

# Perstorp Holding AB (Publ.)

Interim report 1 January – 31 March 2019

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Perstorp Holding AB (Publ.), corporate reg. no. 556667-4205, Parent company for Perstorp.

Perstorp is an international specialty chemicals Group and a global leader in high growth niches. The Group has around 1,350 employees and manufacturing facilities in Europe, North America and Asia. The Perstorp Group is controlled by the European private equity company PAI Partners.

## Key figures in summary January – March 2019, continuing operations

- Net sales, from continuing operations, increased with 4.5% to SEK 3,218 m (3,079).
- Sales prices in the first quarter were higher than the corresponding quarter last year due to both positive currency effects and improved pricing for some product lines.
- Organic volume-based sales growth was 0% year-on-year.
- EBITDA excluding non-recurring items, from continuing operations amounted to SEK 475 m in the first quarter compared to SEK 511 m in the corresponding period last year. The financial result in the first quarter was negatively impacted by an unplanned shutdown in Stenungsund at the end December 2018 by approximately SEK 20 m.
- EBITDA-margin excluding non-recurring items for continuing operations was 14.8% (16.6).
- On February 13<sup>th</sup>, 2019 Perstorp closed the divestment of its Caprolactone business. The net proceeds from the transaction was approximately EUR 579 m.
- During the first quarter 2019, Perstorp, together with its shareholders, completed the refinancing of the capital structure.

## Key figures in summary, continuing operations

| SEK m unless otherwise stated                      | Quarter 1 |       | Latest    | Full year |
|--|-----------|-------|-----------|-----------|
|  | 2019      | 2018  | 12 months | 2018      |
| Net Sales  | 3,218     | 3,079 | 12,575    | 12,436    |
| EBITDA   | 413       | 507   | 1,602     | 1,696     |
| % of net sales                                     | 12.8      | 16.5  | 12.7      | 13.6      |
| EBITDA excluding non-recurring items <sup>1)</sup> | 475       | 511   | 1,778     | 1,814     |
| % of net sales                                     | 14.8      | 16.6  | 14.1      | 14.6      |
| Operating earnings (EBIT)                          | 286       | 394   | 1,077     | 1,185     |
| % of net sales                                     | 8.9       | 12.8  | 8.6       | 9.5       |
| Net earnings/loss                                  | -1,071    | -240  | -786      | 45        |
| Free cash flow                                     | 10        | 191   | 782       | 963       |

<sup>1)</sup> Non-recurring items are mainly attributable to restructuring and refinancing costs.



## President's Comments – Q1 2019

"We have now obtained a significantly improved position to achieve our long-term strategic objectives."

The first quarter of 2019 volatility we have seen in the world economy continued, and resulted in a mixed performance for our business. At the same time, I am proud of several crucial achievements, which will form part of our foundation and success in the coming years.

### Significantly improved future position

In February, the sale of the Capa™ business to Ingevity was completed, which confirmed our ability to build the value of our assets. The sale of Capa unlocked significant value and the proceeds have been used to deleverage and strengthen our balance sheet. Later that month, both Moody's and S&P improved our credit rating and the previous bonds and loans were refinanced through new credit facilities, which have provided us with more flexible capital structure. Combined with a number of other fundamental activities over the last nine months; a changed ownership structure with EUR 130 m committed for growth activities and the divestment of the BioProducts business, we now have a significantly improved platform for achieving our long-term strategic objectives.

### LTM EBITDA on a continuously high level

Net sales amounted to SEK 3,218 m, a 4.5% increase over Q1 last year, mainly due to higher sales prices linked to a positive exchange rate impact, while organic volume based sales growth for the period was 0.3%. EBITDA excluding non-recurring items amounted to SEK 475 (511) m for the first quarter, with an EBITDA margin of 14.8% (16.6%). LTM EBITDA was SEK 1,778 m and adjusted for the planned Stenungsund turnaround last year, LTM EBITDA was SEK 1,858 m, which is the 2<sup>nd</sup> highest ever for continuing operations.

In Business Area Specialty Polyols & Solutions, EBITDA excluding non-recurring items amounted to SEK 311 (321) m, where lower demand and unit margins for Penta in particular affected the results negatively. For Business Area Advanced Chemicals, the power outage on December 25 2018, affecting the whole municipality of Stenungsund, had a negative financial impact of approximately SEK 20 m. On a more positive note, demand has been stable and unit margins strong, which has resulted in an EBITDA excluding non-recurring items of SEK 151 (141) m. In Business Area Animal Nutrition, sales volumes were somewhat lower than expected due to customers holding high inventories of preservation products as a result of the drought last year, and reduced demand for gut health products in APAC due to African Swine Fever. EBITDA excluding non-recurring items amounted to SEK 45 (53) m.

### Level Up to better address our customers' demand

At the start of 2019, we introduced a new transformational program at Perstorp; Level Up. During the last few years, Perstorp has built and developed its functional excellence to a level that now enables us to implement a new and simpler organization in order to improve and drive cross-functional excellence along the internal value chains. A new operational model and a new organization was launched in February, with the main objective being to better address customer demands for supply reliability and focused innovation. As a result of this process, 56 employees were made redundant globally.

The external market dynamics continue to be volatile, and we as an organization must be agile and responsive to change. The result of Level Up will be an enhanced, improved, caring and empowered Perstorp that benefits from its previous experiences and performance. We have a new capital structure in place and EUR 130 m committed for growth investments. I am confident that we are well-equipped for a more uncertain economic and global climate.

