



# Perstorp Holding AB (Publ.)

Interim report 1 January – 30 September 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 July - September 2019, continuing operations

- Net sales decreased with 5% to SEK 2,895 (3,037) m, reflecting mainly lower sales prices due to a combination of lower raw materials, weakening market conditions and increased competition.
- Organic volume-based sales growth was 2% year-on-year.
- EBITDA excluding non-recurring items amounted to SEK 439 (417) m.
- EBITDA-margin excluding non-recurring items was 15.2% (13.7%).

## Key figures in summary, continuing operations

SEK m unless otherwise stated	Quarter 3		Quarter 1-3		Latest	Full year
	2019	2018	2019	2018	12 months	2018
Net Sales	2,895	3,037	9,178	9,498	12,116	12,436
EBITDA	411	375	1,186	1,385	1,497	1,696
% of net sales	14.2	12.3	12.9	14.6	12.4	13.6
EBITDA excluding non-recurring items <sup>1)</sup>	439	417	1,279	1,438	1,655	1,814
% of net sales	15.2	13.7	13.9	15.1	13.7	14.6
Operating earnings (EBIT)	270	257	788	978	995	1,185
% of net sales	9.3	8.5	8.6	10.3	8.2	9.5
Net earnings/loss	-60	7	-1,172	-183	-944	45
Free cash flow	301	174	532	518	977	963

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

## President's Comments – Q3 2019



“Even though we have to deal with weaker markets, it is important for us to maintain focus on our current performance, mitigating whatever we can, while remaining committed to where we are going longer term. We have great confidence in our growth potential and the strategic direction remains.”

The third quarter was characterized by a continued slowdown in the world economy and in addition, the trade war between the US and China has resulted in excess volumes from competitors in China being moved to Southeast Asia and Europe. Correspondingly we have seen weaker demand in several of our product lines. The drop in raw material prices and to some extent increased competition pushed our price levels downwards, although we managed to keep up the margins in selective areas.

### Lower average sales prices

All three regions, EMEA, APAC and Americas suffered from lower average sales prices. Demand continues to be weak in APAC and EMEA, whilst demand in Americas is holding up compared to third quarter last year, mainly driven by the Penta, Oxo and Formates businesses.

Net sales amounted to SEK 2,895 m, a 5% decrease over third quarter last year, mainly due to lower sales prices and partly offset by higher volumes and positive FX effects. Organic volume based sales growth for the period was 2% compared to the same period last year. EBITDA excluding non-recurring items amounted to SEK 439 (417) m with an EBITDA margin of 15.2% (13.7%), with cost controls measures, introduced in the second quarter this year, having giving positive contribution. LTM EBITDA was SEK 1,655 m compared to SEK 1,814 m for the full year 2018.

### Mixed results from the Business Areas

In Business Area Specialty Polyols & Solutions, EBITDA amounted to SEK 296 (239) m. The improved result was driven by enhanced margins for some product lines, lower fixed cost and positive exchange rate effects. To some extent this was partly offset by softer demand and lower unit margins in APAC and EMEA.

For Business Area Advanced Chemicals, EBITDA amounted to SEK 138 (98) m were last year's result was negatively impacted by a scheduled maintenance turnaround. Unit margins has remained stable both within the alcohol and the plasticizer businesses, helped by lower raw material prices. The slightly weaker market conditions we started to see at the end of the second quarter continued in the third quarter, especially in APAC.

Business Area Animal Nutrition showed positive volume development, but margins were down. Gut health in Americas continued to show strong growth, APAC is however still hampered by African Swine Fever. Acid Solutions showed a temporary decline as a result of the product portfolio rationalization. There has also been a somewhat increased price pressure for some of the products due to new volumes coming into the market. EBITDA amounted to SEK 49 (58) m.

### Continued cost control without losing our long term direction

Earlier initiated cost reduction initiatives started to show a positive contribution during the third quarter. Given the weaker market conditions we continue to further hold back on fixed costs and investments in the short term. We have our ears to the ground and are prepared to act with agility, both to capture new business opportunities but also to install further efficiency measures if demand would continue to decline.

