



Perstorp Holding AB (Publ.)

Year end report 1 January – 31 December 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 October – December 2019, continuing operations

- Net sales, from continuing operations, decreased with 16% to SEK 2,463 m (2,938).
- Sales prices in the fourth quarter were lower than the corresponding quarter last year linked to raw materials, increased competition and price pressure partly offset by positive exchange rates.
- Organic volume-based sales growth was -7% year-on-year.
- EBITDA excluding non-recurring items, from continuing operations amounted to SEK 275 m in the fourth quarter compared to SEK 376 m in the corresponding period last year.
- EBITDA-margin excluding non-recurring items for continuing operations was 11.2% (12.8).

Key figures in summary, continuing operations

SEK m unless otherwise stated	Quarter 4		Full year	
	2019	2018	2019	2018
Net Sales	2,463	2,938	11,641	12,436
EBITDA	241	311	1,427	1,696
% of net sales	9.8	10.6	12.3	13.6
EBITDA excluding non-recurring items ¹⁾	275	376	1,554	1,814
% of net sales	11.2	12.8	13.3	14.6
Operating earnings (EBIT)	101	207	889	1,185
% of net sales	4.1	7.0	7.6	9.5
Net earnings/loss	-96	228	-1,268	45
Free cash flow	549	445	1,081	963

¹⁾ Non-recurring items are mainly attributable to restructuring and refinancing costs.



President's Comments – Q4 2019

"We expect continued challenges and act accordingly. The cost mitigation program initiated in Q2 2019 has delivered positive contribution. The current slowdown in the general economy does not change our long term strategic direction"

2019 has been a challenging year in many ways. The fourth quarter was characterized by a continued slowdown in the world economy and consequently a weakened demand for several of our products in all three main geographies – EMEA, Americas and APAC. The trade war between the US and China was still ongoing during this quarter, and resulted in additional excess volumes from competitors in China being moved to Southeast Asia and Europe. Raw material prices were substantially down compared to both Q4/18 and last quarter, except Brent crude which showed a sharp increase in December. The drop in raw material prices is the main reason for decreased price levels.

Lower volumes and downward trend in LTM EBITDA

Net sales amounted to SEK 2,463 m, a 16% decrease over the fourth quarter last year. This was mainly due to lower sales volumes, lower raw material prices and in some instances price pressure. To some extent this was offset by positive FX effects. Organic volume based sales growth for the period was -7% compared to the same period last year. EBITDA excluding non-recurring items amounted to SEK 275 (376) m with an EBITDA margin of 11.2% (12.8%). The fourth quarter also marked a clear negative trend in LTM EBITDA of SEK 1,554 m compared to 1,814 m for the full year 2018. We address this challenging trend by maximizing the use of our implemented sales efficiency tools, our operational excellence program and a continued focus on cost control.

Mixed results from the Business Areas

In Business Area Specialty Polyols & Solutions EBITDA amounted to SEK 204 (264) m. The result was primarily impacted by a lower volumes across all our business units as well as lower margins.

Also Business Area Advanced Chemicals showed a downward trend and EBITDA amounted to SEK 70 (102) m. The result was negatively impacted by both lower volumes and reduced margins. The performance was impacted by the tough market for the automotive sector as well as some new added plasticizer capacity.

Business Area Animal Nutrition continued to show a positive volume development but the result was negatively impacted by decreased margins. EBITDA amounted to SEK 23 (47) m.

Short term focus on cost control and long term focus on growth

We expect continued challenges and will act accordingly. The cost mitigation program initiated in Q2 2019 has delivered positive contribution. The current slowdown in the general economy does not change our long term strategic direction. We have great confidence in our growth potential and in November we broke ground in India for a new Penta plant, in order to secure our presence and future growth in Asia. This represents one of the larger investments in the company's history. An Operational Excellence program is running at four of our production sites with the purpose of securing availability of product, delivering efficiency increases and building further capabilities. It is imperative for our future success that we can find and execute productivity improvements and capacity increases by working differently. Sales of our Pro-Environment products based on renewable raw materials have started to take off. These are unique products that have also led to discussions with customers along the value chain about how we together can transform the industry to become more sustainable and thus accommodate the increasing demand for renewable products from end customers.