Malmö May 2019



Jan Secher

President and CEO

## Financial overview January – March 2019

### Income statement, continuing operations

| SEK m                                       | Quarter 1     |              |
|---|---------------|--------------|
|   | 2019          | 2018         |
| <b>Net Sales</b>                            | <b>3,218</b>  | <b>3,079</b> |
| Cost of goods sold                          | -2,680        | -2,542       |
| <b>Gross earnings</b>                       | <b>538</b>    | <b>537</b>   |
| <b>Operating earnings (EBIT)</b>            | <b>286</b>    | <b>394</b>   |
| Exchange rate effects on net debt           | -184          | -288         |
| Other financial income and expenses         | -1,175        | -317         |
| <b>Earnings before tax</b>                  | <b>-1,073</b> | <b>-211</b>  |
| Tax   | 2             | -29          |
| <b>Net earnings/loss</b>                    | <b>-1,071</b> | <b>-240</b>  |
| <b>EBITDA</b>                               | <b>413</b>    | <b>507</b>   |
| <b>EBITDA excluding non-recurring items</b> | <b>475</b>    | <b>511</b>   |

### Net sales and earnings, continuing operations<sup>1)</sup>

Net sales for continuing operations during the first quarter amounted to SEK 3,218 m (3,079), an increase of SEK 139 m or 4.5%. Volumes decreased by 5% compared to the same period last year mainly following negative effects from the unplanned shutdown in Stenungsund. This had negative impact on sales volumes and inventory levels mainly in January and February but also to a smaller extent in March. In addition, volumes were negatively affected by somewhat lower demand for Penta.

Organic volume based sales growth was 0% in the first quarter 2019. Excluding currency effects, sales prices were 3% higher than last year mainly linked to improved pricing for Oxo and Plastizers products.

Average Dated Brent oil price decreased 4% in the first quarter 2019 compared to the corresponding quarter last year and was 5% lower than in the fourth quarter 2018. The lower price on Dated Brent oil has also impacted pricing on downstream derivatives like propylene and ethylene during the first quarter of 2019. The Swedish krona continued to weaken against both the USD and the EUR from last quarter as well as comparing to the corresponding quarter 2018, resulting in a positive exchange rate effects on sales of approximately 6%.

EBITDA excluding non-recurring items amounted to SEK 475 m (511), corresponding to an EBITDA margin of 14.8% (16.6). The lowered EBITDA was attributable to negative impact from the lower volumes partly offset by improved unit margins for some product lines and positive exchange rate impact. The unplanned shutdown in Stenungsund had a negative impact in the financial result in the first quarter of approximately SEK 20 m.

Non-recurring items of SEK 62 m in the first quarter 2019 relates primarily to restructuring costs in connection with the reorganization and refinancing cost. Depreciation and amortization amounted to SEK 127 m (117) and EBIT amounted to SEK 286 m (394) for the period.

Net financial expenses, excluding currency effects on net debt, amounted to SEK 1,175 m compared to SEK 317 m for the corresponding period in 2018. The deviation was mainly affected by the refinancing of the capital structure, which was completed during the first quarter 2019. The refinancing resulted in lowering of the average interest rate from approximately 8% to 5%, which will have a full effect in the income statement from the second quarter 2019 and onwards. Tax amounted to SEK +2 m (-29) and the net result amounted to SEK -1,071 m (-240).

<sup>1)</sup> Continuing operations excludes the divested unites Perstorp UK Ltd, Perstorp Bioproducts AB and Perstorp Bioproducts AS.

## Free cash flow analysis, continuing operations

| SEK m  | Quarter 1 |            | Latest<br>12 months | Full year<br>2018 |
|--|-----------|------------|---------------------|-------------------|
|  | 2019      | 2018       |                     |                   |
| EBITDA excluding non-recurring items         | 475       | 511        | 1,778               | 1,814             |
| Change in Working Capital <sup>2)</sup>      | -364      | -246       | -429                | -311              |
| Maintenance Capex                            | -53       | -59        | -355                | -361              |
| <b>Free Cash Flow before Strategic Capex</b> | <b>58</b> | <b>206</b> | <b>994</b>          | <b>1,142</b>      |
| % of EBITDA excluding non-recurring items    | 12        | 40         | 56                  | 63                |
| Strategic Capex                              | -48       | -15        | -212                | -179              |
| <b>Free Cash Flow</b>                        | <b>10</b> | <b>191</b> | <b>782</b>          | <b>963</b>        |
| % of EBITDA excluding non-recurring items    | 2         | 37         | 44                  | 53                |

<sup>1)</sup> For further details on total cash flow, please see page 11.

<sup>2)</sup> Excluding currency transaction effects and provisions.

## Available funds and debt

| SEK m   | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|---|--------------|--------------|--------------|
| Available funds   | 967          | 1,168        | 1,120        |
| Net debt  | 9,227        | 12,892       | 13,505       |
| Net debt excl. Parent company loans and pension liabilities | 8,822        | 12,446       | 13,103       |
| Leverage <sup>1)</sup>                                      | 5.0x         | 5.7x         | 5.6x         |

<sup>1)</sup> Net debt excluding pension liabilities and shareholder loans/EBITDA excluding non-recurring items.

## Free cash flow

Free Cash flow in the first quarter 2019 amounted to SEK 10 m (191). The free cash flow was affected by somewhat lower earnings, unfavorable development of working capital, mainly related to build-up of inventory and lower accounts payable. Also, strategic investment was somewhat higher in the first quarter 2019. Utilization of the factoring program at March 31, 2019 amounted to EUR 99 m (118).

## Net debt and leverage

The Group's available funds, liquid funds and unutilized credit facilities, were SEK 967 m (1,168) at the end of the period, compared with SEK 1,120 m at the end of the fourth quarter 2018. Following the company's positive development during 2018 and the sale of the Bioproduct and Caprolactone business, Perstorp, refinanced the capital structure with new credit facilities. Leverage was 5.0x at the end of the first quarter 2019 compared to 5.6x at the end of the fourth quarter 2018.