Even though we have to deal with weaker markets, it is important for us to maintain focus on our current performance, mitigating whatever we can, while remaining committed to where we are going longer term. We have great confidence in our growth potential and the strategic direction remains. We are also confident that Business Area Animal Nutrition will deliver growth as set out in the plans. Most teams are now fully staffed and new contracts and customer relationships are on the way to being built up. We see early signs of this starting to bring results and I am personally convinced that we will be there in 2020.

It is extremely important to us that we have product available when it is needed from our customers. In order to further increase delivery security, but also to look at how we can find productivity improvements and capacity increases by working differently, we will gradually roll out a new Operational Excellence model to all our production sites. Our site in Perstorp is first out and has shown great commitment with results starting to appear. Activities to improve how we work with health and safety are also an important part for our long term success.

### Safety performance on a positive trend

Our safety performance remains a top priority and is on a positive trend. The full year outlook indicates that we will be able to reach the target for process safety events, but not fully for OSHA (Occupational Safety and Health Administration) recordables. On October 23<sup>rd</sup>, we will hold our annual "Care 365 day" across the company for the second time, where the program will be all about health & safety related to the various locations.

As part of our focus on health and safety, we have now taken a decision to introduce "Care" as a fourth core value alongside "Responsibility", "Reliability" and "Focused Innovation". We strongly believe that a caring company long term is a more profitable company.

Malmö, October 2019



Jan Secher

President and CEO

## Financial overview July - September 2019

### Income statement, continuing operations

SEK m	Quarter 3	
	2019	2018
<b>Net Sales</b>	<b>2,895</b>	<b>3,037</b>
Cost of goods sold	-2,427	-2,599
<b>Gross earnings</b>	<b>468</b>	<b>438</b>
<b>Operating earnings (EBIT)</b>	<b>270</b>	<b>257</b>
Exchange rate effects on net debt	-140	107
Other financial income and expenses	-163	-336
<b>Earnings before tax</b>	<b>-33</b>	<b>28</b>
Tax	-27	-21
<b>Net earnings/loss</b>	<b>-60</b>	<b>7</b>
<b>EBITDA</b>	<b>411</b>	<b>375</b>
<b>EBITDA excluding non-recurring items</b>	<b>439</b>	<b>417</b>

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

Net sales during the third quarter amounted to SEK 2,895 (3,037) m, a decrease of SEK 142 m or 5%.

Organic volume based sales growth was 2% in the third quarter 2019.

Excluding currency effects, sales prices were 8% lower than last year linked to lower raw material prices, weakening market conditions especially in APAC and EMEA and increased competition.

Average Dated Brent oil price decreased 18% in the third quarter 2019 compared to the corresponding quarter last year and was 8% lower than in the second quarter 2019. The lower price on Dated Brent oil, compared to the second quarter 2019, has also impacted pricing on downstream derivatives like propylene and ethylene during the third quarter of 2019.

The Swedish krona continued to weaken against both the USD and the EUR, resulting in positive exchange rate effects on sales of approximately 3% vs same quarter previous year.

EBITDA excluding non-recurring items amounted to SEK 439 m (417), corresponding to an EBITDA margin of 15.2% (13.7). The increase in EBITDA was attributable to higher volumes and improved unit margins for some product lines together with lower fixed costs and positive exchange rate impact partly offset by negative impact from weaker demand and increased price pressure. In the third quarter last year, EBITDA was negatively affected by approximately SEK 50 m linked to the maintenance turnaround in Stenungsund.

Depreciation and amortization amounted to SEK 141 (119) m including depreciation related to lease arrangement of SEK 9 (-) m. EBIT amounted to SEK 270 (257) m for the period.

Net financial expenses, excluding currency effects on net debt, amounted to SEK 163 (336) m, reflecting the refinancing of the capital structure, which was completed during the first quarter 2019.

Tax amounted to SEK -27 (-21) m and net result amounted to SEK -60 (7) m.