Safety performance on a positive trend

Our safety performance remains a top priority and is on a positive trend. We performed well in the area of process safety events. For OSHA recordables we did not fully reach our target but continue to strive towards our ambitious targets. On October 23rd, we for the second time held our annual "Care 365 day" all across the company, where the program was all about health & safety related to the various locations. Although there seems to be a solution to the trade war between the US and China and the first step of Brexit has materialized, there are new global uncertainties in play in terms of the Corona virus. On this basis we maintain our very strict cost control, drive a strong focus on sales and pricing as well on availability of products. Combined with our continued focus on our improvement programs in many areas of the company this will also position us well when the market improves.

Malmö February 2020



Jan Secher

President and CEO

Financial overview October - December 2019

Income statement, continuing operations

SEK m	Quarter 4	
	2019	2018
Net Sales	2,463	2,938
Cost of goods sold	-2,103	-2,463
Gross earnings	360	475
Operating earnings (EBIT)	101	207
Exchange rate effects on net debt	172	-17
Other financial income and expenses	-229	-421
Earnings before tax	44	-231
Tax	-140	459
Net earnings/loss	-96	228
EBITDA	241	311
EBITDA excluding non-recurring items	275	376

Net sales and earnings, continuing operations¹⁾

Net sales for continuing operations during the fourth quarter amounted to SEK 2,463 m (2,938), a decrease of SEK 475 m or 16%. Excluding currency effects, sales prices were 12% lower than last year mainly linked to raw material prices but to some extent also price competition in certain product lines.

Volumes decreased by 9% compared to the same period last year following weaker end-user demand from most segments (in particular automotive), destocking and some production disturbances. Organic volume based sales growth was -7% in the fourth quarter 2019.

Average Dated Brent oil price decreased 7% in the fourth quarter 2019 compared to the corresponding quarter last year but was 1% higher than in the third quarter 2019. Also prices for downstream derivatives like propylene and ethylene decreased during the fourth quarter of 2019 (17% respectively 12%) compared to the same period last year and was lower than the third quarter this year.

The Swedish krona continued to weaken against both the USD and the EUR compared to the corresponding quarter 2018, resulting in a positive exchange rate effects on sales of approximately 3%, but remained more or less on the same level as in the third quarter this year.

EBITDA excluding non-recurring items amounted to SEK 275 m (376), corresponding to an EBITDA margin of 11.2% (12.8). The lowered EBITDA was attributable to both lower volumes and lower unit margins for some product lines together with higher fixed costs. This was partly offset by a positive exchange rate impact. Excluding changes in bonus provisions and exchange rate effects, fixed cost decreased by 2% compared to the corresponding quarter last year.

Depreciation and amortization amounted to SEK 140 m (104) including depreciation related to lease arrangement of SEK 11 m (-) and EBIT amounted to SEK 101 m (207) for the period.

Net financial expenses, excluding currency effects on net debt, amounted to SEK 229 m (421), reflecting the refinancing of the capital structure, which was completed during the first quarter 2019.

Tax amounted to SEK -140 m (459). In the fourth quarter 2018, deferred tax assets was assigned to tax losses carry forward due to the new tax rules in Sweden. This affected the result in the fourth quarter 2018 positively with SEK 450 m which partly has been utilized during 2019.

Net result amounted to SEK -96 m (228).

¹⁾ Continuing operations excludes the divested units Perstorp UK Ltd, Perstorp Bioproducts AB and Perstorp Bioproducts AS.