Business Area

Speciality Polyols & Solutions

## Business Area

### Specialty Polyols & Solutions

| SEK m                                      | Quarter 1 |       |
|--|-----------|-------|
|  | 2019      | 2018  |
| <i>Continuing operations</i>               |           |       |
| Net sales                                  | 1,854     | 1,761 |
| EBITDA                                     | 311       | 320   |
| EBITDA excl. non-recurring items           | 311       | 321   |
| EBITDA margin excl. non-recurring items, % | 16.8      | 18.2  |


*Specialty Polyols & Solutions consists of Business units Penta, TMP/Neo, Formates and Business Development.*

### January - March 2019

During the first quarter 2019 net sales amounted to SEK 1,854 m (1,761) which was 5% higher than the corresponding quarter 2018. The increase was attributable to positive currency effects and in general continued healthy market demand paired with stronger volumes for some product lines, among else formulated de-icers.

Organic volume-based sales growth was 4%.

EBITDA excluding non-recurring items amounted to SEK 311 m (321), corresponding to an EBITDA margin of 16.8% (18.2). Lower volumes and more normalized market dynamics for some product lines was partly offset by improved supply-demand for others together with positive exchange rate effects.

A close-up photograph of a person's hands and feet resting on a blue, textured mat. The mat has a ribbed pattern and is partially unrolled. The person's skin is dark, and their hands are positioned on the mat, with fingers slightly spread. The background is blurred, showing a light-colored floor and a dark object in the distance.

Business Area  
Advanced Chemicals

## Business Area

### Advanced Chemicals

| SEK m                                      | Quarter 1 |       |
|--|-----------|-------|
|  | 2019      | 2018  |
| <i>Continuing operations</i>               |           |       |
| Net sales                                  | 1,021     | 1,008 |
| EBITDA                                     | 146       | 141   |
| EBITDA excl. non-recurring items           | 151       | 141   |
| EBITDA margin excl. non-recurring items, % | 14.8      | 14.0  |

*Business Area Advanced chemicals consists of Business units Oxo and Plasticizers.*

### January - March 2019

First quarter 2019 net sales amounted to SEK 1,021 m (1,008), which was 1% higher than the corresponding period in 2018. Negative impact from lower volumes linked to the power outage in Stenungsund and following unplanned shutdown was offset by improved pricing, lower raw material prices and positive exchange rate impact.

Organic volume-based sales growth was -9%, mainly linked to the unplanned shut down in Stenungsund.

EBITDA excluding non-recurring items was SEK 151 m (141), corresponding to an EBITDA margin of 14.8% (14.0). The increase was due to a combination of stable demand, improved unit margins and positive exchange rate effects.



Business Area  
Animal Nutrition

## Business Area

### Animal Nutrition

| SEK m                                      | Quarter 1 |      |
|--|-----------|------|
|  | 2019      | 2018 |
| <i>Continuing operations</i>               |           |      |
| Net sales                                  | 305       | 281  |
| EBITDA                                     | 45        | 53   |
| EBITDA excl. non-recurring items           | 45        | 53   |
| EBITDA margin excl. non-recurring items, % | 14.8      | 18.9 |

*Business Area Animal Nutrition consists of Business Units Feed Additives and Acids and Salts.*

### January - March 2019

Net Sales in the first quarter 2019 amounted to SEK 305 m (281). Sales of feed additives was hampered by lower volumes. Customers in preservation were holding high inventories due to the drought last year. In addition, volumes were negatively impacted by lower demand for gut health products in APAC linked to African swine fever. The negative volume deviation was offset by improved pricing and supply-demand for some of the larger product lines and positive exchange rate effects.

Organic volume based sales growth was 3%.

EBITDA excluding non-recurring items in the first quarter was SEK 45 m (53), corresponding to an EBITDA margin of 14.8% (18.9%). The result was negatively impacted by lower, volumes, negative product mix and somewhat higher costs related to the organizational build-up for future growth.

## Consolidated income statement

### Income statement, consolidated group

| SEK m  | Note     | Quarter 1     |              | Latest        | Full year     |
|--|----------|---------------|--------------|---------------|---------------|
|  |          | 2019          | 2018         | 12 months     | 2018          |
| <b>Continuing operations</b>                       |          |               |              |               |               |
| <b>Net Sales</b>                                   | <b>3</b> | <b>3,218</b>  | <b>3,079</b> | <b>12,575</b> | <b>12,436</b> |
| Cost of goods sold                                 |          | -2,680        | -2,542       | -10,542       | -10,404       |
| <b>Gross earnings</b>                              |          | <b>538</b>    | <b>537</b>   | <b>2,033</b>  | <b>2,032</b>  |
| Selling, administration and R&D costs              |          | -216          | -199         | -855          | -838          |
| Other operating income and expenses <sup>1)</sup>  |          | -37           | 52           | -44           | 45            |
| Write-down of assets                               |          | 0             | 3            | -60           | -57           |
| Result from participations in associated companies |          | 1             | 1            | 3             | 3             |
| <b>Operating earnings (EBIT)</b>                   | <b>5</b> | <b>286</b>    | <b>394</b>   | <b>1,077</b>  | <b>1,185</b>  |
| Exchange-rate effects on net debt                  |          | -184          | -288         | -358          | -462          |
| Other financial income and expenses                |          | -1,175        | -317         | -2,266        | -1,408        |
| <b>Earnings/loss before tax</b>                    |          | <b>-1,073</b> | <b>-211</b>  | <b>-1,547</b> | <b>-685</b>   |
| Tax  | 8        | 2             | -29          | 761           | 730           |
| <b>Net earnings/loss</b>                           |          | <b>-1,071</b> | <b>-240</b>  | <b>-786</b>   | <b>45</b>     |
| <b>Discontinued operation</b>                      | <b>9</b> |               |              |               |               |
| Net sales  | 3        | 113           | 601          | 1,958         | 2,446         |
| Operating earnings (EBIT)                          |          | 4,771         | 70           | 5,086         | 385           |
| Earnings/loss before tax                           |          | 4,768         | 63           | 4,910         | 205           |
| Tax  |          | -12           | -14          | -24           | -26           |
| <b>Net earnings/loss</b>                           |          | <b>4,756</b>  | <b>49</b>    | <b>4,886</b>  | <b>179</b>    |
| <b>Group, total</b>                                |          |               |              |               |               |
| Net sales  |          | 3,331         | 3,680        | 14,533        | 14,882        |
| Operating earnings (EBIT)                          |          | 5,057         | 464          | 6,163         | 1,570         |
| Earnings/loss before tax                           |          | 3,695         | -148         | 3,363         | -480          |
| Tax  |          | -10           | -43          | 737           | 704           |
| <b>Net earnings/loss</b>                           |          | <b>3,685</b>  | <b>-191</b>  | <b>4,100</b>  | <b>224</b>    |