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

## Financial overview January - September 2019

### Income statement, continuing operations

SEK m	Quarter 1-3	
	2019	2018
<b>Net Sales</b>	<b>9,178</b>	<b>9,498</b>
Cost of goods sold	-7,707	-7,941
<b>Gross earnings</b>	<b>1,471</b>	<b>1,557</b>
<b>Operating earnings (EBIT)</b>	<b>788</b>	<b>978</b>
Exchange rate effects on net debt	-376	-445
Other financial income and expenses	-1,502	-987
<b>Earnings before tax</b>	<b>-1,090</b>	<b>-454</b>
Tax	-82	271
<b>Net earnings/loss</b>	<b>-1,172</b>	<b>-183</b>
<b>EBITDA</b>	<b>1,186</b>	<b>1,385</b>
<b>EBITDA excluding non-recurring items</b>	<b>1,279</b>	<b>1,438</b>

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

Net sales for the first nine months of 2019 amounted to SEK 9,178 (9,498) m, a decrease of SEK 320 m or 3%. The sales decrease was resulting from softer demand mainly in APAC and EMEA and lower prices together.

Organic volume based sales growth was -2%. Excluding currency effects, sales prices in the first nine months of 2019 were 3% lower than last year due to both increased competition and lower raw material prices. During the first nine months of 2019, the Swedish krona weakened against the USD and EUR compared to the corresponding period in 2018, resulting in positive exchange rate effects on sales of approximately 5%.

EBITDA excluding non-recurring items amounted to SEK 1,279 (1,438) m, corresponding to an EBITDA margin of 13.9% (15.1). The decrease in earnings compared to last year of SEK 159 m was attributable to lower volumes and unit margins for some product lines and the unplanned shutdown in Stenungsund in beginning of the year which partly was offset by lower fixed cost and positive currency rate effects.

Non-recurring items, amounting to SEK 93 m, relates primarily to restructuring costs in connection with the reorganization.

Depreciation and amortization for the period amounts to SEK 398 (407) m including depreciation related to lease arrangement of SEK 28 (-) m. 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 788 (978) m for the period.

Net financial expenses, excluding currency effects on net debt, amounted to SEK 1,502 m compared to SEK 987 m for the same 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 -82 (271) m. In 2018, deferred tax assets was assigned to tax losses carry forward due to the new tax rules in Sweden and positively affected the result with SEK 338 m. Net result amounted to SEK -1,172 (-183) m.

<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 3		Quarter 1-3		Latest	Full year
	2019	2018	2019	2018	12 months	2018
EBITDA excluding non-recurring items	439	417	1,279	1,438	1,655	1,814
Change in Working Capital <sup>2)</sup>	30	-114	-366	-587	-90	-311
Maintenance Capex	-53	-103	-159	-233	-287	-361
<b>Free Cash Flow before Strategic Capex</b>	<b>416</b>	<b>200</b>	<b>754</b>	<b>618</b>	<b>1,278</b>	<b>1,142</b>
% of EBITDA excluding non-recurring items	95	48	59	43	77	63
Strategic Capex	-115	-26	-222	-100	-301	-179
<b>Free Cash Flow</b>	<b>301</b>	<b>174</b>	<b>532</b>	<b>518</b>	<b>977</b>	<b>963</b>
% of EBITDA excluding non-recurring items	69	42	42	36	59	53

<sup>1)</sup> For further details on total cash flow, please see page 17.

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

## Available funds and debt

SEK m	Sept 30, 2019	Sept 30, 2018	Dec 31, 2018
Available funds	942	1,119	1,120
Net debt	9,615	13,407	13,505
Net debt excl. Parent company loans and pension liabilities	9,133	13,018	13,103
Leverage <sup>1)</sup>	5.5x	5.7x	5.6x

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

## Free cash flow July – September

Free Cash flow improved during the third quarter 2019 driven by improved earnings and release of working capital and amounted to SEK 301 m (174). Utilization of the factoring program at September 30, 2019 amounted to EUR 82 (115) m.

## Free cash flow January - September

Free Cash flow for the first 9 month amounted to SEK 532 (518) m. The free cash flow was negatively impacted by lower earnings in combination with somewhat higher investments, counterbalanced by favorable development of working capital.

## Net debt and leverage

The Group's available funds, liquid funds and unutilized credit facilities, amounted to SEK 942 (1,119) m at the end of the period, compared with SEK 1,120 m at the end of 2018.

Following the company's positive development during 2018 and the sale of the Bioproduct and Caprolactone businesses, Perstorp, refinanced the capital structure with new credit facilities in the first quarter 2019.

Leverage was 5.5x at the end of the third quarter 2019 compared to 5.6x at the end of 2018.



