlement to be paid, the collateral agent/trustee, under its own independent right created by the parallel debt provision, is entitled to demand the payment of such debt.

Under the Thai Bankruptcy Act, the parallel debt undertaking as described above might be challenged and its enforceability is doubtful in several aspects. For example, in order for a creditor to be entitled to be paid under bankruptcy and business re-organization proceedings, the creditor must submit a claim to preserve its entitlement to its debt. Failure to do so would result in that debt becoming unrecoverable and the creditor's right would be forfeited. The parallel debt undertaking is contrary to this concept by allowing a creditor to recover a debt which was not submitted in a bankruptcy or business re-organization proceeding, to be recoverable by a third-party who is not a creditor but did submit its claim to the official receiver in a timely manner and such claim is over the same debt.

However, such a parallel debt undertaking has never been tested before a Thai bankruptcy court. Nor has the enforceability of security interests granted to a party other than the creditor. As a result, we cannot assure the holders of the Notes of the enforceability of such measures under Thai law.

CERTAIN TAX CONSIDERATIONS

German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this offering memorandum, which are subject to change, possibly with retroactive or retrospective effect. Although any information given hereafter reflects the opinion of the Issuer, it must not be misunderstood as a representation or guarantee, and courts or other relevant authorities may come to different interpretations of the applicable laws. Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Withholding Tax

German Tax Resident Private Investors

Ongoing payments received by a German tax resident private investor of the Notes will be subject to German withholding tax if the Notes are kept or administered in a custodial account with or presented for an over-the-counter payment to a German financial institution (*i.e.*, a bank, a financial service institution, a securities trading company or a securities trading bank (each, a "*Disbursing Agent*", *auszahlende Stelle*)). The term German financial institution includes a German branch of a foreign bank or financial service institution but not a foreign branch of a German bank or financial service institution. The withholding tax rate is at 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375% and church tax, if applicable). If the individual holder is subject to church tax, upon application a church tax will also be withheld.

The same treatment applies to capital gains (*i.e.*, the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal and the cost of acquisition taking into account currency gains and losses, if any) derived by an individual holder irrespective of any holding period, provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest coupons or interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest coupons or interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition or if the Notes have been transferred into the custodial account of the Disbursing Agent only after their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375% and church tax, if applicable) on 30% of the disposal proceeds (plus interest accrued on the Notes ("*Accrued Interest*", *Stückzinsen*), if any), if the current Disbursing Agent has not been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 no. i of the EU Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payments (the "*EU Savings Tax Directive*").

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the

Notes via the Disbursing Agent (*e.g.*, losses from the sale of other securities with the exception of stocks). The Disbursing Agent may also deduct Accrued Interest on the Notes. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German Tax Resident Business Investors

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder (provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office), while ongoing payments, such as interest payments, from a Disbursing Agent are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same applies where the Notes form part of a trade or business (of an individual or a commercial partnership) subject to notifying the Disbursing Agent about the allocation of the Notes to a business in Germany.

Non-Tax Resident Investors

Interests and capital gains received by investors not tax resident in Germany in connection with the Notes are, in general, not subject to German withholding tax and the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as outlined below under "—*Taxation of Current Income and Capital Gains—Non-Tax Residents*") and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty (*Doppelbesteuerungsabkommen*).

Where Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Note or an interest coupon are paid by a Disbursing Agent to a non-tax resident in a so-called OTC transaction, withholding tax will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable double taxation treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "—*Tax Residents*" refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Interest income and capital gains derived from capital investments under the Notes held by an individual holder who is tax resident in Germany is irrespective of any holding period in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungssteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible (except for transaction costs in connection with the sale or redemption of the Notes).

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as outlined above in "*—Withholding Tax—German Tax Resident Private Investors*"). To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process, the individual holder must include his or her interest income and capital gains derived from the Notes in his or her tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and where applicable, church tax thereon). If the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than the actual gain), the individual holder can apply to include the respective gain in his or her tax return. Further, an individual holder may apply for a tax assessment on the basis of general rules applicable to him or her if the resulting individual income tax burden is lower than 25% with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs in connection with the case of a sale or redemption of the Notes) on an itemized basis is not permitted. Losses incurred with respect to the Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods (*e.g.*, gains from the sale of other securities or interest).

Where Notes form part of a trade or business of an individual or corporate holder or the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the interest income and capital gains from the investment are subject to individual or corporate income tax (plus solidarity surcharge and where applicable, church tax). Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. The respective holder will have to include income and related (business) expenses in the tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Notes form part of a German trade or business, the current income and gains from the disposal, redemption, repayment or assignment of the Notes are also subject to German trade tax. The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*). If the holder is an individual or an individual partner of a partnership, the trade tax may be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non-Tax Residents

This subsection "*—Non-Tax Residents*" refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management and control is not located in Germany).

Interest, including Accrued Interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax-resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income (such as income from the letting and leasing of certain German-*situs* property or income from capital investments directly or indirectly secured by German- *situs* real estate, unless the Notes qualify as global notes (*Sammelurkunden*) within the meaning of Section 9a of the German Custody Act (*Depotgesetz*) or as fungible notes representing the same issue (*Teilschuldverschreibungen*)). In cases (i) and (ii) a tax regime similar to that explained above under "*—Tax Residents*" applies. Subject to certain requirements a holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable tax treaty.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, generally no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

EU Savings Directive

Under the EU Savings Tax Directive, each EU member state must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in another member state or to certain limited types of entities established in another member state. The competent authority of the EU member state of the paying agent (within the meaning of the EU Savings Tax Directive) is then required to communicate this information to the competent authority of the EU member state of which the beneficial owner of the interest is a resident. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to withhold tax from such payments, currently at a rate of 20% and of 35% from July 1, 2011 (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

By legislative regulations dated January 26, 2004, the German federal government enacted provisions implementing the EU Savings Tax Directive into German law.

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

U.S. Federal Income Tax Considerations

Internal Revenue Service ("IRS") Circular 230 Disclosure

To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. Federal tax advice contained in this offering memorandum is not intended or written by us to be used, and cannot be used, (i) by any taxpayer for the purpose of avoiding tax penalties under the U.S. Internal Revenue Code or (ii) for promoting, marketing or recommending to another party any transaction or matter addressed herein. You should seek advice based on your particular circumstances from an independent tax advisor.

The following discussion is a summary based on present law of certain U.S. Federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) who purchase the Notes in the original issuance at the original offering price, hold the Notes as capital assets and use the U.S. dollar as their functional currency. This summary does not address the tax consequences to subsequent purchasers of the Notes.

This discussion is not a complete description of all U.S. tax considerations relating to the Notes. It also does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers, traders that elect to mark to market, insurance companies, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction. This summary does not discuss any tax consequences arising under the U.S. Federal estate and gift tax laws or the laws of any state, local, non U.S. or other taxing jurisdiction.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE U.S. FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner that is, for purposes of U.S. Federal income taxation, (i) a citizen or resident alien of the United States, (ii) a corporation or other business entity treated as a corporation created or organized in or under the laws of the United States or its political subdivisions, (iii) a trust (a) that is subject to the control of a U.S. person and the primary supervision of a U.S. court or (b) which has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person or (iv) an estate, the income of which is subject to U.S. Federal income taxation regardless of its source.

No rulings from the IRS have been or will be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained. If a partnership (or an entity or arrangement treated as a partnership for U.S. Federal income tax purposes) acquires or holds the Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner or partnership that acquires or holds the Notes should consult its own tax advisors.

Effect of the Joint Venture Transaction and Release of Escrow Proceeds

We believe that the transactions that will occur in connection with the Joint Venture Transaction and the release of escrow proceeds as described above under "*The Transactions*" and "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" should not result in a taxable event for U.S. Federal income tax purposes. It is possible, however, that the IRS could take a contrary view, and seek to treat the holders as exchanging the notes for "new" notes in a deemed taxable exchange occurring in connection with the Joint Venture Transaction and the release of escrow proceeds

If such a view were to be sustained, a U.S. Holder would recognize capital gain or loss in an amount equal to the issue price of the "new" notes and such U.S. Holder's adjusted tax basis in the notes. The issue price of the "new" notes would equal their principal amount, or, if the notes or "new" notes are treated as "publicly traded" for U.S. Federal income tax purposes, the fair market value of such notes on the date of the Joint Venture Transaction. In addition, a U.S. Holder could be treated as acquiring the "new" notes with original issue discount ("OID") for U.S. Federal income tax purposes if the principal amount of the notes exceeded the issue price of the "new" notes by more than a statutorily defined de minimis amount. The remainder of this discussion assumes that a taxable event will not result from the transactions that will occur in connection with the Joint Venture Transaction and the release of escrow proceeds. Holders are urged to consult their tax advisors regarding the U.S. Federal income tax consequences to them of the Joint Venture Transaction and the release of escrow proceeds.

Characterization of the Notes

In certain circumstances we may be obligated to make payments on the Notes in excess of stated principal and interest. These potential payments may implicate provisions of the Treasury Regulations relating to "contingent payment debt instruments." We intend to take the position that the foregoing contingencies should not cause the Notes to be treated as contingent payment debt instruments. Assuming such position is respected, a U.S. Holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. Holder's method of accounting for U.S. Federal income tax purposes. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. Holders could be required to accrue interest income at a rate higher than their yield to maturity, to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a Note, and to recognize foreign currency exchange gain or loss with respect to such income. This disclosure assumes that the Notes will not be considered contingent payment debt instruments. U.S. Holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Stated Interest

Interest paid on the Notes generally will constitute stated interest and should be included in the gross income of a U.S. Holder as ordinary income at the time the interest accrues or is received, in accordance with the holder's regular method of accounting for U.S. Federal income tax purposes. Interest (including OID, if any, as discussed below) generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered "passive category income."

In the event that Additional Amounts are paid in respect of withholding or deductions for taxes imposed on payments on the Notes (as described under "*Description of the Notes—Payment of Additional Amounts*"), such Additional Amounts will be taxable to a U.S. Holder as ordinary income, as received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. Federal income tax purposes. The amount taxable to a U.S. Holder will also include all taxes withheld or deducted in respect thereof. Thus, a U.S. Holder may be required to report income in an amount greater than the cash it receives in respect of payments on the Notes. A U.S. Holder may be eligible to claim a credit or deduction in respect of such taxes for purposes of computing such U.S. Holder's U.S. Federal income tax liability, subject to certain limitations.

A cash basis U.S. Holder must include in income a U.S. dollar amount equal to the U.S. dollar value of the stated interest paid in euros at the spot exchange rate on the date of receipt, whether or not the payment is converted into U.S. dollars, and an accrual basis U.S. Holder generally must include in income the U.S. dollar value of the accrued stated interest paid in euros at the average exchange rate for the accrual period in which the interest accrued (or, if any accrual period spans two taxable years, the partial period within each taxable year). Upon receipt of the interest (including amounts received upon the sale, exchange, retirement or other taxable disposition of a Note attributable to accrued but unpaid interest), an accrual basis U.S. Holder generally will recognize foreign currency exchange gain or loss equal to the difference, if any, between the U.S. dollar amount of the interest previously accrued and the U.S. dollar value of the euro received at the spot exchange rate on the date of receipt, regardless of whether the payment is converted into U.S. dollars. Foreign currency exchange gain or loss generally will be U.S. source ordinary income or loss.

An accrual basis U.S. Holder may elect to convert accrued euro interest into a U.S. dollar value at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the spot exchange rate on the last day of the part of the accrual period within each taxable year). If accrued interest actually is received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead convert the accrued interest at the spot exchange rate on the date of receipt. Any currency conversion election will apply to all debt instruments that the electing U.S. Holder holds or acquires at or after the beginning of the first taxable year to which the election applies. The election cannot be revoked without the consent of the IRS.

Foreign Tax Credit

Interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. Federal income tax laws. Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. Federal income tax purposes, subject to applicable limitations.

The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their independent tax advisors regarding the availability of foreign tax credits.

Disposition

A U.S. Holder generally will recognize gain or loss on a sale, redemption or other taxable disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest not previously included in income, which is taxed as interest) and the U.S. Holder's adjusted tax basis in the Note. The U.S. dollar amount realized will be the value of the euro received at the spot exchange rate on the date of disposition (or, if the Notes are traded on an established securities market and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date). A U.S. Holder's adjusted tax basis in a Note generally will be the amount paid for the Note increased by the amount of any OID (if any) previously included in income by such holder. The amount paid for the Note will be the U.S. dollar value of the euro used to purchase it at the spot exchange rate on the purchase date (or, if the Notes are traded on an established securities market and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date).

Gain or loss on disposition of a Note generally will be U.S. source capital gain or loss except to the extent of any foreign currency exchange gain or loss (discussed below). Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. A non-corporate U.S. Holder may be eligible for reduced rates of taxation on any long-term capital gain recognized. Deductions for capital losses are subject to limitations.

Currency Gain or Loss

A U.S. Holder generally will recognize foreign currency exchange gain or loss on a taxable disposition of a Note equal to the difference between the U.S. dollar value of the principal amount of such Note on the date of acquisition and the date of such disposition (or possibly, if the Notes are traded on an established securities market and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date). Foreign currency gain or loss cannot exceed overall gain or loss on the Note. Foreign currency gain or loss generally will be ordinary income or loss from sources within the United States.

A U.S. Holder will have a tax basis in euro received as interest on a Note or on the disposition of a Note equal to the U.S. dollar value of the euro received translated at the spot exchange rate on the date of receipt. A U.S. Holder will have a tax basis in euro received on the disposition of a Note equal to the U.S. dollar amount realized. Any gain or loss realized by a U.S. Holder on a sale or other taxable disposition of the euro generally will be U.S. source ordinary income or loss.

Reportable Transactions

Certain U.S. Treasury Regulations on tax shelter transactions could be interpreted to require a U.S. Holder of the Notes specifically to disclose with its U.S. Federal income tax return loss from certain transactions involving a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of such Note in excess of certain thresholds. U.S. Holders are urged to consult their tax advisors about these and all other specific reporting requirements.

Information Reporting and Backup Withholding

Payments of interest and proceeds from the sale, redemption or other taxable disposition of a Note may be reported to the IRS unless the holder establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or, in the case of interest payments, fails either to report in full dividend and interest income or, in either case, fails to make certain certifications. Backup withholding is not an additional tax. A holder generally can claim a credit against its U.S. Federal income tax liability for the amount of any backup withholding tax and a refund of any excess, provided that the required information is timely furnished to the IRS.

New Legislation

For taxable years beginning after March 18, 2010, new legislation requires certain U.S. holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in Section 6038D of the Code) to report information relating to an interest in our Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN ERISA CONSIDERATIONS

General

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee benefit plans subject to Title I of ERISA ("ERISA Plans") and on entities that are deemed to hold the assets of such plans ("Benefit Plan Investors"), and on those persons who are fiduciaries with respect to ERISA Plans and Benefit Plan Investors. Investments by ERISA Plans and Benefit Plan Investors are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that the investments of a ERISA Plan and Benefit Plan Investor be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code, prohibit certain transactions involving the assets of an ERISA Plan or Benefit Plan Investor (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans and Benefit Plan Investors, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of a Plan who engages in a prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-US, state, local or other Federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("Similar Law"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, BASF, INEOS Industries, the Guarantors, the initial purchasers, the Trustee, the Registrar the agents or any of their respective affiliates. Depending on the satisfaction of certain conditions, which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption ("PTCE") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the

Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

By its purchase of any Note or an interest therein, each purchaser and holder thereof will be deemed to have represented and warranted that either:

(i) no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any Plan or governmental, church or non-U.S. plan which is subject to Similar Laws, or

(ii) its purchase and holding of such Notes or any interest therein does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws).

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transaction, each Plan fiduciary (and each fiduciary for non-U.S., governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, Section 4975 of the Code or such Similar Laws of an investment in the Notes.

NOTICE TO INVESTORS

The Notes have not been registered under the Securities Act, or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable securities laws in any jurisdictions. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S under the Securities Act.

Each purchaser of the Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

1. It understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.

2. It is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer or acting on the Issuer's behalf and it is either:

   (i) a qualified institutional buyer, or QIB, within the meaning of Rule 144A under the Securities Act, and is aware that any sale of the Notes to it will be made in reliance on Rule 144A under the Securities Act, of which the acquisition will be for its own account or for the account of another QIB; or

   (ii) a person that, at the time the offer to purchase the Notes was made and at the time the buy order for the Notes was originated, was outside the United States within the meaning of Regulation S under the Securities Act.

3. It acknowledges that neither we nor the initial purchasers, nor any person representing us or the initial purchasers, has made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes.

4. It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

Each holder of the Notes issued in reliance on Rule 144A ("Rule 144A Notes") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year after the later of the date of the original issue and the last date on which the Issuer or any of our affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act, (v) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that is not a QIB and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of the Notes of $250,000 or (vi) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv), (v) or (vi) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially to the following effect:

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL ACCREDITED INVESTOR (WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF NOTES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN

CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE.

5. It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

6. It acknowledges that until 40 days after the commencement of the Offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

7. It acknowledges that the transfer agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth therein have been complied with.

8. It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the initial purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

ERISA Considerations

Any purchaser and holder of the Notes or an interest therein will be deemed to have represented and warranted that either (i) no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any Plan or governmental, church or non-U.S. plan which is subject to Similar Laws, or (ii) its purchase and holding of such Notes or any interest therein does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws). Please see "*Certain ERISA Considerations*".

PLAN OF DISTRIBUTION

Barclays Bank PLC, Citigroup Global Markets Limited and HSBC Bank plc are the initial purchasers. Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of Notes set forth opposite its name below.

Initial purchaser	Principal Amount of Notes
Barclays Bank PLC	€216,000,000
Citigroup Global Markets Limited	€216,000,000
HSBC Bank plc	€ 48,000,000
Total	€480,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the purchase agreement if any of the Notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Commissions and Discounts

The initial purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the Offering may be changed.

Notes Are Not Being Registered

The Notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this Offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "*Notice to Investors*".

New Issue of Securities

The Notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the Notes on any U.S. securities exchange or for inclusion of the Notes on any automated dealer quotation system. We have been advised by the initial purchasers that they presently intend to make a market in the Notes after completion of the Offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the Notes will be made to investors on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fourth business day following the date of this offering memorandum (such settlement being referred to as "T+4"). Under Rule 15(c)6-1 under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 120 days after the date of this offering memorandum, without first obtaining the prior written consent of the initial purchasers, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities, except for the Notes sold to the initial purchasers pursuant to the purchase agreement.

Price Stabilization and Short Positions

In connection with the Offering, the initial purchasers (or persons acting on their behalf) may engage in transactions that stabilize the market price of the Notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the Notes. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

In connection with the Offering, the initial purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The initial purchasers must close out any short position by purchasing the Notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

Other Relationships

The initial purchasers or their respective affiliates may in the future engage in investment banking and other commercial dealings in the ordinary course of business with us and our affiliates, for which they expect to receive customary fees and commissions.

The initial purchasers and certain of their affiliates have provided investment and commercial banking services, and financial advisory, lending and other related services to the BASF Group and INEOS AG and its subsidiaries in the past and may do so in the future. The initial purchasers have received customary fees and commissions for these services.

An affiliate of HSBC Bank plc is acting as the facility agent under the Securitization Program and will receive customary fees and commissions for these services.

In addition, an affiliate of Citigroup Global Markets Limited will issue an irrevocable letter of credit on behalf of an affiliate of INEOS Holding limited and affiliates of Citigroup Global Markets Limited will also act as Trustee, paying agent, transfer agent and registrar for the Notes, as escrow agent under the escrow agreement, and as Security Trustee under the Indenture and the Intercreditor Agreement.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon for us by Cravath, Swaine & Moore LLP, as to matters of U.S. Federal and New York law, and by Noerr LLP, as to matters of German law. Certain legal matters in connection with this Offering will be passed upon for the initial purchasers by Shearman & Sterling (London) LLP, as to matters of U.S. Federal and New York law, and by Linklaters LLP, as to matters of German law.

ACCOUNTANTS

The combined financial statements of the BASF Styrenics Business as of and for the years ended December 31, 2010 and 2009, each included in this offering memorandum, have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, independent accountants, as stated in their report appearing herein. KPMG AG is a member of the German Chamber of Auditors (*Wirtschaftsprüferkammer*).

The combined financial statements of the INEOS Styrenics Business as of and for the years ended December 31, 2010 and 2009, each included in this offering memorandum, have been audited by Ernst & Young Accountants LLP, independent accountants, as stated in their report appearing herein, and of which the 'Registeraccountants' are members of the Dutch Professional Organization for Accountants (NIVRA).

The combined financial information of the INEOS ABS Business as of and for the years ended December 31, 2010 and 2009, each included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP, reporting accountants, as stated in their report appearing herein. PricewaterhouseCoopers LLP are members of the Institute of Chartered Accountants of England and Wales ("ICAEW").

WHERE YOU CAN FIND MORE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act.

Each purchaser of the Notes from the initial purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the initial purchasers by us for such purpose, any related amendment or supplement to this offering memorandum. Each person receiving this offering memorandum acknowledges that: (1) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein; (2) such person has not relied on any of the initial purchasers or any person affiliated with any initial purchaser in connection with its investigation of the accuracy of such information or its investment decision; and (3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Guarantees offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or any initial purchaser. We have agreed in the Indenture governing these Notes that, for so long as the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon written request of a holder or beneficial owner of the Notes, furnish to such holder or beneficial owner or to the Trustee or any relevant paying agent for delivery to such holder or beneficial owner or prospective purchaser of the Notes, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of the Notes. Any such request should be directed to the Issuer at Styrolution Group GmbH, Carl-Bosch-Straße 38, 67056 Ludwigshafen E-100, Germany. Attention: Managing Director.

So long as the Notes are admitted to trading on the Irish Stock Exchange—Global Exchange Market, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the paying agent in London.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

We and some of the guarantors are companies incorporated in Germany, and other guarantors and future guarantors may also be organized under the laws of non-U.S. jurisdictions. The majority of our directors and executive officers and the majority of the directors and officers of many of the guarantors are non-residents of the United States. Although we and each of the guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers and the directors and executive officers of the guarantors or security providers. In addition, as many of our and the guarantors' assets and the assets of our and their directors and executive officers are located outside of the United States, you may be unable to enforce against them or us judgments obtained in the U.S. courts predicated on civil liability provisions of the Federal securities laws of the United States.

If a judgment is obtained in a U.S. court against us or a guarantor or a security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for Germany and a number of other jurisdictions, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and the Federal Republic of Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicted solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany.

A final and conclusive judgment by a U.S. federal or state court for the payment of a specific sum of money based on civil liability may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, unless:

- the courts of the jurisdiction where the relevant court is located did not have jurisdiction according to the principles on jurisdictional competence under German law;
- the judgment was given in default of appearance and the defendant invokes such default or the defendant was not served with the document which instituted the proceedings properly or within sufficient time to enable him to arrange for his defence;
- the judgment is irreconcilable with (i) any prior judgment which became *res judicata* rendered by a German court or (ii) any prior judgment which became *res judicata* rendered by a foreign court which is to be recognized in Germany or (iii) the procedure leading to the respective judgment is irreconcilable with a proceeding previously commenced in Germany;
- such recognition entails results which are obviously irreconcilable with fundamental principles of German law (ordre public), including without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not

be enforced in Germany. They are regarded to be in conflict with material principles of German law; or

- the reciprocity of enforcement of judgments is not guaranteed.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. In particular, the obligations need to be of a specific kind and type for which an enforcement procedure exists under German law. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditor's rights generally.

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

If the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Company or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

Belgium

The United States currently does not have a treaty with Belgium providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment rendered by any Federal or state court in the United States, whether or not predicated solely upon U.S. Federal or state securities laws, would not automatically be enforceable in Belgium.

Our Belgian legal advisers have advised us that a U.S. judgment is recognized without prior proceedings in Belgium but may only be enforced upon request by the courts of Belgium. The enforcement of the U.S. judgment will be refused if:

- the enforcement is incompatible with the principles of public policy in Belgium or rules of Belgian public law;
- process rights of the defendant are violated;
- the judgment is still subject to further appeal under U.S. law; in that event, the Belgian courts can declare the judgment provisionally enforceable (the court has the ability to request a caution in such event);
- the U.S. court accepted its jurisdiction solely on the basis of presence of the defendant or its assets in the United States, without any direct relation with the dispute;
- the judgment has been obtained only to evade the applicable law in matters in which parties cannot dispose freely of their rights;

- the judgment is incompatible with a Belgian judgment or a prior foreign judgment that can be recognized in Belgium;
- the claim has been introduced in the United States after it has been introduced in Belgium and the claim in Belgium is still pending between the same parties and with the same subject;
- the Belgian courts had exclusive jurisdiction concerning the matter at stake;
- the recognition or enforcement violates articles 39, 57, 72, 95, 115 or 121 of the Belgian Code on Private International Law; or
- the judgment submitted to it is not authentic (if the judgment has been rendered *in absentia*, evidence must be provided that the defendant has been summoned).

A Belgian court will not reconsider the substantive correctness of the U.S. judgment.

With regard to the enforcement of a judgment through legal proceedings in Belgium (including the exequatur of foreign court decisions in Belgium), a registration tax at the rate of 3% of the amount of the judgment is payable by the debtor, if the sum of money which the debtor is ordered to pay by a Belgian court, or by a foreign court judgment that is either (i) automatically enforceable and registered in Belgium or (ii) rendered enforceable by a Belgian court, exceeds €12,500. The registration tax is payable by the debtor. The creditor is jointly liable up to a maximum of one-half of the amount the creditor recovers from the debtor.

It is questionable whether a Belgian court would accept jurisdiction and impose civil liability if proceedings were commenced in Belgium predicated solely upon U.S. Federal securities laws.

Canada

The following summary with respect to the enforceability of certain U.S. court judgments in the Canadian province of Ontario (the "Canadian Province") is based upon advice provided to us by U.S. and Canadian legal advisors. The Canadian Province does not currently have a treaty with the United States of America or any state thereof providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in the Canadian Province. In order to enforce any such U.S. judgment in the Canadian Province, proceedings must first be initiated before a court of competent jurisdiction in the Canadian Province (a "Canadian Court"). In such an action, the Canadian Court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Canadian Court in such an action is conditional upon (amongst other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to conflicts of laws principles of the Canadian Province;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment is not under appeal and there is no subsisting judgment in any jurisdiction relating to the same cause of action;
- the U.S. judgment has not been satisfied and is not void or voidable under applicable U.S. law;
- the U.S. judgment not contravening public policy of the Canadian Province;

- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the judgment not being contrary to an order made by the Attorney General of Canada under the *Foreign Extraterritorial Measures Act* (Canada), or the Competition Tribunal under the *Competition Act* (Canada) in respect of certain judgments referred to in these statutes or the Governor in Council under the *United Nations Act* (Canada) or the *Special Economics Measures Act* (Canada);
- the U.S. judgment not having been obtained by fraud or in breach of principles of natural justice as understood under the laws of the Canadian Province;
- there not having been a prior inconsistent decision of a Canadian Court in respect of the same matter; and
- the enforcement proceedings being commenced within the applicable limitation period.

Subject to the foregoing, investors may be able to enforce in the Canadian Province judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in the Canadian Province. In addition, it is questionable whether a Canadian Court would accept jurisdiction and impose civil liability if the original action was commenced in the Canadian Province, instead of the United States, and predicated solely upon U.S. Federal securities laws.

Jersey

The following discussion with respect to the enforceability of certain foreign and U.S. court judgments in Jersey is based upon advice provided to us by Jersey legal advisors.

Recognition of Foreign Judgments

As a general rule, foreign judgments, including judgments obtained in courts outside of Jersey predicated upon civil liabilities and any judgment obtained in courts outside of Jersey predicated upon U.S. Federal securities laws, cannot be directly enforced in Jersey, although an exception to this rule occurs where the Judgments (Reciprocal Enforcement) (Jersey) Law 1960, as amended (the "1960 Law"), applies.

The 1960 Law provides for the registration and enforcement in Jersey of judgments given in the superior courts of countries which accord reciprocal treatment to judgments given in Jersey. Presently, the reciprocating countries and their superior courts are as follows:

- England and Wales—Supreme Court, House of Lords, Court of Appeal, High Court of Justice;
- Scotland—Supreme Court, Court of Session, Sheriff Court;
- Northern Ireland—Supreme Court, Court of Judicature;
- Isle of Man—Her Majesty's High Court of Justice (including the Staff of Government Division); and
- Guernsey—Royal Court, Court of Appeal.

Not all judgments given by such superior courts can be registered. The registration procedure set out in Part 2 of the 1960 Law applies only to judgments or orders given or made in civil proceedings, or in criminal proceedings for the payment of a sum of money in respect of compensation or damages to an injured party. It does not apply to judgments given by such superior courts on appeal from an inferior court nor, for example, to an English County Court judgment given in proceedings later transferred to the High Court for enforcement. In addition, the judgment must:

- be final and conclusive as between the parties (whether or not an appeal in the foreign court is pending or possible);
- provide for the payment of a sum of money, but not in respect of taxes or similar charges, or a fine or other penalty;
- be for a moneys sum which has not been wholly satisfied; and
- be able to be enforced by execution.

Further detailed provisions in relation to the enforcement of foreign judgments in Jersey are contained in the 1960 Law. If a foreign judgment falls within Part 2 of the 1960 Law, the judgment creditor must use the registration procedure, as further described in the 1960 Law.

Where registration under the 1960 Law is not available, it will be necessary for a holder of a foreign judgment to commence fresh proceedings in Jersey, which proceedings might, *inter alia*, involve a reexamination of the merits of the case.