### Consolidated Group

|   |             |              |            |              |              |
|---|-------------|--------------|------------|--------------|--------------|
| <b>EBITDA</b>                               | <b>3, 9</b> | <b>5,193</b> | <b>604</b> | <b>6,780</b> | <b>2,191</b> |
| <b>EBITDA excluding non-recurring items</b> | <b>3, 9</b> | <b>555</b>   | <b>607</b> | <b>2,272</b> | <b>2,324</b> |

<sup>1)</sup> Other operating income and expenses primarily includes exchange rate effects on operational net receivables and non-recurring income and costs.

## Consolidated income statement

### Comprehensive income report

| SEK m  | Quarter 1    |             | Latest<br>12 months | Full year<br>2018 |
|--|--------------|-------------|---------------------|-------------------|
|  | 2019         | 2018        |                     |                   |
| <b>Net result for the period</b>                                     | <b>3,685</b> | <b>-191</b> | <b>4,100</b>        | <b>224</b>        |
| <b>Other comprehensive income</b>                                    |              |             |                     |                   |
| <i>Items that will not be reclassified to profit or loss</i>         |              |             |                     |                   |
| Remeasurements of defined benefit plan                               | 0            | 0           | -5                  | -5                |
| <i>Items that may be subsequently reclassified to profit or loss</i> |              |             |                     |                   |
| Currency translation effect  | 30           | 68          | -87                 | -49               |
| <b>Other comprehensive income net after tax</b>                      | <b>30</b>    | <b>68</b>   | <b>-92</b>          | <b>-54</b>        |
| <b>Total comprehensive income</b>                                    | <b>3,715</b> | <b>-123</b> | <b>4,008</b>        | <b>170</b>        |
| <b>Attributable to:</b>  |              |             |                     |                   |
| Parent company's shareholder   | 3,700        | -138        | 3,962               | 124               |
| Non-controlling interest   | 15           | 15          | 46                  | 46                |

## Consolidated balance sheet

### Balance sheet, consolidated group

| SEK m  | Note | March 31, 2019 | March 31, 2018 | Dec 31, 2018  |
|--|------|----------------|----------------|---------------|
| Tangible fixed assets  |      | 4,618          | 5,038          | 4,502         |
| Intangible fixed assets  |      | 4,395          | 4,879          | 4,381         |
| Participation in associated companies                          |      | 73             | 69             | 72            |
| Other non-current assets                                       | 8    | 1,231          | 558            | 1,217         |
| Inventories  |      | 1,607          | 1,560          | 1,620         |
| Other current assets   |      | 1,394          | 1,654          | 1,206         |
| Cash & cash equivalents, incl. short-term investments          |      | 272            | 592            | 565           |
| Assets held for sale   |      | -              | -              | 1,320         |
| <b>Total assets</b>  |      | <b>13,590</b>  | <b>14,350</b>  | <b>14,883</b> |
| Total equity   | 6    | 1,457          | -2,506         | -2,250        |
| Loan from parent company                                       |      | -              | 24             | -             |
| Pension liability, others                                      |      | 405            | 422            | 403           |
| Other non-current liabilities                                  |      | 9,799          | 13,749         | 14,346        |
| Current liabilities  |      | 1,929          | 2,661          | 2,197         |
| Liabilities held for sale                                      |      | -              | -              | 187           |
| <b>Total equity &amp; liabilities</b>                          |      | <b>13,590</b>  | <b>14,350</b>  | <b>14,883</b> |
| Working capital  | 4    | 1,138          | 961            | 789           |
| Net debt   | 9    | 9,227          | 12,892         | 13,505        |
| Net debt excluding parent company loan and pension liabilities |      | 8,822          | 12,446         | 13,103        |
| Capital employed   |      | 10,923         | 10,832         | 11,718        |
| Number of full-time employees, end of period                   |      | 1,383          | 1,580          | 1,501         |
| Contingent liabilities   |      | 221            | 238            | 239           |
| Assets pledged   |      | 7,658          | 8,067          | 3,965         |

