



# Perstorp Holding AB (Publ.)

Year end report 1 January - 31 December 2018

## TABLE OF CONTENTS

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### Page

Perstorp continuing operations <sup>1)</sup> and total Group	3-9
Key figures in summary	3
President's comments	4
Financial overview	5-8
Specialties & Solutions	9
Advanced Chemicals & Derivatives	10
<b>Perstorp consolidated Group</b>	<b>11-21</b>
Consolidated income statement	11-12
Consolidated balance sheet	13
Consolidated statement of changes in equity	14
Consolidated cash flow statement	15
Parent company income statement and balance sheet	16
Key figures and FX-rates	17
Notes	18-20
About Perstorp	21

<sup>1)</sup> Perstorp continuing operations excludes the divested unit Perstorp Bioproducts AB, with its subsidiary and Perstorp UK Ltd. In 2017 Perstorp continuing operation also excludes Perstorp Oxo Belgium AB.



# Year end report 1 January - 31 December 2018

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 1,400 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, total Group

October-December 2018

- All the comments in the Year end report, January-December 2018, refers to the total Group, unless otherwise stated.
- Net sales, decreased 2% to SEK 3,524 m (3,602).
- Sales prices in the fourth quarter were higher than the corresponding quarter last year linked to higher raw material prices, improved pricing and positive currency effects.
- Excluding BioProducts, organic volume-based sales growth was -8 % year-on-year. Adjusted for the scheduled maintenance turnaround in Stenungsund the organic volume-based sales growth was -2%.
- EBITDA excluding non-recurring items, amounted to SEK 528 m in the fourth quarter compared to SEK 485 m in the corresponding period last year. The increase was attributable to positive currency effects and lower fixed costs, partly offset by negative impact from the scheduled maintenance turnaround in Stenungsund and higher raw material prices.
- EBITDA-margin excluding non-recurring items for continuing operations was 15.0% (13.5).
- In November 30<sup>th</sup>, 2018 Perstorp divested the Bioproducts business. 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 two divested businesses are reported as discontinued operations.

## Key figures in summary, total Group

SEK m unless otherwise stated	Quarter 4		Full year	
	2018	2017	2018	2017
Net sales	3,524	3,602	14,882	13,592
EBITDA	448	463	2,191	2,701
% of net sales	12.7	12.9	14.7	19.9
EBITDA excluding non-recurring items <sup>1)</sup>	528	485	2,324	2,133
% of net sales	15.0	13.5	15.6	15.7
Operating earnings (EBIT)	317	315	1,570	1,973
% of net sales	9.0	8.7	10.5	14.5
Net earnings/loss	281	-360	224	510
Free cash flow	733	722	1,450	1,275

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



# President's Comments

"As a company, we must remain mindful of external market dynamics, and be agile enough to respond swiftly to fast changes in the economic climate."

The fourth quarter of 2018, has been a busy one. During the quarter we have signed and closed the divestment of the Bioproduct business. We also agreed to sell our Capa™ business. The re-positioning of our portfolio will allow us to significantly strengthen our balance sheet and enables us to focus driving growth in our three platforms; Polyols, Oxo and Animal Nutrition. During the fourth quarter, the scheduled maintenance turnaround at our Oxo site in Stenungsund was completed.

## Record high LTM EBITDA 2018

EBITDA excluding non-recurring items amounted to SEK 528 (485) m for the fourth quarter. Adjusted for the turnaround in Stenungsund, EBITDA excluding non-recurring items amounted to SEK 558 m, an increase by 15%. The fourth quarter marked a record high LTM EBITDA of SEK 2,324 m and adjusted for the turnaround SEK 2,402 m. The EBITDA margin amounted to 15.6% (15.7%).

Organic volume based sales growth for the period, excluding Bioproducts, was -8% compared to the fourth quarter in 2017. Adjusted for the turnaround in Stenungsund, the organic volume-based sales growth was -2%. This is a reflection of a softer demand in several of our markets.

## Positive pricing offset by weakening volumes

In Specialties & Solutions EBITDA amounted to SEK 226 (188) m where lower volumes were more than offset by improved unit margins and positive currency effects. In the Animal Nutrition area, we continue to ramp up our regional sales teams, in order to add experience and expertise from the agricultural sector.

In Advanced Chemicals & Derivatives, the turnaround at the Stenungsund site impacted the financial result negatively. In addition, unit margins were reduced somewhat due to higher raw material prices, somewhat offset by positive currency effects. Overall this resulted in an EBITDA of SEK 307 (324) m.

## Sustainable improvement trend for safety

Our relentless determination to become world class in safety and health within Perstorp has started to pay off. We can now see a profound and sustainable change in terms of our safety. In the second half of 2018, we have been performing better than our target every month and five out of the last twelve months had zero injuries. We are convinced that every injury at work is preventable, and our focus is continuously on prevention. A global integrated roadmap has been developed in order to take Perstorp to the next level as a safe and healthy workplace.