Korea

A monetary judgment duly obtained in U.S. federal or state courts will be recognised by Korean courts without a re-examination of the merits of the case if:

(a) such judgment was finally and conclusively given by a court having valid jurisdiction in accordance with the international jurisdiction principles under Korean law and applicable treaties;

(b) the relevant Korean party received service of process, other than by publication or similar means, in sufficient time to enable such party to prepare its defence in conformity with applicable law or responded to the action without being served with process;

(c) recognition of such judgment is not contrary to the public policy of Korea; and

(d) judgments of the courts of Korea are accorded reciprocal treatment in the jurisdiction of the court which had issued such judgment.

Mexico

There is doubt as to the enforceability in Mexico of civil liabilities based on the federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and Mexico currently do not have a treaty providing for the reciprocal recognition and enforcement of foreign judgments. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Mexico. A final judgment by a U.S. federal or state court in a properly decided case, however, may be recognized and enforced in Mexico in an action before a court of competent jurisdiction pursuant to Article 1347A of the Commerce Code, which provides, *inter alia*, that any judgment rendered outside Mexico may be enforced by Mexican courts, provided that:

- such judgment is obtained in compliance with the legal requirements of the jurisdiction of the court rendering such judgment and in compliance with all legal requirements of the respective transaction documents;
- such judgment is strictly for the payment of a certain sum of money, based on an in personam (as opposed to an in rem) action;

- the judge or court rendering the judgment was competent to hear and judge on the subject matter of the case in accordance with accepted principles of international law that are compatible with Mexican law. The foreign judge or court rendering the judgment would not be considered competent when the relevant documents include a jurisdiction clause in which the parties have submitted solely to the jurisdiction of Mexican courts;
- service of process is made personally on the defendant or on its duly appointed process agent;
- such judgment does not contravene Mexican law, public policy of Mexico, international treaties or agreements binding upon Mexico or generally accepted principles of international law;
- the applicable procedure under the laws of Mexico with respect to the enforcement of foreign judgments (including the issuance of a letter rogatory by the competent authority of such jurisdiction requesting enforcement of such judgment and the certification of such judgment as authentic by the corresponding authorities of such jurisdiction in accordance with the laws thereof) is complied with;
- the action, in respect of which such judgment is rendered, is not the subject matter of a lawsuit among the same parties pending before a Mexican court;
- such judgment is final in the jurisdiction where obtained;
- the courts of such jurisdiction recognize the principles of reciprocity in connection with the enforcement of Mexican judgments in such jurisdiction; and
- such judgment fulfills the necessary requirements to be authentic.

Recognition of the Laws of New York in Judicial Proceedings in Mexico

Although the choice of the laws of New York to govern the Guarantees would be recognized by the competent courts of Mexico, in case of a dispute before a Mexican court, the Mexican court would only recognize the substantive laws of New York and would apply the laws of Mexico with respect to procedural matters. Further, a Mexican court may refuse to apply and/or to enforce provisions governed by the laws of New York (as they apply to the Guarantees) if the respective provision is contrary to the public policy of Mexico.

Judgments of Mexican Courts Enforcing the Obligations of Any Mexican Guarantors in Respect of the Notes Would Be Paid Only in Mexican Pesos

In the event that proceedings are brought against the Mexican guarantors in Mexico, either to enforce a judgment or as a result of an original action brought in Mexico, the Mexican guarantors would not be required to discharge those obligations in a currency other than Mexican currency. Under the Monetary Law of Mexico, an obligation, whether resulting from a judgment or by agreement, denominated in a currency other than Mexican currency, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payments are made. Such rate is currently determined by the Mexican Central Bank *(Banco de México)* and published every banking day in the Official Gazette of the Federation *(Diario Oficial de la Federación)*. No separate action exists or is enforceable in Mexico for compensation for any shortfall.

Singapore

A final and conclusive judgment on the merits properly obtained against (as the case may be) us or a guarantor or a security provider in any competent court of the United States of America for a fixed sum of money in respect of any legal suit or proceeding and which could be enforced by execution against (as the case may be) us or a guarantor or a security provider in the jurisdiction of the relevant court and has not been stayed or satisfied in whole may be sued on in Singapore as a debt due from (as the case may be) us or a guarantor or a security provider if:

- the relevant court had jurisdiction over (as the case may be) us or a guarantor or a security provider in that (as the case may be) us or a guarantor or a security provider was, at the time such proceeding was instituted, resident in the jurisdiction in which such proceeding had been commenced or had submitted to the jurisdiction of the relevant court;
- that judgment was not obtained by fraud;
- the enforcement of that judgment would not be contrary to public policy of Singapore;
- that the judgment had not been obtained in contravention of the principles of natural justice; and
- that the judgment of the relevant court does not include the payment of taxes, a fine or penalty.

Spain

The United States and Spain are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. Federal or state court based on civil liability, enforceable in the United States, would not directly be recognized or enforceable in Spain. A party in whose favor such judgment was rendered could initiate enforcement proceedings (exequatur) in Spain for which purpose the following requirements under Spanish procedural law must be met and, in accordance to certain precedents, satisfied:

- the judgment must be final, sworn-translated into Spanish and apostilled;
- the judgment shall not be contrary to Spanish public policy;
- there shall not be a pending proceeding between the same parties and in relation to the same issues in Spain;
- there shall not be a judgment rendered between the same parties and for the same cause of action in Spain or in another country provided that in this latter case the judgment has been recognized in Spain;
- where rendering the judgment, the courts rendering it must have not infringed an exclusive ground of jurisdiction provided for in Spanish law or have based their jurisdiction on exorbitant grounds;
- the rights of defense of the defendant should have been protected where rendering the judgment, including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense;
- the obligation that the petitioner tries to execute has to be lawful in Spain; and
- in general, that all the conditions and procedural requirements set forth in Article 523.2 and the Derogation Provision of the current Spanish Civil Procedural Law (i.e., Act 1/2000, of January 7), subject to the former Spanish Civil Procedural Law of 1881, the substantive provisions of which are found in Articles 951 to 958, both inclusive, are met and satisfied.

The Spanish courts may express any such order in a currency other than euro in respect of the amount due and payable by the Issuer or a Spanish Guarantor but such order may be issued expressed in euro by reference to the official rate of exchange prevailing on the date of issue of such order.

Pursuant to Article 55 of the Spanish Civil Procedural Law, the parties to an agreement must clearly submit to one judge or court. On the basis of Article 57 of the former Civil Procedural Law of 1881, to which Article 55 of the current Spanish Civil Procedural Law succeeds, the Supreme Court considered that non-exclusive jurisdiction clauses were not allowed under Spanish law. In view of that, insofar as non-exclusive jurisdiction clauses are contained in the security documents, such clauses might not be upheld by the Spanish courts.

The Spanish courts have exclusive jurisdiction, *inter alia*, with respect to matters relating to the incorporation, validity, nullity and dissolution of companies or legal entities having their domicile in the Spanish territory, and to any decisions and resolutions of their corporate bodies, as well as with respect to the validity or nullity of any recordings with a Spanish registry, and the recognition and enforcement in Spain of any judgment or arbitration award obtained in a foreign country.

Switzerland

Judgments in civil or commercial matters of a non-Swiss court or authority will be recognized and enforced against an individual or a legal entity with legal domicile or seat in Switzerland pursuant to a bilateral or multilateral treaty or convention between the foreign country and Switzerland. In case no applicable treaty or convention exists, the rules of the Swiss Federal Act on Private International Law ("PILA"; *Bundesgesetz vom 18. Dezember 1987 über das Internationale Privatrecht (IPRG)*) apply. Except for arbitral awards, there is currently no treaty or convention in effect pertaining to the recognition and enforcement of judgments in civil and commercial matters between the United States of America and Switzerland.

Thus, Art. 25-32 PILA apply for the recognition and enforcement of an U.S. federal or state court judgment ("U.S. Judgment") in Switzerland. In cases where an U.S. money Judgment shall be enforced, the rules governing the procedure before the Swiss court or authority seized as well as certain provisions of the Swiss Federal Act on Debt Enforcement and Bankruptcy (*Bundesgesetz vom 11. April 1889 über Schuldbetreibung und Konkurs (SchKG)*), apply in addition to the PILA. The decision of a Swiss court or authority of first instance concerning recognition and enforcement of a foreign judgment, including a U.S. Judgment, is generally subject to appeal for a violation of the law.

The competent Swiss court or authority will recognize and enforce a non-Swiss judgment, including a U.S. judgment, provided that all of the following requirements (a)-(c) are fulfilled:

(a) the court or authority of the country in which the judgment was rendered had jurisdiction;

(b) no ordinary judicial remedy is available against the judgment or if it is final; and

(c) there are no grounds to refuse recognition and enforcement.

Within the meaning of (a) above, jurisdiction of the non-Swiss court or authority is established:

- if a provision of the PILA so provides or, in the absence of such provision, the defendant had his legal domicile in the country in which the decision was rendered; or
- if the parties, in a pecuniary dispute, entered into an agreement valid under the PILA submitting their dispute to the jurisdiction of the court or authority which rendered the judgment; or
- if the defendant, in a pecuniary dispute, proceeded on the merits without objecting to jurisdiction; or

- if, in the event of a counterclaim, the court or authority which rendered the decision had jurisdiction over the principal claim and if there is a factual connection between the principal claim and the counterclaim.

Within the meaning of (c) above, a Swiss court or authority will refuse recognition and enforcement for the following reasons only and may not otherwise review the non-Swiss judgment, including a U.S. judgment, as to its merits:

- if recognition and enforcement would be irreconcilable with Swiss public policy; or
- if a party proves that:
  - it was not duly summoned pursuant to the law of its domicile or ordinary residence unless it made an appearance in the proceedings without objecting to jurisdiction; or
  - the decision was rendered in violation of fundamental principles of Swiss procedural law, in particular the right to be heard; or
  - a proceeding between the same parties in the same subject matter was first brought or adjudicated in Switzerland, or that it was earlier adjudicated in a third country and such decision is recognizable in Switzerland.

Thailand

General

Thailand is not a party to the Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters and it has no bilateral treaties with other countries for the reciprocal recognition and enforcement of judgments. Moreover, there is no statutory basis in Thai law to apply the principle of comity to judgments from foreign courts.

As a result, a judgment rendered by any foreign court would not be enforceable in a Thai court. Instead, the noteholders will have to initiate court proceedings in Thailand before a Thai court in order to enforce the guarantee against the Thai guarantor. The Thai court may, at its sole discretion, consider a judgment from a foreign court admissible in evidence in an action in such Thai court, but it is not bound by that judgment.

If any agreement to which the Thai guarantor is a party is governed by any law other than Thai law, the law governing the agreement will, with respect to the essential elements or effects of that law, be recognized and applied only to the extent to which such law is:

(i) proven to the satisfaction of the Thai court (which satisfaction is within the discretion of that court); and

(ii) not considered contrary to the public order or good morals of the people of Thailand.

The scope of the public order and good morals of the people of Thailand has not been established in any Supreme (Dika) Court judgment and is uncertain.

A party claiming compensation for breach of contract must prove that damages are a direct or reasonably foreseeable consequence of the breach. Thai law allows payment of a money obligation expressed in a foreign currency to be made in Thai baht, by using the rate of exchange at the time and in the place of payment. A Thai court may express an order or judgment for the payment of debt in the currency in which the debt is then outstanding or, if the debt is denominated in foreign currency, the court's order or judgment may be expressed in an equivalent amount in Thai baht. The equivalent amount in Thai baht will be determined using the average commercial bank selling rate prevailing on the date of judgment or, failing that, the last available average commercial bank selling rate prior to that date. We can make no assurances that a currency indemnity agreement will be recognized by a Thai court.

The Supreme Court has held that, under Thailand's Civil Procedure Code, a court has discretion to award legal fees and court costs to parties in court cases in accordance with legal rates. The Supreme Court further held in that decision that any agreement and attempt to impose an obligation on a party to pay for legal fees exceeding the sum which may be awarded by the court is invalid.

Guarantee

If the guarantee provided by the Thai guarantor is called, the Thai guarantor will be required to remit foreign currency out of Thailand. Unless Thailand's current exchange control legislation and regulations are changed by the time that the Thai guarantor has to make such payment, the remittance of foreign currency by the Thai guarantor to pay a demand under its guarantee exceeding $50,000 or its equivalent will be subject to specific approval from the Bank of Thailand. The Thai guarantor cannot currently remit foreign currency to pay the beneficiaries of its guarantee outside Thailand without this approval.

There is no assurance that the Bank of Thailand would give such an approval for a full amount of the guarantee obligations. The Bank of Thailand could impose conditions and limitation of the amount to be remitted on such approval. For example, conditions imposed in other transactions have limited the amount approved either to a stipulated amount, the amount of the benefit received by the Thai guarantor from the transaction (e.g., the amount of money remitted to Thailand, whether from intercompany lending, investment or otherwise) or to the Thai guarantor's positive net worth.

However, specific approval does not have to be obtained directly from the Bank of Thailand if a Thai court renders judgment against a Thai guarantor ordering it to pay its obligations under its guarantee. In such a case, a commercial bank (as an authorized agent of the Bank of Thailand conducting transactions in foreign exchange) may provide the foreign currency needed for the payments stipulated in the court judgment.

Thus, absent Bank of Thailand approval, under current exchange control legislation and rules, you would need to obtain a judgment from a Thai court ordering the Thai guarantor to honor a demand for payment in foreign currency under a guarantee in order for it to do so.

Conditional Assignments

The rights granted by the Thai guarantor in its receivables and bank deposit accounts will be done pursuant to conditional assignments for the benefit of the holders of the Notes. Such assignments require the underlying assets to be assigned if and when the Thai guarantor defaults in performing its obligations.

Although the conditional assignments will give the holders of the Notes enforceable contract rights, conditional assignments are not "security interests" as defined under the Thai Bankruptcy Act or in the sense of the phrase accepted outside Thailand. Conditional assignments do not create preferential rights in assets to satisfy debts owed to creditors. Assets in the name of the Thai guarantor that are conditionally assigned for the benefit of the Notes will be exposed to the risk of seizure and attachment by other creditors before the conditional assignments are exercised.

If bankruptcy proceedings involving the Thai guarantor are begun after the conditional assignments are exercised, other creditors may still seek to have the assignments cancelled. However, the other creditors would have the burden of proving that the assignments were fraudulent acts or that they gave the holders of the Notes an unfair advantage and were made in bad faith with no benefit to the assignor.

In addition, creditors who otherwise have only contractual interests against a debtor, such as guarantees or assignments, will be treated as unsecured creditors under the Thai Bankruptcy Act. In such a case, the holders of the Notes would retain their rights in the Thai guarantor's receivables and bank deposit accounts, but these rights would not be preferential rights.

Under Thai law, the process of creating and maintaining a creditor's rights in accounts receivable requires that those receivables be specifically identified and that written notices be given to the relevant obligors, or that those obligors give written consents to the assignments. To cover future receivables, whether from current or new customers, further supplemental assignments or new assignments must be executed and notices of assignment must again be given or consents received when new receivables come into existence.

Therefore, the Thai guarantor could execute a conditional assignment of receivables in which the receivables of any customer with, say, THB 4,000,000 or more in receivables existing when the conditional assignment is signed will be expressly identified. The Thai guarantor will be required to periodically (i) notify the security agent of any new receivables of any customer totaling THB 4,000,000 or more, (ii) execute a supplemental or new assignment with a list attached identifying the new receivables, and (iii) unless the customer gives written consent to the assignment or the supplemental or new assignment, as the case may be, deliver notices of assignment to new customers who have not received a notice of assignment under the conditional assignment of receivables or under any supplemental or new conditional assignment.

The holders of the Notes will not have any rights in the accounts receivable of the Thai guarantor if those accounts receivable are not identified to the security agent in a timely manner or if the Thai guarantor fails to execute the supplemental conditional or new assignment and give timely notices to the relevant customers or obtain consents from them. The question of whether the procedure involving an assignment of future receivables is enforceable has yet to be tested in a Thai court and the legal efficacy of a conditional assignment of receivables has yet to be settled under Thai law. As such, the benefit to the holders of the Notes of their interests in the accounts receivable of the Thai guarantor may be limited.

Under Thai law, it is doubtful that a pledge of a bank deposit account is enforceable due to conflicting court decisions. So the rights granted by the Thai guarantor over its bank deposit accounts will be done pursuant to a conditional assignment agreement. However, none of the accounts of the Thai guarantor are to be maintained with the trustee for the Notes. Thus, there is a risk that a bank holding an account for the Thai guarantor and to which the Thai guarantor owes a debt would exercise its right of set-off against the money owed to the Thai guarantor under the conditionally assigned account if the Thai guarantor becomes insolvent or fails to pay the debt owed to that bank.

The notice of assignment given to each bank holding an account of the Thai guarantor will include a request that the relevant bank refrain from exercising its right of set-off. However, the decision to comply with such a request is subject to the bank's discretion. Whether each bank will forego its right of set-off will depend on the relationship between the Thai guarantor and the bank and whether the bank is a creditor of the Thai guarantor. As such, the benefit to the holders of the Notes of their rights in the bank deposit accounts of the Thai guarantor may be limited.

The exchange control considerations discussed above in relation to the guarantee are also relevant to the conditional assignments of receivables and bank accounts as well as the pledge of the Thai guarantor's shares owned by its Jersey, Channel Islands parent company. The relevant assets are denominated in Thai baht, so that any conversion of the proceeds into other currencies and foreign remittance of the proceeds realized from enforcing the conditional assignments and share pledges will have to comply with exchange control requirements at the time of remittance.

LISTING AND GENERAL INFORMATION

1. The Issuer was incorporated as a *Gesellschaft mit beschränkter Haftung (GmbH)* in Germany on April 19, 2011. The address of directors of the Issuer is Carl-Bosch-Straße 38, 67056 Ludwigshafen E-100, Germany.

2. Application has been made for listing particulars to be approved by the Irish Stock Exchange, and for the Notes to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof.

3. For the time that the Notes are listed on the Global Exchange Market of the Irish Stock Exchange, an exchange regulated market, copies of the following documents will be available for inspection in electronic form at the registered office of the paying agent referred to in paragraph 7 below during normal business hours on any business day:

   - the organizational documents of the Issuer and each of the Guarantors;
   - for the two years prior to the issue date, the combined financial statements of the BASF Styrenics Business and the INEOS Styrenics Business and the combined financial information of the INEOS ABS Business, and for the year prior to the issue date, the unaudited pro forma condensed combined financial information.
   - the most recent audited historical consolidated financial statements and any interim financial statements published by us;
   - the Indenture (which includes the guarantees and the form of the Notes); and
   - the Intercreditor Agreement.

4. Except as disclosed herein, there has been no material adverse change in our combined financial position since December 31, 2010.

5. Neither we nor any of our subsidiaries is a party to any material governmental, legal or arbitration proceedings relating to claims or amounts and, so far as the Issuer is aware, no such governmental, legal or arbitration proceeding is pending or threatened, except as disclosed herein.

6. We will have appointed Citibank, N.A. as our Paying Agent and Transfer Agent. We reserve the right to vary such appointment and we will provide notice of such change of appointment to holders of the Notes and the Irish Stock Exchange. The Paying Agent will act as intermediary between the holders of the Notes and us, and so long as the Notes are listed on the Irish Stock Exchange—Global Exchange Market, we will maintain paying and transfer agents.

7. The issuance of the Notes was authorized by Shareholders' resolutions of the board of directors of our Shareholders passed at extraordinary shareholders' meetings held on April 21, 2011. The Guarantees will be authorized by Shareholders' resolutions of the boards of directors of their respective shareholders passed at extraordinary shareholders' meetings held on or prior to the Escrow Release Date.

8. The statute of limitations applicable to payment of interest and repayment of principal under New York law is six years.

9. The Global Notes sold pursuant to Regulation S and Rule 144A under the Securities Act have been accepted for clearance through the facilities of Clearstream Banking and Euroclear under common codes 062808942 and 062809116, respectively. The ISIN number for the Global Notes sold pursuant to Regulation S is XS0628089426 and the ISIN number for the Global Notes sold pursuant to Rule 144A is XS0628091166.

10. The estimated expenses related to admission to trading will be €5,000.

UNAUDITED SUPPLEMENTAL INFORMATION ON THE SUBSIDIARY GUARANTORS

The Issuer's obligations under the Senior Secured Notes will be guaranteed by the subsidiary guarantors on a senior secured basis. The following tables set forth the revenues, EBITDA, EBITDA before exceptionals and total assets of the subsidiary guarantors and the non-guarantor subsidiaries (in absolute terms and expressed as a percentage of the pro forma combined revenues, EBITDA, EBITDA before exceptionals and assets of the Issuer) for each constituent business for the twelve months ended and as at December 31, 2010, along with, in each case, intercompany eliminations. The tables should be read in conjunction with "*BASF Styrenics Business Operating and Financial Review and Prospects*", "*INEOS Styrenics Business Operating and Financial Review and Prospects*" and "*INEOS ABS Business Operating and Financial Review and Prospects*", and the combined financial statements of the BASF Styrenics Business and the INEOS Styrenics Business and the combined financial information of the INEOS ABS Business, and unaudited pro forma condensed combined financial information, and related notes thereto included elsewhere in this offering memorandum.

BASF Styrenics Business

	Twelve months ended and as at December 31, 2010 (€ in millions)					
	Subsidiary Guarantors(1)		Non-Guarantors		Totals	
	€	%	€	%	€	%
Revenues	2,647.3	68.6	1,214.0	31.4	3,861.3	100
EBITDA	142.6	44.2	180.0	55.8	322.6	100
EBITDA before exceptionals	158.6	52.4	143.9	47.6	302.5	100
Total assets	691.0	65.4	365.3	34.6	1056.3	100

(1) Includes Mexican New Co., a subsidiary that will act as a distributor on a commission basis and will receive the inventory and accounts receivables of Styrolution Mexicana, S.A. de C.V. on or before the Escrow Release Date, as described in "*The Transactions—The Joint Venture Transaction—Implementation*". Excluding the effect of Mexican New Co., guarantors within the BASF Styrenics Business represented (i) €2,421.9 million of the BASF Styrenics Business's revenue for the year ended December 31, 2010; (ii) €121.6 million of the BASF Styrenics Business's EBITDA for the year ended December 31, 2010; (iii) €137.6 million of the BASF Styrenics Business's EBITDA before exceptionals for the year ended December 31, 2010; and (iv) €585.0 million of the BASF Styrenics Business's total assets as of December 31, 2010. On the Escrow Release Date, BASF de Mexico, S.A. de C.V. will sell and transfer to the Issuer shares representing a 49.0% interest in Styrolution Mexicana, S.A. de C.V., and a member of the BASF Group and the Issuer will enter into a forward sale agreement by which a member of the BASF Group will sell the remaining shares in Styrolution Mexicana, S.A. de C.V. (representing a 51.0% interest) to the Issuer and undertake to transfer such shares to the Issuer on or around January 2, 2013. Please see "*The Transactions—The Joint Venture Transaction—Implementation*". Once wholly owned by the Issuer, Styrolution Mexicana, S.A. de C.V. will guarantee the Notes. Please see "*The Description of the Notes—Certain Covenants—Additional Subsidiary Guarantees and Security Interests*". On the Escrow Release Date, the holders of the Notes will have the benefit of a security interest in the capital stock representing the 49.0% interest in Styrolution Mexicana, S.A. de C.V., and, within 60 days of the Escrow Release Date, the Issuer will use commercially reasonable efforts to secure the Notes by an assignment of the forward sale agreement. After giving consideration to the formation of Mexican New Co., Styrolution Mexicana, S.A. de C.V. had (i) €0.0 million of revenue for the year ended December 31, 2010; (ii) €63.5 million of EBITDA for the year ended December 31, 2010; (iii) €24.2 million of EBITDA before exceptionals for the year ended December 31, 2010; and (iv) €65.8 million of total assets as of December 31, 2010.

INEOS Styrenics Business

	Twelve months ended and as at December 31, 2010 (€ in millions)					
	Subsidiary Guarantors[2]		Non-Guarantors		Totals	
	€	%	€	%	€	%
Revenues	2074.5	100.0	0.0	0.0	2,074.5	100
EBITDA	66.3	94.7	3.7	5.3	70.0	100
EBITDA before exceptionals	68.8	94.9	3.7	5.1	72.5	100
Total assets	565.3	91.6	51.6	8.4	616.9	100

(2) Includes INEOS Styrenics Europe SA, a Swiss subsidiary that will receive certain assets from an affiliate prior to consummation of the Joint Venture Transaction and will guarantee the Notes on the Escrow Release Date. Please see "*The Transactions—The Joint Venture Transaction—Reorganizations*". Excluding the effect of this subsidiary, guarantors within the INEOS Styrenics Business represented (i) €1,262.1 million of the INEOS Styrenics Business's revenue for the year ended December 31, 2010; (ii) €34.3 million of the INEOS Styrenics Business's EBITDA before exceptionals for the year ended December 31, 2010; (iii) €33.0 million of the INEOS Styrenics Business's EBITDA for the year ended December 31, 2010; and (iv) €447.6 million of the INEOS Styrenics Business's total assets as of December 31, 2010.

INEOS ABS Business

	Twelve months ended and as at December 31, 2010 (€ in millions)					
	Subsidiary Guarantors		Non-Guarantors		Totals	
	€	%	€	%	€	%
Revenues	592.4	81.8	131.7	18.2	724.1	100
EBITDA	41.2	67.7	19.7	32.3	60.9	100
EBITDA before exceptionals	41.2	67.7	19.7	32.3	60.9	100
Total assets	240.3	70.5	100.7	29.5	341.0	100

GLOSSARY OF SELECTED TERMS

Term	Definition
Acrylonitrile	Acrylonitrile is a petrochemical intermediate used in the production of SAN, ABS, ASA and alpha-methylstyrene acrylonitrile (AMSAN), as well as acrylic fiber, acrylonitrile butadiene rubber, acrylamide and adiponitrile (a nylon intermediate).
Acrylonitrile butadiene styrene (ABS)	ABS is a tough, scratch-resistant material with high impact resistance, which can be readily processed by most thermoplastic fabrication techniques, including injection molding (used to produce a variety of consumable and industrial goods) and extrusion (used to produce, among other things, sheet, pipe and electrical conduit). ABS properties include rigidity, toughness, impact strength, heat resistance, chemical resistance, surface hardness, luster and the ability to be processed. ABS is often colored before use and customers typically choose to buy natural (uncolored) ABS if they have suitable self-coloring facilities or pre-colored ABS if they do not.
Acrylonitrile styrene acrylate (ASA)	ASA is a styrene derivative produced by introducing a grafted acrylic ester elastomer (elastic polymer) during the copolymerization reaction between styrene and acrylonitrile. ASA has good toughness and rigidity, chemical resistance and thermal stability, outstanding resistance to weather, ageing and yellowing, and high gloss.
Benzene	Benzene is the main raw material for styrene (through its use in ethylbenzene) and is mainly produced from refinery processes or as a co-product of steam cracker operations.
Bitumen	Bitumen is a mixture of organic liquids that are highly viscous, black, sticky, entirely soluble in carbon disulfide, and composed primarily of highly condensed polycyclic aromatic hydrocarbons primarily used to produce paving materials, waterproofing products, including roofing felt, and for sealing flat roofs.
Butadiene	Butadiene is a flammable, colorless gas used extensively in the rubber industry for various polymerizations for plastics manufacturing. It is the key input to polybutadiene (PB), which is used in the manufacture of HIPS and is one of the three key inputs to ABS.
Butyl acrylate	Butyl acrylate is a petrochemical intermediate used in the production of polymers and other acrylic resins.
Copolymer	A copolymer is a material created by polymerizing two or more starting compounds (monomers).
Cracker	Please see “Olefins cracker”.

Term	Definition
Cumene	Cumene is produced from benzene and propylene and is used as a feedstock for producing phenol/acetone, which have large uses in the manufacture of plastics and resins.
Ethylbenzene	Ethylbenzene is an intermediate made from benzene and ethylene and used to make styrene. Virtually all worldwide ethylbenzene production is consumed in the manufacture of styrene.
Ethylene	Ethylene is a flammable gas obtained in a process called cracking, in which hydrocarbons are briefly heated, causing chemical reactions that split the carbon-hydrogen or carbon-carbon bonds of the feedstock. Ethylene is a key building block of the petrochemical industry and is used to produce a large number of higher value added chemicals, including styrene.
Expandable polystyrene (EPS)	EPS is polystyrene that, when heated, forms a lightweight foam used for packaging and insulation purposes. Styrene is the main feedstock to manufacture EPS.
General purpose polystyrene (GPPS) .	GPPS is a clear, hard, usually colorless thermoplastic resin. GPPS products are crystal-clear amorphous polystyrenes utilized in packaging, foamed containers, foam insulation, cutlery, medical lab-ware, clear cups and containers, CD jewel cases and cassette boxes.
High impact polystyrene (HIPS)	HIPS is one of the most widely used thermoplastics, with great dimensional strength, balanced properties of impact strength and heat resistance, is easily machined, and is relatively low in cost. HIPS is essentially GPPS with around 5-10% rubber incorporated through a grafting process prior to polymerization.
Hydrocarbons	Hydrocarbons is a term used to describe all compounds that consist of hydrogen and carbon. These include crude oil, natural gas, olefins and their derivatives.
Methyl methacrylate-ABS (MABS) . .	MABS is a copolymer of methyl methacrylate and ABS, producing a high-luster thermoplastic resin. MABS is a tough, transparent plastic, with high surface brilliancy and finish.
Monomer	A monomer is a simple molecule capable of reacting to form a polymer.
Naphtha	Naphtha is a refinery product that is used as a gasoline component, but also serves as feedstock for petrochemical plants.
Olefins	Olefins, including ethylene and propylene, are the key building blocks of the petrochemical industry and produce a large range of derivative products as well as butadiene and benzene.