## Consolidated statement of changes in equity

### Total equity, 2019

| SEK m   | Note | Equity attributable to owners of the parent | Non-controlling interest | Total equity  |
|---|------|---|--------------------------|---------------|
| <b>Opening balance, January 1, 2019</b>                 |      | <b>-2,378</b>                               | <b>128</b>               | <b>-2,250</b> |
| Change in accounting principles                         | 5    | -7  | -                        | -7            |
| <b>Adjusted opening balance, January 1, 2019</b>        |      | <b>-2,385</b>                               | <b>128</b>               | <b>-2,257</b> |
| Total comprehensive income                              |      | 3,700                                       | 15                       | 3,715         |
| Transactions with owners, recognized directly in equity |      | -   | -1                       | -1            |
| <b>Closing balance, March 31, 2019</b>                  |      | <b>1,315</b>                                | <b>142</b>               | <b>1,457</b>  |

### Total equity, 2018

| SEK m                                   | Equity attributable to owners of the parent | Non-controlling interest | Total equity  |
|---|---|--------------------------|---------------|
| <b>Opening balance, January 1, 2018</b> | <b>-2,527</b>                               | <b>144</b>               | <b>-2,383</b> |
| Total comprehensive income              | -138  | 15                       | -123          |
| <b>Closing balance, March 31, 2018</b>  | <b>-2,665</b>                               | <b>159</b>               | <b>-2,506</b> |

## Consolidated cash flow statement

| SEK m   | Quarter 1     |            | Latest<br>12 months | Full year<br>2018 |
|---|---------------|------------|---------------------|-------------------|
|   | 2019          | 2018       |                     |                   |
| Operating activities  |               |            |                     |                   |
| Operating earnings  | 286           | 394        | 1,077               | 1,185             |
| Adjustments   |               |            |                     |                   |
| Depreciation and write-down   | 127           | 113        | 525                 | 511               |
| Other   | -83           | 10         | -148                | -55               |
| Operating activities in discontinued operations                               | 78            | 97         | 490                 | 509               |
| Interest received and other financial items                                   | 1             | 2          | 6                   | 7                 |
| Interest paid and other financial items                                       | -893          | -71        | -1,913              | -1,091            |
| Income tax paid   | -25           | -38        | -77                 | -90               |
| Interest and taxes paid in discontinued operation                             | -6            | -32        | -126                | -152              |
| <b>Cash flow from operating activities before change in operating capital</b> | <b>-515</b>   | <b>475</b> | <b>-166</b>         | <b>824</b>        |
| Changes in working capital  |               |            |                     |                   |
| Increase (-) Decrease (+) in net working capital <sup>1)</sup>                | -364          | -246       | -429                | -311              |
| Discontinued operations   | -38           | -127       | 186                 | 97                |
| <b>Cash flow from operating activities</b>                                    | <b>-917</b>   | <b>102</b> | <b>-409</b>         | <b>610</b>        |
| <i>Investing activities</i>   |               |            |                     |                   |
| Acquisition of net assets, subsidiaries                                       | -             | -          | -28                 | -28               |
| Investments in other participations   | -2            | -          | -5                  | -3                |
| Acquisition of tangible and intangible fixed assets                           | -102          | -74        | -540                | -512              |
| Sale of net assets, subsidiaries  | 6,057         | -          | 6,085               | 28                |
| Sale of tangible and intangible fixed assets                                  | -             | -          | 1                   | 1                 |
| Discontinued operations   | -7            | -20        | -107                | -120              |
| <b>Cash flow from investing activities</b>                                    | <b>5,946</b>  | <b>-94</b> | <b>5,406</b>        | <b>-634</b>       |
| <i>Financing activities</i>   |               |            |                     |                   |
| Dividend paid to non-controlling interests in subsidiaries                    | -29           | -          | -64                 | -35               |
| New loans   | 8,827         | -          | 8,827               | -                 |
| Amortization of loans   | -13,959       | -          | -13,959             | -                 |
| Change in credit utilization <sup>3)</sup>                                    | -172          | -50        | -129                | -7                |
| <b>Cash flow from financing activities</b>                                    | <b>-5,333</b> | <b>-50</b> | <b>-5,325</b>       | <b>-42</b>        |
| <b>Change in liquid funds, incl. short-term investments</b>                   | <b>-304</b>   | <b>-42</b> | <b>-328</b>         | <b>-66</b>        |
| Liquid fund opening balance, incl. short-term investments                     | 565           | 621        | 592                 | 621               |
| Translation difference in liquid funds  | 11            | 13         | 8                   | 10                |
| <b>Liquid funds, end of period<sup>2)</sup></b>                               | <b>272</b>    | <b>592</b> | <b>272</b>          | <b>565</b>        |

<sup>1)</sup> Including trade receivable financing program

<sup>2)</sup> Restricted and held on escrow

<sup>3)</sup> Including payment of bank fees related to refinancing

## Parent company

Perstorp Holding AB (publ.) is fully owned by Financière Forêt S.à.r.l and the parent company of the Perstorp Holding Group. Perstorp Holding AB (publ.) had no external sales. Shareholder's equity at March 31, 2019 amounted to 3,712 m (327) compared to SEK 4,919 m at December 31, 2018.