## Level Up of performance

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, which will now enable a new organization targeting efficiency through simplicity by increasing focus on cross-functional excellence along the internal value chains. The new operational model and a new organization has been launched with the main objective to better address customer demands for supply reliability and focused innovation. As a result of Level Up, approximately 56 employees have been made redundant in Sweden and internationally.

As a company, we must remain mindful of external market dynamics, and be agile enough to respond swiftly to fast changes in the economic climate. When Level Up is fully rolled out, the result will be an enhanced, improved, caring and empowered Perstorp that benefits from its previous experiences and performance. The new operating model with its new organizational structure will promote efficiency and simplicity whilst enabling volume and margin growth in the niches where we are leaders.

On December 25, we experienced some production disturbances in Stenungsund due to a major power outage, affecting the whole municipality. As a result, the first quarter 2019 will be negatively impacted. The negative financial impact from the outage is estimated to be around SEK 20 m.

We expect demand in the first quarter 2019 to be softer than the same period last year, however the deterioration is not increasing rapidly.

Malmö, February 2019

Jan Secher  
President and CEO

# Financial overview October - December 2018

## Net sales and earnings, total Group

Net sales amounted to SEK 3,524 m during the period October to December, a decrease of SEK 78 m or 2%. Excluding BioProducts, volumes decreased 12% compared to last year following negative impact from the scheduled maintenance turnaround in Stenungsund, somewhat weaker market demand, increased competition in China and lack of availability for some product lines. Excluding BioProducts, organic volume based sales growth was -8% in the fourth quarter 2018. Adjusted for the scheduled maintenance turnaround in Stenungsund, the organic volume-based sales growth was -2%.

Sales prices were 6 % higher than last year mainly linked to higher raw material prices.

Average Dated Brent oil price increased 9 % in the fourth quarter 2018 compared to the corresponding quarter last year but was 11% lower than in third quarter 2018. Average prices on downstream derivatives like propylene, ethylene and methanol also increased compared to same quarter last year.

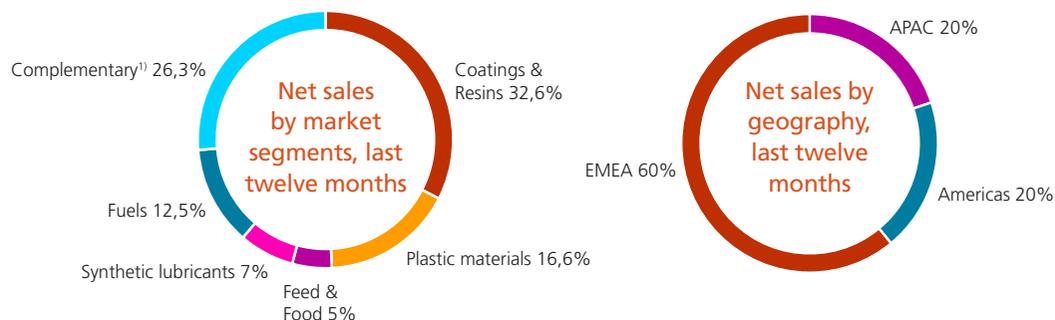
The Swedish krona weakened against the USD but strengthened against the EUR compared to third quarter 2018. Compared to the corresponding quarter 2017, average FX-rates for the period were higher than 2017, which resulted in positive FX-effects on sales of 6%.

EBITDA excluding non-recurring items amounted to SEK 528 m (485) corresponding to an EBITDA margin of 15.0% (13.5%). Improved unit margins for some products lines, lower fixed cost and positive currency effects was negatively impacted by the scheduled maintenance turnaround in Stenungsund, higher raw material prices and lower volumes for some product lines.

Depreciation and amortization amounted to SEK 131 m (148) during the fourth quarter, 2018. EBIT amounted to SEK 317 m (315) for the period. Net financial expenses, including exchange rate effects on net debt of SEK -38 m (-179), amounted to SEK 497 m compared to SEK 739 m for the corresponding period in 2017. The deviation is mainly related to a weaker SEK, primarily against the USD and EUR, in the fourth quarter 2017 in combination with cost incurred in connection with the refinancing of floating rate notes at the end of 2017. Tax amounted to SEK 461 m (64), where change in deferred tax due to the new tax rules in Sweden has positively impacted the result with SEK 450 m. The net result amounted to SEK 281 m (-360).

Income statement			
SEK m	Note	Quarter 4	
		2018	2017
<i>Continuing operations</i>			
<b>Net sales</b>		<b>2,938</b>	<b>2,897</b>
Cost of goods sold		-2,463	-2,433
<b>Gross earnings</b>		<b>475</b>	<b>464</b>
<b>Operating earnings (EBIT)</b>	<b>9</b>	<b>207</b>	<b>224</b>
Exchange rate effects on net debt		-17	-180
Other financial income and expenses		-421	-524
Group contribution <sup>1)</sup>		0	-223
<b>Earnings/loss before tax</b>		<b>-231</b>	<b>-703</b>
Tax	7	459	52
<b>Net earnings/loss</b>		<b>228</b>	<b>-651</b>
<i>Discontinued operation</i>			
<b>Net sales</b>		<b>586</b>	<b>705</b>
<b>Operating earnings (EBIT)</b>	<b>9</b>	<b>110</b>	<b>92</b>
<b>Earnings/loss before tax</b>		<b>52</b>	<b>279</b>
Tax	7	1	12
<b>Net earnings/loss</b>		<b>53</b>	<b>291</b>
<i>Group, total</i>			
<b>Net sales</b>		<b>3,524</b>	<b>3,602</b>
<b>Operating earnings (EBIT)</b>	<b>9</b>	<b>317</b>	<b>315</b>
<b>Earnings/loss before tax</b>		<b>-180</b>	<b>-424</b>
Tax	7	461	64
<b>Net earnings/loss</b>		<b>281</b>	<b>-360</b>
<i>Consolidated Group</i>			
<b>EBITDA</b>		<b>448</b>	<b>463</b>
<b>EBITDA excluding non-recurring items</b>		<b>528</b>	<b>485</b>