Term	Definition
Olefins cracker	An olefins cracker breaks down naphtha or gas feedstocks into olefins, principally ethylene and propylene.
Polylactic acid (PLA)	Poly(lactic acid) or polylactide is a thermoplastic aliphatic polyester derived from renewable resources, such as corn starch (in the United States), tapioca products (roots, chips or starch mostly in Asia) or sugarcanes (in the rest of the world).
Polyamide (PA)	A polyamide is a polymer containing monomers of amides joined by peptide bonds, examples being nylons, aramids and polyaspartate. Polyamides are commonly used in textiles, automotives, carpet and sportswear due to their extreme durability and strength.
Polyamide/ABS (ABS+PA)	ABS+PA is a blend based on polyamide and ABS, combining excellent impact strength at high and low temperatures, high surface quality, easy processing, chemical resistance, heat resistance and a pleasant feel.
Polybutadiene (PB)	PB is a homopolymer (only one monomer) of 1,3 butadiene. PB is noted for its high resistance to abrasion, low heat buildup and resistance to cracking.
Polybutadiene rubber (PBR)	PBR is the second largest volume synthetic rubber produced, next to SBR. PBR is largely used in various parts of automobile tires.
Polycarbonate (PC)	Polycarbonate is an engineering thermoplastic material which, due to its optical qualities, structural strength and weight, has a wide range of uses, including CDs and DVDs, optic fibers, optical lenses, structural parts in cars and trucks and housings for electrical household appliances and office equipment.
Polybutylene terephthalate (PBT)	PBT is a thermoplastic engineering polymer made by polycondensation of terephtalic acid and butanediol. PBT is used as an insulator in the electrical and electronics industries. It is a thermoplastic (semi-) crystalline polymer, and a type of polyester.
Polyethylene (PE)	Polyethylene is a thermoplastic, manufactured by aggregating many ethylene and co-monomer molecules in a process called polymerization.
Polyethylene terephthalate (PET)	PET is a thermoplastic polymer resin used in synthetic fibers. PET is commonly known as Polyester.
Polymer	A polymer is a chemical compound usually made up of a large number of identical components linked together into long molecular chains.
Polymethyl methacrylate (PMMA)	PMMA is a transparent thermoplastic produced by polymerization of methylmethacrylate. PMMA is often used as a light or shatter-resistant alternative to glass.

Term	Definition
Polypropylene (PP)	Polypropylene is the world's second most widely used thermoplastic after polyethylene. It is manufactured by the polymerization of propylene. It is used mainly for molding, filaments, fibers and films. Polypropylene is the most significant thermoplastic material used in molded containers and automotive applications.
Polystyrene (PS)	Polystyrene is a thermoplastic resin produced by the polymerization of styrene. It exists in solid state at room temperature, but melts if heated and becomes solid again once cooled. It is converted through extrusion, thermoforming, stamping or injection molding into end products for a wide range of end applications. PS may either be general purpose (GPPS) or high-impact (HIPS).
Propylene	Propylene is a flammable gas which is largely derived either as a co-product of the refinery process used to make gasoline, or as a co-product of the steam cracking process used to make ethylene. Propylene has virtually no independent end use, but is an important input for a significant number of industrial products and is the main feedstock used to make polypropylene and acrylonitrile.
Styrene	Please see "Styrene monomer".
Styrene acrylonitrile (SAN)	SAN is a rigid and transparent polymer made from styrene, used principally in the production of ABS.
Styrene-butadiene block copolymers (SBCs)	SBCs is a class of block copolymers of styrene and butadiene which is produced either as an elastomer or as a "rigid product". Rigid products have a high transparency and are often used to "toughen" GPPS. Elastomers have high performance abrasion resistance and are frequently used for injection-molded parts.
Styrene butadiene latex (SBL)	SBL is a water-based polymer made from styrene and butadiene. SBL is commonly used in carpet backing and paper coating.
Styrene butadiene rubber (SBR)	SBR is a polymer derivative made from styrene and butadiene, used mainly in the manufacture of tires and other rubber products.
Styrene butadiene styrene (SBS)	SBS is a thermoplastic rubber made from styrene and butadiene. SBS is a hard rubber with applications in areas such as the soles of shoes or tire treads.
Styrene methylmethacrylate (SMMA)	SMMA is a clear, impact-resistant resin, which can be used in homeware, packaging, office, medical and electronic applications.

Term	Definition
Styrene monomer (SM)	Styrene is a liquid hydrocarbon produced from ethylene and benzene. Styrene is an intermediate used in the manufacture of plastics, resins, rubbers and latexes, with key end applications in areas such as packaging, electronics & appliances, construction (primarily insulation) and automotive components.
Thermoplastic	A thermoplastic is a plastic which softens when heated and hardens again when cooled. Thermoplastics include polyethylene, polypropylene and polystyrene.
Turnaround	Temporary shutdown of a refinery or petrochemical production facility for required maintenance. Turnarounds can be scheduled (planned, routine maintenance, inspections and tests to comply with industry regulations) or unscheduled (in response to an unexpected outage or plant failure).
Unsaturated polyester resin (UPR)	Unsaturated polyester resins are durable, resinous polymers used over a broad spread of industries, mainly the construction, boat building, automotive and electrical industries. In most applications they are reinforced with small glass fibers.

INDEX TO FINANCIAL INFORMATION

BASF STYRENICS

Combined Financial Statements
for 2010 and 2009

INDEPENDENT AUDITOR'S REPORT

To the Management of
BASF SE

We have audited the accompanying combined financial statements of BASF Styrenics which comprise the combined balance sheets as of December 31, 2009 and December 31, 2010 and the related combined statements of income, cash flows, recognized income and expenses, stockholders' equity and disclosures for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards. The combined financial statements of BASF Styrenics have been prepared from the books and records maintained by BASF SE and its subsidiaries. Management's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the combined financial statements present fairly, in all material respects the financial position of BASF Styrenics as of December 31, 2009 and December 31, 2010 and of the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Frankfurt am Main, Germany, April 15, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Krauß	Brandenburg
Wirtschaftsprüfer	Wirtschaftsprüfer

BASF Styrenics

COMBINED STATEMENTS OF INCOME

(Million €)

	Note	Year ended December 31, 2010	Year ended December 31, 2009
Sales		3,861.3	2,829.7
Cost of sales		3,348.8	2,448.0
Gross profit		**512.5**	**381.7**
Selling expenses		207.7	183.9
General and administrative expenses		29.7	26.5
Research and development expenses		9.2	9.1
Other operating income	(2)	47.3	26.6
Other operating expenses	(2)	47.9	20.1
Income from operations		**265.3**	**168.7**
Interest result	(4)	0.2	(0.2)
Other financial result	(4)	(0.6)	(2.1)
Financial result		**(0.4)**	**(2.3)**
Income before taxes		**264.9**	**166.4**
Income taxes	(3)	79.4	47.3
Net Income		**185.5**	**119.1**

The accompanying Notes on pages F-9 to F-36 are an integral part of these Combined Financial Statements.

BASF Styrenics

COMBINED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

(Million €)

Income and expense items	Year ended December 31, 2010	Year ended December 31, 2009
Net Income	**185.5**	**119.1**
Change in foreign currency translation adjustments	21.0	1.2
Actuarial losses from pensions and similar obligations	(3.3)	2.5
Deferred taxes	1.7	(0.4)
Total income and (expense) recognized in equity	**19.4**	**3.3**
Total income and (expense) for the period	**204.9**	**122.4**

Development of income and expense recognized directly in equity	Retained earnings Actuarial gains/losses	Other comprehensive income Foreign currency translation adjustment	Total income and expense recognized directly in equity
As of January 1, 2010	**(7.4)**	**1.2**	**(6.2)**
Additions	(3.3)	21.0	17.7
Releases	—	—	—
Deferred taxes	2.0	(0.3)	1.7
As of December 31, 2010	**(8.7)**	**21.9**	**13.2**
As of January 1, 2009	**(9.5)**	**—**	**(9.5)**
Additions	—	1.2	1.2
Releases	2.5	—	2.5
Deferred taxes	(0.4)	—	(0.4)
As of December 31, 2009	**(7.4)**	**1.2**	**(6.2)**

The accompanying Notes on pages F-9 to F-36 are an integral part of these Combined Financial Statements.

BASF Styrenics

COMBINED BALANCE SHEETS

(Million €)

	Note	As of December 31, 2010	2009
Assets			
Long-term assets			
Goodwill	(5)	22.4	22.4
Other intangible assets	(5)	13.9	15.4
Property, plant and equipment	(6)	217.9	186.9
Other financial assets		3.8	4.0
Deferred tax assets	(3)	2.7	4.0
Other receivables and miscellaneous long-term assets	(8)	6.9	14.8
		267.6	**247.5**
Short-term assets			
Inventories	(7)	291.1	176.6
Accounts receivable, trade, net	(8)	471.1	350.7
Other receivables and miscellaneous short-term assets	(8)	21.1	16.7
Cash and cash equivalents		5.4	2.6
		788.7	**546.6**
Total assets		**1,056.3**	**794.1**
Owners' equity and liabilities			
Owners' equity			
Parent net investment	(9)	405.2	428.7
Retained earnings	(10)	295.9	111.7
Other comprehensive income		21.9	1.2
		723.0	**541.6**
Long-term liabilities			
Provisions for pensions and similar obligations	(11)	2.1	3.1
Other provisions	(12)	10.2	13.5
Deferred tax liabilities	(3)	30.9	25.1
Other liabilities	(13)	2.2	4.0
		45.4	**45.7**
Short-term liabilities			
Accounts payable, trade	(13)	238.6	165.7
Other provisions	(12)	30.6	18.2
Tax liabilities		3.2	2.4
Financial indebtedness	(13)	0.2	—
Other liabilities	(13)	15.3	20.5
		287.9	**206.8**
Total owners' equity and liabilities		**1,056.3**	**794.1**

The accompanying Notes on pages F-9 to F-36 are an integral part of these Combined Financial Statements.

BASF Styrenics

COMBINED STATEMENTS OF CASH FLOWS

(Million €)

	Year ended December 31, 2010	Year ended December 31, 2009
Net income	185.5	119.1
Depreciation and amortization of intangible assets, property, plant and equipment	57.3	64.6
Changes in pension provisions, defined benefit assets and other non-cash items	(1.8)	(2.3)
Net gains from disposal of long-term assets	(1.8)	(18.5)
Reversal of impairment loss on Altamira site in Mexico	(38.9)	—
Changes in inventories	(106.3)	30.6
Changes in receivables	(100.1)	(53.5)
Changes in operating liabilities and other provisions	66.1	(82.2)
Cash provided by operating activities	**60.0**	**57.8**
Payments related to intangible assets and property, plant and equipment	(36.9)	(19.1)
Proceeds from divestitures	—	29.3
Proceeds from the disposal of long-term assets	3.0	0.8
Cash provided by (used in) investing activities	**(33.9)**	**11.0**
Changes in parent net investment	(23.5)	(66.5)
Proceeds from the addition of financial liabilities	0.2	—
Cash provided by (used in) financing activities	**(23.3)**	**(66.5)**
Net changes in cash and cash equivalents	**2.8**	**2.3**
Cash and cash equivalents at the beginning of the year	2.6	0.3
Cash and cash equivalents at the end of the year	5.4	2.6

The accompanying Notes on pages F-9 to F-36 are an integral part of these Combined Financial Statements.

BASF Styrenics

COMBINED STATEMENTS OF OWNERS' EQUITY

(Million €)

2010	Parent net investment	Retained earnings	Other comprehensive income	Total owners' equity
January 1, 2010	**428.7**	**111.7**	**1.2**	**541.6**
Changes in parent net investment	(23.5)	—	—	(23.5)
Net income	—	185.5	—	185.5
Income and (expense) recognized directly in equity	—	(1.3)	20.7	19.4
December 31, 2010	**405.2**	**295.9**	**21.9**	**723.0**

2009	Parent net investment	Retained earnings	Other comprehensive income	Total owners' equity
January 1, 2009	**495.2**	**(9.5)**	**—**	**485.7**
Changes in parent net investment	(66.5)	—	—	(66.5)
Net income	—	119.1	—	119.1
Income and (expense) recognized directly in equity	—	2.1	1.2	3.3
December 31, 2009	**428.7**	**111.7**	**1.2**	**541.6**

The accompanying Notes on pages F-9 to F-36 are an integral part of these Combined Financial Statements.

1. Summary of Accounting Policies

A—Background

The styrenics business of the BASF Group (BASF Styrenics) is a global manufacturer and marketer of styrenics products. The product portfolio includes styrene monomer, polystyrene and various styrene-based copolymers and blends (*e.g.*, ABS, SBC, ASA, SAN, MABS, ABS/PA). BASF Styrenics employs approximately 1,460 people in its styrenics business and generated sales of more than €3 billion in 2010.

On November 30, 2010, BASF SE (BASF) and INEOS Industries Holdings Limited (INEOS) announced their intention to combine their global business activities in styrene monomer (SM), polystyrene (PS), acrylonitrile butadiene styrene (ABS), styrene-butadiene block copolymers (SBC) and other styrene-based copolymers, as well as copolymer blends, into a new joint venture called Styrolution. BASF and INEOS intend to each hold 50% of the shares of the joint venture. BASF will receive cash consideration following the completion of the transaction.

Styrolution will have a global presence and is expected to offer significant benefits to its customers in the styrenics industry through enhanced efficiency, reduced costs and excellent service. The completion of the transaction is still subject to the approval by the appropriate antitrust authorities and is expected to be finalized over the course of 2011.

BASF will contribute assets, liabilities and the associated operations that were currently part of the BASF Styrenics operations. Specifically, the Combined Financial Statements for BASF Styrenics combine the historic results of operations and net assets of the following operations:

(1) Production plants in Mexico (Altamira), Belgium (Antwerp), Korea (Ulsan) and Germany (Ludwigshafen and Schwarzheide) and the shares of Styrolution India Private Ltd.; and

(2) Operations in the USA, Canada, Taiwan, Hong Kong, Singapore, Brazil, Italy and other countries.

The 50% stakes in the Ellba joint ventures in Singapore and the Netherlands which are part of BASF Styrenics will be retained by BASF SE. Assets related to the manufacturing interest in the Ellba joint ventures are included in the balance sheet and amount to €59.9 million and €52.6 million at December 31, 2010 and December 31, 2009, respectively. The Styrolution Joint Venture will purchase the SM supplies based on agreed upon prices from BASF SE. The new supply agreements were effective as of January 1, 2011. The agreed upon prices depend on market prices and as such will be different from its manufacturing costs included in the income statement for 2010 and 2009. In addition, BASF Styrenics will continue to buy additional SM quantities from the Ellba Joint Venture partner (Shell) under a purchase agreement via BASF SE. The cost-plus conditions of this contract will remain the same as in 2009 and 2010.

The entity holding the production plants in Mexico, representing total assets of €171.7 million as of December 31, 2010 will be contributed to the Joint Venture based on the following procedure: it is planned that the Joint Venture will initially receive a 49.0% interest, whereas BASF Antwerpen N.V. and the Joint Venture will enter into a forward sale agreement by which BASF Antwerpen N.V. will sell the remaining shares of the Mexican production entity (representing a 51.0% interest) to the Joint Venture on or around January 2, 2013.

1. Summary of Accounting Policies (continued)

B—Basis of Presentation

The Combined Financial Statements of BASF Styrenics as of December 31, 2010 and 2009, have been prepared in accordance with International Financial Reporting Standards (IFRS). The individual financial statements of the companies that form part of the Combined Financial Statements of the BASF Styrenics (hereinafter referred to as "combined companies") are prepared as of the balance sheet date of the Combined Financial Statements. All of the binding IFRS in the fiscal year 2010 as well as the pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) were applied.

The accounting policies that have been applied are the same in 2010 and 2009. Exceptions to this are changes required by the application of new or revised standards and interpretations. In this regard, there were no material changes in 2010.

The Combined Financial Statements have been prepared using the historical cost basis of the assets and liabilities and historical results of operations related to BASF Styrenics, and may not be indicative of the actual or of future results of operations and financial position of BASF Styrenics had it been operated as a separate entity.

Because separate legal entities with direct ownership did not exist for most of the assets and operations, BASF's net investment in BASF Styrenics is presented as "Parent net investment" in lieu of stockholders' equity. The accompanying combined balance sheets do not include certain BASF assets and liabilities that cannot specifically be assigned to BASF Styrenics.

BASF manages its cash, accounts payable, financial debt and all related matters on a legal entity basis rather than on a business unit basis for the entire BASF Group, which in the two years ended December 31, 2010 included BASF Styrenics. Accordingly, in preparing the combined financial statements, it was not practicable to determine certain assets and liabilities associated with BASF Styrenics. Assets and liabilities not specifically assigned to BASF Styrenics include:

- Cash and cash equivalent balances that are recorded in the Parent net investment account. The cash that is presented on the balance sheet is cash belonging to Styrolution India Private Ltd., which historically was a separate legal entity;
- Accounts payable that are related to BASF Styrenics business have been calculated based on costs of goods sold, variable predetermined manufacturing costs as well as distribution costs and days payables outstanding;
- Hedging positions from derivatives and other financial contracts used to offset exposures to interest rates, commodity prices or foreign exchange rates; and
- Third party financing and related balances are managed centrally by BASF.

As of January 1, 2009, the Parent Net Investment represents the difference between the assigned assets and liabilities.

The combined statements of operations include all revenues and costs attributable to the BASF Styrenics, including an allocation of the cost of shared utilities, overhead and administrative expenses related to general management, information technology, human resources and other services. These allocations were based on such criteria as personnel or business volume. All of the allocations and estimates in the combined statements are based on assumptions that management believes are

1. Summary of Accounting Policies (continued)

reasonable under the circumstances. However, these allocations and estimates are not necessarily indicative of the costs that BASF Styrenics business would have incurred if it had been operated on a standalone basis or as a legal entity independent of BASF.

BASF Styrenics represents an operating division of BASF. In Germany, BASF Styrenics is part of BASF SE and BASF Schwarzheide GmbH and as such does not file separate income tax returns. This is also true for all other countries except India. In all these cases, BASF Styrenics' income tax is computed as if it were a separate legal company. Tax expense is calculated by applying the country specific tax rate for the respective reporting period. Total income tax expense is the sum of the deferred tax expense or income and the current tax expense or income.

Deferred tax assets and liabilities arise on the temporary difference between tax value and IFRS value of an asset or liability and are calculated based on the country-specific tax rate.

Any taxable losses occurring in the financial years 2009 and 2010 for the Styrenics business have been evaluated to determine whether it is probable that taxable income will be available against which the unused tax losses can be utilized. Deferred tax assets on tax loss carryforwards have been capitalized under these conditions.

It is assumed that the current tax expense has already been paid by BASF on behalf of BASF Styrenics. Therefore, no tax receivables or tax liabilities have been recorded.

Scope of Combined Financial Statements

The Combined Financial Statements include businesses located in Germany (Ludwigshafen, Schwarzheide), Belgium (Antwerp), South Korea (Ulsan), India (Dahej) and Mexico (Altamira) that will be contributed to Styrolution. Production sites in the Netherlands and Singapore of the Ellba joint ventures have also been included, but will not be contributed to Styrolution. Except for the Indian business which has been operated in a separate legal entity since 2000, the businesses were transferred to separate legal entities effective January 1, 2011.

BASF Styrenics does not hold any participating interests.

Consolidation method

Assets and liabilities of combined companies are accounted for and valued uniformly in accordance with the principles described herein.

Transactions between combined companies, intercompany assets and liabilities, as well as intercompany profits resulting from sales and services rendered between combined companies, are eliminated in full.

Relationships with BASF

BASF Styrenics engages in transactions with BASF and BASF's subsidiaries in the normal course of business. These transactions include the sale of Styrenics products, the purchase of feedstock used as raw materials as well as the sharing of infrastructure sites. A crucial part of the value chain of styrene is the supply benzene, ethylene, butadiene and butyl acrylate. Agreements between BASF Styrenics and BASF's subsidiaries are in place to ensure the continuous supply of these raw materials. Future purchase commitments are shown in Note 14.

1. Summary of Accounting Policies (continued)

Additionally, BASF Styrenics utilizes certain centralized functions of BASF to support its operations. BASF supports the Styrolution companies with various services via Service Level Agreements, especially at Verbund sites.

Sales to BASF Group amounted to €630.8 million in 2010 and €385.8 million in 2009. BASF and its subsidiaries were both BASF Styrenics' most significant customers and suppliers.

Cost Allocations

Certain expenses reflected in the combined statements of income include allocations of costs from BASF. Such expenses represent costs related to treasury, legal, insurance, payroll administration, human resources, and other services. These costs, together with an allocation of central BASF overhead costs, are included within selling, general, and administrative expenses, as described above. Where it is possible to specifically assign such expenses to activities of BASF Styrenics, these amounts have been charged or credited directly to BASF Styrenics, based on the service level agreement instead of allocation. The other expenses have been allocated based on factors which are related to the respective activity.

In management's opinion, the methods used in allocating expenses are reasonable.

Translation of foreign currency financial statements

The translation of foreign currency financial statements depends on the functional currency of the consolidated companies. Translation into the reporting currency is based on the closing rate method: balance sheet items are translated into euro at year-end rates, expenses and income are translated to euro at monthly average rates and accumulated for the year. The translation adjustments due to the use of the closing rate method are shown under currency translation adjustments as a component of equity and are recognized in income only upon the disposal of a company.

For certain companies outside the euro zone, the euro is the functional currency.

	Closing rates		Average rate	
Selected exchange rates 1 € equals	**December 31, 2010**	**December 31, 2009**	**2010**	**2009**
Mexico (MXN)	16.55	18.92	16.83	18.78
Brazil (BRL)	2.22	2.51	2.33	2.77
China (CNY)	8.82	9.84	8.98	9.72
South Korea (KRW)	1,499.06	1,666.97	1,532.51	1,772.80
United States (USD)	1.34	1.44	1.33	1.39
Canada (CAD)	1.33	1.51	1.37	1.59
Taiwan (TWD)	39.16	45.95	41.78	46.00

C—Accounting policies

Assets

Goodwill represents the excess of the cost of an acquired entity or business over the fair value of the net asset acquired. Goodwill is only written down if there is an impairment. Impairment testing takes place annually or if there is an indication of an impairment. The goodwill impairment test is

1. Summary of Accounting Policies (continued)

based on cash-generating units and compares the recoverable amount of the unit with the respective carrying amount.

The cash generating unit is BASF Styrenics itself. The recoverable amount is the higher of fair value less cost to sell and the value-in-use. Value-in-use is generally determined using the discounted cash flow method.

Acquired intangible assets are valued at cost less scheduled straight-line amortization. The useful life is determined based on the period of the underlying contract and the period of time over which the intangible asset is expected to be used.

Impairment losses are recognized if the recoverable amount of the asset is lower than the carrying amount. The recoverable amount is the higher of fair value less selling costs and the value-in-use. Impairment losses are reversed if the reasons for the impairment no longer exists.

Depending on the type of intangible asset, the amortization expense is recorded as cost of sales, selling expense, research and development expense or other operating expense.

Internally generated intangible assets are primarily comprised of internally developed software. Such software, as well as other internally generated assets for internal use, are valued at cost and amortized over their useful lives. Impairments are recorded if the carrying amount of an asset exceeds the recoverable amount.

Development costs also include, in addition to those costs directly attributable to the development of the asset, an appropriate allocation of overhead cost.

The weighted-average useful lives of intangible assets amounted to:

	Average useful life in years	
	2010	**2009**
Concessions, trademarks and similar rights and values	8	8
Know-how, patents and production technologies	4	4
Internally generated intangible assets	5	4
Other rights and values	12	12

Property, plant and equipment are stated at acquisition or production cost less accumulated depreciation over their estimated useful lives. Low-value assets are fully written off in the year of acquisition and are shown as disposals. The revaluation method is not applied.

The cost of self-constructed plants includes direct costs, appropriate allocations of material and manufacturing costs, and a share of the administrative costs associated with the construction of the plants.

Expenses related to scheduled maintenance turnarounds of large-scale plants are capitalized as part of the asset and depreciated using the straight-line method over the period to the next planned turnaround.

1. Summary of Accounting Policies (continued)

Fixed assets are depreciated using the straight-line method. The weighted-average depreciation periods used were as follows:

	Average depreciation periods in years	
	2010	2009
Buildings and structural installations	21	22
Industrial plant and machinery	9	9
Working and office equipment and other facilities	6	7

Impairment tests are made whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation is based on the present value of the discounted expected future cash flows. An impairment loss is recorded for the difference between the carrying amount and the discounted value of future cash flows.

Leases: In accordance with IAS 17, leasing contracts are classified as either finance or operating leases. Assets which are subject to operating leases are not capitalized. Lease payments are charged to income in the year they are incurred.

A lease is classified as a finance lease if it transfers substantially all of the risks and rewards related to the leased asset. Assets subject to a finance lease are recorded at the present value of the minimum lease payments. A leasing liability is recorded in the same amount. The periodic lease payments are divided into principal and interest components. The principal component reduces the outstanding liability, while the interest component represents an interest expense. Depreciation takes place over the shorter of the useful life of the asset or the period of the lease.

Leases can be embedded within other contracts. If IFRS requires separation, then the embedded lease is recorded separately from its host contract and each component of the contract is carried and valued in accordance with the applicable regulations.

Details regarding the individual leasing contracts are presented in Note 15 on page F-34.

Inventories are carried at cost. If the listed, market, or fair value of the sales product which forms the basis for the net realizable value is lower, this value is applied and an impairment charge is recorded. The net realizable value is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Cost of sales includes, in addition to direct costs, an appropriate allocation of production overhead costs based on normal utilization rates of the production plants, to the extent they are related to the production process. In addition, pensions, social services and voluntary social benefits are included, as well as allocations for administrative costs, provided they relate to the production.

Reductions of inventories result from price declines in sales products, lack of saleability and the age of inventory.

Deferred tax assets are recorded for tax loss carryforwards to the extent that it is probable that future taxable profit for the relevant tax authority will be available against which the tax loss carryforwards can be utilized. The calculation is based on the tax rates applicable in the individual countries. Appropriate valuation allowances are made if expected future earnings of a company make it seem more likely than not that the tax benefits will not be realized.

1. Summary of Accounting Policies (continued)

The valuation of deferred tax assets depends on the estimation of the probability of a reversal of the temporary differences and the utilization of the tax loss carryforwards. A deferred tax asset is recognized for future tax benefits arising from temporary differences and for tax loss carryforwards to the extent that the tax benefits are likely to be realized. Based on experience and the expected development of taxable income, it is assumed that the benefit of deferred tax assets recognized will be realized.

Financial Instruments

Financial assets and financial liabilities are recorded on the balance sheet when BASF Styrenics becomes a party to a financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset, with all risks and rewards of ownership, is transferred. Financial liabilities are derecognized when the contractual obligation expires or is discharged or cancelled. Standard purchases and sales of financial instruments are accounted for using the settlement date.

The fair value is the amount for which an instrument could be exchanged in an arm's length transaction between knowledgeable, willing parties. When pricing on an active market is available, for example on a stock exchange, this price is used. In other cases, a valuation is based on internal valuation models using current market parameters or external valuations from banks. These internal valuations predominantly use a net present value method and option pricing models.

Financial assets and liabilities are divided into the following valuation categories:

- **Loans and receivables** comprise financial assets with fixed or determinable payments, which are not quoted on an active market and are not derivatives or classified as available-for-sale. Included in this category are trade accounts receivable, loans classified under other financial assets as well as other receivables and loans classified under other receivables and miscellaneous assets. Initial valuation is done at fair value, which generally matches the nominal value of the receivable or loan. Interest-free and low-interest long-term loans and receivables are recorded at present value. Subsequent valuations are generally done at amortized cost, under consideration of the effective interest method. If there is objective evidence for an impairment of a receivable or loan, an individual valuation adjustment is performed. In addition, an impairment loss occurs when the contractual conditions which form the basis for the receivable or loan need to be changed through renegotiation in such a way that the present value of the future cash flows decreases. Receivables and loans are written off when their uncollectibility is finally determined. Receivables for which no objective indication for an impairment exists may be impaired, if necessary, based on expected default rates. BASF Styrenics applies historic default rates. In addition, valuation adjustments on receivables for transfer risks in certain countries are established.
- **Financial liabilities which are not derivatives** are initially valued at fair value. This normally corresponds to the amount received. Subsequent valuation is generally done at amortized cost, under consideration of the effective interest method.

There were no reclassifications between the valuation categories in 2009 and 2010.

1. Summary of Accounting Policies (continued)

Debt

Provisions for pensions and similar obligations: Provisions for pensions are based on actuarial computations made according to the projected unit credit method. Similar obligations, especially those arising from commitments in North America to pay for healthcare costs and life insurance premiums of retired staff and their dependents, are included in pension provisions. Actuarial profits and losses are offset against retained earnings. The calculation of the pension provisions was based on actuarial reports and the headcount of BASF Styrenics in each country.

Other Provisions are accrued when there is a present obligation as a result of a past event and when there is a probable outflow of resources whose amount can be reliably estimated. Provisions are made as of probable settlement value.

Provisions are established for certain environmental protection measures and risks if the measures are considered likely as a result of legal or regulatory obligations or other past events and these measures have not been capitalized.

Provisions are made for expected severance payments or similar personnel expenses as well as for demolition and other charges related to the closing down of operations that have been planned and publicly announced by management.

Provisions for long service and anniversary bonuses are predominantly calculated based on actuarial principles. For contracts signed under the early retirement programs, provisions for the supplemental payments are provided in their full amount and the wage and salary payments due during the passive phase of agreements are accrued in installments. Provisions are recorded for the expected costs that are anticipated to be contracted during the term of the collective bargaining agreements.

Information on provisions for the long-term incentive program (LTI) is provided in detail in Note 12 on pages F-31-F-32.

The probable amount required to settle long-term obligations is discounted if the effect of discounting is material. In this case, the provision is recognized at present value. Related financing costs are shown in other financial results.

Deferred tax liabilities are recorded for temporary differences between the carrying amount of assets and liabilities in the financial statements and the carrying amounts for tax purposes to the extent that there is a surplus of taxable temporary differences relating to a fiscal unit. Deferred tax liabilities resulted, in particular, from the revaluation of assets at fair value as part of the purchase price allocation of recent years.

