Project Houston - Ethylene Cracker Investment in USA

A Step-Change Towards Our Portfolio Enhancement

September 24, 2015
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### Project Houston
#### A Step-Change Towards Our Portfolio Enhancement

| Overview                  | IVL to acquire 76% stake in ethylene cracker project  |
|                          | Flexible ethane/propane cracker with 400 KMT olefin capacity |
|                          | Located in Lake Charles, Louisiana, USA                |

| Strategic Rationale      | Provides early access to shale gas                     |
|                          | Ensures feedstock security and long-term cost advantage |
|                          | Margin expansion and resilience across the value chain |

| Financial Impact         | Greenfield investment cost per ton more than 2 times   |
|                          | Expected start-up in late 2017, ahead of large greenfield projects |
|                          | 24% JV partner with significant experience in olefin cracking |
Perfect Fit with IVL’s Strategy
Focused on Growth, Resilience, Returns

World Class Innovation Platform and Synergies Across Portfolio

1. Sustain and Expand Advantaged Market Positions
2. Leverage Advantaged Cost Positions and Feedstock Opportunities
3. Drive Enhanced Product Mix Through Innovations

Disciplined Portfolio Management and Capital Deployment
Compelling Addition to IVL North America Portfolio
Scale, Differentiation, Cost

1. **Project Houston***
   - Lake Charles, LA
   - Products: Ethylene, Propylene

2. **IVOG**
   - Clear Lake, TX
   - Products: MEG, Purified Ethylene Oxide (PEO)

3. **PET Polymers**
   - Alphapet, Decatur, AL
   - Starpet, Asheboro, NC
   - Auriga, Spartanburg, SC
   - IV Polymers, Queretaro
     - Products: Necessity and HVA

4. **Olefins**
   - 0.40 MMT

5. **Ethylene Oxide/Glycols**
   - 0.55 MMT

6. **PTA**
   - 0.60 MMT

7. **IV PTA Montreal**
   - Montreal, Canada
   - Products: PTA

8. **HVA Fibers**
   - 0.24 MMT

9. Auriga, Spartanburg, SC
10. IV Polymers, MX
11. FiberVisions, GA
12. PHP, Scottsboro, AL

- Products: Polyester, PP, Polyamide 6.6 Fibers

Note: *Expected project start-up in late 2017
Enhances Integration and Cost Advantage
Synergies Across the IVL North America Portfolio

Feedstock  Upstream  Intermediates  Downstream

Crude Oil => Naphtha

NGLs: Ethane/Propane

Project Houston*

Ethylene
Capacity: 0.37 MMt

Propylene
Capacity: 0.03 MMt

Polypropylene

PX

PTA
Capacity: 0.60 MMt

MEG
Capacity: 0.33 MMt

Poly Fiber
Capacity: 0.12 MMt

PET Resin
Capacity: 1.52 MMt

PEO
Capacity: 0.22 MMt

PP Fiber
Capacity: 0.10 MMt

Entry into PET through acquisition of Starpet

Entry into HVA with acquisition of Invista

Integration into EO/EG with Old World

Integration into PTA with Cepsa

Ethylene Integration with Project Houston

2003

2010

2011

1H15

2H15*

Note: *Expected project start-up in late 2017
Value Addition

Last 3 Year Integrated Economics ~$1,150 per ton*

Note: *Per Ton of MEG/PEO
Delivered EO/EG Margin defined as Industry Average MEG/PEO margin over 0.58/0.78 Ethylene NTP
Delivered Ethylene Margin defined as Gross Hydrocarbon Margin = NTP – Feedstock Cost + By-Product Credit
Source: Industry, IVL Analysis
Leveraging North America Shale Gas Advantage
Abundant Supply of Competitive Feedstock

Increasing Ethane and Propane Surplus

Advantaged Cost of Ethylene Production

Source: Industry, IVL Analysis
Leveraging Flexibility to Switch Feedstocks
Margin Expansion Potential

**Project Houston**
Mixed Feed Slate

<table>
<thead>
<tr>
<th>Percent</th>
<th>Max. Ethane</th>
<th>Max. Propane</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20%</td>
<td>80%</td>
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<tr>
<td>80%</td>
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</tbody>
</table>

**Provides Benefits From Ability to Switch Feedstocks**

<table>
<thead>
<tr>
<th>Brent, $/bbl</th>
<th>Ethane – Mixed Feed Cost Differential, $/MT</th>
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<tbody>
<tr>
<td></td>
<td>Mixed Feed Advantaged vs Ethane</td>
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**Mixed Feed Historically Advantaged at < $80 Brent**

Note: Mixed Feed Cracker Cash Cost = 20% IHS Ethane + 20% IHS Propane + 60% Low of Ethane/Propane Cash Cost
Source: Industry, IVL Analysis
Favorable Ethylene Supply/Demand Fundamentals
Peak Cycle Utilization Rates

Global Ethylene Demand and Supply (MMt)

- **Installed Capacity**
- **Demand**
- **Effective Operating Rate %**

Peak Cycle Utilization > 90%

Limited New Capacity vs Stable Demand Growth

Note: Effective Operating Rate is calculated assuming 5% industry downtime
Source: Industry, IVL Analysis
Unique Investment Opportunity
Integration at Competitive Cost

Greenfield Investment Cost Per Ton More Than 2 Times
Capex, $/MT

Greenfield Time to Market More Than 3 Years
Time to Market (years)

Project Houston Expected Start-up in 2017 Ahead of Large Greenfield Projects

Source: Industry Data, IVL Analysis