<sup>1)</sup> Group contribution transferred to divested unit, Perstorp Bioproducts AB



<sup>1)</sup> Subsegments Bleaching, runway de-icer, oil drilling & completion fluids, pharmaceuticals & API, surfactants & detergents, tanning and other

# Financial overview October - December 2018

## Free cash flow, total Group

EBITDA, excluding non-recurring items, for total group, amounted to SEK 528 m (485) in the fourth quarter. The higher earnings and favorable development of working capital was to some extent counterbalanced by higher investments. Cash flow from investment activities amounted to SEK -240 m (-146). Utilization of the factoring program as of December 31, 2018 amounted to EUR 114 m (114).

Free cash flow analysis <sup>1)</sup>				
SEK m	Total Group Quarter 4		Continuing operations Quarter 4	
	2018	2017	2018	2017
EBITDA excluding non-recurring items	528	485	376	366
Change in Working Capital <sup>2)</sup>	445	383	276	375
Maintenance capex	-152	-86	-128	-63
<b>Free Cash Flow before strategic capex</b>	<b>821</b>	<b>782</b>	<b>524</b>	<b>678</b>
% of EBITDA excluding non-recurring items	155	161	139	185
Strategic Capex	-88	-60	-79	-49
<b>Free Cash Flow</b>	<b>733</b>	<b>722</b>	<b>445</b>	<b>629</b>
% of EBITDA excluding non-recurring items	139	149	118	172

<sup>1)</sup> For further details on total cash flow, please see page 15.

<sup>2)</sup> Excluding exchange rate effects and provisions.

## Net debt and leverage, total Group

The Group's available funds, unrestricted cash and unutilized credit facilities, were SEK 1,120 (1,220) m at the end of the December 2018. Net debt, excluding shareholder loan and pension liability increased with SEK 85 m during the fourth quarter 2018, mainly related to a weaker SEK, primarily against the USD. Leverage was 5.6x (5.7x) at the end of 2018 compared to 5.7x at the end of the third quarter 2018.

Available funds and net debt		
SEK m	Dec 31, 2018	Dec 31, 2017
Available funds	1,120	1,220
Net debt	13,505	12,496
Net debt excl Parent company loans and pension liabilities	13,103	12,056
Leverage <sup>1)</sup>	5.6x	5.7x

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



# Financial overview January - December 2018

Income statement			
SEK m	Note	Full year	
		2018	2017
<i>Continuing operations</i>			
<b>Net sales</b>		<b>12,436</b>	<b>11,128</b>
Cost of goods sold		-10,404	-9,038
<b>Gross earnings</b>		<b>2,032</b>	<b>2,090</b>
<b>Operating earnings (EBIT)</b>	<b>9</b>	<b>1,185</b>	<b>1,253</b>
Exchange rate effects on net debt		-462	190
Other financial income and expenses		-1,408	-1,535
Group contribution <sup>1)</sup>		-	-223
<b>Earnings/loss before tax</b>		<b>-685</b>	<b>-315</b>
Tax	7	730	3
<b>Net earnings/loss</b>		<b>45</b>	<b>-312</b>
<i>Discontinued operation</i>			
<b>Net sales</b>		<b>2,446</b>	<b>2,464</b>
<b>Operating earnings (EBIT)</b>	<b>9</b>	<b>385</b>	<b>720</b>
<b>Earnings/loss before tax</b>		<b>205</b>	<b>835</b>
Tax	7	-26	-13
<b>Net earnings/loss</b>		<b>179</b>	<b>822</b>
<i>Group, total</i>			
<b>Net sales</b>		<b>14,882</b>	<b>13,592</b>
<b>Operating earnings (EBIT)</b>	<b>9</b>	<b>1,570</b>	<b>1,973</b>
<b>Earnings/loss before tax</b>		<b>-480</b>	<b>520</b>
Tax	7	704	-10
<b>Net earnings/loss</b>		<b>224</b>	<b>510</b>
<i>Consolidated Group</i>			
<b>EBITDA</b>		<b>2,191</b>	<b>2,701</b>
<b>EBITDA excl non-recurring items</b>		<b>2,324</b>	<b>2,133</b>

<sup>1)</sup> Group contribution transferred to divested unit, Perstorp Bioproducts AB

## Net sales and earnings, total Group

Net sales amounted to SEK 14,882 m during the period January to December 2018, an increase of SEK 1,290 m or 9% compared to the same period last year. Volumes decreased 4% compared to the same period last year and was negatively affected by the scheduled maintenance turnaround in Stenungsund and somewhat weaker demand at the end of the year. Excluding BioProducts, organic volume based sales growth was -2%. Adjusted for the scheduled maintenance turnaround in Stenungsund the organic volume-based sales growth was about 1%. Sales prices were approximately 8% higher than last year following both higher raw material prices and improved pricing. Average FX-rates for the period were higher than 2017, which resulted in positive FX-effects on sales, of approximately 5%.