Other accounting policies

Revenue recognition: Revenue from the sale of goods or the rendering of services is recognized upon the transfer of ownership and risk to the buyer. Revenue is valued at the fair value of the consideration and is reported without sales taxes. Expected rebates and other trade discounts are either deferred or deducted. Provisions are made to cover the return of products, estimated future warranty obligations and other claims.

In certain cases, customer acceptance is required on delivery. In these cases, revenue is recognized after customer acceptance occurs.

1. Summary of Accounting Policies (continued)

Payments relating to the sale or licensing of technologies or technological expertise are recognized in income according to the contractually agreed transfer of the rights and obligations associated with those technologies.

Foreign currency transactions: The cost of assets acquired in foreign currencies and revenue from sales in foreign currencies are recorded at the exchange rate on the date of the transaction. Foreign currency receivables and liabilities are valued at the exchange rates on the balance sheet date. Foreign exchange gains or losses resulting from the conversion of assets and liabilities are reported as other operating expenses or other operating income.

Use of estimates in the preparation of the Combined Financial Statements

The carrying amount of assets, liabilities and provisions in the Combined Financial Statements depends on the use of estimates and assumptions. They are based on the circumstances and estimates on the balance sheet date and affect the reported amounts of revenues and expenses during the reporting periods. These assumptions affect the selection of useful lives of property, plant and equipment and intangible assets, the measurement of provisions, the carrying amount of investments, and other similar evaluations of assets and obligations. Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates.

Goodwill has to be allocated to cash-generating units and tested for impairment once a year. Impairment losses are recorded when the carrying amount of the cash-generating unit exceeds the recoverable value. Impairment testing relies upon long-term earnings predictions based on economic trends. The weighted average cost of capital (WACC) and the "Capital Asset Pricing Model" (CAPM) play an important role. The WACC is made up of the risk-free interest rate, the beta of the BASF share as well as assumptions as to the spread for credit risk and the market risk premium for the cost of equity. Additional important assumptions include the forecasts for the detailed planning period and the resulting growth rates used.

Intangible assets and property, plant and equipment: The estimated useful life and method chosen are based on historical values, plans and estimates. Estimates are made on the period and distribution of future cash inflows.

Impairment tests on assets are required whenever certain triggering events indicate that an assessment is necessary. External triggering events include, for example, changes in customer industries, technologies used and economic declines. Internal triggering events for an impairment include lower product profitability, planned restructuring measures or physical damage to assets.

Impairment tests are based on a comparison of the carrying amount and the recoverable amount. The recoverable amount is the higher of net realizable value and value-in-use. The determination of value-in-use requires the estimation and discounting of cash flows. The estimation of cash flows and assumptions used consider all information available on the respective balance sheet date on the future development of the operating business and may deviate from actual future developments.

An impairment charge is taken for the difference between the recoverable amount and the carrying amounts. Should the reasons for the impairment no longer be valid, then reversals are taken up to, but not exceeding, the value of the amortized cost.

1. Summary of Accounting Policies (continued)

Deferred tax assets/liabilities: The realization of deferred tax assets depends on the future taxable profits of the respective group companies. Corresponding allowances are recorded when it is uncertain if future earnings will be sufficient to take advantage of the tax loss carryforwards. The continued valuation of deferred tax assets is based on internal projections, including estimates of the future earnings of BASF Styrenics. See Note 3 on pages F-20-F-22 for additional information.

Receivables and loans are valued at amortized cost using the effective interest method. Valuation adjustments for receivables and loans are recognized in income. Evidence for a valuation adjustment could exist, for example, when the financial difficulties of a debtor become known or payment delays occur. When assessing the need for a valuation adjustment, regional and sector-specific conditions are considered. In addition, the business makes use of internal and external ratings as well as the assessments of debt collection agencies and credit insurers, when available. A substantial portion of receivables is covered by credit insurance. Only those receivables which are not covered by insurance or other collateral are written down. Receivables whose insurance includes a deductible are written down to the value of the deductible. Valuation adjustments are based on historical values on customer solvency and the age, period overdue, insurance policies and customer-specific risks. If, in a subsequent period, the amount of the valuation adjustment decreases and the decrease can be related objectively to an event occurring after the valuation adjustment was recognized, the previously recognized valuation adjustment loss is to be reversed through profit or loss. Write-ups may not exceed the valuation adjustment.

Pension provisions and **defined benefit assets** are measured using actuarial methods, applying, among others, the following valuation parameters: future developments in compensation and pensions, the expected performance of plan assets, employee turnover and the life expectancy of beneficiaries. The resulting obligations are discounted by reference to market yields at the balance sheet date on high quality corporate fixed-rate bonds with an AA rating. Actuarial gains and losses are recognized directly in retained earnings. They result from the variance between the actual development in pension obligations and pension assets and the assumptions made at the beginning of the year as well as the updating of actuarial assumptions. See Note 11 on pages F-27-F-31 for additional information.

Other provisions cover risks resulting from legal disputes and proceedings. In order to determine the amount of the provisions, the facts related to each case, the size of the claim, claims awarded in similar cases and independent expert advice are considered along with assumptions regarding the probability of a successful claim and the range of possible claims. The actual costs can deviate from these estimates. See Note 12 on pages F-31-F-32 for more information.

Other provisions also include expected charges for the removal of environmental contamination at existing production or storage facilities and other similar measures. If BASF Styrenics is the only possible responsible party that can be identified, the provision covers the entire expected claim. At sites operated by one or more parties, the provision covers only BASF Styrenics' share of the expected claim. The determination of the amount of the provision is based on the available technical information on the site, the technology used, legal regulations and processes used as well as current regulations and official obligations. The estimation of future costs is subject to many uncertainties. This refers, in particular, to rehabilitation measures that involve several parties and longer time periods. Assumptions have to be made in determining the discount rate to be used in calculating long-term provisions.

1. Summary of Accounting Policies (continued)

IFRSs and IFRICs which do not yet have to be considered in the preparation of these statements

The effects of IFRSs and IFRICs not yet in force in the reporting year 2010 were reviewed:

- **IFRS 9 "Financial Instruments"** was published on November 12, 2009 as the first step in the project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new categories and new requirements for classifying and measuring financial instruments that must be applied for periods starting January 1, 2013. The potential impact on BASF Styrenics is currently being investigated. In addition, on October 28, 2010, new requirements from IFRS 9 were published on the accounting for financial liabilities and derecognition of financial instruments. These changes relate in particular to entities choosing to measure financial liabilities at fair value. The amendment does not have an effect on BASF Styrenics.
- The revision to **IAS 24 "Related Party Disclosures"** simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard is effective for periods beginning on or after January 1, 2011. The amendment will not have a material effect on BASF Styrenics.
- The amendment to **IAS 32 "Financial Instruments: Presentation"** requires that rights, options, or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount are equity instruments. This is regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after February 1, 2010. The amendment will not have an effect on BASF Styrenics.
- The amendments to **IFRIC 14 "Prepayments of a Minimum Funding Requirement"** apply in those cases where a company is obliged to and makes minimum funding payments to external plan assets to fulfill minimum funding requirements. The amendments are effective from January 1, 2011 and will not have an effect on BASF Styrenics.
- **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"** addresses the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. The interpretation is mandatory for periods beginning on or after July 1, 2010 and has no impact on BASF Styrenics.

Other amendments of the standards will have no material impact on BASF Styrenics.

2. Other operating income and expenses

	2010	2009
	(Million €)	
Other operating income		
Reversals of impairments	38.9	—
Income from foreign currency transactions	0.4	0.8
Gains from disposal of property, plant and equipment and divestitures	1.9	18.5
Other	6.1	7.3
Total	**47.3**	**26.6**

2. Other operating income and expenses (continued)

Reversals of impairments reflect the income from the reversal of the impairment loss taken in 2008 for the site in Altamira, Mexico, due to the significantly improved business development.

Income from foreign currency transactions relates to foreign currency transactions and the measurement of receivables and payables in foreign currencies.

Gains from disposal of property, plant and equipment and divestitures in 2009, resulted from the sale of the polystyrene business in Brazil and the styrene monomer site in South Korea. The purchase price amounted to €29.3 million. A gain of €18.5 million was achieved.

	2010	2009
	(Million €)	
Other operating expenses		
Integration and restructuring measures	24.4	10.0
Sales provisions	3.3	2.1
Write-offs of obsolete inventories	3.1	2.0
Losses from foreign currency transactions	1.9	1.3
Environmental protection and safety measures, costs of demolition of fixed assets and costs related to the preparation of capital expenditure projects	1.7	0.2
Other	13.5	4.5
Total	**47.9**	**20.1**

Costs for Integration and restructuring measures in 2010 were higher than in 2009, primarily due to the cost related to the carve-out of the Styrenics businesses into separate companies within the BASF Group.

Sales provisions included primarily sales allowances for customers.

Write-offs of obsolete inventories amounted to €2.0 million and €0.7 million in 2010 and 2009, respectively.

Environmental protection measures included primarily cost of demolition and removal of fixed assets of €0.9 million in 2010.

3. Income taxes

	2010	2009
	(Million €)	
German corporate income tax, solidarity surcharge, German trade taxes	8.1	6.7
Foreign income tax	62.0	39.2
Current taxes	**70.1**	**45.9**
Deferred tax expense (income)	9.3	1.4
Tax expense	**79.4**	**47.3**

In Germany, a uniform corporate tax rate of 15.0% and thereon a solidarity surcharge of 5.5% is levied on all paid out and retained earnings. In addition to corporate income tax, income generated

3. Income taxes (continued)

in Germany is subject to a trade tax that varies depending on the municipality in which the company is located. In 2010 this tax rate averaged 12.8%, and 12.7% in 2009.

For foreign Group companies, current and deferred taxes are calculated using the tax rates applicable in the individual foreign countries. Such rates averaged 28.5% in 2010 and 27.0% in 2009.

Reconciliation from the statutory tax rate to the effective tax rate

	2010		2009	
	Amount	%	Amount	%
	(Million €)			
Income before taxes	264.9	—	166.4	—
Expected tax based on German average tax rate (29%)	76.8	29.0	48.3	29.0
Foreign tax-rate differential	1.6	0.6	(0.6)	(0.4)
Other	1.0	0.4	(0.4)	(0.2)
Income taxes/effective tax rate	**79.4**	**30.0**	**47.3**	**28.4**

Deferred taxes result from the following temporary differences between tax and accounting balance sheets as well as the valuation of assets and liabilities under IFRS:

	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
	(Million €)			
Deferred tax assets and liabilities				
Intangible assets	—	—	0.1	—
Property, plant and equipment	0.6	0.5	31.5	24.5
Inventories and accounts receivable	1.4	1.1	6.3	3.5
Provisions for pensions and similar obligations	3.8	1.8	—	—
Other provisions and liabilities	3.4	2.1	1.2	3.1
Loss carryforwards	4.3	7.4	—	—
Other	1.4	1.0	2.4	1.9
Valuation allowances	(1.6)	(2.0)	—	—
Thereof for loss carryforwards	*(1.3)*	*(2.0)*	—	—
Netting	(10.6)	(7.9)	(10.6)	(7.9)
Total	**2.7**	**4.0**	**30.9**	**25.1**
Thereof short-term	***2.2***	***3.6***	***29.9***	***23.6***

The carrying amount of a deferred tax asset is recognized to the extent to which it is probable that sufficient taxable profit relating to the same taxation authority will be available to allow the benefit of the deferred tax asset to be utilized. Based on experience and the expected development of taxable income, it is assumed that the advantages of deferred tax assets will be realized. Deferred tax assets were offset against deferred tax liabilities to the degree that these related to the same taxation authority and the relevant taxation authority permits the enterprise to make or receive a single net payment.

3. Income taxes (continued)

At December 31, 2010 and 2009, the deferred tax assets include the tax benefit from net operating loss carryforwards of €12.7 million and €18.6 million, respectively. The tax loss carryforwards as of December 31, 2010 can be carried forward indefinitely.

4. Other information

Additional information on statements of cash flows provided by operating activities includes:

	2010	2009
	(Million €)	
Income tax payments	70.1	45.9
Interest payments	0.1	0.3

	2010	2009
	(Million €)	
Personnel costs		
Wages and salaries	85.5	68.2
Social security contributions and expenses for pensions	19.6	17.7
Thereof for pension and other post-retirement benefits	*4.0*	*3.7*
Total	**105.1**	**85.9**

Personnel expenses increased in particular due to higher provisions for the stock price-based compensation program (long-term incentive program) and for variable salary components related to the performance of the BASF Group.

Financial result

Interest expense and income in 2010 and 2009 are mainly attributable to Styrolution India Private Ltd.

Other Financial Result reflects write-downs of loans as well as the interest cost for pension obligations and the expected return from plan assets.

5. Intangible assets

The annual impairment test for goodwill took place in the fourth quarter of each year on the basis of the cash-generating unit. The recoverable amount was determined using the value-in-use and the plans approved by corporate management for the next five years. The cash flows after the planning period are based on the last year and extrapolated with the help of long-term growth trends. The planning is based on the experience, current performance and best possible management estimates on the future development of the individual parameters such as raw material prices and profit margins. Market assumptions regarding, for example, economic development and market growth are included based on external macroeconomic sources as well as sources specific to the industry.

The impairment tests for the financial years 2010 and 2009 showed that the recoverable amount of the BASF Styrenics business exceeds the book value. The impairment tests were conducted

5. Intangible assets (continued)

using the following assumptions: a weighted average cost of capital of 7.14% (2009: 7.56%) and a long-term growth rate of 2% (2009: 2%).

	Concessions, trademarks and similar rights and values*	Know-how, patents and production technologies	Internally generated intangible assets	Other rights and values*	Goodwill	Total
			(Million €)			
Development of intangible assets						
Acquisition and production costs						
Balance as of January 1, 2010	23.7	0.4	0.5	20.9	22.4	67.9
Additions	—	—	0.1	0.2	—	0.3
Disposals	(0.8)	(0.3)	(0.3)	(0.6)	—	(2.0)
Transfers	—	—	—	0.5	—	0.5
Exchange differences	0.1	—	—	1.4	—	1.5
Balance as of December 31, 2010	23.0	0.1	0.3	22.4	22.4	68.2
Amortization						
Balance as of January 1, 2010	21.2	0.4	0.3	8.2	—	30.1
Additions	0.7	—	—	2.3	—	3.0
Disposals	(0.7)	(0.3)	(0.2)	(0.5)	—	(1.7)
Exchange differences	—	—	—	0.5	—	0.5
Balance as of December 31, 2010	21.2	0.1	0.1	10.5	—	31.9
Net book value as of December 31, 2010	**1.8**	**—**	**0.2**	**11.9**	**22.4**	**36.3**
Acquisition and production costs						
Balance as of January 1, 2009	24.0	0.4	0.4	156.0	22.4	203.2
Additions	—	—	0.1	—	—	0.1
Disposals	(0.4)	—	—	(146.5)	—	(146.9)
Exchange differences	0.1	—	—	11.4	—	11.5
Balance as of December 31, 2009	23.7	0.4	0.5	20.9	22.4	67.9
Amortization						
Balance as of January 1, 2009	20.8	0.3	0.2	140.1	—	161.4
Additions	0.7	0.1	0.1	2.3	—	3.2
Disposals	(0.4)	—	—	(146.1)	—	(146.5)
Exchange differences	0.1	—	—	11.9	—	12.0
Balance as of December 31, 2009	21.2	0.4	0.3	8.2	—	30.1
Net book value as of December 31, 2009	**2.5**	**—**	**0.2**	**12.7**	**22.4**	**37.8**

* Including licenses on such rights and values

There were no material write-ups and impairment losses in 2010 and in 2009, respectively.

In 2009, disposals refer to expired purchase rights for raw materials which had been fully amortized.

6. Property, plant and equipment

	Land, land rights and buildings, including buildings on land owned by others	Machinery and technical equipment	Miscellaneous equipment and fixtures	Advance payments and construction in progress	Total
	(Million €)				
Developments Property, plant and equipment					
Acquisition and production costs					
Balance as of January 1, 2010	161.2	1,161.6	46.5	6.3	1,375.6
Additions	0.5	24.7	1.3	10.2	36.7
Disposals	(22.3)	(18.6)	(2.2)	—	(43.1)
Transfers	3.3	0.3	0.2	(4.3)	(0.5)
Exchange differences	11.5	38.5	2.6	0.3	52.9
Balance as of December 31, 2010	154.2	1,206.5	48.4	12.5	1,421.6
Depreciation					
Balance as of January 1, 2010	105.7	1,039.5	43.5	—	1,188.7
Additions	4.8	47.9	1.6	—	54.3
Disposals	(21.6)	(18.4)	(2.1)	—	(42.1)
Transfers	(11.2)	(27.6)	(0.1)	—	(38.9)
Exchange differences	4.4	34.9	2.4	—	41.7
Balance as of December 31, 2010	82.1	1,076.3	45.3	—	1,203.7
Net book value as of December 31, 2010	**72.1**	**130.2**	**3.1**	**12.5**	**217.9**
Acquisition and production costs					
Balance as of January 1, 2009	173.3	1,245.6	47.4	9.0	1,475.3
Additions	0.4	12.0	0.8	5.8	19.0
Disposals	(14.9)	(112.2)	(2.1)	—	(129.2)
Transfers	0.1	7.6	0.9	(8.6)	—
Exchange differences	2.3	8.6	(0.5)	0.1	10.5
Balance as of December 31, 2009	161.2	1,161.6	46.5	6.3	1,375.6
Depreciation					
Balance as of January 1, 2009	114.7	1,088.3	44.2	—	1,247.2
Additions	4.8	55.0	1.6	—	61.4
Disposals	(14.9)	(112.1)	(1.8)	—	(128.8)
Transfers	—	—	—	—	—
Exchange differences	1.1	8.3	(0.5)	—	8.9
Balance as of December 31, 2009	105.7	1,039.5	43.5	—	1,188.7
Net book value as of December 31, 2009	**55.5**	**122.1**	**3.0**	**6.3**	**186.9**

Additions to machinery and technical equipment in 2010 contain capitalized major overhauls at the Antwerp site, Belgium.

6. Property, plant and equipment (continued)

In 2008 an impairment was taken for the Altamira site, Mexico. In 2010, the expected future cash flows increased significantly due to the improved business development. This led to a fair value which exceeds the amortized cost. Consequently a reversal of the impairment was recorded. The reversal amounts to €38.9 million and is shown under transfers. The corresponding income effect of the reversal of the impairment is reported in other operating income.

In 2009, disposals reflect the sale of polystyrene business in Brazil and the styrene monomer plant in South Korea. The assets were almost fully depreciated. The transactions resulted in a gain from the disposal of assets of €18.5 million.

7. Inventories

	2010	2009
	(Million €)	
Raw materials and factory supplies	84.7	47.5
Work-in-process, finished goods and merchandise	206.4	129.1
Total	**291.1**	**176.6**

"Work-in-process" and "Finished goods and merchandise" are combined into one item due to the production conditions in the chemical industry. Inventories are valued using the weighted average cost method. Write-downs are reversed if the reasons for the write-downs no longer apply.

In 2010, a gain of €1.1 million was recognized for reversals of write-downs of inventory. In 2009, reversals led to a gain of €9.3 million. Of the total inventory, €107.4 million in 2010 and €65.4 million in 2009 was valued at net realizable value. The inventory stock includes inventories delivered by BASF SE, its subsidiaries and other associated companies which are not part of BASF Styrenics' Combined Financial Statements. At the end of 2010 and 2009, these inventories amounted to €60.6 million and €36.6 million.

8. Accounts receivables and other assets

	2010	2009
	(Million €)	
Accounts receivables		
Accounts receivables, trade		
From related parties	109.1	78.0
From third parties	362.0	272.7
Total	**471.1**	**350.7**

8. Accounts receivables and other assets (continued)

	2010		2009	
	Total	Thereof short-term	Total	Thereof short-term
	(Million €)			
Other receivables and miscellaneous assets				
Receivables from affiliated companies	3.3	3.3	2.5	2.5
Prepaid expenses	1.2	1.2	1.4	1.4
Defined benefit assets	2.0	—	6.2	—
Miscellaneous receivables and other assets	21.5	16.6	21.4	12.8
Thereof tax refunds claims	*13.1*	*13.1*	*8.4*	*8.4*
Total	**28.0**	**21.1**	**31.5**	**16.7**

Miscellaneous receivables and other assets include tax refund claims of Styrolution India Private Ltd., which was historically organized as a separate legal entity.

Other assets, most of which are of a short-term nature, include receivables from BASF SE as well as from its subsidiaries and other associated companies which are not included in the scope of consolidation of the BASF Styrenics.

Valuation allowances for doubtful accounts

	Balance as of January 1, 2010	Affecting income		Not affecting income		Balance as of December 31, 2010
		Additions	Releases	Additions	Releases	
Accounts receivable, trade	7.5	1.1	(0.3)	0.9	(0.3)	8.9
Miscellaneous receivables	1.9	0.6	—	—	(1.6)	0.9
Total	**9.4**	**1.7**	**(0.3)**	**0.9**	**(1.9)**	**9.8**

	Balance as of January 1, 2009	Affecting income		Not affecting income		Balance as of December 31, 2009
		Additions	Releases	Additions	Releases	
Accounts receivable, trade	5.9	1.5	(0.1)	0.8	(0.6)	7.5
Miscellaneous receivables	6.2	1.6	—	—	(5.9)	1.9
Total	**12.1**	**3.1**	**(0.1)**	**0.8**	**(6.5)**	**9.4**

Additions and releases not affecting income related primarily to translation adjustments as well as write-offs of receivables previously reserved.

The reversals affecting income from allowances for doubtful receivables resulted mainly from the improved credit conditions.

In 2010, after being individually assessed for impairment, valuation allowances of €1.1 million were established for trade accounts receivable. Additionally, there were valuation allowances of €0.6 million for other receivables.

8. Accounts receivables and other assets (continued)

In 2009, after being individually assessed for impairment, valuation allowances of €1.5 million were established for trade accounts receivable. Additionally, there were valuation allowances of €1.6 million for other receivables.

The contractual agreements which form the basis for receivables did not need to be renegotiated to any major extent in 2010 and 2009.

	2010	2009
	(Million €)	
Aged list of trade accounts receivables		
Not yet due	393.2	284.3
Past due less than 30 days	48.8	29.7
Past due more than 30 days	29.1	36.7
Total	**471.1**	**350.7**

Contingent assets were not material in 2010 and 2009.

9. Parent net investment

Parent net investment represents the difference between the value of the assets at their historical costs and the liabilities of BASF Styrenics as described in Note 1.B. Except for Styrolution India Private Ltd., BASF Styrenics business did not form any separate legal entities prior to the carve-out in 2011. Therefore, cash and cash equivalents as well as any financing related balances were managed on a centralized basis and not allocated to BASF Styrenics business. They are part of the parent net investment. Changes in parent net investment represent cash surplus or financing needs of the BASF Styrenics business with other legal entities of BASF. They are determined by the change in net assets for the respective period not reflected in the income statement (retained earnings). This resulted in a decrease of Parent net investment of €23.5 million in 2010 and €66.5 million in 2009, respectively.

10. Retained earnings and other equity positions

Retained earnings and other equity positions represent the comprehensive income of the BASF Styrenics business.

Actuarial gains and losses are directly recognized in retained earnings. As of January 1, 2009, actuarial gains and losses for defined benefit plans of employees working for the BASF Styrenics business amounted to €9.5 million. Actuarial gains and losses recognized in retained earnings amounted to €2.1 million (gain) in 2009 and €1.3 million (loss) in 2010.

The translation adjustments due to the use of the closing rate method are shown under currency translation adjustments as a component of other comprehensive income in equity and are recognized in income only upon the disposal of a company.

11. Provisions for pensions and similar obligations

In addition to statutory pension plans, most employees are entitled to Company pension benefits from either defined contribution or defined benefit plans. Benefits generally depend on years

11. Provisions for pensions and similar obligations (continued)

of service, contributions or compensation, and take into consideration the legal framework of labor, tax and social security laws of the countries where the companies are located. To limit the risks of changing market conditions as well as demographic developments, over the last few years employees have been almost exclusively offered defined contribution plans.

The measurement date for the pension plans is set as December 31. The most recent actuarial mortality tables are used, which in Germany are derived from the BASF Group population.

The valuations using the projected unit credit method per IAS 19 were carried out under the following assumptions:

	Germany		Foreign	
	2010	2009	2010	2009
Assumptions used to determine defined benefit obligation (weighted average)				
Discount rate	5.00%	5.50%	5.26%	5.35%
Projected increase of wages and salaries	2.75%	2.75%	3.03%	3.18%
Projected pension increase	1.75%	2.00%	1.00%	0.92%
Assumptions used to determine expenses for pension plans (weighted average)				
Discount rate	5.50%	6.00%	5.35%	5.99%
Projected increase of wages and salaries	2.75%	2.75%	3.18%	3.18%
Projected pension increase	2.00%	2.00%	0.92%	0.76%
Expected return on plan assets	5.13%	5.42%	4.70%	4.70%

The assumptions used to ascertain the defined benefit obligation as of December 31 are used in the following year to determine the expenses for pension plans.

The assumptions regarding the overall expected long-term rate of return are based on forecasts of expected individual asset class returns and the desired portfolio structure. The forecasts are based on long-term historical average returns and take the current yield level and the inflation trend into consideration. In 2010, the interest rate was adjusted for developments in the capital markets.

The target asset allocation has been defined by using asset liability studies and is reviewed regularly. Accordingly, plan assets are aligned with long-term pension liabilities, taking into consideration investment risks and adherence to government regulations. The existing portfolio structure is oriented towards the target asset allocation. In addition, current market views are taken into consideration. In order to mitigate risks and maximize returns, a widely spread global portfolio of individual asset classes is held.

11. Provisions for pensions and similar obligations (continued)

The portfolio structure of the pension plan assets is as follows:

	Target allocation	Share of plan assets	
	2011	2010	2009
Plan asset category			
Shares	24%	31%	33%
Bonds	69%	65%	63%
Property	1%	0%	2%
Others	6%	4%	2%
Total	**100%**	**100%**	**100%**

	2010	2009
	(Million €)	
Development of the defined benefit obligation		
Defined benefit obligation as of January 1	60.7	55.2
Service cost	1.9	1.8
Interest cost	3.3	3.5
Benefits paid	(6.2)	(4.6)
Actuarial losses	5.2	3.9
Settlements and other plan changes	1.0	0.5
Translation adjustment	1.2	0.4
Defined benefit obligation as of December 31	**67.1**	**60.7**

	2010	2009
	(Million €)	
Development of the plan assets		
Plan assets as of January 1	63.8	54.5
Expected return on plan assets	3.4	3.0
Difference between expected and actual returns	1.8	6.3
Employer contributions	1.3	1.6
Benefits paid	(5.5)	(2.1)
Other changes	1.4	0.2
Translation adjustment	0.8	0.3
Plan assets as of December 31	**67.0**	**63.8**

11. Provisions for pensions and similar obligations (continued)

The carrying amounts in the balance sheet are as follows:

	2010	2009
	(Million €)	
Reconciliation of funded status to provisions for pensions		
Defined benefit obligation as of December 31	67.1	60.7
Less plan assets as of December 31	(67.0)	(63.8)
Funded status	**0.1**	**(3.1)**

Actuarial gains and losses are recognized directly in retained earnings in the reporting period in which they occur. Past service costs are amortized over the average service period of the entitled employees until the benefits become vested.

On December 31, 2010 and 2009, accumulated actuarial losses of €12.6 million and €9.2 million, respectively, were charged to retained earnings, not taking deferred taxes into account.

The current funding situation of the defined benefit obligation (DBO) is disclosed in the following table:

Current funding situation of the plans:

	2010		2009	
	Defined benefit obligation (DBO)	Plan assets	Defined benefit obligation (DBO)	Plan assets
	(Million €)			
Unfunded pension plans	0.4	—	0.4	—
Partially funded pension plans	9.6	7.9	8.7	6.0
Total of pension plans that are not fully funded	**10.0**	**7.9**	**9.1**	**6.0**
Fully funded pension plans	57.1	59.1	51.6	57.8
Total	**67.1**	**67.0**	**60.7**	**63.8**

The following overview shows the differences between the actuarial assumptions and the actual development relating to the DBO and plan assets:

	2010	2009
	(Million €)	
Defined benefit obligation	67.1	60.7
Thereof impact of experience adjustments	*(0.1)*	*0.1*
Plan assets	67.0	63.8
Thereof impact of experience adjustments	*1.8*	*6.3*
Funded status	**0.1**	**(3.1)**

11. Provisions for pensions and similar obligations (continued)

Payments arising from pension obligations as of December 31, 2010 are due as follows:

	(Million €)
Estimated future benefit payments	
2011	4.4
2012	4.5
2013	4.6
2014	4.4
2015	4.7
2016 through 2020	26.4

	2010	2009
	(Million €)	
Components of expenses for pension plans		
Service cost	1.9	1.8
Amortization of past service cost	—	—
Curtailments and other changes	—	(0.7)
Expenses for defined benefit plans charged to income from operations	**1.9**	**1.1**
Expenses for defined contribution plans	2.1	2.6
Expenses for pension plans charged to income from operations	**4.0**	**3.7**
Interest cost	3.3	3.5
Expected return on plan assets	(3.4)	(3.0)
Expenses/(income) from defined benefit plans in the financial result	**(0.1)**	**0.5**

12. Other provisions

	2010		2009	
		Thereof current		Thereof current
	(Million €)			
Environmental protection and remediation costs	1.2	1.2	0.9	0.9
Personnel costs	26.4	18.1	16.5	9.5
Sales and purchase risks	6.8	6.8	2.9	2.9
Restructuring measures	1.1	1.1	0.6	0.6
Legal, damage claims, guarantees and related commitments	1.8	0.6	1.5	0.6
Other	3.5	2.8	9.3	3.7
Total	**40.8**	**30.6**	**31.7**	**18.2**

Environmental protection and remediation costs represent expected costs for rehabilitating contaminated sites, water protection, the recultivation of landfills, the removal of environmental contamination at existing production or storage sites and other measures.