Financial overview January - December 2019

Income statement, continuing operations

SEK m	Full Year	
	2019	2018
Net Sales	11,641	12,436
Cost of goods sold	-9,810	-10,404
Gross earnings	1,831	2,032
Operating earnings (EBIT)	889	1,185
Exchange rate effects on net debt	-204	-462
Other financial income and expenses	-1,731	-1,408
Earnings before tax	-1,046	-685
Tax	-222	730
Net earnings/loss	-1,268	45
EBITDA	1,427	1,696
EBITDA excluding non-recurring items	1,554	1,814

Net sales and earnings, continuing operations¹⁾

Net sales for continuing operations during the period January to December amounted to SEK 11,641 (12,436), a decrease of SEK 795 m or 6%. Excluding currency effects, sales prices were 5% lower than last year mainly linked to raw material prices but also to some extent price competition in certain product lines.

Volumes decreased by 7% compared to the same period last year mainly resulting from softened demand, increased competition and production disturbances in 2019. Organic volume based sales growth was -3%.

The Swedish krona weakened against both the USD and the EUR during 2019 resulting in positive exchange rate effects on sales of approximately 4%.

EBITDA excluding non-recurring items amounted to SEK 1,554 m (1,814), corresponding to an EBITDA margin of 13.3% (14.6). The decrease in earnings compared to last year of SEK 260 m was attributable to lower volumes and unit margins for some product lines linked to both softened demand, increased competition and production disturbances.

Depreciation and amortization amounted to SEK 538 m (511). The comparable numbers for 2018 includes an impairment of approximately SEK 57 m related to fixed assets in Perstorp Polialcoli S.r.l., Italy. EBIT amounted to SEK 889 m (1,185) for the period.

Net financial expenses, excluding currency effects on net debt, amounted to SEK 1,731 m compared to SEK 1,408 m for the corresponding period in 2018. The deviation was mainly impacted by the refinancing of the capital structure, which was completed during the first quarter 2019. The refinancing lowered the average interest rate from approximately 8% to 5%, which had a full effect in the income statement from the second quarter 2019.

Tax amounted to SEK -222 m (730) In 2018, deferred tax assets was assigned to tax losses carry forward due to the new tax rules in Sweden. This affected the result in 2018 positively with SEK 788 m which partly has been utilized during 2019.

Net result amounted to SEK -1,268 m (45).

¹⁾ Continuing operations excludes the divested units Perstorp UK Ltd, Perstorp Bioproducts AB and Perstorp Bioproducts AS.

Free cash flow analysis, continuing operations

SEK m	Quarter 4		Full year	
	2019	2018	2019	2018
EBITDA excluding non-recurring items	275	376	1,554	1,814
Change in Working Capital ²⁾	508	276	142	-311
Maintenance Capex	-137	-128	-296	-361
Free Cash Flow before Strategic Capex	646	524	1,400	1,142
% of EBITDA excluding non-recurring items	235	139	90	63
Strategic Capex	-97	-79	-319	-179
Free Cash Flow	549	445	1,081	963
% of EBITDA excluding non-recurring items	200	118	70	53

¹⁾ For further details on total cash flow, please see page 17.

²⁾ Excluding currency transaction effects and provisions.

Available funds and debt

SEK m	Dec 31, 2019	Dec 31, 2018
Available funds	1,248	1,120
Net debt	8,993	13,505
Net debt excl. pension liabilities	8,526	13,103
Leverage ¹⁾	5.5x	5.6x

Free cash flow October-December

Free Cash flow, amounted to SEK 549 m (445). The improvement in the fourth quarter 2019 was mainly driven by the release of working capital. Utilization of the factoring program at December 31, 2019 amounted to EUR 77 m (114). The decrease was driven by lower sales.

Free cash flow January-December

Free Cash flow for the full year 2019 amounted to SEK 1,081 (963) m. The improved free cash flow was mainly driven by release of working capital.