EBITDA excluding non-recurring items, amounted to SEK 2,324 m (2,133), corresponding to an EBITDA margin of 15.6% (15,7%). The increase in earnings vs last year of SEK 191 m was attributable to positive currency effects and strengthened unit margins for some product lines partly offset by higher raw material prices and negative impact from the scheduled maintenance turnaround in Stenungsund.

Depreciation and amortization amounted to SEK 621 m, including an impairment of approximately SEK 57 m related to fixed assets in Perstorp Polialcoli S.r.l., Italy. Depreciation and amortization for the corresponding period 2017 amounted to SEK 727 m including an impairment of approximately SEK 160 m related to fixed assets in Perstorp Bioproducts AB. EBIT amounted to SEK 1,570 m compared to SEK 1,973 m for the corresponding period 2017 including a capital gain of SEK 604 m for the divestment of Perstorp Oxo Belgium AB. Net financial expenses, including exchange rate effects on net debt of SEK -504 m (226), amounted to SEK 2,050 m compared to SEK 1,454 m for the corresponding period in 2017. The deviation mainly relates to a weakening of the SEK against the USD and EUR during 2018, compared to a strengthening of the SEK primarily against the USD during, 2017. This was to some extent counterbalanced by a lower interest rate following the refinancing of the floating rate notes at the end of 2017. Tax amounted to SEK 704 m (-10), where change in deferred tax due to the new tax rules in Sweden has positively affected the result with SEK 788 m. The net result amounted to SEK 224 m (510).

# Financial overview January - December 2018

## Free cash flow, total Group

EBITDA excluding non-recurring items, for total Group, amounted to SEK 2,324 m (2,133).

The improved earnings was to some extent counterbalanced by less favorable development of working capital and higher investment during 2018 compared to 2017. Cash flow from investment activities was on the same level as the corresponding period 2017 and amounted to SEK 660 m (651). Utilization of the factoring program as of December 31, 2018 amounted to EUR 114 m (114).

Free cash flow analysis <sup>1)</sup>				
SEK m	Total Group Full year		Continuing operations Full year	
	2018	2017	2018	2017
EBITDA excluding non-recurring items	2,324	2,133	1,814	1,734
Change in Working Capital <sup>2)</sup>	-214	-207	-311	-128
Maintenance capex	-457	-306	-361	-228
<b>Free Cash Flow before strategic capex</b>	<b>1,654</b>	<b>1,620</b>	<b>1,142</b>	<b>1,378</b>
% of EBITDA excluding non-recurring items	71	76	63	79
Strategic Capex	-204	-345	-179	-351
<b>Free Cash Flow</b>	<b>1,450</b>	<b>1,275</b>	<b>963</b>	<b>1,027</b>
% of EBITDA excluding non-recurring items	62	60	53	59

<sup>1)</sup> For further details on total cash flow, please see page 15.

<sup>2)</sup> Excluding exchange rate and provisions.



# Business Area Specialties & Solutions

Specialties & Solutions consists of Business units Caprolactone , Feed & Food, Specialty Polyols and De-icers/Oil drilling. On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13<sup>th</sup>, 2019.

## October-December 2018, total Business Area

During the fourth quarter 2018 net sales amounted to SEK 843 m (868) which was 3% lower than the corresponding quarter 2017. The negative development can mainly be assigned to lower volumes, partly offset by higher sales prices and positive currency effects. Organic volume-based sales growth was -15%, due to weakened demand resulting from market expectations on decreased prices linked to raw material prices.

EBITDA amounted to SEK 226 m (188), corresponding to an EBITDA margin of 27% (22), mainly resulting from a combination of improved unit margins, positive currency effects and lower fixed costs.

Specialties & Solutions, 24%



Specialties & Solutions				
SEK m	Quarter 4		Full year	
	2018	2017	2018	2017
<i>Continuing operations</i>				
Net sales	598	605	2,489	2,275
EBITDA	83	62	394	238
EBITDA excluding non-recurring items	86	62	398	238
<i>Discontinued operations<sup>1, 2)</sup></i>				
Net sales total	245	263	1,057	929
EBITDA	140	125	572	487
EBITDA excl non recurring items	140	126	572	488
<i>Total Group</i>				
Net sales total	843	868	3,546	3,204
EBITDA	223	187	966	725
EBITDA excl non recurring items	226	188	970	726

<sup>1)</sup> The divested business, Caprolactone business, are reported as discontinued operations. Historical numbers has been restated

<sup>2)</sup> Including eliminations



# Business Area Advanced Chemicals & Derivatives

Advanced Chemicals & Derivatives consists of the Business Units Penta, Oxo, TMP & Neo and Formates.