### Income statement

| SEK m                                       | Note | Quarter 1     |             | Latest       | Full year    |
|---|------|---------------|-------------|--------------|--------------|
|   |      | 2019          | 2018        | 12 months    | 2018         |
| <b>Net Sales</b>                            |      | <b>8</b>      | <b>10</b>   | <b>69</b>    | <b>71</b>    |
| <b>Gross earnings</b>                       |      | <b>8</b>      | <b>10</b>   | <b>69</b>    | <b>71</b>    |
| Sales, marketing and admin costs            |      | -37           | -37         | -172         | -172         |
| Other operating income and expenses         |      | -4            | -1          | -31          | -28          |
| <b>Operating earnings (EBIT)</b>            |      | <b>-33</b>    | <b>-28</b>  | <b>-134</b>  | <b>-129</b>  |
| Financial income and expenses <sup>1)</sup> |      | -1,174        | -463        | -849         | -138         |
| Appropriations                              |      | -             | -           | 4,260        | 4,260        |
| <b>Earnings/loss before tax</b>             |      | <b>-1,207</b> | <b>-491</b> | <b>3,277</b> | <b>3,993</b> |
| Tax   | 8    | -             | -           | 84           | 84           |
| <b>Net earnings/loss <sup>2)</sup></b>      |      | <b>-1,207</b> | <b>-491</b> | <b>3,361</b> | <b>4,077</b> |
|   |      | -             | -           | 1,100        | 1,100        |

<sup>1)</sup> Including dividends from subsidiaries

<sup>2)</sup> Comprehensive income equals net earnings/loss for the year

### Balance sheet

| SEK m                                  | Note | March 31, 2019 | March 31, 2018 | Dec 31, 2018  |
|--|------|----------------|----------------|---------------|
| Tangible fixed assets                  |      | 1              | 2              | 1             |
| Intangible fixed assets                |      | 1              | 2              | 1             |
| Shares in group companies              |      | 7,731          | 7,731          | 7,731         |
| Long term receivables group            |      | 5,493          | 6,937          | 9,878         |
| Other non-current assets               | 8    | 409            | 366            | 394           |
| Short term financial receivables group |      | 4,847          | 758            | 1,649         |
| Other current assets                   |      | 24             | 33             | 24            |
| Cash & cash equivalents                |      | 0              | 0              | 23            |
| <b>Total assets</b>                    |      | <b>18,506</b>  | <b>15,829</b>  | <b>19,701</b> |
| Total equity                           |      | 3,712          | 327            | 4,919         |
| Loan from parent company               |      | -              | 24             | -             |
| Other non-current liabilities          |      | 8,982          | 12,729         | 13,364        |
| Current liabilities                    |      | 5,812          | 2,749          | 1,418         |
| <b>Total equity &amp; liabilities</b>  |      | <b>18,506</b>  | <b>15,829</b>  | <b>19,701</b> |



## Key figures and FX rates

### Key figures

| SEK m unless otherwise stated                                   | 2019  | 2018   |        |        |        |
|---|-------|--------|--------|--------|--------|
|   | Q1    | Q4     | Q3     | Q2     | Q1     |
| <i>Continuing operations</i>                                    |       |        |        |        |        |
| Net Sales   | 3,218 | 2,938  | 3,037  | 3,382  | 3,079  |
| Organic volume-based sales growth, %                            | 0.0   | -6.7   | -7.5   | 4.7    | -0.3   |
| Marginal contribution   | 943   | 811    | 828    | 987    | 929    |
| EBITDA excluding non-recurring items                            | 475   | 376    | 417    | 510    | 511    |
| % of net sales  | 14.8  | 12.8   | 13.7   | 15.1   | 16.6   |
| Cash conversion,<br>% of EBITDA excluding non-recurring items   | 2     | 118    | 42     | 30     | 37     |
| <i>Consolidated Group</i>                                       |       |        |        |        |        |
| Net earnings/loss   | 3,685 | 281    | 77     | 57     | -191   |
| Earnings, per share, diluted, SEK                               | 73.71 | 5.63   | 1.53   | 1.14   | -3.81  |
| Net debt excluding pension liabilities and<br>shareholder loans | 8,822 | 13,103 | 13,018 | 13,229 | 12,446 |
| Leverage <sup>1)</sup>  | 5.0x  | 5.6x   | 5.7x   | 5.8x   | 5.7x   |

<sup>1)</sup> Net debt excluding pension liabilities and shareholder loans/EBITDA excluding non-recurring items.

### Currency rates

| Closing rate |       |       |       |       |       |
|--------------|-------|-------|-------|-------|-------|
| USD          | 9,28  | 8,97  | 8,86  | 8,96  | 8,36  |
| EUR          | 10,42 | 10,28 | 10,29 | 10,42 | 10,29 |
| GBP          | 12,08 | 11,35 | 11,57 | 11,75 | 11,76 |
| Average rate |       |       |       |       |       |
| USD          | 9,17  | 9,04  | 8,95  | 8,67  | 8,11  |
| EUR          | 10,42 | 10,32 | 10,41 | 10,33 | 9,96  |
| GBP          | 11,94 | 11,65 | 11,66 | 11,79 | 11,28 |

## Notes

### 1. Accounting & valuation principles

The consolidated financial statements for Perstorp Holding AB have been prepared in accordance with IAS 34, Interim Financial Reporting, and the applicable regulations of the Swedish Annual Accounts Act. The Interim Report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act's chapter 9, Interim Reporting. The same accounting principles and calculation methods used in the interim reports were used in the annual accounts for 2018. The accounting principles of the Group and parent company are stated in Note 2 of the 2018 Annual Report.

### Segment information

During the first quarter Perstorp announced a new organization with three new Business Areas (BAs) to manage our different customer categories and maintain strong customer intimacy:

- BA Specialty Polyols & Solutions: BU Penta, BU TMP & NEO and BU Formates
- BA Advanced Chemicals: BU Oxo and BU Plasticizers
- BA Animal Nutrition: Feed Additives and Acids and Salts

The historical numbers has been restated according to the new organization.

As a consequence 56 employees were made redundant globally and a restructuring provision amounting to approximately SEK 40 million is reported as a non-recurring item in the income statement for continuing operations.