Business Area

Speciality Polyols & Solutions



## Business Area

### Specialty Polyols & Solutions

SEK m	Quarter 3		Quarter 1-3	
	2019	2018	2019	2018
<i>Continuing operations</i>				
Net sales	1,564	1,732	5,085	5,405
EBITDA	296	239	824	899
EBITDA excl. non-recurring items	296	239	825	901
EBITDA margin excl. non-recurring items, %	18.9	13.8	16.2	16.7


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

### July - September 2019

Net sales in the third quarter 2019 amounted to SEK 1,564 (1,732) m. The lower sales were mainly attributable to weaker demand and increased price pressure in EMEA and APAC mainly for the TMP and Neo product lines. Exchange rates had a positive impact on sales of approximately 4%.

Organic volume based sales growth was -1%.

EBITDA excluding non-recurring items in the third quarter was SEK 296 (239) m corresponding to an EBITDA margin of 18.9% (13.8%). The increase was mainly driven by improved margins for most product lines, lower fixed costs and positive exchange rate effects. To some extent this was offset by lower volumes on TMP and Neo as well as lower margins on Neo.

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, showing its thickness. The person's skin is dark, and their hands are positioned near their feet, which are also on the mat. The background is blurred, suggesting an outdoor or semi-outdoor setting with natural light.

Business Area  
Advanced Chemicals

## Business Area

### Advanced Chemicals

SEK m	Quarter 3		Quarter 1-3	
	2019	2018	2019	2018
<i>Continuing operations</i>				
Net sales	937	961	3,011	3,086
EBITDA	140	95	454	379
EBITDA excl. non-recurring items	138	98	454	382
EBITDA margin excl. non-recurring items, %	14.7	10.2	15.1	12.4

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

### July-September 2019

Net sales in the third quarter 2019 amounted to SEK 937 (961) m. Negative impact from increased price pressure and softer demand for some product lines was partly offset by higher volumes and positive exchange rate effect. Exchange rates had a positive impact on sales of approximately 3%.

Organic volume base sales growth was +4%.

EBITDA excluding non-recurring items, in the third quarter, amounted to SEK 138 (98) m, corresponding to an EBITDA margin of 14.7% (10.2). The increase was mainly due to improved unit margins on both the alcohol and plasticizer product lines, somewhat higher volumes for alcohols and positive exchange rate effects.





Business Area  
Animal Nutrition

## Business Area

### Animal Nutrition

SEK m	Quarter 3		Quarter 1-3	
	2019	2018	2019	2018
<i>Continuing operations</i>				
Net sales	313	310	925	947
EBITDA	49	58	163	193
EBITDA excl. non-recurring items	49	58	163	194
EBITDA margin excl. non-recurring items, %	15.7	18.7	17.6	20.5

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

### July - September 2019

Net sales in third quarter 2019 amounted to SEK 313 (310) m. Volume growth was positive for most product lines compared to same period last year. The decrease in sales was attributable to a combination of increased price pressure and availability for some product lines offset by favorable supply-demand balance for some products together with a positive exchange rate impact. Exchange rates had an impact on sales of approximately 3%.

Organic volume based sales growth was +6%

EBITDA excluding non-recurring items in the third quarter was SEK 49 (58) m corresponding to an EBITDA margin of 15.7% (18.7%). The decrease was a result of lower unit margins linked to increased price competition together with negative product and customer mix for some product lines.