Advanced Chemicals & Derivatives, 65%

## October - December 2018, total Business Area

During the fourth quarter 2018 net sales amounted to SEK 2,270 m (2,244) which was 1% higher than the corresponding quarter 2017. The positive development can mainly be assigned to a combination of higher sales prices and positive currency effects, partly offset by lower volumes. Organic volume-based sales growth was -6%, mainly due to the scheduled maintenance turnaround in Stenungsund and softer volumes of some product groups. Adjusted for the turnaround, volumes of affected product lines were in line or better than the corresponding quarter previous year.

.EBITDA amounted to SEK 307 m (324), corresponding to an EBITDA margin of 13% (14). The decrease in EBITDA was negatively impacted by the scheduled maintenance turnaround and less favorable market situation for some products lines.



Advanced Chemicals & Derivatives				
SEK m	Quarter 4		Full year	
	2018	2017	2018	2017
<i>Continuing operations</i>				
Net sales	2,282	2,240	9,681	8,599
EBITDA	298	323	1,410	1,520
EBITDA excluding non-recurring items	307	324	1,424	1,525
<i>Discontinued operations<sup>1, 2)</sup></i>				
Net sales total	-12	4	-42	3
EBITDA	0	0	0	-2
EBITDA excl non recurring items	0	0	0	-2
<i>Total Group</i>				
Net sales total	2,270	2,244	9,639	8,602
EBITDA	298	323	1,410	1,518
EBITDA excl non recurring items	307	324	1,424	1,523

<sup>1)</sup> On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th, 2019. The divested business has been reported as discontinued operations. The amount is minor and as been restated.

<sup>2)</sup> Including eliminations



# Consolidated income statement

Income statement, consolidated Group					
SEK m	Note	Quarter 4		Full year	
		2018	2017	2018	2017
Continuing operations					
<b>Net sales</b>	2	<b>2,938</b>	<b>2,897</b>	<b>12,436</b>	<b>11,128</b>
Cost of goods sold		-2,463	-2,433	-10,404	-9,038
<b>Gross earnings</b>		<b>475</b>	<b>464</b>	<b>2,032</b>	<b>2,090</b>
Selling, administration and R&D costs		-214	-237	-838	-836
Other operating income and expenses <sup>1)</sup>		-53	-2	45	-1
Write-down of assets	9	0	-1	-57	-4
Result from participations in associated companies		-1	0	3	4
<b>Operating earnings (EBIT)</b>		<b>207</b>	<b>224</b>	<b>1,185</b>	<b>1,253</b>
Exchange-rate effects on net debt		-17	-180	-462	190
Other financial income and expenses		-421	-524	-1,408	-1,535
Group contribution <sup>2)</sup>		-	-223	-	-223
<b>Earnings/loss before tax</b>		<b>-231</b>	<b>-703</b>	<b>-685</b>	<b>-315</b>
Tax	7	459	52	730	3
<b>Net earnings/loss</b>		<b>228</b>	<b>-651</b>	<b>45</b>	<b>-312</b>
<i>Discontinued operation</i>					
Net sales	2	586	705	2,446	2,464
Operating earnings (EBIT)		110	92	385	720
Earnings/loss before tax		52	279	205	835
Tax		1	12	-26	-13
<b>Net earnings/loss</b>		<b>53</b>	<b>291</b>	<b>179</b>	<b>822</b>
<b>Group, total</b>					
Net sales		3,524	3,602	14,882	13,592
Operating earnings (EBIT)		317	315	1,570	1,973
Earnings/loss before tax		-180	-424	-480	520
Tax		461	64	704	-10
<b>Net earnings/loss</b>		<b>281</b>	<b>-360</b>	<b>224</b>	<b>510</b>

## Consolidated Group

<b>EBITDA</b>	<b>448</b>	<b>463</b>	<b>2,191</b>	<b>2,701</b>
<b>EBITDA excluding non-recurring items</b>	<b>528</b>	<b>485</b>	<b>2,324</b>	<b>2,133</b>

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

<sup>2)</sup>Group contribution transferred to divested unit, Perstorp Bioproducts AB



# Consolidated income statement

Comprehensive income report				
SEK m	Quarter 4		Full year	
	2018	2017	2018	2017
<b>Net result for the period</b>	<b>281</b>	<b>-360</b>	<b>224</b>	<b>510</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of defined benefit plan	-6	-5	-5	-5
<i>Items that may be subsequently reclassified to profit or loss</i>				
Currency translation effect	-16	26	-49	109
<b>Other comprehensive income net after tax</b>	<b>-22</b>	<b>21</b>	<b>-54</b>	<b>104</b>
<b>Total comprehensive income</b>	<b>259</b>	<b>-339</b>	<b>170</b>	<b>614</b>
<b>Attributable to:</b>				
Parent company's shareholder	251	-359	124	553
Non controlling interest	8	20	46	61