Net debt and leverage

The Group's available funds, liquid funds and unutilized credit facilities, were SEK 1,248 m at the end of the period, compared with SEK 1,120 m at the end of the fourth quarter 2018.



Business Area

Speciality Polyols & Solutions

Business Area

Specialty Polyols & Solutions

SEK m	Quarter 4		Full year	
	2019	2018	2019	2018
<i>Continuing operations</i>				
Net sales	1,350	1,603	6,435	7,008
EBITDA	188	252	1,012	1,151
EBITDA excl. non-recurring items	204	264	1,029	1,165
EBITDA margin excl. non-recurring items, %	15.1	16.5	16.0	16.6


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

October - December 2019

During the fourth quarter 2019 net sales amounted to SEK 1,350 m (1,603) which was 16% lower than the corresponding quarter 2018. The decrease was attributable to lower volumes and sales prices of TMP and Neo. The price reduction was mainly driven by decreases in raw material prices. Exchange rates had a positive impact on sales of approximately 4%.

Organic volume-based sales growth was -8%.

EBITDA excluding non-recurring items in the fourth quarter was SEK 204 (264) m corresponding to an EBITDA margin of 15.1% (16.5%). The decrease was due to a combination of lower volumes mainly in our Formates business as well as lower unit margins of TMP and Neo. To some extent this was offset by a solid performance of our Penta business and improved unit margins for Formates.

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. The overall tone is warm and focused on the tactile experience of the mat.

Business Area
Advanced Chemicals

Business Area

Advanced Chemicals

SEK m	Quarter 4		Full Year	
	2019	2018	2019	2018
<i>Continuing operations</i>				
Net sales	826	986	3,837	4,072
EBITDA	70	102	524	481
EBITDA excl. non-recurring items	70	102	524	484
EBITDA margin excl. non-recurring items, %	8.5	10.3	13.7	11.9

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

October - December 2019

Net sales in the fourth quarter 2019 amounted to SEK 826 m (986), which was 16% lower than the corresponding period in 2018. The decrease was attributable to lower volumes and sales prices due to lower raw material prices. Exchange rates had a positive impact on sales of approximately 3%.

Organic volume-based sales growth was -7%.

EBITDA excluding non-recurring items was SEK 70 m (102), corresponding to an EBITDA margin of 8.5% (10.3). The decrease was due to both lower volumes and margins of Plasticizers and somewhat higher fixed costs. This was partly offset by positive exchange rate effects.



Business Area
Animal Nutrition

Business Area

Animal Nutrition

SEK m	Quarter 4		Full Year	
	2019	2018	2019	2018
<i>Continuing operations</i>				
Net sales	296	289	1,221	1,236
EBITDA	23	47	186	240
EBITDA excl. non-recurring items	23	47	186	241
EBITDA margin excl. non-recurring items, %	7.8	16.3	15.2	19.5

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

October - December 2019

Net sales in the fourth quarter 2019 amounted to SEK 296 m (289), an increase of 2%. The higher sales were attributable to increased volumes for some product lines. This together with positive exchange rate effects offset the negative impact from increased price pressure. Exchange rates had a positive impact on sales of approximately 4%.

Organic volume base sales growth was 14%.

EBITDA excluding non-recurring items in the fourth quarter was SEK 23 m (47) corresponding to an EBITDA margin of 7.8% (16.3%). The decrease was to some extent due to lower unit margins for some product lines and higher fixed costs due to the new sales and marketing organization.