## Consolidated income statement

### Income statement, consolidated group

SEK m	Note	Quarter 3		Quarter 1-3		Latest	Full year
		2019	2018	2019	2018	12 months	2018
<b>Continuing operations</b>							
<b>Net Sales</b>	<b>3</b>	<b>2,895</b>	<b>3,037</b>	<b>9,178</b>	<b>9,498</b>	<b>12,116</b>	<b>12,436</b>
Cost of goods sold		-2,427	-2,599	-7,707	-7,941	-10,170	-10,404
<b>Gross earnings</b>		<b>468</b>	<b>438</b>	<b>1,471</b>	<b>1,557</b>	<b>1,946</b>	<b>2,032</b>
Selling, administration and R&D costs		-182	-201	-629	-624	-843	-838
Other operating income and expenses <sup>1)</sup>		-6	22	-47	98	-100	45
Write-down of assets		-11	-3	-11	-57	-11	-57
Result from participations in associated companies		1	1	4	4	3	3
<b>Operating earnings (EBIT)</b>	<b>5</b>	<b>270</b>	<b>257</b>	<b>788</b>	<b>978</b>	<b>995</b>	<b>1,185</b>
Exchange-rate effects on net debt		-140	107	-376	-445	-393	-462
Other financial income and expenses		-163	-336	-1,502	-987	-1,923	-1,408
<b>Earnings/loss before tax</b>		<b>-33</b>	<b>28</b>	<b>-1,090</b>	<b>-454</b>	<b>-1,321</b>	<b>-685</b>
Tax	7	-27	-21	-82	271	377	730
<b>Net earnings/loss</b>		<b>-60</b>	<b>7</b>	<b>-1,172</b>	<b>-183</b>	<b>-944</b>	<b>45</b>
<b>Discontinued operation</b>	<b>8</b>						
Net sales	3	-	692	113	1,860	699	2,446
Operating earnings (EBIT)		-	121	4,760	276	4,869	385
Earnings/loss before tax		0	81	4,758	153	4,810	205
Tax		0	-11	-12	-27	-11	-26
<b>Net earnings/loss</b>		<b>0</b>	<b>70</b>	<b>4,746</b>	<b>126</b>	<b>4,799</b>	<b>179</b>
<b>Group, total</b>							
Net sales		2,895	3,729	9,290	11,358	12,814	14,882
Operating earnings (EBIT)		270	377	5,548	1,253	5,865	1,570
Earnings/loss before tax		-33	110	3,668	-300	3,488	-480
Tax		-26	-33	-94	243	367	704
<b>Net earnings/loss</b>		<b>-59</b>	<b>77</b>	<b>3,574</b>	<b>-57</b>	<b>3,855</b>	<b>224</b>

### Consolidated Group

<b>EBITDA</b>	<b>3, 5, 8</b>	<b>411</b>	<b>524</b>	<b>5,955</b>	<b>1,743</b>	<b>6,403</b>	<b>2,191</b>
<b>EBITDA excluding non-recurring items</b>	<b>3, 5, 8</b>	<b>440</b>	<b>566</b>	<b>1,359</b>	<b>1,796</b>	<b>1,887</b>	<b>2,324</b>

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

## Consolidated income statement

### Comprehensive income report

SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2019	2018	2019	2018	12 months	2018
<b>Net result for the period</b>	<b>-59</b>	<b>77</b>	<b>3,574</b>	<b>-57</b>	<b>3,855</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	-55	1	-55	1	-61	-5
<i>Items that may be subsequently reclassified to profit or loss</i>						
Currency translation effect	-66	-42	-31	-33	-47	-49
<b>Other comprehensive income net after tax</b>	<b>-121</b>	<b>-41</b>	<b>-86</b>	<b>-32</b>	<b>-108</b>	<b>-54</b>
<b>Total comprehensive income</b>	<b>-180</b>	<b>36</b>	<b>3,488</b>	<b>-89</b>	<b>3,747</b>	<b>170</b>
<b>Attributable to:</b>						
Parent company's shareholder	-188	31	3,459	-127	3,710	124
Non-controlling interest	8	5	29	38	37	46