# Consolidated balance sheet

## Balance sheet, consolidated Group

SEK m	Note	Dec 31, 2018	Dec 31, 2017
Tangible fixed assets		4,502	4,981
Intangible fixed assets		4,381	4,835
Participation in associated companies		72	68
Other non-current assets	7	1,217	575
Inventories		1,620	1,434
Other current assets		1,160	1,296
Cash & cash equivalents, incl. short-term investments		565	621
Assets held for sale		1,366	-
<b>Total assets</b>		<b>14,883</b>	<b>13,810</b>
Total equity	4	-2,250	-2,383
Loan from parent company		-	22
Pension liability, others		403	418
Other non-current liabilities		14,346	13,355
Current liabilities		2,175	2,398
Liabilities held for sale		209	-
<b>Total equity &amp; liabilities</b>		<b>14,883</b>	<b>13,810</b>
Working capital		789	546
Net debt		13,505	12,496
Net debt excluding parent company loan and pension liabilities		13,103	12,056
Capital employed		11,718	10,562
Number of full-time employees, end of period		1,501	1,555
Contingent liabilities		239	228
Assets pledged		3,965	7,653

## Working Capital

SEK m	Dec 31, 2018	Dec 31, 2017
Inventories	1,661	1,267
Accounts receivable	863	847
Other current assets	344	295
Accounts payable	967	918
Other current liabilities	1,129	1,024
<b>Total Working capital</b>	<b>772</b>	<b>467</b>
Discontinued operations	17	79
<b>Total Group</b>	<b>789</b>	<b>546</b>

# Consolidated statement of changes in equity

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	124	46	170
Dividend to non controlling interest	-	-64	-64
Transactions with owners, recognised directly in equity	25	2	27
<b>Closing balance, December 31, 2018</b>	<b>-2,378</b>	<b>128</b>	<b>-2,250</b>

Total equity, 2017			
SEK m	Equity attributable to owners of the parent	Non controlling interest	Total equity
<b>Opening balance, January 1, 2017</b>	<b>-3,080</b>	<b>89</b>	<b>-2,991</b>
Total comprehensive income	553	61	614
Dividend to non controlling interest	-	-6	-6
<b>Closing balance, December 31, 2017</b>	<b>-2,527</b>	<b>144</b>	<b>-2,383</b>



# Consolidated cash flow statement

Cash Flow analysis, consolidated Group				
SEK m	Quarter 4		Full year	
	2018	2017	2018	2017
Operating activities				
Operating earnings	207	224	1,185	1,253
Adjustments:				
Depreciation and write-down	104	121	511	445
Other	-15	36	-55	-28
Operating activities in discontinued operations	152	117	509	399
Interest received and other financial items	3	2	7	6
Interest paid and other financial items	-565	-583	-1,091	-1,176
Income tax paid	-7	-34	-90	-103
Interest and taxes paid in discontinued operations	-37	-36	-152	-143
<b>Cash flow from operating activities before change in working capital</b>	<b>-158</b>	<b>-153</b>	<b>824</b>	<b>653</b>
Changes in working capital				
Increase (-) Decrease (+) in net working capital <sup>1)</sup>	276	374	-311	-128
Change in working capital in discontinued operations	169	9	97	-79
<b>Cash flow from operating activities</b>	<b>287</b>	<b>230</b>	<b>610</b>	<b>446</b>
<i>Investing activities</i>				
Acquisition of net assets, subsidiaries	-23	-	-28	-105
Investments in other participations	-3	-	-3	-
Acquisition of tangible and intangible fixed assets	-183	-110	-512	-474
Sale of net assets, subsidiaries	28	-	28	722
Sale of tangible and intangible fixed assets	0	-	1	-
Sale of shares in other participations	-	-	-	290
Change in financial assets, external	0	0	0	0
Discontinuing operations	-34	-36	-120	-72
<b>Cash flow from investing activities</b>	<b>-215</b>	<b>-146</b>	<b>-634</b>	<b>361</b>
<i>Financing activities</i>				
Dividend paid to non-controlling interests in subsidiaries	-	-	-35	-6
New loans external	-	2,484	-	2,484
Amortization of loans external	-	-3,012	-	-3,012
Change in credit utilization	100	-100	-7	-80
<b>Cash flow from financing activities</b>	<b>100</b>	<b>-628</b>	<b>-42</b>	<b>-614</b>
<b>Change in liquid funds, incl. short-term investments</b>	<b>172</b>	<b>-544</b>	<b>-66</b>	<b>193</b>
Liquid fund opening balance, incl. short-term investments	385	1,157	621	434
Translation difference in liquid funds	8	8	10	-6
<b>Liquid funds, end of period<sup>2)</sup></b>	<b>565</b>	<b>621</b>	<b>565</b>	<b>621</b>
<sup>1)</sup> Including trade receivable financing program.				
<sup>2)</sup> Restricted and held on escrow	208	164	208	164



## Parent company

Perstorp Holding AB (publ.) is fully owned by Financière Forêt S.à.r.l and is the parent company of the Perstorp Holding Group. Perstorp Holding AB (publ.) had no external sales. Shareholder's equity at December 31, 2018 amounted to 4,919 m (817).