Consolidated income statement

Income statement, consolidated group

SEK m	Note	Quarter 4		Full year	
		2019	2018	2019	2018
Continuing operations					
Net Sales	3	2,463	2,938	11,641	12,436
Cost of goods sold		-2,103	-2,463	-9,810	-10,404
Gross earnings		360	475	1,831	2,032
Selling, administration and R&D costs		-227	-214	-856	-838
Other operating income and expenses ¹⁾		-27	-53	-74	45
Write-down of assets		-5	0	-16	-57
Result from participations in associated companies		0	-1	4	3
Operating earnings (EBIT)	5	101	207	889	1,185
Exchange-rate effects on net debt		172	-17	-204	-462
Other financial income and expenses		-229	-421	-1,731	-1,408
Earnings/loss before tax		44	-231	-1,046	-685
Tax	7	-140	459	-222	730
Net earnings/loss		-96	228	-1,268	45
Discontinued operation	8				
Net sales	3	0	586	113	2,446
Operating earnings (EBIT)		-3	110	4,757	385
Earnings/loss before tax		-3	52	4,755	205
Tax		0	1	-12	-26
Net earnings/loss		-3	53	4,743	179
Group, total					
Net sales		2,463	3,524	11,754	14,882
Operating earnings (EBIT)		98	317	5,646	1,570
Earnings/loss before tax		41	-180	3,709	-480
Tax		-140	461	-234	704
Net earnings/loss		-99	281	3,475	224

Consolidated Group

EBITDA	3, 5, 8	238	448	6,193	2,191
EBITDA excluding non-recurring items	3, 5, 8	276	528	1,635	2,324

¹⁾ 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 4		Full year	
	2019	2018	2019	2018
Net result for the period	-99	281	3,475	224
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of defined benefit plans	11	-6	-44	-5
<i>Items that may be subsequently reclassified to profit or loss</i>				
Currency translation effect	41	-16	10	-49
Other comprehensive income net after tax	52	-22	-34	-54
Total comprehensive income	-47	259	3,441	170
Attributable to:				
Parent company's shareholder	-45	251	3,414	124
Non-controlling interest	-2	8	27	46

Consolidated balance sheet

Balance sheet, consolidated group

SEK m	Note	Dec 31, 2019	Dec 31, 2018
Tangible fixed assets		4,767	4,502
Intangible fixed assets		4,382	4,381
Participation in associated companies		75	72
Other non-current assets	7	1,109	1,217
Inventories		1,440	1,620
Other current assets		1,078	1,206
Cash & cash equivalents, incl. short-term investments		453	565
Assets held for sale		-	1,320
Total assets		13,304	14,883
Total equity	6	1,158	-2,250
Pension liability, others		488	403
Other non-current liabilities		9,704	14,346
Current liabilities		1,954	2,197
Liabilities held for sale		-	187
Total equity & liabilities		13,304	14,883
Working capital	4	680	789
Net debt	9	8,993	13,505
Net debt excluding pension liabilities		8,526	13,103
Capital employed		10,623	11,718
Number of full-time employees, end of period		1,366	1,501
Contingent liabilities		276	239
Assets pledged		6,212	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
Opening balance, January 1, 2019		-2,378	128	-2,250
Change in accounting principles	5	-7	-	-7
Adjusted opening balance, January 1, 2019		-2,385	128	-2,257
Total comprehensive income		3,414	27	3,441
Dividend to non controlling interest		-	-25	-25
Transactions with owners, recognized directly in equity		-	-1	-1
Closing balance, December 31, 2019		1,029	129	1,158

Total equity, 2018

SEK m	Equity attributable to owners of the parent	Non-controlling interest	Total equity
Opening balance, January 1, 2018	-2,527	144	-2,383
Total comprehensive income	124	46	170
Dividend to non controlling interest	-	-64	-64
Transactions with owners, recognized directly in equity	25	2	27
Closing balance, December 31, 2018	-2,378	128	-2,250