### IFRS 16 - Leasing

IFRS 16 Leases comes into effect on 1 January 2019. This Standard regulates the recognition of leases and will replace IAS 17 "Leases" and the associated IFRIC 4, SIC-15 and SIC-27 interpretation statements. The Standard requires that assets and liabilities related to all lease arrangements are recognized in the Balance Sheet with certain exceptions. Recognition is based on the view that the lessee is entitled to use an asset for a specific period of time, and has a simultaneous obligation to pay for that right.

Work on analyzing and evaluating the effects of adoption of the new Standard on the Group's financial reporting has been performed and the Group has identified over 200 arrangements at the year-end 2018. Contracts governing rights of use with a shorter term than 12 months or with acquisition costs of less than USD 5,000 are not included. A marginal lending rate has been set by region.

Perstorp Group separate the non-lease components from the lease components related to rental of premises, leased cars and IT equipment. For rental of storage tanks these payments include non-lease components as they are not possible to separate from lease payments. The incremental borrowing rates used for discounting lease payments are based on the same principals as borrowings within the Group, cost of funds for long-term or short-term borrowing, plus an additional credit spread to reflect the slightly weaker creditworthiness of the borrower compared to the consolidated Perstorp Group.

Perstorp Group applies IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the 1st of January 2019, the so called modified retrospective approach. This means that no comparative figures will be recalculated and the full effect of the Standard are restated in the opening balances for 2019.

For essentially all of its leases, Perstorp Group has decided to measure the opening balance of the right-of-use assets as if IFRS16 has been applied since the commencement date, but discounted using the incremental borrowing rate at the 1st January 2019. For portfolios including leases with reasonably similar characteristics, the same discount rate has been used for all leases included in a portfolio. A right-of-use asset and a lease liability need not be measured for leases for which

the lease term ends within 12 months of the date of initial application. Therefore, no assets or liabilities have been measured for leases with an end date during 2019. Initial direct costs have been excluded from the measurement of the right-of-use assets at the date of initial application.

Hindsight has been used, such as in determining the lease term if the contract contains options to extend or terminate the lease. This practical expedient means that Perstorp Group been able to solely use information that existed at around the implementation when it comes to determining the lease term. For further information see note 5.

## 2. Definitions non IFRS measures

"Marginal contribution" is calculated as the difference between net sales and the variable elements of the Group's cost of goods sold, being variable production and distribution cost, freight and commission costs.

"EBITDA" represents the Group's operating earnings (or loss) (EBIT) before depreciation and amortization.

"EBITDA margin (adjusted for non-recurring items)" is calculated as EBITDA (adjusted for non-recurring items) divided by net sales.

"EBIT" is calculated as the Group's reported operating earnings (loss).

"Free cash flow" is calculated as EBITDA (excluding non-recurring items) less change in working capital excluding exchange rate effects and provisions and investments.

"Cash conversion" is calculated as free cash flow divided by EBITDA (adjusted for non-recurring items). "Organic volume-based sales growth" is defined as change in organic production volume sold (i.e., sold production volume times product price) between successive periods assuming a constant price over the relevant period and excluding foreign exchange effects and the impact of acquisitions.

"Continuing operations" excludes the divested units Perstorp UK Ltd, Perstorp Bioproducts AB and Perstorp Bioproducts AS.

### 3 Segment information <sup>1)</sup>

| SEK m                                       | Quarter 1    |              | Latest        | Full year     |
|---|--------------|--------------|---------------|---------------|
|   | 2019         | 2018         | 12 months     | 2018          |
| <b>Net Sales</b>                            |              |              |               |               |
| Specialty Polyols & Solutions               | 1,854        | 1,761        | 7,101         | 7,008         |
| Advanced Chemicals                          | 1,021        | 1,008        | 4,085         | 4,072         |
| Animal Nutrition                            | 305          | 281          | 1,260         | 1,236         |
| Internal sales                              |              |              |               |               |
| Specialty Polyols & Solutions               | -2           | -24          | -66           | -88           |
| Advanced Chemicals                          | -139         | -169         | -588          | -618          |
| Animal Nutrition                            | -4           | -2           | -21           | -19           |
| Other/eliminations                          | 183          | 224          | 804           | 845           |
| <b>Continuing operations</b>                | <b>3,218</b> | <b>3,079</b> | <b>12,575</b> | <b>12,436</b> |
| Discontinued operations                     | 113          | 601          | 1,958         | 2,446         |
| <b>TOTAL GROUP</b>                          | <b>3,331</b> | <b>3,680</b> | <b>14,533</b> | <b>14,882</b> |
| <b>EBITDA</b>                               |              |              |               |               |
| Specialty Polyols & Solutions               | 311          | 320          | 1 142         | 1 151         |
| Advanced Chemicals                          | 146          | 141          | 486           | 481           |
| Animal Nutrition                            | 45           | 53           | 232           | 240           |
| Other/eliminations                          | -89          | -7           | -258          | -176          |
| <b>Continuing operations</b>                | <b>413</b>   | <b>507</b>   | <b>1,602</b>  | <b>1,696</b>  |
| Discontinued operations                     | 4,780        | 97           | 5,178         | 495           |
| <b>TOTAL GROUP</b>                          | <b>5,193</b> | <b>604</b>   | <b>6,780</b>  | <b>2,191</b>  |
| <i>Non allocated items</i>                  |              |              |               |               |
| Depreciation, Amortization and write down   | -136         | -140         | -617          | -621          |
| <b>Operating earnings (EBIT)</b>            | <b>5,057</b> | <b>464</b>   | <b>6,163</b>  | <b>1,570</b>  |
| Financial income and expenses               | -1,362       | -612         | -2,800        | -2,050        |
| <b>Earnings/loss before tax</b>             | <b>3,695</b> | <b>-148</b>  | <b>3,363</b>  | <b>-480</b>   |
| Tax   | -10          | -43          | 737           | 704           |
| <b>Net result</b>                           | <b>3,685</b> | <b>-191</b>  | <b>4,100</b>  | <b>224</b>    |
| <b>EBITDA excluding non-recurring items</b> |              |              |               |               |
| Specialty Polyols & Solutions               | 311          | 321          | 1,155         | 1,165         |
| Advanced Chemicals                          | 151          | 141          | 494           | 484           |
| Animal Nutrition                            | 45           | 53           | 233           | 241           |
| Other/eliminations                          | -32          | -4           | -104          | -76           |
| <b>Continuing operations</b>                | <b>475</b>   | <b>511</b>   | <b>1,778</b>  | <b>1,814</b>  |
| Discontinued operations                     | 80           | 96           | 494           | 510           |
| <b>TOTAL GROUP</b>                          | <b>555</b>   | <b>607</b>   | <b>2,272</b>  | <b>2,324</b>  |