Income statement					
SEK m	Note	Quarter 4		Full year	
		2018	2017	2018	2017
<b>Net sales</b>		<b>10</b>	<b>14</b>	<b>71</b>	<b>59</b>
Cost of goods sold		0	0	0	0
<b>Gross earnings</b>		<b>10</b>	<b>14</b>	<b>71</b>	<b>59</b>
Sales, marketing and admin costs		-31	-55	-172	-181
Other operating income and expenses		-21	-1	-28	-15
<b>Operating earnings (EBIT)</b>		<b>-42</b>	<b>-42</b>	<b>-129</b>	<b>-137</b>
Financial income and expenses <sup>1)</sup>		-270	-552	-138	-822
Appropriations		4,260	182	4,260	182
<b>Earnings/loss before tax</b>		<b>3,948</b>	<b>-413</b>	<b>3,993</b>	<b>-778</b>
Tax	7	-234	-	84	-
<b>Net earnings/loss <sup>2)</sup></b>		<b>3,714</b>	<b>-413</b>	<b>4,077</b>	<b>-778</b>

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

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

Balance sheet			
SEK m	Note	Dec 31, 2018	Dec 31, 2017
Tangible fixed assets		1	2
Intangible fixed assets		1	2
Shares in group companies		7,731	7,731
Long term receivables group		9,878	6,822
Other non-current assets	7	394	355
Short term financial receivables group		1,649	586
Other current assets		24	23
Cash & cash equivalents		23	0
<b>Total assets</b>		<b>19,701</b>	<b>15,521</b>
Total equity		4,919	817
Loan from parent company		-	22
Other non-current liabilities		13,364	12,297
Current liabilities		1,418	2,385
<b>Total equity &amp; liabilities</b>		<b>19,701</b>	<b>15,521</b>



## Key figures and FX-rates

Key figures								
SEK m unless otherwise stated	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>Consolidated Group</i>								
Net Sales	3,524	3,729	3,949	3,680	3,602	3,289	3,288	3,413
Organic volume-based sales growth,%	-11%	-4%	5%	-1%	6%	7%	7%	27%
Marginal contribution	1,027	1,046	1,166	1,101	1,086	1,100	1,038	1,061
Cash conversion, % of EBITDA excluding non- recurring items	139	39	57	23	149	23	70	12
Net earnings/loss	281	77	57	-191	-360	49	114	706
Earnings, per share, diluted, SEK	5,63	1,53	1,14	-3,81	-7,20	0,99	2,28	14,11
Net debt excluding pension liabilities and shareholder loans	13,103	13,018	13,229	12,446	12,056	11,716	12,078	12,242
Leverage <sup>1)</sup>	5.6x	5.7x	5.8x	5.7x	5.7x	5.6x	6.0x	6.4x

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

Currency rates								
Closing rate								
USD	8,97	8,86	8,96	8,36	8,23	8,11	8,47	8,93
EUR	10,28	10,29	10,42	10,29	9,85	9,57	9,67	9,55
GBP	11,35	11,57	11,75	11,76	11,10	10,87	11,01	11,13
Average rate								
USD	9,04	8,95	8,67	8,11	8,32	8,14	8,80	8,92
EUR	10,32	10,41	10,33	9,96	9,79	9,56	9,69	9,51
GBP	11,65	11,66	11,79	11,28	11,04	10,64	11,26	11,05



# 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 2017. The accounting principles of the Group and parent company are stated in Note 2 of the 2017 Annual Report.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers came into effect as of 1 January 2018. The implementation of IFRS 9 and IFRS 15 has no material effect on the Group's or segments' financial reporting.

### *Effects of the implementation of IFRS 16 - Leases*

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.

The Group has adopted the simplified transition method, which means that the full effect of the Standard will be restated in the opening balances for 2019, without restating comparative periods. 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.

The Group estimates that adoption of the new Standard affect Assets by SEK 97 m, and liabilities will increase by SEK 105 m. Equity will decrease by SEK 7 m. The Group's expectation is that IFRS 16 will have a somewhat positive effect on EBITDA.

### *Effects of changed tax rules in Sweden*

The proposal for new tax rules in Sweden was adopted on the 14th of June 2018. The new rules will enter into force from the 1st 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.