Consolidated cash flow statement

SEK m	Quarter 4		Full year	
	2019	2018	2019	2018
Operating activities				
Operating earnings	101	207	889	1,185
Adjustments				
Depreciation and write-down	140	104	538	511
Other	-24	-15	-155	-55
Operating activities in discontinued operations	-	152	78	509
Interest received and other financial items	2	3	6	7
Interest paid and other financial items	-145	-565	-1,394	-1,091
Income tax paid	-12	-7	-58	-90
Interest and taxes paid in discontinued operation	-	-37	-6	-152
Cash flow from operating activities before change in operating capital	62	-158	-102	824
Changes in working capital				
Increase (-) Decrease (+) in net working capital ¹⁾	508	276	142	-311
Discontinued operations	-	169	-38	97
Cash flow from operating activities	570	287	2	610
Investing activities				
Acquisition of net assets, subsidiaries	-	-23	-	-28
Investments in other participations	-	-3	-2	-3
Acquisition of tangible and intangible fixed assets	-234	-183	-615	-512
Sale of net assets, subsidiaries	-	28	6,057	28
Sale of shares, other participations	-	-	5	-
Sale of tangible and intangible fixed assets	-	-	-	1
Discontinued operations	-	-34	-7	-120
Cash flow from investing activities	-234	-215	5,438	-634
Financing activities				
Dividend paid to non-controlling interests in subsidiaries	-25	-	-54	-35
New loans	-	-	8,800	-
Amortization of loans	-9	-	-13,987	-
Change in credit utilization ³⁾	-111	100	-320	-7
Cash flow from financing activities	-145	100	-5,561	-42
Change in liquid funds, incl. short-term investments	191	172	-121	-66
Liquid fund opening balance, incl. short-term investments	271	385	565	621
Translation difference in liquid funds	-9	8	9	10
Liquid funds, end of period²⁾	453	565	453	565

¹⁾ Including trade receivable financing program

²⁾ Restricted and held on escrow

³⁾ 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. Shareholder's equity at December 31, 2019 amounted to 3,565 m compared to SEK 4,919 m at December 31, 2018.

Income statement

SEK m	Note	Quarter 4		Full year	
		2019	2018	2019	2018
Net Sales		19	10	71	71
Gross earnings		19	10	70	71
Sales, marketing and admin costs		-40	-31	-180	-172
Other operating income and expenses		-5	-21	-16	-28
Operating earnings (EBIT)		-26	-42	-126	-129
Financial income and expenses ¹⁾		50	-270	-1,359	-138
Appropriations		37	4,260	37	4,260
Earnings/loss before tax		61	3,948	-1,448	3,993
Tax	7	94	-234	94	84
Net earnings/loss ²⁾		155	3,714	-1,354	4,077

¹⁾ Including dividends from subsidiaries

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

1,100

Balance sheet

SEK m	Note	Dec 31, 2019	Dec 31, 2018
Tangible fixed assets		0	1
Intangible fixed assets		1	1
Shares in group companies		7,731	7,731
Long term receivables group		5,503	9,878
Other non-current assets	7	475	394
Short term financial receivables group		124	1,649
Other current assets		30	24
Cash & cash equivalents		0	23
Total assets		13,864	19,701
Total equity		3,565	4,919
Other non-current liabilities		8,860	13,364
Current liabilities		1,439	1,418
Total equity & liabilities		13,864	19,701



Key figures and FX rates

Key figures

SEK m unless otherwise stated	2019				2018
	Q4	Q3	Q2	Q1	Q4
<i>Continuing operations</i>					
Net Sales	2,463	2,895	3,065	3,218	2,938
Organic volume-based sales growth, %	-7.4	1.7	-5.6	0.0	-6.7
Marginal contribution	760	829	874	943	811
EBITDA excluding non-recurring items	275	439	365	475	376
% of net sales	11.2	15.2	11.9	14.8	12.8
Cash conversion, % of EBITDA excluding non-recurring items	200	69	61	2	118
<i>Consolidated Group</i>					
Net earnings/loss	-99	-59	-52	3,685	281
Earnings, per share, diluted, SEK	-1.98	-1.20	-1.04	73.71	5.63
Net debt excluding pension liabilities	8,526	9,133	8,883	8,822	13,103
Leverage ¹⁾	5.5x	5.5x	5.4x	5.0x	5.6x

¹⁾ Net debt excluding pension liabilities / EBITDA excluding non-recurring items.