<sup>1)</sup> The Group is domiciled in Sweden. The result of its net sales from external customers in Sweden is 6% (4), and the total of net sales from external customers from other countries is 94% (96). No sales above 10% derived from a single external customer.

### 4. Working Capital

| SEK m  | March 31, 2019 | March 31, 2018 | Dec 31, 2018 |
|--|----------------|----------------|--------------|
| Inventories  | 1,607          | 1,366          | 1,661        |
| Accounts receivable                                  | 1,005          | 1,064          | 863          |
| Other current assets                                 | 335            | 361            | 344          |
| Accounts payable                                     | -663           | -833           | -967         |
| Other current liabilities                            | -1,146         | -1,204         | -1,129       |
| <b>Total working capital – continuing operations</b> | <b>1,138</b>   | <b>753</b>     | <b>772</b>   |
| Discontinued operations                              | -              | 208            | 17           |
| <b>Total Group</b>                                   | <b>1,138</b>   | <b>961</b>     | <b>789</b>   |

## 5. Leasing

| SEK m                            | January 1, 2019 |
|----------------------------------|-----------------|
| <b>Impact on opening balance</b> |                 |
| Right of use assets              | 100             |
| Lease liabilities                | 109             |
| Deferred tax assets              | 2               |
| <b>Equity</b>                    | <b>-7</b>       |

| SEK m   | Q1, 2019 |
|---|----------|
| <b>Impact on income statement, IFRS16 <sup>1)</sup></b> |          |
| Depreciation on right of use assets                     | -9       |
| Interest on lease liability                             | -2       |

<sup>1)</sup> The effect on EBITDA of the transition is approximately SEK 11 m.

## 6. Equity

At the end of March 2019 equity for the parent company, Perstorp Holding AB, amounts to SEK 3,712 m (327). Consolidated equity, including non-controlling interest, for the Perstorp Group amounts to SEK 1,457 m (-2,506).

## 7. Transactions with related parties

The net amount borrowed from the Luxembourg-based parent company Financière Forêt S.à.r.l. amounted to SEK - (24) m.

## 8. Effects of changed tax rules in Sweden

The proposal for new tax rules in Sweden was adopted on the 14<sup>th</sup> of June 2018. The new rules will enter into force from the 1<sup>st</sup> of January 2019. The areas that affects the accounting and reporting in this report are the change in the corporate tax rate and the general interest rate deduction rules. A change in the tax rate affects the valuation of deferred tax assets and deferred tax liabilities, while the interest-rate limitation rules can have an effect on the companies' ability to report deferred tax assets related to tax losses carry forward.

## 9. Divestment

On December 10<sup>th</sup>, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13<sup>th</sup> 2019, the net proceeds from the transaction was approximately EUR 579 m. The capital gain amounts to approximately SEK 4,6 billion. At year end 2018 the assets and liabilities are classified as assets and liabilities held for sale in the balance sheet. In the income statement this is classified as discontinued operations.

In November 2018, Perstorp announced and completed the divestment of its BioProduct business in order to streamline the portfolio. The BioProduct business was concentrated to Sweden and Norway. In the income statement this is classified as discontinued operations.

## 10. Financing

During the first quarter 2019, Perstorp issued redemption notices for all outstanding bonds and notes issued by Prague CE S.A.R.L.. The redemption was financed by the proceeds of the Caprolactone sale as well as new credit facilities, with lower interests, committed by Bank of America Merrill Lynch, Goldman Sachs Bank USA, DNB, SEB, Standard Chartered Bank and Nordea.

## 11. Risk and uncertainty

Perstorp is exposed to a number of risks and uncertainty factors, which are reviewed in the Annual Report for 2018.

## 12. Other information

No major events have occurred since the balance sheet date and up to the publication of this report. Perstorp's financial information comprises of Interim-, Annual- and a Sustainability report.

The complete Annual Report for the full year 2018, is available in English and can be ordered in print format and can also be downloaded from the Group's website at [www.perstorp.com](http://www.perstorp.com).

Perstorp, May 27, 2019



Jan Secher, President and CEO

*The report has not been reviewed by Perstorp's auditors.*

# One molecule can change everything

Perstorp believes in improving everyday life – making it safer, more convenient and more environmentally sound for billions of people all over the world. As a world leading specialty chemicals company, our innovations provide essential properties for products used every day and everywhere. You'll find us everywhere from your car and smart phone to towering skyscrapers and the local dairy farm. Simply put, we work to make good products even better, with a clear sustainability agenda.

Founded in Sweden in 1881, Perstorp's focused innovation builds on more than 135 years of experience, representing a complete chain of solutions in organic chemistry, process technology and application development. Perstorp has approximately 1,350 employees and manufacturing units in Asia, Europe and North America. Sales in 2018 amounted to 12.4 billion for continuing operations.

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