Personnel costs: The personnel cost provisions include primarily obligations to grant variable compensation including the related social security contributions as well as provisions for the Long-term Incentive Program (LTI).

12. Other provisions (continued)

Sales and purchase risks: The sales and purchase risks provisions include warranties, product liability, customer rebates, payment discounts, other customer price reductions and provisions for expected losses on committed purchases or similar obligations.

Restructuring costs include severance payments to employees as well as specific site shutdown or restructuring costs, including the costs for demolition and similar measures.

Legal, damage claims, guarantees and related commitments, include the estimated costs of litigation, obligations under damage claims, other guarantees and for antitrust proceedings.

Development of provisions in 2010:

	January 1, 2010	Additions	Utilization	Reversals	Other changes	December 31, 2010
			(Million €)			
Environmental protection and remediation costs	0.9	0.4	—	—	(0.1)	1.2
Personnel costs	16.5	23.7	(12.0)	(0.4)	(1.4)	26.4
Sales and purchase risks	2.9	8.1	(3.0)	(1.3)	0.1	6.8
Integration, shutdown and restructuring costs	0.6	1.1	—	(0.7)	0.1	1.1
Legal, damage claims, guarantees and related commitments	1.5	0.1	(0.1)	—	0.3	1.8
Other	9.3	1.6	(5.9)	(1.5)	—	3.5
Total	**31.7**	**35.0**	**(21.0)**	**(3.9)**	**(1.0)**	**(40.8)**

Other changes relate to currency effects, accrued interests and the transfer to liabilities of obligations that have become more concrete as to amount and timing.

Development of provisions in 2009:

	January 1, 2009	Additions	Utilization	Reversals	Other changes	December 31, 2009
			(Million €)			
Environmental protection and remediation costs	1.5	—	—	(0.6)	—	0.9
Personnel costs	16.9	11.1	(10.4)	(1.3)	0.2	16.5
Sales and purchase risks	5.9	3.9	(6.1)	(0.8)	—	2.9
Integration, shutdown and restructuring costs	—	0.7	—	—	(0.1)	0.6
Legal, damage claims, guarantees and related commitments	1.3	0.7	(0.6)	(0.2)	0.3	1.5
Other	1.8	9.5	(1.7)	(0.3)	—	9.3
Total	**27.4**	**25.9**	**(18.8)**	**(3.2)**	**0.4**	**31.7**

13. Liabilities

Maturities of liabilities

	2010		2009	
		Thereof current		Thereof current
	(Million €)			
Accounts payable, trade	**238.6**	**238.6**	**165.7**	**165.7**
Liabilities to credit institutions	0.2	0.2	—	—
Financial indebtedness	**0.2**	**0.2**	**—**	**—**
Liabilities relating to social security	2.5	2.1	2.3	1.9
Liabilities to personnel	2.5	2.5	1.9	1.9
Deferred income	2.6	1.7	1.7	1.7
Miscellaneous liabilities	9.9	9.0	18.6	15.0
Other liabilities	**17.5**	**15.3**	**24.5**	**20.5**
Total	**256.3**	**254.1**	**190.2**	**186.2**

Accounts payable, trade as of December 31, 2010 and 2009, include liabilities to BASF SE and to the subsidiaries and associated companies of BASF SE, which are not included in the scope of consolidation of BASF Styrenics, in amount of €85.3 million and of €63.6 million, respectively.

Leasing liabilities are included in miscellaneous liabilities and are explained in detail in Note 15.

There were no other liabilities related to BASF SE and to the subsidiaries and associated companies of BASF SE in 2010 and 2009.

14. Contingent liabilities and other financial obligations

As of December 31, 2010, and as of December 31, 2009, there were no contingent liabilities.

Purchase commitments for raw materials from long-term contracts

BASF Styrenics has entered into long-term global supply agreements for raw materials. The fixed and determinable portions of long-term purchase contracts with a remaining term of more than one year as of December 31, 2010, are as follows:

Purchase obligations from raw material supply contracts

	December 31, 2010
	(Million €)
2011	2,277.0
2012	2,148.2
2013	2,098.7
2014	1,956.1
2015	1,974.8
2016 and thereafter	1,908.4
Total	**12,363.2**

15. Leasing

Leased assets

Fixed assets include assets of a gross amount of €25.0 million, where economic ownership is established via a finance lease. The assets have already been fully depreciated as of December 31, 2010. They include the following items and refer to rail cars in North America:

	December 31, 2010		December 31, 2009	
	Acquisition cost	Book values	Acquisition cost	Book values
	(Million €)			
Assets				
Miscellaneous equipment and fixtures	25.0	—	23.2	0.1

Liabilities from finance leases have the following maturities as of December 31, 2010 and 2009, respectively:

	December 31, 2010			December 31, 2009		
	Minimum lease payments	Interest portion	Leasing liability	Minimum lease payments	Interest portion	Leasing liability
	(Million €)					
Following year 1	1.3	0.2	1.1	4.0	0.4	3.6
Following year 2	2.0	0.1	1.9	1.2	0.2	1.0
Following year 3	0.9	0.1	0.8	1.9	0.1	1.8
Following year 4	—	—	—	0.8	0.1	0.7
Over 4 years	—	—	—	—	—	—
Total	**4.2**	**0.4**	**3.8**	**7.9**	**0.8**	**7.1**

In 2010 and 2009, no additional lease payments had to be included in the minimum lease expense due to contractual obligations.

In addition, BASF Styrenics is **lessee in operating leases**. The resulting lease obligations are not material.

There were no expected minimum lease payments from sub-lessees offsetting the other leasing liabilities in 2010. Minimum lease payments in the amount of €3.9 million are included in the operating results of the current year (previous year: €2.0 million). There were no conditional lease payments and no payments received from sub-lessees in 2010 or in 2009.

16. Stock price-based compensation

Long-term incentive program of BASF Group

BASF Styrenics participates in the long-term incentive program (LTI program) that was continued in 2010 for senior executives of the BASF Group. This program has existed since 1999. Approximately 15 senior executives are currently entitled to participate in this program. This program provides for the grant of virtual options. The options are settled in cash when exercised.

Participation in the LTI program is voluntary. The condition for taking part in the program is the participant's own investment: A participant must hold BASF shares in the amount of 10% to 30%

16. Stock price-based compensation (continued)

of his or her individual variable compensation for a two-year period from the granting of the options (holding period). The number of shares to be held is determined by the amount of variable compensation and the weighted-average market price for BASF shares on the first business day after the Annual Meeting, which was €44.37 on April 30, 2010.

The participant receives four option rights per invested share. Each option consists of two parts, right A and right B, which may be exercised if defined thresholds have been met: The threshold of right A is met if the price of the BASF share has increased by more than 30% in comparison to the base price (absolute threshold). The value of right A will be the difference between the market price of BASF shares at the exercise date and the base price; it is limited to 100% of the base price. Right B may be exercised if the cumulative percentage performance of BASF shares exceeds (relative threshold) the percentage performance of the MSCI World Chemicals Index^{SM} (MSCI Chemicals). The value of right B will be the base price of the option multiplied by twice the percentage outperformance of BASF shares compared to the MSCI Chemicals Index on the exercise date. It is limited to the closing price on the date of exercise minus computed nominal value of BASF shares.

The options were granted on July 1, 2010, and may be exercised following a two-year vesting period between July 1, 2012, and June 30, 2018. During the exercise period, it is not possible to exercise options during certain periods (closed periods). Each option right may only be exercised if the performance targets are achieved and may only be exercised once, meaning that if only one performance target is met and that option is exercised, the other option right lapses. The maximum gain for a participant is limited to 10 times the original individual investment. Option rights are non-transferable and are forfeited if the option holders no longer work for BASF or have sold part of their individual investment before the two-year holding period. They remain valid in the case of retirement.

The 2003 to 2009 programs were structured in a similar way to the LTI program 2010. The benchmark index used to determine the value of right B for the programs 2003 to 2004 is the Dow Jones Chemicals Total Return Index (DJ Chemicals). This index was replaced by MSCI Chemicals starting with the program 2005. The MSCI Chemicals is a global industry index for the chemical industry that measures the performance of the companies contained within it in their respective local currencies, which significantly reduces currency effects.

The model used in the valuation of the option plans is based on the arbitrage-free valuation model according to Black-Scholes. Due to the complexity of the programs a numerical solution method was used (Monte Carlo simulation).

16. Stock price-based compensation (continued)

Fair value and assumptions used as of December 31, 2010

	BASF LTI program of the year	
	2010	**2009**
Fair value	€29.15	€51.44
Dividend yield	2.85%	2.85%
Risk free interest rate	2.71%	2.46%
Volatility BASF shares	25.76%	26.45%
Volatility MSCI Chemicals	18.71%	19.30%
Correlation BASF share price: MSCI Chemicals	80.80%	80.18%

Note: It is assumed that the options will be exercised based upon the potential gains.

On December 31, 2010, the fair values and the valuation parameters relate to the LTI programs 2010 and 2009. For the programs from preceding years, corresponding fair values were computed and valuation parameters were used. The number of options granted amounted to 25,006 in 2010 and 50,041 in 2009. Volatility was determined on the basis of the monthly closing prices over a historical period corresponding to the remaining term of the options.

As a result of a resolution by the Board of Executive Directors of BASF SE in 2002, to settle options in cash, options outstanding as of December 31, 2010, from the LTI 2003 to 2010 were valued with the fair value as of the balance sheet date. This amount is accrued as a provision over the respective vesting period. This provision increased due to higher fair values of the options from €3.5 million as of December 31, 2009, to €5.6 million as of December 31, 2010. This resulted in personnel expenses of €5.7 million in 2010. The utilization of provisions amounted to €3.6 million in 2010 (2009: €0.5 million).

The total intrinsic value of exercisable options amounted to €3.6 million on December 31, 2010, and €2.3 million on December 31, 2009.

INEOS STYRENICS

Combined financial statements
for the year ended December 31, 2010
including comparative information
(non-statutory)

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INDEPENDENT AUDITOR'S REPORT

To: the management boards of INEOS NOVA International SA, INEOS NOVA European Holdings B.V. and INEOS NOVA LLC

We have audited the accompanying combined financial statements of INEOS STYRENICS (includes the combined operations of the polystyrene and styrene monomer businesses of INEOS NOVA International SA, INEOS NOVA European Holdings B.V. and INEOS NOVA LLC), which comprise the combined balance sheets as at December 31, 2010 and 2009, the combined statements of comprehensive income, cash flows and changes in business' equity for the years then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with the International Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion with respect to the combined financial statements

In our opinion, the combined financial statements give a true and fair view of the combined financial position of INEOS STYRENICS (includes the combined operations of the polystyrene and styrene monomer businesses of INEOS NOVA International SA, INEOS NOVA European Holdings B.V. and INEOS NOVA LLC.) as at December 31, 2010 and 2009, its combined result and its combined cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Eindhoven, April 13, 2011

Ernst & Young Accountants LLP

signed by Arno J.M. van der Sanden

INEOS STYRENICS

COMBINED BALANCE SHEETS

EUR million

	Notes	December 31, 2010	December 31, 2009
Assets			
Property, plant and equipment	1	200.1	190.9
Financial assets	2	10.8	4.6
Deferred tax assets	3	2.1	5.0
Long-term assets		**213.0**	**200.5**
Inventories	4	158.5	148.0
Accounts receivable, trade	5	186.1	151.2
Other receivables and miscellaneous short-term assets	6	16.0	13.2
Cash and cash equivalents	7	43.3	48.4
Short-term assets		**403.9**	**360.8**
Total assets		**616.9**	**561.3**

	Notes	December 31, 2010	December 31, 2009
Business' equity and liabilities			
Business equity	8	**234.2**	**250.4**
Provisions for pensions and similar obligations	9	42.4	26.5
Other provisions	10	17.7	18.1
Deferred tax liabilities	3	6.9	7.4
Long-term liabilities		**67.0**	**52.0**
Accounts payable, trade	11	153.0	120.1
Current tax liabilities	3	1.4	3.0
Financial indebtedness	12	121.5	91.6
Other liabilities	13	39.8	44.2
Short-term liabilities		**315.7**	**258.9**
Total Business' equity and liabilities		**616.9**	**561.3**

The Notes on pages F-44 to F-72 are an integral part of this combined financial information.

INEOS STYRENICS

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

EUR million

	Notes	2010	2009
Sales		2,074.5	1,553.0
Cost of sales		(1,921.9)	(1,409.4)
Gross profit on sales		**152.6**	**143.6**
Selling expenses		(89.4)	(85.6)
General and administrative expenses		(12.3)	(18.2)
Research and development expenses		(2.0)	(2.4)
Other operating income and expenses		(2.5)	(14.2)
Operating and selling costs		**(106.2)**	**(120.4)**
Income from operations		**46.4**	**23.2**
Interest expense	14	(6.0)	(4.4)
Other financial expenses	14	(0.9)	—
Financial result		**(6.9)**	**(4.4)**
Income before taxes		**39.5**	**18.8**
Income tax expense	3	(4.1)	(0.5)
Net income		**35.4**	**18.3**
Actuarial gains and losses on pensions, net of tax	9	(7.5)	0.8
Translation differences on foreign participating interests		12.2	(6.0)
Other comprehensive income for the year, net of tax		**4.7**	**(5.2)**
Total comprehensive income for the year, net of tax		**40.1**	**13.1**
Attributable to the Owners of INEOS STYRENICS		**40.1**	**13.1**

The Notes on pages F-44 to F-72 are an integral part of this combined financial information.

INEOS STYRENICS

COMBINED STATEMENTS OF CASH FLOWS

EUR million

	2010	2009
Income before tax	39.5	18.8
Depreciation and impairment	31.4	27.5
Interest expenses	6.1	4.4
Current income tax paid	(1.2)	(1.0)
Increase in provisions	15.5	4.2
Decrease in other liabilities	(4.4)	(3.3)
Increase in inventories	(10.5)	(22.1)
Increase in receivables	(37.7)	(18.2)
Increase in accounts payable trade	32.9	31.7
Interest paid	(6.1)	(4.4)
Change in financial assets	(6.2)	(1.8)
Cash provided by operating activities	**59.3**	**35.8**
Payments for property, plant and equipment	(29.9)	(16.9)
Proceeds from the disposal of property, plant and equipment	0.3	0.2
Cash (used in) investing activities	**(29.6)**	**(16.7)**
Proceeds / (Payments) of financial indebtedness	29.9	(1.5)
Net change in net investments	(51.6)	11.1
Cash provided by (used in) financing activities	**(21.7)**	**9.6**
Net changes in cash and cash equivalents	**8.0**	**28.7**
Effects on cash and cash equivalents from foreign exchange rates	(13.1)	3.0
Cash and cash equivalents at the beginning of the year	**48.4**	**16.7**
Cash and cash equivalents at the end of the year	**43.3**	**48.4**

The Notes on pages F-44 to F-72 are an integral part of this combined financial information.

INEOS STYRENICS

COMBINED STATEMENTS OF CHANGES IN BUSINESS EQUITY

EUR million

	Net investment	Currency translation adjustment	Accumulated other comprehensive income / (loss)	Total business equity
Balance as at January 1, 2009	**221.0**	**—**	**—**	**221.0**
Changes:				
Net income	18.3	—	—	18.3
Other Comprehensive Income		(6.0)		(6.0)
(see note 8)	—		0.8	0.8
Total comprehensive income	**18.3**	**(6.0)**	**0.8**	**13.1**
Shareholder contribution	31.1	—	—	31.1
Changes in net investment (see note 8)	(14.8)	—	—	(14.8)
Balance as at December 31, 2009	**255.6**	**(6.0)**	**0.8**	**250.4**
Balance as at January 1, 2010	**255.6**	**(6.0)**	**0.8**	**250.4**
Changes:				
Net income	35.4	—	—	35.4
Other comprehensive income		12.2		12.2
(see note 8)	—		(7.5)	(7.5)
Total comprehensive income	**35.4**	**12.2**	**(7.5)**	**40.1**
Shareholder contribution	(2.2)	—	—	(2.2)
Changes in net investment (see note 8)	(54.1)	—	—	(54.1)
Balance as at December 31, 2010	**234.7**	**6.2**	**(6.7)**	**234.2**

The Notes on pages F-44 to F-72 are an integral part of this combined financial information.

CORPORATE INFORMATION AND BASIS OF PRESENTATION

Background

The Group is a leading global styrene business offering styrene and a variety of polystyrene products in Europe and North America. The polystyrene products consist of general purpose polystyrene, high impact polystyrene, expandable polystyrene and high performance polystyrene.

The Group consist of three separate joint ventures under common management and under common control of the respective shareholders: INEOS NOVA International SA, INEOS NOVA European Holdings B.V. (together representing the European activities) and INEOS NOVA LLC (representing the North American activities). These combined financial statements represent the entire Group with the exception of the expandable polystyrene (“EPS”) business area (hereafter referred to as INEOS STYRENICS). The Group only has EPS activities in Europe. In these combined financial statements the activities of INEOS STYRENICS are also referred to as the polystyrene (“PS”) and styrene monomer business. The combined financial statements have been prepared in connection with the bond offering in which these combined financial statements will be added as F-pages to the offering memorandum.

The PS and styrene monomer businesses operate as business areas within the Group and are a significant part thereof. The PS business produces polystyrene that is used in products such as food packaging, coffee cups, household appliances and insulation. Styrene monomer is used as a raw material for various styrene based products. The PS and styrene monomer business is not a legal entity or a stand-alone business and as such no statutory financial statements are available.

Reporting entity

Although no single legal parent company exists, management believes that INEOS STYRENICS meets the definition of a reporting entity under the International Financial Reporting Standard (“IFRS”), taking into account the discussions held by IFRIC in 2009-2010 and the ED Conceptual Framework for Financial Reporting: The Reporting Entity issued by the IASB in March 2010. INEOS STYRENICS represents a circumscribed area of economic activities whose financial information has the potential to be useful to existing and potential investors, lenders and other creditors and has the following features:

- Economic activities are being conducted;
- These economic activities can be objectively distinguished from those of other entities and from the economic environment in which INEOS STYRENICS exists; and
- Financial information about the economic activities of INEOS STYRENICS has the potential to be useful in making decisions about providing resources to INEOS STYRENICS and in assessing whether management and the governing board have made efficient and effective use of the resources provided.

As a result management believes that this basis of preparation results in a true and fair presentation of the INEOS STYRENICS’ financial position, financial performance and cash flows, and that the consolidated financial statements comply in all material aspects with IFRS.

Accounting standards applied

The combined financial statements of INEOS STYRENICS as of December 31, 2010, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

All amounts in the financial statements are stated in EUR million unless stated otherwise.

Combination principles

The combined financial statements of INEOS STYRENICS comprise the financial statements of the three joint ventures and their subsidiaries as at December 31, 2010 to the extent they relate to the PS and styrene monomer business (see below Basis of Carve-out). Subsidiaries are fully combined from the date of acquisition, being the date on which INEOS STYRENICS obtains control, and continue to be combined until the date when such control ceases. The financial statements of the subsidiaries are prepared using the same reporting period as INEOS STYRENICS and using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full in the combined financial statements.

Basis of Carve-out

The combined financial statements represent the PS and Styrene Monomer business of the Group and have been derived from the consolidated financial statements and accounting records of INEOS NOVA International SA, INEOS NOVA European Holdings B.V. and INEOS NOVA LLC. This has been done by using the historical results of operations and the historical basis of assets and liabilities of the businesses. For the periods presented, certain assets, liabilities and expenses in the combined financial statements include allocations. Asset, liabilities, revenues or expenses that are directly attributable to the PS or styrene monomer business, it is reflected in these combined financial statements. Assets, liabilities, revenues or expenses which are indirectly attributable to the business areas, allocations have been used.

Management believes the assumptions underlying the allocations in these combined financial statements are reasonable. However, the combined financial statements included herein may not necessarily reflect the PS and styrene monomer results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows would have been if the PS and styrene monomer business had been stand-alone during the periods presented.

Allocations used relate to the following balance sheet and statement of comprehensive income positions.

Balance sheet

All assets and liabilities of the North American entities are included in the combined balance sheet. The European joint venture assets and liabilities are split based on the following allocation principles.

- Property plant and equipment are established with a business area and dedicated assets are included. Non-dedicated assets are excluded.
- Accounts receivable, trade have been identified by customer and product and allocated to the PS and styrene monomer businesses on product-basis.
- Inventories have been identified by product and allocated to the PS and styrene monomer businesses on product-basis.
- Accounts payable, trade have been identified by vendor and product and allocated to the PS and styrene monomer businesses on product-basis.

Statement of Comprehensive Income:

The statement of income of the North American entities are included in their entirety in the combined statement of income. The income and expenses of the European joint venture split based on the following allocation principles.

- Sales are allocated based on products and the product codes which are unique to a business area.
- Cost of sales consists of variable product and production costs, fixed manufacturing costs and depreciation. Variable product and production costs are quantified in a bill of materials per product. Each product is unique to a business area and charged to a business area when sold. Fixed manufacturing costs are allocated based on time spent by employees or production volumes. Depreciation is allocated to a component of a dedicated asset and each dedicated assets is linked to a business area.
- Selling expenses include outbound freight costs that are allocated based on individual routes and rates. The selling expenses also include sales and marketing costs that are allocated based on time spent by employees per business area.
- General and administrative expenses are allocated based on time spent by the employees per business area or based on budgeted sales volumes.

Pensions

INEOS STYRENICS operates defined benefit pension plans in the countries in which it has its production facilities. INEOS STYRENICS does not hold separate plans by business area. The liability and expense of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. All plans have been assessed to identify the best allocation to the PS and styrene monomer business for both the active and inactive members of the pension plans. As such pension balances are allocated based on the salary costs of the different business areas.

Business equity

Since the INEOS STYRENICS does not have a separate legal status, the PS and Styrene monomer's net investment is shown as business' equity instead of shareholders' equity in the combined financial statements. Transactions between the INEOS STYRENICS and the legacy EPS activities and its affiliates have been identified in the statements as transactions between related parties (see note 16).

Income tax

Historically no tax returns and corresponding tax position dedicated to the PS and styrene monomer business have been prepared. The tax position reflected in the combined financial statements has been calculated on a separate return basis. Historically no tax returns and corresponding tax position dedicated to the PS and styrene monomer business have been prepared. The tax position reflected in the combined financial statements has been calculated on a separate return basis.

Cash management and financing of operations

The Group uses a centralized approach to cash management and the financing of its operations. The combined financial statements of INEOS STYRENICS includes dedicated debt and an allocation of interest expense. Cash and non-dedicated debt that are not specifically identifiable to the business are not included in the balance sheet. Non-dedicated cash transactions are netted against business equity.

Principles for the translation of foreign currencies

The financial statements of INEOS STYRENICS are presented in Euros. Each entity of INEOS STYRENICS determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies and non-monetary balance sheet items or monetary receivables and debts are translated using exchange rates at the date of the transaction or balance sheet date respectively.

Foreign currency differences are recognised in profit and loss as financial income or expense respectively.

Foreign entities are defined as those entities with a functional currency other than Euro. Assets and liabilities, both monetary and non-monetary, of the foreign entities are translated into Euros using exchange rates at the reporting date. Income and expense items of foreign entities are translated into Euros using the exchange rates at the date of the transaction.

Foreign currency differences arising from the translation of foreign entities, including group loans (if management expects that they are not repayable in the foreseeable future), are recognised in other comprehensive income and the currency translation differences. On disposal of a foreign entity, the component of other comprehensive income relating to that particular foreign entity is recognised in the income statement.

The following table sets out the exchange rates for Euros into US dollars applicable for translation of INEOS STYRENICS combined financial statements for the periods specified.

	Period end	Average
2009	1.433	1.356
2010	1.339	1.388

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IFRS 1: First time adoption

For these combined financial statements IFRS 1 first time adoption applies. INEOS STYRENICS makes use of the following exemptions as at January 1, 2009:

- To set the currency translation adjustment at zero as at January 1, 2009
- To set all actuarial gains and losses at zero as at January 1, 2009

In the combined carve-out financial statements INEOS STYRENICS does not present a reconciliation with previous accounting principles at INEOS STYRENICS did not present financial statements prior to these combined financial statements.

Property, plant and equipment

Land or land rights, buildings plant and equipment, other fixed operating assets and asset under construction are stated at cost of purchase, less accumulated depreciation and/or accumulated impairment costs, if any. Such cost will include borrowing costs for qualifying assets. When significant parts of property, plant and equipment are required to be periodically replaced, INEOS STYRENICS recognises such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each item of the property, plant and equipment. Land or land rights and assets under construction are not depreciated.

The following rates of depreciation are applied:

- Buildings, plant and equipment . . . . 2.5% - 20%
- Other fixed operating assets . . . . 5% - 25%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment of property, plant and equipment

INEOS STYRENICS assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, INEOS STYRENICS estimates the asset's recoverable amount. An assets' recoverable amount is the higher of an assets' or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset of CGU exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, that reflects current market assessments of the time value of money and the risks specific to the asset.

Research and development costs

Research and development costs are expensed as incurred. Given the nature of the business and research and development, capitalization criteria are not met.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases which transfer to INEOS STYRENICS substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance expense in the combined statements of comprehensive income.

A leased asset is depreciated over the useful live of the asset. However, if there is no reasonable certainty that INEOS STYRENICS will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful live of the asset and the lease term.

Operating leases are recognized as an expense in the combined statements of comprehensive income on a straight-line basis over the lease term.

Taxes

Deferred tax assets are recorded for temporary differences between the carrying amount of assets and liabilities in the financial statements of INEOS STYRENICS and the carrying amounts for tax purposes. In addition, deferred taxes are recorded for tax loss carryforwards to the extent that it is probable that future taxable profit for the relevant tax authority will be available against which the tax loss carryforwards can be utilized. The valuation of deferred tax assets depends on the estimation of the probability of a reversal of the valuation differences and the utilization of the tax loss carryforwards. A deferred tax asset is recognized for future tax benefits arising from temporary differences and for tax loss carryforwards to the extent that the tax benefits are probably to be realized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only when a legal right to do so exists and when the deferred tax assets and liabilities are reversing the in the same time frame.

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognised in comprehensive income except to the extent that it relates to items recognised directly in business equity, in which case it is recognised in business equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Inventories

Inventories of technical parts are stated at the lower of cost and market value. The cost is based on the purchase price.

Finished products are stated at production cost on the basis of historical cost (comprising cost of raw materials used, and consumables and the other costs directly attributable to manufacture, excluding labour).

Inventories are valued using the historical costs method. Write-downs are made if the net realizable value is lower than the carrying amount. The net realizable value is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Cost of sales include, direct costs of raw material, distribution and handling costs.

Trade and other receivables

Trade and other receivables are stated at amortized cost less a provision for doubtful debts. Provisions are designated on basis of individual assessment of recoverability of the receivable. As the risk and rewards of the factored receivables have not been fully transferred, the trade receivables have been recorded at gross amounts.

Financial assets and liabilities

Financial assets and liabilities are divided into the following valuation categories:

- Financial assets and liabilities that are measured at fair value and recognized through profit or loss consist of derivatives and other trading instruments. Derivates are reported in other short-term assets or other short-term liabilities. All transaction costs are recognized in comprehensive income.
- Loans receivable comprise financial assets with fixed or determinable payments, which are not quoted on an active market and are not derivatives or classified as available-for-sale. Initial valuation is done at fair value plus directly attributable transaction costs. Interest-free and low-interest long-term loans and receivables are recorded at fair value. If there is objective evidence for an impairment of a loan, an individual valuation adjustment is done. In addition, an impairment loss occurs when the contractual conditions which form the basis for the loan need to be changed through renegotiation in such a way that the fair value of the future cash flows decreases. Loans are written off when their uncollectibility is finally determined.
- Loans payable which are initially valued at fair value. This normally corresponds to the amount received.
- Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with maturity of three months or less.

There were no reclassifications between the categories in 2009 and 2010.

After initial recognition financial assets and liabilities are valued at amortized costs. Revenue and costs from interest-bearing assets is recognized on the outstanding receivables and payables at the reporting date using interest rates calculated by means of the effective interest method.

The fair value of the financial assets and liabilities approximate the carrying amounts.

INEOS STYRENICS does not actively hedge its assets and liabilities.

Impairment of financial assets

INEOS STYRENICS assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or INEOS STYRENICS of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Provisions

Provisions are recognised when INEOS STYRENICS has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where INEOS STYRENICS expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the combined statements of comprehensive income net of any reimbursement.

Pension and other post employment benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The relating payable position is recorded under pension liabilities included under current liabilities.

Defined benefit plans

INEOS STYRENICS operates defined benefit pension plans in the countries it has its production facilities and service organisations. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses for both defined benefit plans are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to comprehensive income in subsequent periods.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of INEOS STYRENICS, nor can they be paid directly to INEOS STYRENICS. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The joint venture partners are held liable for the European pension rights build up to 2005. All movements related to the pension liabilities/assets, before the creation of the joint venture, are settled with the respective shareholders in current account.

Seniority Awards provision

INEOS STYRENICS' net obligation in respect of Seniority Awards is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs. The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of INEOS STYRENICS' obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to INEOS STYRENICS and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. INEOS STYRENICS assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. INEOS STYRENICS has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of expected returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Related parties

Related parties comprise of transactions with the shareholders of the Group and affiliates. Affiliates are companies with the INEOS and NOVA group that are not the shareholders of INEOS NOVA International SA and INEOS NOVA European Holding B.V. or INEOS NOVA LLC.