## Consolidated balance sheet

### Balance sheet, consolidated group

SEK m	Note	Sept 30, 2019	Sept 30, 2018	Dec 31, 2018
Tangible fixed assets		4,690	5,076	4,502
Intangible fixed assets		4,437	4,840	4,381
Participation in associated companies		75	72	72
Other non-current assets	7	1,172	875	1,217
Inventories		1,525	1,586	1,620
Other current assets		1,425	1,436	1,206
Cash & cash equivalents, incl. short-term investments		271	385	565
Assets held for sale		-	-	1,320
<b>Total assets</b>		<b>13,595</b>	<b>14,270</b>	<b>14,883</b>
Total equity	6	1,230	-2,480	-2,250
Pension liability, others		493	388	403
Other non-current liabilities		10,072	14,111	14,346
Current liabilities		1,800	2,251	2,197
Liabilities held for sale		-	-	187
<b>Total equity &amp; liabilities</b>		<b>13,595</b>	<b>14,270</b>	<b>14,883</b>
Working capital	4	1,178	1,249	789
Net debt	9	9,615	13,407	13,505
Net debt excluding parent company loan and pension liabilities		9,133	13,018	13,103
Capital employed		11,093	11,203	11,718
Number of full-time employees, end of period		1,367	1,577	1,501
Contingent liabilities		282	238	239
Assets pledged		6,358	7,209	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		3,459	29	3,488
Transactions with owners, recognized directly in equity		-	-1	-1
<b>Closing balance, September 30, 2019</b>		<b>1,074</b>	<b>156</b>	<b>1,230</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	-127	38	-89
Dividend to non-controlling interest	-	-35	-35
Transactions with owners, recognized directly in equity	25	2	27
<b>Closing balance, September 30, 2018</b>	<b>-2,629</b>	<b>149</b>	<b>-2,480</b>

## Consolidated cash flow statement

SEK m	Quarter3		Quarter 1-3		Latest	Full year
	2019	2018	2019	2018	12 months	2018
<i>Operating activities</i>						
Operating earnings	270	257	788	978	995	1,185
Adjustments						
Depreciation and write-down	141	118	398	407	502	511
Other	11	-27	-131	-41	-145	-55
Operating activities in discontinued operations	-	148	78	358	229	509
Interest received and other financial items	2	0	4	4	7	7
Interest paid and other financial items	-205	-12	-1,249	-526	-1,814	-1,091
Income tax paid	-6	-18	-46	-82	-54	-90
Interest and taxes paid in discontinued operation	-	-48	-6	-116	-42	-152
<b>Cash flow from operating activities before change in operating capital</b>	<b>213</b>	<b>418</b>	<b>-164</b>	<b>982</b>	<b>-322</b>	<b>824</b>
Changes in working capital						
Increase (-) Decrease (+) in net working capital <sup>1)</sup>	30	-114	-366	-587	-90	-311
Discontinued operations	-	-64	-38	-72	131	97
<b>Cash flow from operating activities</b>	<b>243</b>	<b>240</b>	<b>-568</b>	<b>323</b>	<b>-281</b>	<b>610</b>
<i>Investing activities</i>						
Acquisition of net assets, subsidiaries	-	-	-	-5	-23	-28
Investments in other participations	-	-	-2	-	-5	-3
Acquisition of tangible and intangible fixed assets	-168	-129	-381	-329	-564	-512
Sale of net assets, subsidiaries	-	-	6,057	-	6,085	28
Sale of shares, other participations	-	-	5	-	5	-
Sale of tangible and intangible fixed assets	-	-	-	1	0	1
Discontinued operations	-	-38	-7	-86	-41	-120
<b>Cash flow from investing activities</b>	<b>-168</b>	<b>-167</b>	<b>5,672</b>	<b>-419</b>	<b>5,457</b>	<b>-634</b>
<i>Financing activities</i>						
Dividend paid to non-controlling interests in subsidiaries	-	-	-29	-35	-29	-35
New loans	-	-	8,800	-	8,800	-
Amortization of loans	-10	-	-13,978	-	-13,978	-
Change in credit utilization <sup>3)</sup>	-133	-307	-209	-107	-109	-7
<b>Cash flow from financing activities</b>	<b>-143</b>	<b>-307</b>	<b>-5,416</b>	<b>-142</b>	<b>-5,316</b>	<b>-42</b>
<b>Change in liquid funds</b>	<b>-68</b>	<b>-234</b>	<b>-312</b>	<b>-238</b>	<b>-140</b>	<b>-66</b>
Liquid fund opening balance, incl. short-term investments	333	632	565	621	385	621
Translation difference in liquid funds	6	-13	18	2	26	10
<b>Liquid funds, end of period<sup>2)</sup></b>	<b>271</b>	<b>385</b>	<b>271</b>	<b>385</b>	<b>271</b>	<b>565</b>
<sup>1)</sup> Including trade receivable financing program						
<sup>2)</sup> Restricted and held on escrow	185	137	185	137	185	208
<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 September 30, 2019 amounted to 3,410 m (1,205) compared to SEK 4,919 m at December 31, 2018.