# Notes

## 2. Segment information

Segment data <sup>1)</sup>				
SEK m	Quarter 4		Full year	
	2018	2017	2018	2017
<b>Net Sales</b>				
Specialties & Solutions	598	605	2,489	2,275
Advanced Chemicals & Derivatives	2,282	2,240	9,681	8,599
Internal sales				
Specialties & Solutions	-11	-2	-25	-9
Advanced Chemicals & Derivatives	-26	-43	-114	-83
Other/eliminations	95	97	405	346
<b>Continuing operations</b>	<b>2,938</b>	<b>2,897</b>	<b>12,436</b>	<b>11,128</b>
Divested units	724	812	2,960	2,899
Eliminations	-138	-107	-514	-435
Discontinued operations	586	705	2,446	2,464
<b>TOTAL GROUP</b>	<b>3,524</b>	<b>3,602</b>	<b>14,882</b>	<b>13,592</b>
<b>EBITDA</b>				
Specialties & Solutions	83	62	394	238
Advanced Chemicals & Derivatives	298	323	1,410	1,520
Other/eliminations	-70	-40	-108	-60
<b>Continuing operations</b>	<b>311</b>	<b>345</b>	<b>1,696</b>	<b>1,698</b>
Discontinued operations	137	118	495	1,003
<b>TOTAL GROUP</b>	<b>448</b>	<b>463</b>	<b>2,191</b>	<b>2,701</b>
<i>Non allocated items</i>				
Depreciation, Amortization and write down	-131	-148	-621	-728
<b>Operating earnings (EBIT)</b>	<b>317</b>	<b>315</b>	<b>1,570</b>	<b>1,973</b>
Financial income and expenses	-497	-739	-2,050	-1,453
<b>Earnings/loss before tax</b>	<b>-180</b>	<b>-424</b>	<b>-480</b>	<b>520</b>
Tax	461	64	704	-10
<b>Net result</b>	<b>281</b>	<b>-360</b>	<b>224</b>	<b>510</b>

<b>EBITDA excluding non-recurring items</b>				
Specialties & Solutions	86	62	398	238
Advanced Chemicals & Derivatives	307	324	1,424	1,525
Other/eliminations	-17	-20	-8	-29
<b>Continuing operations</b>	<b>376</b>	<b>366</b>	<b>1,814</b>	<b>1,734</b>
Discontinued operations	152	119	510	399
<b>TOTAL GROUP</b>	<b>528</b>	<b>485</b>	<b>2,324</b>	<b>2,133</b>

## 3. 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 nonrecurring 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.

<sup>1)</sup> The Group is domiciled in Sweden. The result of its net sales from external customers in Sweden is 10% (12), and the total of net sales from external customers from other countries is 90% (88). No sales above 10% derived from a single external customer.

# Notes

## 4. Equity

At the end of December 2018 equity for the parent company, Perstorp Holding AB, amounts to SEK 4,919 m (817), including a conversion of shareholder loan to equity, amounting to SEK 25 m. Consolidated equity, including non controlling interest, for the Perstorp Group amounts to SEK -2,250 m (-2,383).

## 5. Transactions with related parties

Transactions with related parties.

The net amount borrowed from the Luxembourg-based parent company Financière Forêt S.à.r.l. amounted to SEK - (22) m.

## 6. Risk and uncertainty

Perstorp is exposed to a number of risks and uncertainty factors, which are reviewed in the Annual Report for 2017.

## 7. Deferred tax

The decrease in the tax rate and the new interest-rate limitation rules, applicable from the 1st of January 2019, has affected the valuation of deferred tax assets and deferred tax liabilities for Perstorp Group with a net of SEK 809 whereof SEK 788 m is related to deferred tax assets on tax losses carry forward for Perstorp Holding AB.

## 8. Divestment

In November 30th, 2018 Perstorp divested the Bioproducts business. On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th, 2019. The two divested businesses are reported as discontinued operations. Furthermore, the Caprolactone business are

reported as assets and liabilities held for sale in the Balance Sheet and as discontinued operations in the Profit & Loss.

At the end of Q3 2018 Perstorp divested its share in Perstorp Polialcoli S.a.r.l.

At the end of Q1 2017 Perstorp divested its facility in Gent Belgium, Perstorp Belgium (Perstorp Oxo Belgium AB) to Synthomer (Synthomer plc). The capital gain amounts to SEK 604 m and is reported as discontinued operation.

## 9. Impairment

The financial development for the site in Site Vercelli has been challenging and during the second quarter 2018 a decision was made to cease the production. This resulted in a write down of fixed assets related to the Site, amounting to approximately a net of SEK 57 m. The write down had no impact on the Business Areas or the Group's cash flow for 2018.

## 10. Events after the balance sheet date

After the balance sheet date but before the publication of this report Perstorp announced a new organization.

As a consequence and during of the first quarter 2019 there will be 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: BU Feed Additives and BU Acids & Salts

No other major events have occurred since the balance sheet date and up to the publication of this report.

## 11. Other information

Perstorp has during the year been transferred from PAI Europe IV fund to a new fund managed by PAI Partners with Landmark Partners as lead investor, alongside other co-investors. Landmark Partners and its co-investors have committed c. EUR 130 million to Perstorp for growth opportunities.

Following the company's positive development and the sale of the Bioproduct and Capa™ business, Perstorp, together with its shareholders, is assessing a refinancing of the capital structure.

Perstorp's financial information comprises of Interim-, Annual- and a Sustainability report. The complete Annual Report for the full year 2018, will be available in English in April 2019.

Perstorp, February 14, 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 all the way from your car and mobile phone to towering wind turbines 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 1,500 employees and manufacturing units in Asia, Europe and North America. Sales in 2018 amounted to SEK 14.8 billion.

Learn more at [www.perstorp.com](http://www.perstorp.com)