Foreign currency transactions

The costs of revenue from sales in foreign currencies are recorded at the exchange rate on the date of the transaction. Foreign currency receivables and liabilities are valued at the exchange rates on the reporting date. Foreign exchange gains or losses resulting from the translation of assets and liabilities are reported as other operating income and expense.

Interest income and expense

For all interest bearing financial assets and liabilities, interest income or expense is recorded using the effective interest rate.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of INEOS STYRENICS' financial statements are listed below. This listing is of standards and interpretations issued, which INEOS STYRENICS reasonably expects to be applicable at a future date. INEOS STYRENICS intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. INEOS STYRENICS does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation—Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on INEOS STYRENICS after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in 2011. The adoption of the first phase of IFRS 9 will not have an effect on INEOS STYRENICS.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of INEOS STYRENICS.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of INEOS STYRENICS.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments to IAS 1 might have an effect on INEOS STYRENICS but the rest of the standards are not expected to have an effect on the financial statements of INEOS STYRENICS.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the combined financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying INEOS STYRENICS' accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the combined financial statements:

Restructuring

On 16 December 2009, it was decided that INEOS STYRENICS would close the Polystyrene ("PS") production capacity at INEOS STYRENICS Netherlands B.V. site (Breda). At the end of 2009 management made a provision for the closure costs as recorded in the other liabilities. These costs include employee costs, asset impairment and spare part depletion. All calculations have been made in line with the approved social plan and Dutch legislation and are in line with IFRS standards.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. INEOS STYRENICS based its assumptions and estimates on parameters available when the combined financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of INEOS STYRENICS. Such changes are reflected in the assumptions when they occur.

Property, plant and equipment

INEOS STYRENICS assessed at each reporting date whether there was an indication that an asset may be impaired. If any indication existed, or when annual impairment testing for an asset has been performed, INEOS STYRENICS estimated the asset's recoverable amount.

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Leases

INEOS STYRENICS has entered into commercial property leases. INEOS STYRENICS has determined, based on an evaluation of the terms and conditions of the arrangements, whether the arrangements qualified as an operational or financial lease.

Pensions and seniority awards schemes

The costs of defined benefit pension schemes and early retirement schemes are calculated according to actuarial methods. The actuarial methods consist of making assumptions about discount rates, expected investment yields, future pay rises, mortality rates and future indexation of pension benefits. Such estimates are very uncertain, owing to the long-term nature of the schemes. All assumptions are reviewed each reporting date.

1. Property, Plant and Equipment

The movements of the property, plant and equipment are as follows:

	Land or land rights	Building, plant and equipment	Other fixed operating assets	Asset under construction	Total
	EUR	EUR	EUR	EUR	EUR
Cost or valuation					
At January 1, 2009:	**5.3**	**947.5**	**20.4**	**32.2**	**1,005.4**
Additions	—	4.2	8.5	4.1	16.8
Transfers	—	11.0	—	(11.0)	—
Impairment	—	(44.1)	—	(0.3)	(44.4)
Disposals	—	(4.1)	—	(0.1)	(4.2)
Exchange differences	(0.1)	(22.3)	(0.5)	—	(22.9)
At December 31, 2009	**5.2**	**892.2**	**28.4**	**24.9**	**950.7**
Additions	—	9.1	9.3	11.5	29.9
Transfers	—	20.1	—	(20.1)	—
Disposals	—	(9.2)	—	(0.1)	(9.3)
Exchange differences	0.3	60.2	1.9	1.9	64.3
At December 31, 2010	**5.5**	**972.4**	**39.6**	**18.1**	**1,035.6**

	Land or land rights	Building, plant and equipment	Other fixed operating assets	Assets under construction	Total
	EUR	EUR	EUR	EUR	EUR
Depreciation and impairment					
At January 1, 2009:	**—**	**(798.4)**	**(3.2)**	**—**	**(801.6)**
Depreciation charge of the year	—	(15.4)	(4.2)	—	(19.6)
Impairment	—	40.1	—	—	40.1
Disposals	—	0.6	—	—	0.6
Exchange differences	—	20.4	0.3	—	20.7
At December 31, 2009	**—**	**(752.7)**	**(7.1)**	**—**	**(759.8)**
Depreciation charge of the year	—	(15.4)	(8.5)	—	(23.9)
Disposals	—	1.8	—	—	1.8
Exchange differences	—	(52.8)	(0.8)	—	(53.6)
At December 31, 2010	**—**	**(819.1)**	**(16.4)**	**—**	**(835.5)**

	Land or land rights	Building, plant and equipment	Other fixed operating assets	Assets under construction	Total
Net book value					
At December 31, 2010	5.5	153.3	23.2	18.1	200.1
At December 31, 2009	5.2	139.5	21.3	24.9	190.9
At January 1, 2009	5.3	149.1	17.2	32.2	203.8

1. Property, Plant and Equipment (continued)

At the end of 2009 INEOS STYRENICS decided to stop its Polystyrene production operations at INEOS STYRENICS Netherlands BV entity. The book value of the impaired assets was EUR 4.3 million and represented the write-down of certain property, plant and equipment in the PS business. This has been recognized in the combined statements of comprehensive income in the line other operating expenses. The assets were derecognized.

Capitalized borrowing costs

INEOS STYRENICS has no capitalized borrowing costs in the property, plant and equipment, because there are no qualifying assets.

Finance leases and assets under construction

The carrying value of plant and equipment held under finance leases and hire purchase contracts at December 31, 2010 was EUR 3.2 million (2009: EUR 2.6 million). Additions during the year include EUR 0.9 (2009: EUR 0.5 million) of plant and equipment under finance leases.

2. Financial assets

The financial assets comprise only other receivables, which consist of the following:

	December 31, 2010	December 31, 2009
	EUR	EUR
Receivables from shareholders	10.8	4.6
Total	**10.8**	**4.6**

During the start-up of the European organisation, agreements were made between the shareholders that defined benefit pension contract obligations in Germany, France, the Netherlands and United Kingdom were contributed to the joint venture, but that risk and rewards of these schemes prior to start-up date October 1, 2005 are for the shareholders (the "excluded portion"). The receivables from shareholders relate to the excluded portion of defined benefit pensions and are valued based on actuarial calculations.

3. Taxation

	December 31, 2010	December 31, 2009
	EUR	EUR
Deferred tax asset position		
Deferred tax on losses available for offsetting against future taxable income	23.4	22.6
Unrecognized part of deferred tax assets available for offsetting against future taxable income	(21.5)	(18.0)
Deferred tax on defined benefit plans	0.2	0.3
Deferred start-up costs	—	0.1
Deferred tax assets recognized	**2.1**	**5.0**

3. Taxation (continued)

INEOS STYRENICS has tax losses in Europe which mainly arose from start-up costs of the joint venture in 2005 and 2006. Tax losses are available for a future period that depends on the tax law of the respective country and generally varies between 7 years to indefinite. INEOS STYRENICS evaluated and concluded that it is not probable that deferred tax assets will be completely recovered and limited the time frame to recover certain losses. Each year such a reassessment of the deferred tax positions is performed. The tax losses available are mainly in Canada and Switzerland. The North American joint venture has net operating loss carry forwards of approximately EUR 71.2 million for federal tax purposes at December 31, 2010, which expire through 2030. The Company evaluated and concluded that it is not probable that deferred tax assets will be recovered. INEOS STYRENICS does not recognize the deferred tax asset if the net operating loss carry forwards are not likely to be recovered. The amounts are not included in the disclosure or the deferred tax asset position. Each year a reassessment of the deferred tax positions was performed.

The movement of the deferred tax asset is as follows:

	December 31, 2010	December 31, 2009
	EUR	EUR
Deferred tax asset position		
Opening balance as of January 1	**5.0**	**2.1**
Tax impact for reassessing losses available for offsetting against future taxable income	(2.7)	2.8
Deferred tax on defined benefit plans	(0.1)	0.2
Deferred start-up costs	(0.1)	(0.1)
Closing balance as at December 31	**2.1**	**5.0**

	December 31, 2010	December 31, 2009
	EUR	EUR
Deferred tax liability position		
Deferred tax position on property, plant and equipment depreciation timing differences	6.8	7.3
Deferred tax on defined benefit plans	0.1	—
Other	—	0.1
Deferred tax liabilities recognized	**6.9**	**7.4**

The provision for deferred tax liabilities relates to the tax arising on the temporary differences between commercial and tax profit determination. The carrying amount as at December 31, 2010 relates to the long term part of the deferred tax liability in France, UK, Germany and Sweden. The deferred tax liabilities mainly relate to timing differences regarding the valuation of property, plant and equipment.

3. Taxation (continued)

The movement of the deferred income tax liability is as follows:

	December 31, 2010	December 31, 2009
	EUR	EUR
Deferred tax liability position		
Opening balance as of January 1	**7.4**	**7.2**
Deferred tax position on Property, Plant and equipment depreciation timing differences	(0.5)	0.2
Deferred tax on defined benefit plans	0.1	(0.1)
Other	(0.1)	0.1
Closing balance as at December 31	**6.9**	**7.4**

A reconciliation between tax expense and the product of accounting profit multiplied by INEOS STYRENICS' weighted average tax rate for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
	EUR	EUR
Income before taxes	**39.5**	**18.8**
At INEOS STYRENICS' weighted average income tax rate of 14.7% (2009: 24.5%)	(5.8)	(4.6)
Derecognition of tax losses	1.9	3.4
Tax rate change impact	(0.1)	0.1
Reassessment of recoverability of unrecognized tax losses	0.2	0.3
Other items	(0.3)	0.3
At the effective tax rate of 10.4% (2009: 2.7%)	**(4.1)**	**(0.5)**

4. Inventories

	December 31, 2010	December 31, 2009
	EUR	EUR
Raw materials	59.9	58.3
Finished goods	94.1	86.0
Maintenance, repairable and other operating spares	4.5	3.7
Total	**158.5**	**148.0**

The amount of provision for obsolete inventory at the end of 2010 is EUR1.1 million (December 31, 2009: EUR 1.5 million), which is recognised in the inventories.

5. Trade accounts receivable

	December 31, 2010	December 31, 2009
	EUR	EUR
Trade receivables	171.6	141.3
Accounts receivable affiliated companies	14.5	9.9
Total	**186.1**	**151.2**

Standard payment terms for trade receivable are generally between 30 and 75 days. All other receivables mature within one year. As at December 31, 2010, trade receivables of an initial value of EUR 5.2 million (2009: EUR 5.8 million) were impaired and provided for.

	December 31, 2010	December 31, 2009
	EUR	EUR
Aging list of trade receivables		
Not due yet	158.3	132.6
Less than 30 days	12.4	7.8
Between 30 and 89 days	0.8	—
More than 90 days	0.1	0.9
Total	**171.6**	**141.3**

	2010	2009
	EUR	EUR
Movement schedule of provision for doubtful accounts		
At January 1	5.8	5.1
Charge for the year	0.2	1.4
Write-off	(0.9)	(0.3)
Unused amounts reversed	(0.1)	(0.3)
Exchange difference	0.2	(0.1)
At December 31	**5.2**	**5.8**

6. Other receivables and miscellaneous short-term assets

The other receivables and miscellaneous short-term assets consist of the following:

	December 31, 2010	December 31, 2009
	EUR	EUR
VAT receivable	3.0	3.9
Prepaid expenses	2.6	3.8
Other receivables	10.4	5.5
Total	**16.0**	**13.2**

7. Cash and cash equivalents

	December 31, 2010	December 31, 2009
	EUR	EUR
Cash at banks and on hand	13.6	12.6
Short term investments	29.7	35.8
Total	**43.3**	**48.4**

The cash and cash equivalents are readily available, except for the restricted portion as a result of the asset securitization program.

INEOS STYRENICS factors its trade receivables through an asset securitization program. New receivables are added weekly to the program and cash is released after several days. The cash that has not been released is restricted cash and amounts to EUR 15.0 million at the end of 2010 (2009: EUR 6.2 million). These amounts are recorded as cash and cash equivalent of INEOS STYRENICS.

8. Business equity

The change of the business equity for the year comprises of various transactions with business activities of the Group which are not part of these combined carve-out financial statements. These transactions relate to financing transactions, balances arising from allocations as well as pension and tax balances.

Changes in net investment can be shown as follows:

	2010	2009
	EUR	EUR
Financing transactions with non-INEOS STYRENICS	(8.5)	(47.9)
Cash and cash equivalents with non-INEOS STYRENICS	(42.7)	38.1
Current assets and liabilities with non-INEOS STYRENICS	(1.4)	(3.1)
Pension carve out	(0.5)	0.8
Income taxes	(1.0)	(2.7)
At December 31	**(54.1)**	**(14.8)**

The change in net investments in the combined statement of cash flows amounts to the changes in net investments, in accumulated other comprehensive income and in the currency translation adjustment.

9. Provisions for pensions and similar obligations

INEOS STYRENICS companies have a mixture of insured, funded and unfunded contributory pension plans and seniority award plans covering substantially all employees, designed as part of a total employment compensation package and meeting local employment legislation. Pension plans are both career average and final pay plans. No insured medical costs are included in the plans. Liabilities are provided for on the basis of actuarial calculations and for the purpose of the combined financial statements accounted for under IAS 19. Pension expense includes amounts for current service and prior service. Where required pension obligations are funded through periodic payments.

9. Provisions for pensions and similar obligations (continued)

The obligation to pay for the prior service earned to September 30, 2005 and future salary increases for the pension plans existing at September 30, 2005 for the European joint venture companies rests with the respective shareholding Group who provide funds to INEOS STYRENICS as determined by a qualified actuary.

The following tables summarise the components of net employee benefit expense recognised in the income statement and the funded status and amounts recognised in the combined balance sheets for the respective plans.

	Under-funded Plans	Over-funded Plans	Total Plans	Under-funded Plans	Over-funded Plans	Total Plans
	2010 EUR	2010 EUR	2010 EUR	2009 EUR	2009 EUR	2009 EUR
Net benefit expense (recognised in cost of sales)						
Current service cost	2.3	0.3	2.6	2.4	0.3	2.7
Interest cost on benefit obligation	4.0	1.5	5.5	3.6	1.0	4.6
Expenses charged through to shareholders	—	—	—	(0.2)	—	(0.2)
Expected return on plan assets	(3.0)	(1.5)	(4.5)	(2.5)	(1.1)	(3.6)
Past service cost	(0.1)	—	(0.1)	0.1	—	0.1
Curtailment	—	—	—	1.1	—	1.1
Net benefit expense	**3.2**	**0.3**	**3.5**	**4.5**	**0.2**	**4.7**
Actual return on plan assets	5.0	2.7	7.7	4.8	1.6	6.4

	Under-funded Plans	Over-funded Plans	Total Plans	Under-funded Plans	Over-funded Plans	Total Plans
	2010 EUR	2010 EUR	2010 EUR	2009 EUR	2009 EUR	2009 EUR
Benefit asset / (liability) As at December 31						
Defined benefit obligation	(94.2)	(27.7)	(121.9)	(79.3)	(15.7)	(95.0)
Fair value of plan assets	51.7	29.0	80.7	51.5	16.3	67.8
Unrecognised past service costs	0.5	—	0.5	0.7	—	0.7
Restriction to Defined Benefit Asset due to Asset Ceiling test	(0.4)	(1.3)	(1.7)	—	—	—
Benefit asset / (liability)	**(42.4)**	**—**	**(42.4)**	**(27.1)**	**0.6**	**(26.5)**

9. Provisions for pensions and similar obligations (continued)

	Underfunded Plans EUR	Overfunded Plans EUR	Total Plans EUR
Defined benefit obligation at January 1, 2009	**61.6**	**12.9**	**74.5**
Interest costs	3.6	1.0	4.6
Current service cost	2.4	0.3	2.7
Past service cost	0.6	—	0.6
Plan participant's contribution	0.3	0.1	0.4
Benefits paid	(5.3)	(1.0)	(6.3)
Expenses paid	—	—	—
Amendments	0.5	—	0.5
Net Transfer In/(Out)	12.3	—	12.3
Curtailments	1.1	—	1.1
Actuarial losses / (gains) on obligation	2.6	0.8	3.4
Exchange differences	(0.4)	1.6	1.2
Defined benefit obligation at December 31, 2009	**79.3**	**15.7**	**95.0**
Transfer between overfunded and underfunded plans	(12.6)	12.6	—
Interest costs	4.0	1.5	5.5
Current service cost	2.3	0.3	2.6
Past service cost	(0.1)	—	(0.1)
Plan participant's contribution	0.6	0.2	0.8
Benefits paid	(3.1)	(1.0)	(4.1)
Expenses paid	—	—	—
Actuarial losses / (gains) on obligation	17.3	(1.6)	15.7
Exchange differences	6.5	—	6.5
Defined benefit obligation at December 31, 2010	**94.2**	**27.7**	**121.9**

9. Provisions for pensions and similar obligations (continued)

	Underfunded Plans	Overfunded Plans	Total Plans
	EUR	EUR	EUR
Fair value of plan assets at January 1, 2009	**40.4**	**13.6**	**54.0**
Expected return	2.5	1.1	3.6
Contributions by employer	2.9	0.2	3.1
Plan participant's contribution	0.3	0.1	0.4
Benefits paid	(5.3)	(1.0)	(6.3)
Expenses paid	—	—	—
Actuarial gains or (losses)	2.3	0.5	2.8
Net Transfer In/(Out)	8.4	—	8.4
Exchange differences	—	1.8	1.8
Fair value of plan assets at December 31, 2009	**51.5**	**16.3**	**67.8**
Transfer between overfunded and underfunded plans	(10.2)	10.2	—
Expected return	3.0	1.5	4.5
Contributions by employer	3.5	0.6	4.1
Plan participant's contribution	0.6	0.2	0.8
Benefits paid	(3.1)	(1.0)	(4.1)
Expenses paid	—	—	—
Actuarial gains or (losses)	2.0	1.2	3.2
Exchange differences	4.4	—	4.4
Fair value of plan assets at December 31, 2010	**51.7**	**29.0**	**80.7**

The reclassification between overfunded and underfunded plans relate to the movement from overfunding to underfunding of the respective pension scheme. The total actuarial gains and losses of the defined benefit schemes are included in the fair value of the plan assets and the defined benefit obligations. The actuarial gains and losses on the indemnity part are not recorded in comprehensive income, but are charged through to the shareholder via the indemnity balances. The tax effect on the actuarial gains and losses in other comprehensive income is limited.

Plan assets related to the European pension plans is 57% of total plan assets and plan assets related to the North American pension plan is 43%.

The major categories of plan assets for the European plans as a percentage of the fair value of the plan assets are as follows:

	2010	2009
Euro land equities	14%	4%
American equities	3%	0%
Asian equities	2%	0%
Global equity pooled funds	17%	18%
Emerging markets equity pooled funds	2%	2%
Real estate, mortgages + loans	2%	2%
Euroland bonds	59%	73%
Cash on hand	1%	1%
	100%	**100%**

9. Provisions for pensions and similar obligations (continued)

The major categories of plan assets for the United States and Canada plans as a percentage of the fair value of the plan assets are as follows:

	2010	2009
Equity securities	55%	53%
Debt securities	40%	45%
Other	5%	2%
	100%	100%

The actuarial gains and losses recognized in other comprehensive income amount to EUR (6.7 million) (2009: EUR 0.8 million). The difference between the actuarial gains and losses included in the pension disclosure and the actuarial gains and losses recognized in other comprehensive income relates to actuarial gains and losses charged through to the shareholders as part of the "excluded portion" recorded in financial assets.

The principal assumptions used in determining pension and seniority award obligations for the subsidiary companies are as follows:

2010	The Netherlands	United Kingdom	France	Germany	Switzerland	United States	Canada
Discount rate	5.60%	3.84%	5.50%	5.60%	2.75%	5.50%	5.10% to 5.70%
Expected return on assets	5.00%	6.50%	5.00%	n/a	2.75%	7.40%	6.50%
Rate of salary increase	3.00%	n/a	3.00%	3.00%	2.50%	3.50%	4.00%
Rate of pension increases	2.50%	3.50%	n/a	1.00%	n/a	n/a	0.50%
Mortality tables applied	Prognosefl. '10-'60	PNMA '00 / PMFA '00	TH/TF 4/6/2011	Heubeck '05G	Swiss BVG 2005	RP-2000 to '15	UP 94@2020

2009	The Netherlands	United Kingdom	France	Germany	Switzerland	United States	Canada
Discount rate	5.50%	5.75%	5.50%	5.50%	2.75%	6.00%	6.40% to 6.80%
Expected return on assets	5.50%	7.00%	5.00%	n/a	2.75%	8.20%	7.00%
Rate of salary increase	3.00%	4.20%	3.00%	3.00%	2.50%	4.00%	4.00%
Rate of pension increases	2.10%	3.70%	n/a	1.00%	n/a	n/a	0.50%
Mortality tables applied	Prognosefl. '05-'50	PNMA '00 / PMFA '00	TH/TF 4/6/2011	Heubeck '05G	Swiss BVG 2005	RP-2000 to '15	UP 94@2020

10. Other provisions

	December 31, 2010	December 31, 2009
	EUR	EUR
Capacity incentive provision	11.6	12.6
Asset retirement obligations	3.4	2.9
Provision for loss-making contracts	2.7	2.6
Total	**17.7**	**18.1**

The capacity incentive provision relates to a refundable interest free liability received from one of its customers related to a supply tolling agreement.

10. Other provisions (continued)

INEOS STYRENICS' asset retirement obligations, included in long-term liabilities on the combined balance sheets, is comprised of expected costs to be incurred upon termination of operations and the closure of active manufacturing plant facilities. This obligation is based on the costs estimated to be incurred in removing INEOS STYRENICS' manufacturing sites. The asset retirement obligation has been discounted in accordance with IFRS guidelines. Estimated asset retirement obligation will accrete each year over the lives of the related plants until it equals the total expected costs on closure. The total undiscounted amount of estimated cash flows expected to be incurred upon the closure of INEOS STYRENICS' active plants in 20 to 40 years is EUR 13.1 million. The accretion expense was EUR 0.2 million and EUR 0.2 million for 2010 and 2009 respectively.

The provision for loss-making contracts relates to a long term lease agreement that is no longer in use by INEOS STYRENICS. The provision reflects the discounted value of all future payments of the initial contract.

11. Accounts payable trade

	December 31, 2010	December 31, 2009
	EUR	EUR
Accounts payable to suppliers and trade creditors	96.2	74.4
Accounts payable to affiliated companies	56.8	45.7
Total	**153.0**	**120.1**

Accounts payable to suppliers and trade creditors

Accounts payable mainly relates to the purchase of raw materials used for production. Part of the raw material needs of INEOS STYRENICS is secured by a feedstock contract with an affiliated company and its shareholders.

Accounts payable to affiliated companies

Accounts payable to affiliated companies mainly relates to the purchase of raw materials from affiliated companies and shareholders used for production.

All accounts payable trade are non-interest bearing.

12. Short-term financial indebtedness

The short-term financial indebtedness is:

	2010	2009
	EUR	EUR
Loans from banks out of the asset securitization EU Program	57.6	42.2
Loans from banks out of the asset securitization NA Program	63.9	49.4
Total	**121.5**	**91.6**

12. Short-term financial indebtedness (continued)

Loans from banks out of the asset securitization Europe program

During 2006, the INEOS STYRENICS structured a trade receivables securitisation programme with a third party financial institution for a five-year tenor. Under this structure, INEOS STYRENICS sells, on a revolving basis, undivided interests in INEOS STYRENICS' eligible accounts receivable balances while retaining servicing responsibilities. As collections reduce the balance of the sold accounts receivable, new receivables are sold to a maximum amount equal to the lesser of the eligible receivables or EUR100 million. In consideration, INEOS STYRENICS pays a fee based upon the Purchaser's financing cost of issuing commercial paper, backed by the accounts receivable, plus a margin. The program expires in November 2011.

Loans from banks out of the asset securitization North America program

During 2008, INEOS STYRENICS structured a trade receivables securitization program with a third party financial institution. Under this structure, INEOS STYRENICS sells, on a revolving basis, undivided interests in INEOS STYRENICS' eligible accounts receivable balances while retaining servicing responsibilities. As collections reduce the balance of the sold accounts receivable, new receivables are sold to a maximum amount equal to the lesser of the eligible receivables or USD 150 million (converted at year-end 2010 rate is EUR 112 million). In consideration, INEOS STYRENICS pays a fee based upon the Purchaser's financing cost of issuing commercial paper, backed by the accounts receivable, plus a margin. The program expires in July 2011.

13. Other liabilities

	December 31, 2010	December 31, 2009
	EUR	EUR
Payroll liabilities	15.4	12.7
Customer rebates	5.1	6.7
Restructuring liability	0.8	6.7
Accrued expenses	15.2	14.7
Other liabilities	3.3	3.4
Total	**39.8**	**44.2**

The restructuring liability is the restructuring provision for closure of the Polystyrene ("PS") production capacity at INEOS STYRENICS Netherlands B.V. site (Breda). This provision mainly includes employee related restructuring expenses.

	2010	2009
	EUR	EUR
Movement schedule of restructuring liability		
At January 1	6.7	—
Charge for the year	—	6.7
Utilised	(5.1)	—
Unused amounts reversed	(0.8)	—
Total December 31	**0.8**	**6.7**

14. Interest expense

	2010	2009
	EUR	EUR
Interest costs from Asset Securitization North American program	(2.5)	(1.5)
Interest costs from Asset Securitization European program	(1.4)	(0.7)
Interest costs from loans from shareholders	(1.3)	(1.1)
Other interest expense	(0.8)	(1.1)
Total	**(6.0)**	**(4.4)**

Asset Securitization interest costs are linked to the amount of trade receivables that is sold under the European and North American program. Trade receivable balances can fluctuate based on volumes sold but certainly also with the value of the underlying feedstock costs of the finished goods produced and sold. Certain important feedstock costs are derived from crude oil and natural gas.

15. Employee benefits expense

	2010	2009
	EUR	EUR
Gross wages and salaries	49.6	54.7
Social security costs	12.2	13.4
Pension cost	4.3	5.5
Total	**66.1**	**73.6**

Pension costs in 2010 consist of net benefit expense for defined benefit plans of EUR 3.5 million (2009: EUR 4.7 million) and expenses for defined contribution schemes of EUR 0.8 million (2009: EUR 0.8 million).

The average number of personnel employed during the period was:

	2010	2009
Production	441	507
Marketing services	29	29
Administration	272	279
Total	**742**	**815**

This personnel was employed in the following countries:

	2010	2009
Canada	82	83
United States of America	427	432
Europe	233	300
Total	**742**	**815**

16. Transactions with related parties

Transactions with related parties include relationships between INEOS STYRENICS, the shareholders and affiliates.

The following table provides the total amount of transactions which have been entered into with related parties for the reporting period. Outstanding balances are referred to in the relevant accounts receivable, trade (note 5) and accounts payable trade (note 11).

2010	Sales to related party	Purchases from related party
	EUR	EUR
NOVA shareholders	88.5	138.5
NOVA affiliates	5.5	173.6
INEOS affiliates	51.2	249.8
Totals	**145.2**	**561.9**

2009	Sales to related party	Purchases from related party
	EUR	EUR
NOVA shareholders	50.9	152.5
NOVA affiliates	2.4	93.3
INEOS affiliates	55.3	271.0
Total	**108.6**	**516.8**

In accordance with the provisions of various affiliate contracts, the Company may purchase materials and sell products to the affiliate companies. The Company purchases significant quantities of benzene, ethylene, and natural gas from its parent companies in North America and Styrene Monomer in Europe. These transactions are entered into in the normal course of operations and are recorded at the exchange amounts, which approximate fair value. Trade receivables and payables arising from these transactions are due on demand and do not bear interest.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. INEOS STYRENICS has not made any provision for doubtful debts relating to amounts owed by related parties. This assessment is made each financial year through examining the financial position of the related party and the market in which the related party operates. There are no loans or other transactions with the directors of INEOS STYRENICS.

Loans from shareholders

At the inception of the European joint ventures, each shareholder contributed and received consideration for the fixed assets, accounts receivables and inventories of the shareholders' existing Polystyrene business. Any other items present on the balance sheet as at October 1, 2005 (collectively known as the "Excluded Liabilities") remained the responsibility of the shareholders. These items included pension liabilities and environmental liabilities for inactive sites.

During 2009, the Company and its shareholders extended the repayment date to November 30, 2012 of the original EUR 143.1 million start-up loan note having a remaining balance of EUR 57,950 (2009: EUR 72,126). The interest rate is fixed at 4.5%. These loans were allocated to business equity

16. Transactions with related parties (continued)

because they were not dedicated to a specific business. An allocation of the interest expenses to INEOS STYRENICS has been made based on working capital requirements.

17. Key management compensation

Director's loan

INEOS STYRENICS does not offer any financial assistance to key management.

Other directors' interests

No member of key management has any non-employment commercial arrangement with INEOS STYRENICS, or its affiliates.

Key Management

For the purpose of this disclosure, key management is the "executive committee" (EXCO) of INEOS STYRENICS. The EXCO is comprised of the CEO, CFO, VP Operations, VP Supply Chain and Managing Director, Europe.

Compensation of key management personnel of INEOS STYRENICS

	2010	2009
	EUR	EUR
Short term benefits	2.3	2.4
Pensions and medical benefits	0.1	0.1
Total	**2.4**	**2.5**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period.

18. Off balance sheet assets and commitments

Long-term financial obligations

INEOS STYRENICS is engaged in several operating lease commitments. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis. The commitments entered into are commercial leases on certain motor vehicles, an office and related parking spaces. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon INEOS STYRENICS by entering into these leases.

18. Off balance sheet assets and commitments (continued)

Future minimum rentals payable under non-cancellable operating leases are as follows

	December 31, 2010	December 31, 2009
	EUR	EUR
Within one year	10.8	9.0
After one year but no more than five years	36.9	33.0
More than five years	11.1	6.4
Total	**58.8**	**48.4**

INEOS STYRENICS has leases that qualify as a financial lease. For the book value we refer to note 1. All cash flows associated with this financial lease contract have already been fully paid upfront. Operational lease cost incurred for the year 2010 total to EUR 9.3 million (2009: EUR 10.1 million).