### Income statement

SEK m	Note	Quarter 3		Quarter 1-3		Latest	Full year
		2019	2018	2019	2018	12 months	2018
<b>Net Sales</b>		<b>31</b>	<b>29</b>	<b>52</b>	<b>61</b>	<b>62</b>	<b>71</b>
<b>Gross earnings</b>		<b>30</b>	<b>29</b>	<b>51</b>	<b>61</b>	<b>61</b>	<b>71</b>
Sales, marketing and admin costs		-56	-53	-140	-141	-171	-172
Other operating income and expenses		-6	-1	-11	-7	-32	-28
<b>Operating earnings (EBIT)</b>		<b>-32</b>	<b>-25</b>	<b>-100</b>	<b>-87</b>	<b>-142</b>	<b>-129</b>
Financial income and expenses <sup>1)</sup>		-136	-86	-1,409	132	-1,679	-138
Appropriations		-	-	-	-	4,260	4,260
<b>Earnings/loss before tax</b>		<b>-168</b>	<b>-111</b>	<b>-1,509</b>	<b>45</b>	<b>2,439</b>	<b>3,993</b>
Tax	7	-	-	-	317	-233	84
<b>Net earnings/loss <sup>2)</sup></b>		<b>-168</b>	<b>-111</b>	<b>1,509</b>	<b>362</b>	<b>2,206</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	Sept 30, 2019	Sept 30, 2018	Dec 31, 2018
Tangible fixed assets		0	1	1
Intangible fixed assets		1	1	1
Shares in group companies		7,731	7,731	7,731
Long term receivables group		5,657	7,117	9,878
Other non-current assets	7	426	683	394
Short term financial receivables group		78	436	1,649
Other current assets		31	20	24
Cash & cash equivalents		0	0	23
<b>Total assets</b>		<b>13,924</b>	<b>15,989</b>	<b>19,701</b>
Total equity	6	3,410	1,205	4,919
Other non-current liabilities		9,263	13,192	13,364
Current liabilities		1,251	1,592	1,418
<b>Total equity &amp; liabilities</b>		<b>13,924</b>	<b>15,989</b>	<b>19,701</b>





## Key figures and FX rates

### Key figures

SEK m unless otherwise stated		2019		2018	
	Q3	Q2	Q1	Q4	Q3
Continuing operations					
Net Sales	2,895	3,065	3,218	2,938	3,037
Organic volume-based sales growth, %	1.7	-5.6	0.0	-6.7	-7.5
Marginal contribution	829	874	943	811	828
EBITDA excluding non-recurring items	439	365	475	376	417
% of net sales	15.2	11.9	14.8	12.8	13.7
Cash conversion, % of EBITDA excluding non-recurring items	69	61	2	118	42
Consolidated Group					
Net earnings/loss	-59	-52	3,685	281	77
Earnings, per share, diluted, SEK	-1,20	-1,04	73.71	5.63	1.53
Net debt excluding pension liabilities and shareholder loans	9,133	8,883	8,822	13,103	13,018
Leverage <sup>1)</sup>	5.5x	5.4x	5.0x	5.6x	5.7x

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

### Currency rates

<b>Closing rate</b>					
USD	9.80	9.27	9.28	8.97	8.86
EUR	10.73	10.56	10.42	10.28	10.29
GBP	12.07	11.75	12.08	11.35	11.57
<b>Average rate</b>					
USD	9.59	9.45	9.17	9.04	8.95
EUR	10.66	10.62	10.42	10.32	10.41
GBP	11.81	12.15	11.94	11.65	11.66

## 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 have been restated according to the new organization.

As a consequence, 56 employees were made redundant globally and a restructuring provision amounting to approximately SEK 45 million is reported as a non-recurring item in the income statement for continuing operations.