Currency rates

Closing rate					
USD	9.32	9.80	9.27	9.28	8.97
EUR	10.43	10.73	10.56	10.42	10.28
GBP	12.21	12.07	11.75	12.08	11.35
Average rate					
USD	9.63	9.59	9.45	9.17	9.04
EUR	10.66	10.66	10.62	10.42	10.32
GBP	12.38	11.81	12.15	11.94	11.65

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, BU Formates and Business Development
- 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 came 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 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 ¹⁾

SEK m	Quarter 4		Full year	
	2019	2018	2019	2018
Net Sales				
Specialty Polyols & Solutions	1,350	1,603	6,435	7,008
Advanced Chemicals	826	986	3,837	4,072
Animal Nutrition	296	289	1,221	1,236
Internal sales				
Specialty Polyols & Solutions	-2	-16	-4	-88
Advanced Chemicals	-106	-110	-519	-618
Animal Nutrition	-3	-9	-13	-19
Other/eliminations	102	195	684	845
Continuing operations	2,463	2,938	11,641	12,436
Discontinued operations	0	586	113	2,446
TOTAL GROUP	2,463	3,524	11,754	14,882
EBITDA				
Specialty Polyols & Solutions	188	252	1,012	1 151
Advanced Chemicals	70	102	524	481
Animal Nutrition	23	47	186	240
Other/eliminations	-40	-90	-295	-176
Continuing operations	241	311	1,427	1,696
Discontinued operations	-3	137	4,766	495
TOTAL GROUP	238	448	6,193	2,191
<i>Non allocated items</i>				
Depreciation, Amortization and write down	-140	-131	-547	-621
Operating earnings (EBIT)	98	317	5,646	1,570
Financial income and expenses	-57	-497	-1,937	-2,050
Earnings/loss before tax	41	-180	3,709	-480
Tax	-140	461	-234	704
Net result	-99	281	3,475	224
EBITDA excluding non-recurring items				
Specialty Polyols & Solutions	204	264	1,029	1,165
Advanced Chemicals	70	102	524	484
Animal Nutrition	23	47	186	241
Other/eliminations	-22	-37	-185	-76
Continuing operations	275	376	1,554	1,814
Discontinued operations	1	152	81	510
TOTAL GROUP	276	528	1,635	2,324

¹⁾ 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	Dec 31, 2019	Dec 31, 2018
Inventories	1,440	1,661
Accounts receivable	681	863
Other current assets	387	344
Accounts payable	-767	-967
Other current liabilities	-1,061	-1,129
Total working capital – continuing operations	680	772
Discontinued operations	-	17
Total Group	680	789

5. Leasing

Total Group, SEK m	January 1, 2019
Impact on opening balance	
Right of use assets	101
Lease liabilities	110
Deferred tax assets	2
Equity	-7

Continuing operations, SEK m	Quarter 4, 2019	Full year, 2019
Impact on income statement, IFRS16 ¹⁾		
Depreciation on right of use assets	-11	-39
Interest on lease liability	-2	-8

¹⁾ The effect on EBITDA of the transition is approximately SEK 17 m in the fourth quarter and SEK 51 m for the full year 2019.

6. Equity

At the end of December 2019 equity for the parent company, Perstorp Holding AB, amounts to SEK 3,565 m (4,919). Consolidated equity, including non-controlling interest, for the Perstorp Group amounts to SEK 1,158 m (-2,250).

7. 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 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.

8. Divestment

On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th 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 has been 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 was classified as discontinued operations.

9. 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.

10. Risk and uncertainty

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

11. 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 2019, will be available in English in April 2020.

Perstorp, February 13, 2020



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 2019 amounted to 11.6 billion for continuing operations.

Learn more at www.perstorp.com