19. Financial risk management objectives and policies

INEOS STYRENICS' principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance INEOS STYRENICS' operations and to provide guarantees to support its operations. INEOS STYRENICS has loans and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. INEOS STYRENICS is exposed to market risk, credit risk and liquidity risk. INEOS STYRENICS's management oversees the management of these risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. INEOS STYRENICS' exposure to the risk of changes in market interest rates relates primarily to INEOS STYRENICS' short term debt obligation due to the asset securitisation with floating interest rates. INEOS STYRENICS manages its interest rate on a daily risk by actively monitoring and managing the asset securitization program.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on INEOS STYRENICS' short term debt obligation due to the asset securitisation with floating

19. Financial risk management objectives and policies (continued)

interest rates. With all other variables held constant, INEOS STYRENICS' profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/(decrease) in basic points	Effect on profit before tax
	EUR	EUR
2010	100	(1.5)
2009	100	(1.1)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. INEOS STYRENICS' exposure to the risk of changes in foreign exchange rates relates primarily to INEOS STYRENICS' operating activities (when revenue or expense is denominated in a different currency from INEOS STYRENICS' functional currency) and to the impact on the revaluation of the statement of income of the companies in INEOS STYRENICS that have a functional currency that is not equal to the Euro.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of INEOS STYRENICS' profit before tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives). INEOS STYRENICS' exposure to foreign currency changes for all other currencies is not material.

	Change in US$ rate	Effect on profit before tax
	EUR	EUR
2010 revaluation of the North American joint venture from US$ to EUR	+0.10	0.5
2010 working capital loan receivable in US$	+0.10	—
2009 revaluation of the North American joint venture from US$ to EUR	+0.10	3.3
2009 working capital loan receivable in US$	+0.10	0.5

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. INEOS STYRENICS is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Trade receivables

Customer credit risk is managed on a European level, for all businesses. INEOS STYRENICS established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit research and individual credit limits are defined in accordance with this assessment.

19. Financial risk management objectives and policies (continued)

Outstanding customer receivables are regularly monitored. INEOS STYRENICS does not cover its credit risk by a credit insurance. INEOS STYRENICS does not hold collateral as security.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by INEOS STYRENICS' treasury department in accordance with INEOS STYRENICS policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Liquidity risk

INEOS STYRENICS monitors its risk to a shortage of funds using a cash flow forecasting process and tools. INEOS STYRENICS' objective is to maintain a balance between continuity of funding and flexibility through the use of the asset securitization program, its own bank funds and shareholder loans. The asset securitization programs expire in July 2011 and November 2011. INEOS STYRENICS is renegotiating to prolong or renew these contracts in due course.

All liabilities are short-term, therefore related liquidity risks resulting from changes to the interest rate are negligible.

Capital management

The primary objective of INEOS STYRENICS is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business. INEOS STYRENICS manages its business equity and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing business equity during the years ended December 31, 2010 and December 31, 2009.

20. Subsequent events

On February 28, 2011 INEOS Industries LLC purchased NOVA Chemicals Corporation's 50% share of the Group. As a result of this purchase the Group changed its name from INEOS NOVA to INEOS STYRENICS. As of this day INEOS STYRENICS is 100% owned by INEOS.

Channahon, Illinois, April 13 2011

Managing board

Mr. K. McQuade   Mr. C. De la Camp

INEOS ABS Business

Combined Financial Information
as of and for the Years ended 31 December 2010 and 2009

ACCOUNTANT'S REPORT

The Directors
INEOS ABS (Jersey) Limited
Whiteley Chambers
Don Street
St Helier
Jersey
JE4 9WG
Channel Islands

6 May 2011

Dear Sirs

INEOS ABS Business

We report on the financial information set out on pages F-76 to F-115 of this offering memorandum (the "Offering Memorandum"). The financial information as at 31 December 2010 and 2009 and for the two years ended 31 December 2010 of INEOS ABS Business (the "Business") have been prepared for inclusion in the Offering Memorandum of €480m senior secured notes due 2016 (the "Notes") of Styrolution Group GmbH (the "Issuer") in accordance with the basis of preparation set out in Note 1 to the combined financial information.

This report has been prepared for the purpose of the Offering Memorandum and for no other purpose. An application has been made to list the Notes offered on the Irish Stock Exchange and to be traded on the Irish Stock Exchange's Global Exchange Market, in accordance with the Rules and Regulations of the Irish Stock Exchange.

Responsibilities

The Directors of the Business are responsible for preparing the financial information in accordance with the basis of preparation set out in Note 1 to the combined financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Offering Memorandum and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising to the investors and initial purchasers, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or its inclusion in the Offering Memorandum.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Business's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion, the financial information gives, for the purposes of the Offering Memorandum, a true and fair view of the state of affairs of the Business as at the dates stated and of its profits and losses, cash flows and recognised income and expense for the periods then ended in accordance with the basis of preparation set out in Note 1 to the combined financial information.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

INEOS ABS

COMBINED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	Note	2010	2009
		€m	€m
Sales		724.1	536.9
Cost of sales		(600.2)	(470.4)
Gross profit		**123.9**	**66.5**
Selling expenses		(49.7)	(41.8)
General and administrative expenses		(16.6)	(11.1)
Exceptional gain	3	—	92.7
Total expenses		(66.3)	39.8
Income from operations		**57.6**	**106.3**
Finance income	5	8.2	4.9
Finance expenses	5	(3.2)	(3.1)
Net finance income	5	5.0	1.8
Income before tax		**62.6**	**108.1**
Income taxes	6	(14.7)	(15.5)
Net income		**47.9**	**92.6**
Attributable to:			
Owners of the parent		45.5	91.2
Non-controlling interest		2.4	1.4
Net income		**47.9**	**92.6**

All amounts relate to continuing operations.

The notes on pages F-81 to F-115 are an integral part of this combined financial information.

INEOS ABS

COMBINED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	Note	2010	2009
		€m	€m
Net income		**47.9**	**92.6**
Other comprehensive income:			
Foreign exchange translation differences net of tax		2.1	1.6
Actuarial (losses)/gains on defined benefit pension schemes net of tax		(0.3)	0.3
Other comprehensive income net of tax		1.8	1.9
Total comprehensive income		**49.7**	**94.5**
Total comprehensive income attributable to:			
Owners of the parent		46.6	92.9
Non-controlling interest		3.1	1.6
Total comprehensive income		**49.7**	**94.5**

The notes on pages F-81 to F-115 are an integral part of this combined financial information.

INEOS ABS

COMBINED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010 AND 2009

	Note	2010	2009	2008
		€m	€m	€m
Non-current assets				
Property, plant and equipment	7	38.3	34.2	34.8
Intangible assets	8	18.5	20.4	20.7
Other investments	9	12.0	10.9	18.2
Deferred tax assets	11	4.7	3.4	5.9
		73.5	68.9	79.6
Current assets				
Inventories	12	65.4	51.9	66.4
Trade and other receivables	13	135.5	116.0	104.9
Cash and cash equivalents	22	66.6	26.6	29.0
		267.5	194.5	200.3
Total assets		**341.0**	**263.4**	**279.9**
Equity attributable to owners of the parent				
Share capital	18	—	—	—
Share premium		47.9	47.9	91.3
Other reserves		2.8	1.4	—
Retained earnings		98.2	53.0	(38.5)
Total shareholders' funds		**148.9**	**102.3**	**52.8**
Non-controlling interest		10.3	7.5	6.1
Total owners' equity		**159.2**	**109.8**	**58.9**
Non-current liabilities				
Financial Indebtedness	14	2.2	4.4	6.5
Other financial liabilities	10	10.3	13.5	51.5
Deferred tax liabilities	11	1.7	1.2	1.3
Other liabilities	15	6.5	4.6	39.6
Employee benefits	16	12.3	10.9	5.4
Provisions	17	16.8	16.2	15.4
		49.8	50.8	119.7
Current liabilities				
Financial Indebtedness	14	2.2	2.0	1.9
Trade and other payables	15	109.2	88.7	96.5
Current tax payable		20.6	12.1	2.9
		132.0	102.8	101.3
Total liabilities		**181.8**	**153.6**	**221.0**
Total owners' equity and liabilities		**341.0**	**263.4**	**279.9**

The notes on pages F-81 to F-115 are an integral part of this combined financial information.

INEOS ABS

COMBINED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	Note	Share capital	Share premium	Other reserves	Retained earnings	Shareholders' funds	Non-controlling interest	Total owners' equity
		€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2009		**—**	**91.3**	**—**	**(38.5)**	**52.8**	**6.1**	**58.9**
Profit for the year		—	—	—	91.2	91.2	1.4	92.6
Other comprehensive income:								
Foreign exchange translation differences		—	—	1.4	—	1.4	0.2	1.6
Actuarial gains on defined benefit plan schemes net of tax		—	—	—	0.3	0.3	—	0.3
Transactions with owners, recorded directly in equity:								
Dividends to controlling interest	18	—	(43.4)	—	—	(43.4)	—	(43.4)
Dividends to non-controlling interest		—	—	—	—	—	(0.2)	(0.2)
Balance at 31 December 2009		**—**	**47.9**	**1.4**	**53.0**	**102.3**	**7.5**	**109.8**
Profit for the year		—	—	—	45.5	45.5	2.4	47.9
Other comprehensive income:								
Foreign exchange translation differences		—	—	1.4	—	1.4	0.7	2.1
Actuarial losses on defined benefit plan schemes net of tax		—	—	—	(0.3)	(0.3)	—	(0.3)
Transactions with owners, recorded directly in equity:								
Dividends to non-controlling interest		—	—	—	—	—	(0.3)	(0.3)
Balance at 31 December 2010		**—**	**47.9**	**2.8**	**98.2**	**148.9**	**10.3**	**159.2**

The notes on pages F-81 to F-115 are an integral part of this combined financial information.

INEOS ABS

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

	Note	2010	2009
		€m	€m
Cash flows from operating activities			
Income before tax		62.6	108.1
Adjustments for:			
Depreciation and impairment		3.3	2.9
Net finance (income)		(5.0)	(1.8)
Exceptional gain		—	(92.7)
Increase in trade and other receivables		(16.5)	(34.2)
Increase/(decrease) in inventories		(9.3)	14.9
Increase/(decrease) in trade and other payables		17.8	(4.5)
Decrease in provisions and employee benefits		(1.5)	(2.7)
Tax paid		(7.7)	(5.3)
Net cash provided by/(used in) operating activities		**43.7**	**(15.3)**
Cash flows (used in)/provided by investing activities			
Interest and other finance income received		0.8	—
Acquisition of property, plant and equipment		(4.3)	(2.0)
Proceeds from Adjustment to acquisition price		—	17.2
Net cash (used in)/provided by investing activities		**(3.5)**	**15.2**
Cash flows from financing activities			
Interest paid		—	(0.3)
Dividends paid to non-controlling interests		(0.3)	(0.2)
Capital element of finance lease payment		(2.0)	(1.9)
Net cash used in financing activities		**(2.3)**	**(2.4)**
Net increase / (decrease) in cash and cash equivalents	22	**37.9**	**(2.5)**
Cash and cash equivalents at 1 January		26.6	29.0
Effect of exchange rate fluctuations on cash and cash equivalents		2.1	0.1
Cash and cash equivalents at 31 December	22	**66.6**	**26.6**

The notes on pages F-81 to F-115 are an integral part of this combined financial information.

1. ACCOUNTING POLICIES

Nature of operations

The INEOS ABS Business produces acrylonitrile-butadiene-styrene (ABS) in a wide range of grades and colors, as well as styrene-based copolymers and blends, such as styrene-acrylonitrile (SAN) and polyamide/ABS (ABS+PA), and the business includes respected brands such as Novodur® and Lustran ABS®. The INEOS ABS Business holds leading market positions in Europe and India and offers a balanced portfolio of high quality products.

Basis of preparation

INEOS ABS (Jersey) Limited (the "Company") has previously prepared its financial statements in accordance with UK GAAP. The Company and its subsidiaries (together the "Group") has not previously prepared consolidated or combined financial statements.

This combined financial information has been prepared on the basis set out herein for the purpose of inclusion in an Offering Memorandum of Styrolution Group GmbH ("Styrolution"). Styrolution will be a 50/50 joint venture created by the combination of BASF's styrenics interests and INEOS styrenics and ABS interests, including the INEOS ABS Business.

The combined financial information presented reflects only that part of the Group being contributed to Styrolution. The combined financial information therefore excludes INEOS ABS (USA) Corporation (the "Excluded Subsidiary") which will be retained by INEOS and not contributed to Styrolution. Another of the Company's subsidiaries, INEOS ABS (UK) Limited, will not be contributed to Styrolution however its operations and activities will. Consequently, this subsidiary has been included in the combined financial information to reflect the economic effect of the transfer of these activities.

The combined financial information has been prepared in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) except as described below.

IFRS does not provide for the preparation of combined financial information and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In other respects IFRS has been applied.

As explained above, the financial information is prepared on a combined basis and therefore does not comply with the requirements of IAS 27 or IAS 27R *Consolidated and Separate Financial Statements*. The combined financial information has been prepared by applying the principles underlying the consolidation procedures of IAS 27 and IAS 27R for the period.

The combined financial information does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 *Presentation of Financial Statements* (IAS 1) and consequently the Company does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first time adoption rules of IFRS 1 *First time Adoption of International Financial Reporting Standards* (IFRS 1) in its first set of financial statements where such an unreserved statement of compliance has been made.

1. ACCOUNTING POLICIES (continued)

Although such a statement has not been made, the combined financial information has been prepared as if the date of transition to IFRS is 1 January 2009, the beginning of the first period presented, and the requirements of IFRS 1 have been applied as of that date.

The Group has not previously prepared or reported any combined financial information in accordance with any other generally accepted accounting principles (GAAP). Consequently, it is not possible to provide IFRS 1 reconciliations between financial information prepared under any previous GAAP and the financial information prepared in accordance with IFRS included in this combined financial information, as required by IFRS 1 on transition to IFRS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this combined financial information.

Subsidiaries are entities controlled by the INEOS ABS Business. Control exists when the INEOS ABS Business has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial information of subsidiaries, other than the Excluded Subsidiary is included in the combined financial information from the date that control commences until the date that control ceases.

The principal subsidiaries are:

Company	Country of incorporation and operation	Percentage holding	Principal activity
INEOS ABS (Deutschland) GmbH	Germany	100%	Manufacture of ABS
ELIX Polymers S.L. (formerly INEOS ABS (Spain) S.L.)	Spain	100%	Manufacture of ABS
INEOS ABS (India) Limited	India	83.33%	Manufacture of ABS
INEOS ABS (Thailand) Co. Ltd	Thailand	100%	Manufacture of ABS

Measurement convention

The combined financial information is prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as fair value through the profit or loss are stated at their fair value.

Functional and presentation currency

This combined financial information is presented in euro, which is the functional currency of the majority of operations. The functional currency of European subsidiaries is the euro as cash flows are predominantly denominated in euros. The functional currency of subsidiaries in India and Thailand, being non-euro denominated businesses, are considered to be Indian Rupees and Thai Baht, respectively. These functional currencies are based primarily on assessment of the influence of currencies on selling prices and raw material costs, but also by reference to the currency of financing, degree of autonomy and independence from the parent company.

All financial information presented in euro has been rounded to the nearest €0.1m.

1. ACCOUNTING POLICIES (continued)

Accounting standards not applied

The following IFRSs relevant to the Ineos ABS Business were available for early application but have not been applied by the Ineos ABS Business in this combined financial information. The impact of their adoption is currently being assessed and other than IFRS9 is not expected to have a significant impact.

- IFRS 9 "Financial Instruments" is the first step in a process to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities and is likely to affect the INEOS ABS Business's accounting for its financial instruments. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The INEOS ABS Business is yet to assess IFRS 9's full impact, but the new standard has the potential to have a significant impact on the accounting for the INEOS ABS Business's financial assets and liabilities.
- Amendments to IFRS 7 "Transfers of Financial Assets" require additional disclosures about transfers of financial assets, such as securitisations, to enable users to understand the possible effects of any risks that may remain with the transferor. The INEOS ABS Business is currently assessing the impact of this improvement.
- IAS 24 "Related Party Disclosures (revised 2009)" clarifies and simplifies the definition of a related party. In addition, the INEOS ABS Business will need to disclose any transactions between its subsidiaries and its associates. The INEOS ABS Business will apply the revised standard from 1 January 2011 when adoption is mandatory. The INEOS ABS Business is currently assessing the impact on the related party disclosures.
- Amendments to IFRIC 14 "Prepayments of a minimum funding requirement". The amendments correct an unintended consequence of IFRIC 14 and without the amendments entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. The amendments are effective for annual periods beginning 1 January 2011 and the INEOS ABS Business is currently assessing the impact on the combined financial information.

Transition to Adopted IFRSs

The INEOS ABS Business is preparing its combined financial information for the first time and consequently has applied IFRS 1.

IFRS 1 grants certain exemptions from the full requirements of IFRSs. The following exemptions have been applied in this combined financial information:

- Business combinations—Business combinations that took place prior to 1 January 2009 have not been restated.
- Cumulative translation differences—Cumulative translation differences for all foreign operations have been set to zero at 1 January 2009.
- Share based payments—IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2009.

1. ACCOUNTING POLICIES (continued)

Further explanation of the transition to IFRS is provided in note 26.

Foreign exchange

Transactions in foreign currencies are translated to the respective functional currencies of the INEOS ABS Business entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign exchange are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the INEOS ABS Business's presentational currency, euros, at foreign exchange rates ruling at the reporting date. The sales and expenses of foreign operations are translated at exchange rates prevailing at the dates of the transactions. The INEOS ABS Business applies an average rate for the year where this rate approximates the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are recycled into the combined income statement upon disposal.

The INEOS ABS Business has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRSs (1 January 2009).

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortized cost using the effective interest method.

Trade and other payables

Trade and other payables are recognized initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortized cost using the effective interest method.

Investments in debt and equity securities

Investments in loans and receivables are stated at amortized cost less impairment.

1. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the INEOS ABS Business's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Financial indebtedness

Financial indebtedness is recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial indebtedness is stated at amortized cost using the effective interest method.

Commodities

Contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the INEOS ABS Business's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts.

Derivative financial instruments

Certain commodity contracts do not result in physical delivery and therefore do not meet the criteria to be accounted for as executory contracts. These contracts are treated as derivative financial instruments and are recognized at fair value. The gain or loss on remeasurement to fair value is recognized immediately in the combined income statement as income or expense. Such derivative commodity contracts relate to the supply of raw materials for use within the ABS Business and are not entered into for speculative purposes. No derivatives qualify for hedge accounting.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labor and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the INEOS ABS Business assumes substantially all of the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

1. ACCOUNTING POLICIES (continued)

Depreciation is charged to the combined income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

- Buildings .... 10 - 40 years
- Plant and equipment and fixtures and fittings .... 3 - 40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the INEOS ABS Business makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the combined income statement in the period in which the item is derecognized.

Business combinations & goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortized but is tested annually for impairment. Goodwill was tested for impairment as at 1 January 2009, the date of transition to IFRSs, even though no indication of impairment existed.

IFRS 1 grants certain transition exemptions from the full requirements of IFRSs in the transition period. The INEOS ABS Business elected not to restate business combinations that took place prior to 1 January 2009 other than the deemed cost of goodwill recognised on adoption of IFRS has been calculated as the difference between the parent's interest in the IFRS adjusted carrying amounts of its subsidiaries and the cost in the parent's separate financial statements of its investment in the subsidiary as at 1 January 2009. On transition to IFRS amortization of goodwill has ceased.

Negative goodwill arising on an acquisition is recognized immediately in the combined income statement.

Research and development

Expenditure on research activities is recognized in the combined income statement as an expense as incurred.

1. ACCOUNTING POLICIES (continued)

Impairment excluding inventories and deferred tax assets

The carrying amounts of the INEOS ABS Business's assets are assessed at the end of the reporting period to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the combined income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of the INEOS ABS Business's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (*i.e.*, the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

1. ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Items owned by the INEOS ABS Business that are held on consignment at another entity's premises are included as part of the INEOS ABS Business's inventory.

Employee benefits

The INEOS ABS Business operates a number of defined contribution plans and funded and unfunded defined benefit pension schemes. The INEOS ABS Business also provides unfunded early retirement benefits, long service awards and an incentive plan for certain employees.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the INEOS ABS Business pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the combined income statement as incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The INEOS ABS Business's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and that have maturity dates approximating to the terms of, the INEOS ABS Business's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the combined income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the combined income statement.

All actuarial gains and losses as at 1 January 2009, the date of transition to IFRSs, were recognized. In respect of actuarial gains and losses that arise subsequent to 1 January 2009, the INEOS ABS Business recognizes them in the period they occur directly in equity through the statement of comprehensive income.

Where the calculation results in a benefit to the INEOS ABS Business, the asset recognized is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

1. ACCOUNTING POLICIES (continued)

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognized in full. The movement in the scheme surplus/deficit is split between:

- cost of sales,
- net finance costs, and
- net expense recognized directly in owners' equity, the actuarial gains and losses.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the INEOS ABS Business has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Incentive plan

Certain employees of the INEOS ABS Business are eligible to participate in an incentive plan (the Plan) operated by INEOS Industries Holdings Limited, the immediate parent of INEOS ABS (Jersey) Limited. INEOS Industries Holdings Limited issues "Business Tracker Shares" in relation to each of the businesses operated by INEOS Industries Holdings Limited and its subsidiaries. These Business Tracker Shares entitle the holder of the share to appreciation in market value (rather than the totality of the market value) of the relevant business compared with the market value at the date of acquisition of the relevant share. Determination of market values, and any discretionary adjustments, is made by a committee (the Special Committee) of INEOS Industries Holdings Limited.

The Plan is considered to be in the nature of a Share-based Payment arrangement within the scope of IFRS 2. The INEOS ABS Business neither receives nor makes any payments and incurs no liabilities in respect of its employees' participation in the Plan. Under IFRS 2 (as amended in June 2009 for "Group Cash-settled Share-based Payment Transactions" which the Directors have elected to adopt early) the INEOS ABS Business recognizes any deemed cost of the arrangement in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity as a contribution from the parent. Participating employees purchase Business Tracker Shares from the Trust which administers the Plan at a price which is related to the approximate market value of the relevant Business Unit. Accordingly the Directors believe that the net fair value of the benefit at the date of grant after taking account of the payment for the shares is not significant and no cost has been recognized in this combined financial information.

Provisions

A provision is recognized in the combined balance sheet when the INEOS ABS Business has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. The increase in the provision due to passage of time is recognized as "finance costs".

1. ACCOUNTING POLICIES (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Segmental analysis

The INEOS ABS Business comprises one component of Styrolution. Segmental information will be provided at a Styrolution level in due course and consequently no segmental analysis is required to be provided by the INEOS ABS Business.

Sales

Sales represents the invoiced value of products sold to third parties net of sales discounts, value added taxes and duties. Sales are recognized when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Sales arising from the sale of goods are recognized when the goods are either dispatched or delivered depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the buyer when the prices are determinable and when collectability is considered probable.

Expenses

Operating lease payments

Payments made under operating leases are recognized in the combined income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the combined income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and expenses

Interest income and interest payable is recognized in the combined income statement as it accrues, using the effective interest method. Dividend income is recognized in the combined income statement on the date the entity's right to receive payments is established. Foreign exchange gains and losses are reported on a net basis.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognized in the combined income statement (see "Foreign Exchange" accounting policy above). Finance income comprise interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.

1. ACCOUNTING POLICIES (continued)

Taxation

Tax expense for the year comprises current and deferred tax. Tax is recognized in the combined income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Exceptional items

The presentation of the INEOS ABS Business's results separately identifies the effect of one off events such as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the INEOS ABS Business's ongoing business.

2. EXPENSES BY NATURE

Included in net income are the following:

	2010	2009
	€m	€m
Changes in inventories of finished goods and work in progress	2.6	(14.2)
Raw materials and consumables used	472.1	306.6
Depreciation and impairment of tangible fixed assets	3.3	2.9
Operating lease rental charges	3.8	3.4
Employee benefit expenses	44.8	46.1
Freight and transportation expenses	18.0	15.0
Selling expenses	16.3	11.1
Fixed manufacturing costs	39.4	48.3
Purchase of material for sale under derivative commodity contract	58.9	96.4
Other expenses	7.3	7.7

3. EXCEPTIONAL ITEMS

	2010	2009
	€m	€m
Net gain on settlement of contingent consideration on prior year acquisitions	—	62.7
Adjustment to fair value of derivative liabilities	—	30.0
Total exceptional items	**—**	**92.7**

The purchase price for the acquisition of subsidiaries in 2007 included an element of contingent consideration which was estimated in the acquisition agreements. The final purchase price was contingent on, inter alia, the financial performance of the acquired businesses in the two years post acquisition. The initial estimate of the purchase price resulted in significant negative goodwill on acquisition which was credited to income in prior periods in accordance with established accounting principles. The contingent purchase price was finally determined in September 2009 following extended discussion with the vendor over disputed purchase price adjustments and allowing for a fuller period of financial performance to be taken into account. The outcome of the settlement was a reduction to the estimate made at acquisition. On transition to IFRS, significant doubt existed as to the final outcome and it was not possible to reliably calculate any adjustment to the estimated purchase price prior to this date and consequently the full impact of the adjustment to the purchase price has been reflected in net income in 2009.

Adjustments to the fair value of derivative liabilities relate to the renegotiation of a derivative commodity contract. A purchase contract for a key raw material acquired with the acquisition of businesses in 2007 was identified as a derivative under IAS 39 because it did not involve the physical delivery of product. This contract was renegotiated in 2009 on terms that were more favourable and as a consequence the value of the derivative liability reduced significantly. The reduction in value of the derivative liability has been recognized in net income in 2009 but separately disclosed as an exceptional item as the effect is considered to be a one-off and not representative of ongoing operations.

4. STAFF COSTS

The aggregate payroll costs of persons employed by the INEOS ABS Business (including key management personnel) were as follows:

	2010	2009
	€m	€m
Wages and salaries	37.1	35.8
Social security costs	5.2	7.2
Expenses related to defined contribution pension plans	0.5	0.5
Expenses related to defined benefit pension plans	2.0	2.6
Total staff costs	**44.8**	**46.1**

5. FINANCE INCOME AND COSTS

Recognized in income

	2010 €m	2009 €m
Finance income		
Interest income on bank balances	0.9	0.7
Other interest receivable	0.7	1.9
Total interest income on financial assets not at fair value through profit or loss	1.6	2.6
Exchange movements.	6.6	2.3
Expected return on defined benefit pension plan assets	—	—
Total finance income	**8.2**	**4.9**
Finance costs		
Interest payable on finance leases	(0.7)	(0.7)
Other finance charges	(1.3)	(1.3)
Exchange movements	—	(0.1)
Interest on employee benefit liabilities	(0.6)	(0.4)
Unwind of discount	(0.6)	(0.6)
Total finance costs	**(3.2)**	**(3.1)**
Net finance income	**5.0**	**1.8**

6. TAXATION

Taxation recognized in the combined income statement

	2010 €m	2009 €m
Current tax expense		
Current year	15.9	13.1
Deferred tax expense		
Origination and reversal of temporary differences	(1.2)	2.4
Deferred tax (credit)/charge	(1.2)	2.4
Total tax (credit)/charge	**14.7**	**15.5**

Reconciliation of effective tax rate

	2010 €m	2009 €m
Income before taxation	62.6	108.1
Tax on above using the UK corporation tax rate of 28% (2009: 28%)	17.5	30.3
Non-deductible expenses/tax exempt income	—	(13.4)
Effect of tax rates in foreign jurisdictions	1.8	3.1
Utilisation of losses where a deferred tax asset had not previously been recognised	(4.6)	(5.9)
Deferred tax not recognized	—	1.4
Total tax (credit)/charge	**14.7**	**15.5**

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment Fixtures and fittings	Under construction	Total
		€m		
Cost				
Balance at 1 January 2009	4.2	31.8	0.2	36.2
Additions	0.1	0.9	1.0	2.0
Disposals	(0.3)	(0.1)	—	(0.4)
Reclassifications	—	0.1	(0.1)	—
Effect of movements in foreign exchange	0.2	1.2	(0.7)	0.7
Balance at 31 December 2009	4.2	33.9	0.4	38.5
Additions	0.1	1.0	3.1	4.2
Disposals	—	(0.2)	—	(0.2)
Reclassifications	0.5	1.2	(1.7)	—
Effect of movements in foreign exchange	0.6	2.6	0.2	3.4
Balance at 31 December 2010	**5.4**	**38.5**	**2.0**	**45.9**
Accumulated depreciation and impairment				
Balance at 1 January 2009	(0.1)	(1.3)	—	(1.4)
Depreciation charge for the year	(0.2)	(2.7)	—	(2.9)
Disposals	—	0.1	—	0.1
Effect of movements in foreign exchange	—	(0.1)	—	(0.1)
Balance at 31 December 2009	(0.3)	(4.0)	—	(4.3)
Depreciation charge for the year	(0.3)	(3.0)	—	(3.3)
Disposals	—	—	—	—
Effect of movements in foreign exchange	—	—	—	—
Balance at 31 December 2009	**(0.6)**	**(7.0)**	**—**	**(7.6)**
Net book value				
At 1 January 2009	4.1	30.5	0.2	34.8
At 31 December 2009	3.9	29.9	0.4	34.2
At 31 December 2010	**4.8**	**31.5**	**2.0**	**38.3**

Leased plant and machinery

None of the above assets are held under hire purchase and finance leases. Leased assets were impaired in prior periods.