### IFRS 16 - Leasing

IFRS 16 Leases was implemented from 1 January 2019. This Standard regulates the recognition of leases and replaces 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 3		Quarter 1-3		Latest	Full year
	2019	2018	2019	2018	12 months	2018
<b>Net Sales</b>						
Specialty Polyols & Solutions	1,564	1,732	5,085	5,405	6,688	7,008
Advanced Chemicals	937	961	3,011	3,086	3,997	4,072
Animal Nutrition	313	310	925	947	1,214	1,236
Internal sales						
Specialty Polyols & Solutions	0	-19	-2	-72	-18	-88
Advanced Chemicals	-132	-163	-413	-508	-523	-618
Animal Nutrition	-2	-4	-10	-10	-19	-19
Other/eliminations	215	220	582	650	777	845
<b>Continuing operations</b>	<b>2,895</b>	<b>3,037</b>	<b>9,178</b>	<b>9,498</b>	<b>12,116</b>	<b>12,436</b>
Discontinued operations	0	692	112	1,860	698	2,446
<b>TOTAL GROUP</b>	<b>2,894</b>	<b>3,729</b>	<b>9,290</b>	<b>11,358</b>	<b>12,814</b>	<b>14,882</b>
<b>EBITDA</b>						
Specialty Polyols & Solutions	296	239	824	899	1,076	1 151
Advanced Chemicals	140	95	454	379	556	481
Animal Nutrition	49	58	163	193	210	240
Other/eliminations	-74	-17	-255	-86	-345	-176
<b>Continuing operations</b>	<b>411</b>	<b>375</b>	<b>1,186</b>	<b>1,385</b>	<b>1,497</b>	<b>1,696</b>
Discontinued operations	0	149	4,769	358	4,906	495
<b>TOTAL GROUP</b>	<b>411</b>	<b>524</b>	<b>5,955</b>	<b>1,743</b>	<b>6,403</b>	<b>2,191</b>
<i>Non allocated items</i>						
Depreciation, Amortization and write down	-141	-147	-407	-490	-538	-621
<b>Operating earnings (EBIT)</b>	<b>270</b>	<b>377</b>	<b>5,548</b>	<b>1,253</b>	<b>5,865</b>	<b>1,570</b>
Financial income and expenses	-303	-267	-1,880	-1,553	-2,377	-2,050
<b>Earnings/loss before tax</b>	<b>-33</b>	<b>110</b>	<b>3,668</b>	<b>-300</b>	<b>3,488</b>	<b>-480</b>
Tax	-26	-33	-94	243	367	704
<b>Net result</b>	<b>-59</b>	<b>77</b>	<b>3,574</b>	<b>-57</b>	<b>3,855</b>	<b>224</b>
<b>EBITDA excluding non-recurring items</b>						
Specialty Polyols & Solutions	296	239	825	901	1,089	1,165
Advanced Chemicals	138	98	454	382	556	484
Animal Nutrition	49	58	163	194	210	241
Other/eliminations	-44	22	-163	-39	-200	-76
<b>Continuing operations</b>	<b>439</b>	<b>417</b>	<b>1,279</b>	<b>1,438</b>	<b>1,655</b>	<b>1,814</b>
Discontinued operations	0	149	80	358	232	510
<b>TOTAL GROUP</b>	<b>440</b>	<b>566</b>	<b>1,359</b>	<b>1,796</b>	<b>1,887</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	Sept 30, 2019	Sept 30, 2018	Dec 31, 2018
Inventories	1,525	1,450	1,661
Accounts receivable	948	880	863
Other current assets	370	305	344
Accounts payable	-596	-661	-967
Other current liabilities	-1,069	-876	-1,129
<b>Total working capital – continuing operations</b>	<b>1,178</b>	<b>1,098</b>	<b>772</b>
Discontinued operations	-	151	17
<b>Total Group</b>	<b>1,178</b>	<b>1,249</b>	<b>789</b>

#### 5. Leasing

SEK m	Jan 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	Quarter 3, 2019	Quarter 1-3, 2019
<b>Impact on income statement, IFRS16 <sup>1)</sup></b>		
Depreciation on right of use assets	-9	-28
Interest on lease liability	-2	-6

<sup>1)</sup> The effect on EBITDA of the transition is approximately SEK 11 m in the third quarter and SEK 34 m for the first 9 months.

#### 6. Equity

At the end of September 2019 equity for the parent company, Perstorp Holding AB, amounts to SEK 3,410 (1,205) m. Consolidated equity, including non-controlling interest, for the Perstorp Group amounts to SEK 1,230 (-2,480) m.

#### 7. 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 applies 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.

#### 8. 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.



## 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 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, October 23, 2019

A handwritten signature in dark ink, appearing to read "Jan Secher".

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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