8. INTANGIBLE ASSETS

	Goodwill
	€m
Cost	
Balance at 1 January 2009	20.7
Effect of movements in foreign exchange	(0.3)
Balance at 31 December 2009	20.4
Effect of movements in foreign exchange	(1.9)
Balance at 31 December 2010	**18.5**
Accumulated amortization and impairment	
Balance at 1 January 2009	—
Balance at 31 December 2009	—
Balance at 31 December 2010	**—**
Net book amount	
At 1 January 2009	20.7
At 31 December 2009	20.4
At 31 December 2010	**18.5**

Impairment

Goodwill relates solely to the acquisition of INEOS ABS (India) Limited which is a separately identifiable cash generating unit. Recoverable amount is based on the value in use considering current performance and management's assumptions regarding future developments.

The value in use was calculated as at 31 December 2009 and 2010 using pre-tax cash flows over a 5 year forecast period. A terminal value is calculated based on the cash flows at the end of the five year forecasting period assuming compound growth of 5%. A discount rate of 11% is used, based upon an estimate of the pre-tax weighted average cost of capital of the Indian CGU. The growth rate of 5% represents management estimate of the long term growth rate applicable in India, taking into account GDP and other economic forecast indicators.

Sensitivity of recoverable amounts

In order for the recoverable amount to be equal to carrying amount the discount rate that would be required in the testing as at 31 December 2010 is 34.5%, a change of 23.5% over the rate used.

There would be no impairment of carrying value if there were a €nil terminal value used in the calculation of recoverable amount so no sensitivity to growth rates has been provided as it would not be meaningful.

No impairment charge has been recorded in these accounts as a result of the annual impairment test. Trading performance in 2009 and 2010 exceeded plan. The market has continued to recover and this is forecast to continue over the plan period.

9. OTHER INVESTMENTS

	2010	2009
	€m	€m
At 1 January	10.9	18.2
Reclassification	—	(7.3)
Exchange adjustments	1.1	—
At 31 December	12.0	10.9

Other investments are principally loans to INEOS ABS (USA) Corporation, the Excluded Subsidiary as described in Note 1. During 2009 intercompany balances with INEOS ABS (USA) Corporation were off set against this loan.

10. OTHER FINANCIAL LIABILITIES

	2010	2009
	€m	€m
Non-current		
Derivative commodity contracts designated as fair value through profit or loss (see Notes 19 and 27)	**10.3**	**13.5**

11. DEFERRED TAX ASSETS AND LIABILITIES

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2010		
	Assets	Liabilities	Total
	€m	€m	€m
Property, plant and equipment	1.2	(3.0)	(1.8)
Employee benefits	0.8	—	0.8
Other	4.0	—	4.0
	6.0	**(3.0)**	**3.0**
Offset	(1.3)	1.3	—
Tax (assets)/liabilities	4.7	(1.7)	3.0

	2009		
	Assets	Liabilities	Total
	€m	€m	€m
Property, plant and equipment	1.6	(2.9)	(1.3)
Employee benefits	0.7	—	0.7
Other	2.8	—	2.8
	5.1	(2.9)	2.2
Offset	(1.7)	1.7	—
Tax (assets)/liabilities	3.4	(1.2)	2.2

11. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets amounting to €2.9m are expected to be realized in the year ending 31 December 2011.

Movement in deferred tax

	Property, plant and equipment	Employee benefits	Other	Total
	€m	€m	€m	€m
At 1 January 2009	(0.7)	(0.6)	5.9	4.6
Recognized in income	(0.6)	1.3	(3.1)	(2.4)
Exchange movements	—	—	—	—
At 31 December 2009	(1.3)	0.7	2.8	2.2
Recognized in income	(0.1)	0.1	1.2	1.2
Exchange movements	(0.4)	—	—	(0.4)
At 31 December 2010	(1.8)	0.8	4.0	3.0

Other deferred tax items relate primarily to timing differences on valuation of derivative commodity contracts and recognition of losses.

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The INEOS ABS Business did not recognize tax losses amounting to €85m (2009: €90m) that can be carried forward against future taxable income and which have a potential impact at 28% of €23.8m (2009: €25.2m).

12. INVENTORIES

	2010	2009
	€m	€m
Raw materials and consumables	29.2	19.5
Work in progress	8.9	8.6
Finished goods	27.3	23.8
Total	65.4	51.9

Raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales in the year amounted to €474.7m (2009: €292.4m). The net write-down of inventories to net realizable value amounted to €0.1m (2009: €0.8m) after the reversal of previous write downs of €0.1m (2009: €0.1m).

13. TRADE AND OTHER RECEIVABLES

	2010	2009
	€m	€m
Current		
Trade receivables	88.5	75.0
Amounts owed by related parties (see Note 23)	24.7	11.0
Other receivables	22.3	30.0
Total	135.5	116.0

The fair value of these items is disclosed in Note 19.

Other receivables include prepaid expenses, sales taxes and duties receivable and advance payments to suppliers.

Credit quality of financial assets and impairment losses

Due to the diversified customer structure of the INEOS ABS Business, there is no significant concentration of credit risk.

The ageing of trade receivables and associated provision for impairment at the end of the reporting period was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
	£m	£m	£m	£m
Not past due	85.1	—	68.0	—
Past due 0-30 days	3.3	—	5.4	(0.2)
Past due 31-90 days	1.2	(1.1)	0.2	(0.2)
More than 90 days	1.6	(1.6)	4.0	(2.2)
Total	91.2	(2.7)	77.6	(2.6)

The ageing of other receivables and associated provision for impairment at the end of the reporting period was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
	£m	£m	£m	£m
Not past due	22.3	—	25.7	—
Past due 0-30 days	—	—	4.3	—
Past due 31-90 days	—	—	—	—
More than 90 days	—	—	—	—
Total	22.3	—	30.0	—

The accounts receivable not yet impaired as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers (see Note 19). At 31 December 2009 and 2010 there were no significant trade, related party or other

13. TRADE AND OTHER RECEIVABLES (continued)

receivable balances not past due that were subsequently impaired. The movement on the provision for impairment losses is as disclosed in the table above.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010	2009
	€m	€m
Balance at 1 January	(2.6)	(2.4)
Amounts utilized	(0.1)	(0.2)
Impairment losses recognized	—	—
Balance at 31 December	(2.7)	(2.6)

The allowance account for trade receivables is used to record impairment losses unless the INEOS ABS Business is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

The carrying amounts of the INEOS ABS Business's trade and other receivables are denominated in the following currencies:

	2010	2009
	€m	€m
Euro	88.6	80.6
US Dollar	17.1	14.7
Indian Rupee	24.2	15.6
Thai Baht	5.6	5.1
	135.5	**116.0**

14. FINANCIAL INDEBTEDNESS

This note provides information about the contractual terms of the INEOS ABS Business's financial indebtedness, which is measured at amortized cost. For more information about the INEOS ABS Business's exposure to interest rate and foreign currency risk, see Note 19.

	2010	2009
	€m	€m
Non-current liabilities		
Finance lease liabilities	2.2	4.4
Current liabilities		
Finance lease liabilities	2.2	2.0

14. FINANCIAL INDEBTEDNESS (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2010		
	Minimum lease payments	Interest	Principal
		€m	
Less than one year	2.5	0.3	2.2
Between one and five years	2.3	0.1	2.2
Total	4.8	0.4	4.4

	2009		
	Minimum lease payments	Interest	Principal
		€m	
Less than one year	2.5	0.5	2.0
Between one and five years	4.9	0.5	4.4
Total	7.4	1.0	6.4

15. TRADE AND OTHER PAYABLES

	2010	2009
	€m	
Current		
Trade payables	50.6	53.4
Amounts owed to related parties (see Note 23)	15.4	6.5
Other payables	43.2	28.8
Total	109.2	88.7
Non-current		
Other payables	6.5	4.6
Total	115.7	93.3

Other payables includes sales taxes payable, accruals for employee liabilities and payroll deductions, accruals for employee bonuses and sundry other accruals.

16. EMPLOYEE BENEFITS

Pension plans

The INEOS ABS Business operates a number of unfunded and funded defined benefit pension schemes in Germany and Spain.

These valuations have been updated where appropriate to 31 December 2010 by independent qualified actuaries.

16. EMPLOYEE BENEFITS (continued)

Pension plan assumptions

The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	Germany		Spain	
	2010	2009	2010	2009
	%	%	%	%
Major assumptions				
Rate of general increase in salaries	2.75	2.75	2.6	2.6
Rate of increase to pension in payment	1.0-2.0	1.0-2.0	N/A	N/A
Discount rate for scheme liabilities	5.5	5.8	3.3	4.3
Inflation	2.0	2.0	2.0	2.0

For the German plans, the assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. A longevity assumption is not applicable to the Spanish plans. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	Germany		Spain	
	2010	2009	2010	2009
Longevity at age 65 for current pensioners	18.0	18.0	N/A	N/A

Expected long-term rate of return is as follows:

	Germany		Spain	
	2010	2009	2010	2009
	%	%	%	%
Other (Insurance)	—	N/A*	3.3	4.3

* Asset created during 2009 hence nil return in year.

History of plans

The INEOS ABS Business has taken the exemption in IFRS 1 that permits it to elect to provide disclosures prospectively from the date of transition to IFRS of 1 January 2009.

The history of the plans for the current and prior periods is as follows:

Combined balance sheet

	2010	2009
	€m	€m
Present value of the defined benefit obligation in respect of pension plans	(13.8)	(11.8)
Fair value of plan assets	1.5	0.9
Deficit	(12.3)	(10.9)

16. EMPLOYEE BENEFITS (continued)

The INEOS ABS Business's net liability in respect of defined benefit obligations is as follows:

	2010	2009
	€m	€m
Obligations in respect of pension plans		
Germany	11.7	9.9
Spain	2.1	1.9
Unrecognized past service cost	(1.5)	(0.9)
Recognized liability for defined benefit obligations	**12.3**	**10.9**

Expense recognized in the combined income statement

	Pension plans			
	Germany		Spain	
	2010	2009	2010	2009
	€m	€m	€m	€m
Current service cost	1.4	1.3	—	—
Past service cost	—	0.9	—	—
Interest on obligation	0.6	0.4	—	—
Expected return on plan assets	—	—	—	—
Losses on curtailments and settlements	2.0	2.6	—	—

The expense is recognized in the following line items in the combined income statement:

	2010	2009
	€m	€m
Cost of sales	1.4	2.2
Finance income	—	—
Finance cost	0.6	0.4
	2.0	2.6

The experience adjustments on scheme liabilities was a total loss of €0.4m or 3.2% of total scheme liabilities for the year ended 31 December 2010 (2009 loss of €0.3m or 2.4%). There were no experience adjustments on scheme assets in either year.

Actuarial gains and losses, before tax, recognized directly in equity in the statement of comprehensive income since 1 January 2009, the transition date to IFRSs:

	2010	2009
	€m	€m
Cumulative amount at 1 January	0.3	—
(Loss)/gain recognized in the year	(0.3)	0.3
Cumulative amount at 31 December	**—**	**0.3**

16. EMPLOYEE BENEFITS (continued)

Pension plans

	Germany		Spain		Total	
	2010	2009	2010	2009	2010	2009
	€m	€m	€m	€m	€m	€m
Present value of funded obligations	1.6	1.5	2.1	1.9	3.7	3.4
Present value of unfunded obligations	10.1	8.3	—	—	10.1	8.3
	11.7	9.8	2.1	1.9	13.8	11.7
Fair value of plan assets	(0.5)	(0.2)	(1.0)	(0.6)	(1.5)	(0.8)
Deficit	**11.2**	**9.6**	**1.1**	**1.3**	**12.3**	**10.9**

Movements in present value of defined benefit obligation:

	Germany		Spain		Total	
	2010	2009	2010	2009	2010	2009
	€m	€m	€m	€m	€m	€m
At 1 January	10.0	5.4	1.8	—	11.8	5.4
Interest cost	0.5	0.4	0.1	0.1	0.6	0.5
Current service cost	1.4	1.3	0.1	0.1	1.5	1.4
Special termination cost and past service cost	—	0.9	—	—	—	0.9
Benefits paid	(0.4)	(0.2)	—	(0.1)	(0.4)	(0.3)
Actuarial loss/(gain)	0.2	(0.3)	0.1	—	0.3	(0.3)
Others	—	2.3	—	1.8	—	4.1
At 31 December	**11.7**	**9.8**	**2.1**	**1.9**	**13.8**	**11.7**

Movements in fair value of plan assets:

	Germany		Spain		Total	
	2010	2009	2010	2009	2010	2009
	€m	€m	€m	€m	€m	€m
At 1 January	0.2	—	0.7	—	0.9	—
Benefit payments	(0.4)	(0.3)	—	(0.1)	(0.4)	(0.4)
INEOS ABS Business contributions	0.7	0.5	0.3	0.2	1.0	0.7
Expected return on plan assets	—	—	—	—	—	—
Actuarial loss/(gain)	—	—	—	—	—	—
Others	—	—	—	0.5	—	0.5
At 31 December	**0.5**	**0.2**	**1.0**	**0.6**	**1.5**	**0.8**

The INEOS ABS Business expects €0.6m in contributions to be paid to its defined benefit plans in 2011.

17. PROVISIONS

	Decommissioning costs	Other	Total
	€m	€m	€m
At 1 January 2009	15.3	0.1	15.4
Charged to the income statement	—	0.2	0.2
Discount unwinding	0.6	—	0.6
Utilized in the year	—	—	—
At 1 January 2010	15.9	0.3	16.2
Discount unwinding	0.6	—	0.6
Utilized in the year	—	—	—
At 31 December 2010	16.5	0.3	16.8

Provisions for decommissioning costs represent management's estimate of the cost to the INEOS ABS Business of decommissioning certain fixed assets. Cash flows associated with such risks are currently expected to crystallize in approximately 19 years time.

18. SHARE CAPITAL

	2010	2009
	€m	€m
Fully paid		
200 (2009: 200) Ordinary shares of €1 each	200	200

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 23 October 2009, and in accordance with Articles 61(1), 114 and 115 of the Companies Law in Jersey, a dividend of €43.4m was paid to the immediate parent out of available share premium. The dividend was satisfied by application to amounts receivable from the immediate parent.

19. FINANCIAL INSTRUMENTS

19.a Fair value of financial instruments

Investments in debt and equity securities

The fair value of other investments shown as loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables

The carrying amount of trade and other receivables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

19. FINANCIAL INSTRUMENTS (continued)

Trade and other payables

The carrying amount of trade and other payables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivative financial instruments

The fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. See note 27 for further details.

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the combined balance sheet are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value
	2010	2010	2009	2009
	€m	€m	€m	€m
Loans and receivables carried at amortized cost:				
Trade receivables	88.5	88.5	75.0	75.0
Amounts owed by related parties	24.7	24.7	11.0	11.0
Other receivables	22.3	22.3	30.0	30.0
Other investments	12.0	12.0	10.9	10.9
Loans and receivables	147.5	147.5	126.9	126.9
Cash and cash equivalents	66.6	66.6	26.6	26.6
Total financial assets	**214.1**	**214.1**	**153.5**	**153.5**
Financial liabilities held for trading at fair value through profit and loss:				
Derivative Commodity contracts	10.3	10.3	13.5	13.5
Financial liabilities carried at amortized cost:				
Finance lease liabilities	4.4	4.4	6.4	6.4
Trade payables	50.6	50.6	53.4	53.4
Amounts owed to related parties	15.4	15.4	6.5	6.5
Other payables	43.2	43.2	28.8	28.8
	113.6	113.6	95.1	95.1
Total financial liabilities	**123.9**	**123.9**	**108.6**	**108.6**

19. FINANCIAL INSTRUMENTS (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels, determined in accordance with IFRS 7 "Financial Instruments: Disclosure", 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).

	2010				2009			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
	€m				€m			
Financial liabilities held for trading at fair value through profit and loss:								
Derivative Commodity contracts	10.3	—	—	10.3	13.5	—	—	13.5
Total financial assets and liabilities held at fair value	**10.3**	**—**	**—**	**10.3**	**13.5**	**—**	**—**	**13.5**

19.b Net gains and losses from financial instruments

Net gains and losses from the financial liabilities held at amortized cost, being principally finance leases, and the amortization of discounts are as set out in Note 5.

Valuation gains from derivative commodity contracts held at fair value for trading through profit and loss are presented within operating profit and totalled €3.2m in the year (2009: €30.0m)

19.c Credit risk

Financial risk management

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

INEOS ABS Business policy and objectives in relation to credit risk is to minimize the likelihood that the INEOS ABS Business will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the INEOS ABS Business.

Trade and other receivables

The INEOS ABS Business's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the INEOS ABS Business's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently

19. FINANCIAL INSTRUMENTS (continued)

deteriorating economic circumstances. Management considers that there is no geographical concentration of credit risk.

The INEOS ABS Business has established a credit policy under which each new customer is analyzed individually for creditworthiness before the INEOS ABS Business's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The INEOS ABS Business'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 INEOS ABS Business's benchmark creditworthiness may transact with the INEOS ABS Business only on a prepayment basis.

Investments, cash and cash equivalent

Surplus cash investments are only made with banks with which the INEOS ABS Business has a relationship. Occasionally deposits are made with banking counterparties that provide financing arrangements, reducing the credit exposure of the INEOS ABS Business.

Guarantees

The INEOS ABS Business's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2010 no guarantees were outstanding (2009: none).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Further details on the INEOS ABS Business's exposure to credit risk are given in Note 13.

19.d Liquidity risk

Financial risk management

Liquidity risk is the risk that the INEOS ABS Business will not be able to meet its financial obligations as they fall due. The INEOS ABS Business'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 INEOS ABS Business. The INEOS ABS Business's exposure to liquidity risk is limited by the fact that it operates with significant cash resources.

19. FINANCIAL INSTRUMENTS (continued)

The maturity profile of the INEOS ABS Business's undrawn committed facilities at 31 December 2010 and 2009 was as follows:

	2010 Undrawn facilities	2009 Undrawn facilities
	€m	€m
In one year	5.3	1.3
In more than one year, but not more than two years	—	—
In more than two years, but not more than five years	—	—
In more than five years	—	—
Total	5.3	1.3

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2010					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
			€m			
Financial liabilities						
Finance lease liabilities	4.4	4.4	2.2	2.2	—	—
Trade payables	50.6	50.6	50.6	—	—	—
Amounts owed to related parties	15.4	15.4	15.4	—	—	—
Derivative financial liabilities	10.3	10.3	1.9	2.1	6.3	—
Other payables—current	43.2	43.2	43.2	—	—	—
Other payables—non-current	6.5	6.5	—	6.5	—	—
	130.4	130.4	113.3	10.8	6.3	—

	2009					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
			€m			
Financial liabilities						
Finance lease liabilities	6.4	6.4	2.0	2.2	2.2	—
Trade payables	53.4	53.4	53.4	—	—	—
Amounts owed to related parties	6.5	6.5	6.5	—	—	—
Derivative financial liabilities	13.5	13.5	3.2	1.9	7.0	1.4
Other payables—current	28.8	28.8	28.8	—	—	—
Other payables—non-current	4.6	4.6	—	4.6	—	—
	113.2	113.2	93.9	8.7	9.2	1.4

19. FINANCIAL INSTRUMENTS (continued)

19.e Market risk

Financial risk management

Market risk reflects the possibility that changes in market prices, such as crude oil, feedstock refined products, chemicals or currency exchange rates or changes in interest rates will adversely affect the value of the INEOS ABS Business's assets, liabilities or expected future cash flows. Where appropriate, the INEOS ABS Business holds derivative contracts in order to manage market risk.

(i) Market risk—Foreign currency risk

Profile

The INEOS ABS Business operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Thai Baht, Indian Rupee and US Dollars.

Foreign exchange risk arises from net investments in foreign operations, future commercial transactions, and recognized assets and liabilities. The INEOS ABS Business enters into foreign currency exchange instruments to hedge foreign currency transaction exposure.

The foreign currency exposure where the INEOS ABS Business's financial assets / (liabilities) are not denominated in the functional currency of the operating unit involved is limited to exposure to US Dollar movements. At 31 December 2010 the INEOS ABS Business's net liability to US Dollars totalled €8.3m (2009: asset €6.0m).

Sensitivity analysis

A 10% increase in the value of the US Dollar would result in an increase in the US Dollar exposure of €0.9m (2009 increase in the US Dollar asset: €0.7m).

(ii) Market risk—Interest rate risk

Profile

Financial assets comprise the following:

Intercompany receivable from the Group's parent organization which totalled €23.0m at 31 December 2010 (2009: €10.1m). This receivable bears interest at a variable rate linked to LIBOR.

Loan receivable from the Excluded Subsidiary totalling €12.0m at 31 December 2010 (2009: €10.9m). This loans bears interest at a fixed rate of 6%.

Financial liabilities principally comprise amounts owed to finance lease creditors which totalled €4.4m at 31 December 2010 (2009: €6.4m), and on which interest is payable at a fixed rate.

Sensitivity analysis

The effect of a 1% increase or decrease in the interest rate applied to both financial assets and liabilities is considered to be immaterial to the results of the INEOS ABS Business.

19. FINANCIAL INSTRUMENTS (continued)

(iii) Market risk—Commodity price risk

The INEOS ABS Business is exposed to commodity price risk through fluctuations in raw material prices and sales of products. The INEOS ABS Business's sales contracts are constructed in a manner to ensure commodity price risk is passed on to the ultimate customer.

19.f Capital management

The INEOS ABS Business's objectives for managing capital are to safeguard the INEOS ABS Business's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The INEOS ABS Business is a net lender to its parent organization and is self financing.

20. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2010	2009
	€m	€m
Less than one year	3.8	3.4
Between one and five years	12.0	7.7
More than five years	0.3	0.3
Total	16.1	11.4

21. CAPITAL COMMITMENTS

Outstanding capital expenditure authorized by the Board and for which contracts had been placed as at 31 December 2010 by the INEOS ABS Business amounted to approximately €0.6m (2009: €0.4m).

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2010	2009
	€m	€m
Increase/(decrease) in cash and cash equivalents in the year	37.9	(2.5)
Cash outflow from change in debt financing	2.0	1.9
Movement in net debt in year	39.9	(0.6)

	1 Jan 2009	Cash Flow	31 Dec 2009
	€m	€m	€m
Cash at bank and in hand	29.0	(2.4)	26.6
Finance leases	(8.3)	1.9	(6.4)
Net debt	**20.7**	**(0.5)**	**20.2**

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (continued)

	1 Jan 2010	Cash Flow	31 Dec 2010
	€m	€m	€m
Cash at bank and in hand	26.6	40.0	66.6
Finance leases	(6.4)	2.0	(4.4)
Net debt	**20.2**	**42.0**	**62.2**

Cash at bank and in hand includes liquid short term bank deposits as at 31 December 2010 of €15.6m (2009: €10.7m)

23. RELATED PARTIES

Related party transactions

The INEOS ABS Business is wholly owned by INEOS AG and makes purchases of feedstocks and received management services from other INEOS AG group companies which are not part of this combined financial information. During the year ended 31 December 2010 the INEOS ABS Business made purchases of feedstocks amounting to €130.4m (2009: €78.8m). Amounts outstanding as at 31 December 2010 were €5.2m (2009: €3.1m). The INEOS ABS Business also incurred management service charges of €1.3m from the immediate parent undertaking during the year ended 31 December 2009. No amounts were outstanding at 31 December 2009 and there were no such charges in the year ended 31 December 2010.

During the year ended 31 December 2010 the INEOS ABS Business made sales of products to INEOS Styrenics amounting to €58.6m (2009: €96.4m) and recharged costs to the Excluded Subsidiary amounting to €1.1m (2009: €1.5m). Amounts outstanding at 31 December 2010 were €nil (2009: €nil) and €1.3m (€2009: €0.7m), respectively.

During the year ended 31 December 2009 the INEOS ABS Business made cash transfers to its then immediate parent undertaking, INEOS Holdings Limited, amounting to €31.7m to extinguish the balance on the current account.

The INEOS ABS Business provides cash to its current immediate parent undertaking as and when required. During the year ended 31 December 2010 cash advances of €12.9m (2009: €10.1m) were made. As at 31 December 2010 the balance on the current account was €23.0m (2009: €10.1m). The INEOS ABS Business receives cash from the Excluded Subsidiary in connection with the above funding and during the year ended 31 December 2010 €6.1m of cash was so received (2009: €9.1m). Amounts owed to the Excluded Subsidiary as at 31 December 2010 in this regard were €9.1m (2009: €3.0m).

In addition to the above the INEOS ABS Business has a loan receivable from the Excluded Subsidiary. The balance outstanding on this loan as at 31 December 2010 was €12.0m (2009: €10.9m).

Compensation to key management personnel (including directors)

In addition to their salaries, the INEOS ABS Business also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf.

23. RELATED PARTIES (continued)

Key management personnel remuneration comprised:

	2010	2009
	€m	
Short term benefits (wages and salaries)	1.6	1.0
Post employment benefits	0.1	0.1
Total	**1.7**	**1.1**

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is INEOS Industries Holdings Limited. The ultimate parent undertaking at 31 December 2009 was INEOS Industries Limited, a company registered in England and Wales. As of 31 December 2010 the ultimate parent undertaking was INEOS AG, a Swiss corporation. The ultimate controlling party is Mr. Ratcliffe, director and majority shareholder of the ultimate parent undertaking.

25. SUBSEQUENT EVENTS

On 4 April 2011 the INEOS ABS Business joined the receivable securitisation programme operated by INEOS Styrenics International SA, a fellow subsidiary undertaking of INEOS Industries Holdings Limited. Under this securitization programme INEOS ABS (Deutschland) GmbH is able to sell up to €50m of receivables, subject to customary eligibility criteria.

INEOS Industries Holdings Limited intends to contribute the INEOS ABS Business to Styrolution, a wholly owned subsidiary of Styrolution Holding GmbH, a joint venture between BASF Group and INEOS Industries Holdings Limited (the "Joint Venture Transaction").

Styrolution intends to announce the offering of €480 million in principal amount of fixed rate senior secured notes due 2016 on 6 May 2011. The completion of the offering is subject to certain conditions, to be set forth in a purchase agreement, dated on the date of pricing of the notes, between, among others, Styrolution and the initial purchasers of the notes. Pending the consummation of the Joint Venture Transaction, the initial purchasers will deposit certain proceeds from the offering of the Notes into an escrow account. The Issuer intends to use the proceeds of the offering to fund working capital and make a contribution payment to BASF Group.

26. TRANSITION TO IFRS

As stated in Note 1, the Company and the Group has previously prepared its financial statements in accordance with UK GAAP and has not prepared combined financial statements. This combined financial information is therefore both the first combined financial information prepared by the Group, and the first combined financial information prepared in accordance with IFRSs. As a result there is no UK GAAP equivalent from which to provide a reconciliation of transition to IFRS as would usually be presented in accordance with IFRS 1.

The combined opening statement of financial position at 1 January 2009 prepared in accordance with IFRS is set out on the face of the balance sheet.

27. ACCOUNTING ESTIMATES AND JUDGMENTS

The INEOS ABS Business prepares its combined financial information in accordance with IFRSs, which require management to make judgments, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates change and in any future periods.

The following areas are considered to involve a significant degree of judgment or estimation:

Fair value measurement on business combination

The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgment, and estimates and assumptions made.

Taxation

Management is required to estimate the tax payable in each of the jurisdictions in which the INEOS ABS Business operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the combined balance sheet of the INEOS ABS Business. Management has performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the INEOS ABS Business's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The INEOS ABS Business has, from time to time, contingent tax liabilities arising from trading and corporate transactions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

The breadth of the INEOS ABS Business's structure with operations in many geographic locations makes the use of estimates and assumptions more challenging. The resolution of issues is not always within the control of the INEOS ABS Business and can be reliant upon the efficiency of the legal processes in the relevant jurisdictions in which the INEOS ABS Business operates, and as a result, issues can, and often do take many years to resolve.

Details of amounts recognized with regard to taxation are disclosed in Notes 6 and 11.

Post-retirement benefits

The INEOS ABS Business operates a number of defined benefit post employment schemes. Under IAS 19 Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each of the defined benefit schemes. The costs and year end obligations under defined benefit schemes are determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- Future rate of increase in salaries;
- Inflation rate projections;

27. ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- Discount rate for scheme liabilities;
- Expected rates of return on the scheme assets.

Details of post-retirement benefits are set out in Note 16.

Recognition and measurement of commodity contracts

Management has concluded that the majority of its commodity purchase and sales contracts meet the criteria for the own use exemption under IAS 39 and are therefore not fair value accounted for as they result in physical delivery of product for use in its business. Management has had to apply its judgment in assessing whether any of the pricing structures or take or pay arrangements in these contracts would result in the own use exemption not being applied and the contract fair valued.

One feedstock supply contract does not meet the own use exemption and a fair value liability has been recognised (see Note 10). Management has applied its judgement in determining the fair value of the liability with reference to future assumptions as to the production cost value of the contract as compared to the spot price over the contract period. In determining the value management has considered the latest forecasts regarding expected demand and supply of the feedstock.

Provisions

Provisions are recognized for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. Where the estimated obligation arises upon initial recognition of the related asset, the corresponding debit is treated as part of the cost of the related asset and depreciated over its estimated useful life.

Other provisions are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change.

Estimates of the amounts of provisions recognized are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

The nature and amount of provisions included within the combined financial information are detailed in Note 17.

Impairment reviews

IFRSs require management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net

27. ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- Growth rates of various revenue streams;
- Long term growth rates;
- Future margins;
- The selection of an appropriately risk adjusted discount rate; and
- The determination of terminal values.

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the INEOS ABS Business's impairment evaluation and results.

The INEOS ABS Business has property, plant and equipment with a carrying value of €38.3m (2009: €34.2m) as disclosed in Note 7. All of these assets are assessed annually for impairment as described above.

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilization from events such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalised intellectual property rights could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

Further details on the impairment review performed on the goodwill and intangible assets are provided in Note 8, including sensitivity analysis in relation to key assumptions.

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