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The impact of the Cost of Energy on a large Industrial User

Febeliec Press Conference

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A leading European PVC and chlor-alkali company

VYNOVA

Strong regional presence

Production network of 6 manufacturing sites, strategically located in key European markets.

Broad product range

Product portfolio that includes PVC, KOH and other potassium derivatives, NaOH and sodium hypochlorite.

Committed employees

1,250 employees in manufacturing, supply chain, sales & marketing and support services.

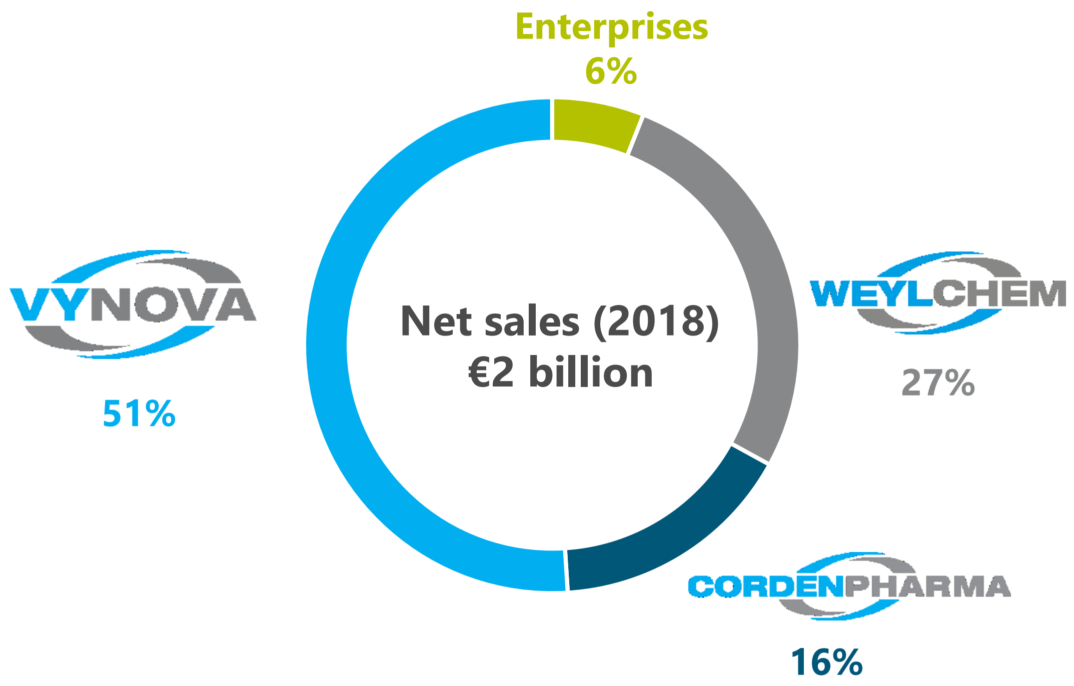
Solid financial performance

Founded in 2015, we have grown to generate sales of more than 1 billion euros. Our profitability enables us to pursue ambitious growth opportunities.

ICIG: long-term shareholder of Vynova

- International Chemical Investors Group (ICIG) is a privately owned industrial group, focused on mid-sized chemicals & pharmaceutical businesses
- More than 25 manufacturing facilities with approximately 5,200 employees in Europe and the United States
- Total sales of approximately 2 billion euros
- Corporate headquarters in Luxemburg and Frankfurt
- Organised in four market-oriented platforms:
  - Fine Chemicals
  - Pharma
  - Chlor-Vinyls
  - Enterprises

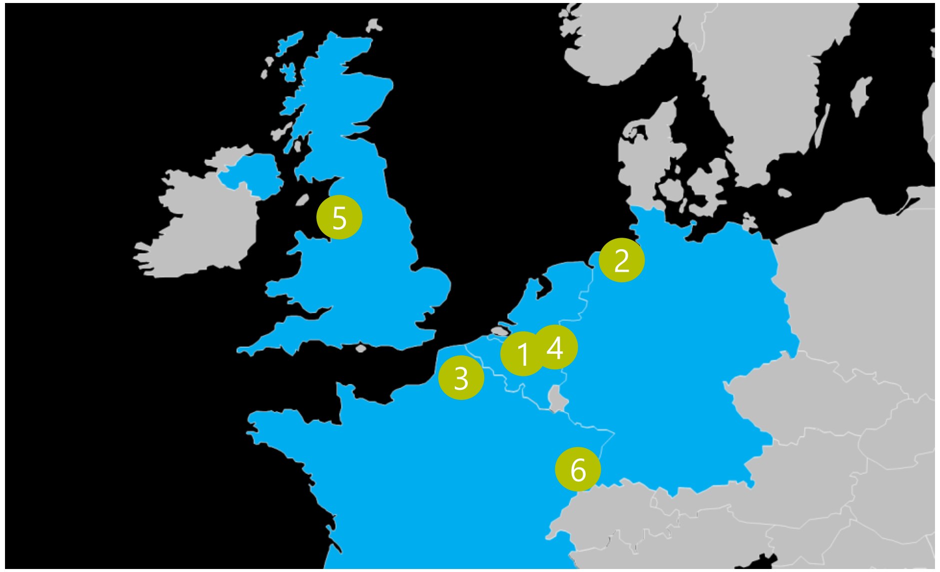
Net sales breakdown by platform



Production network in five countries

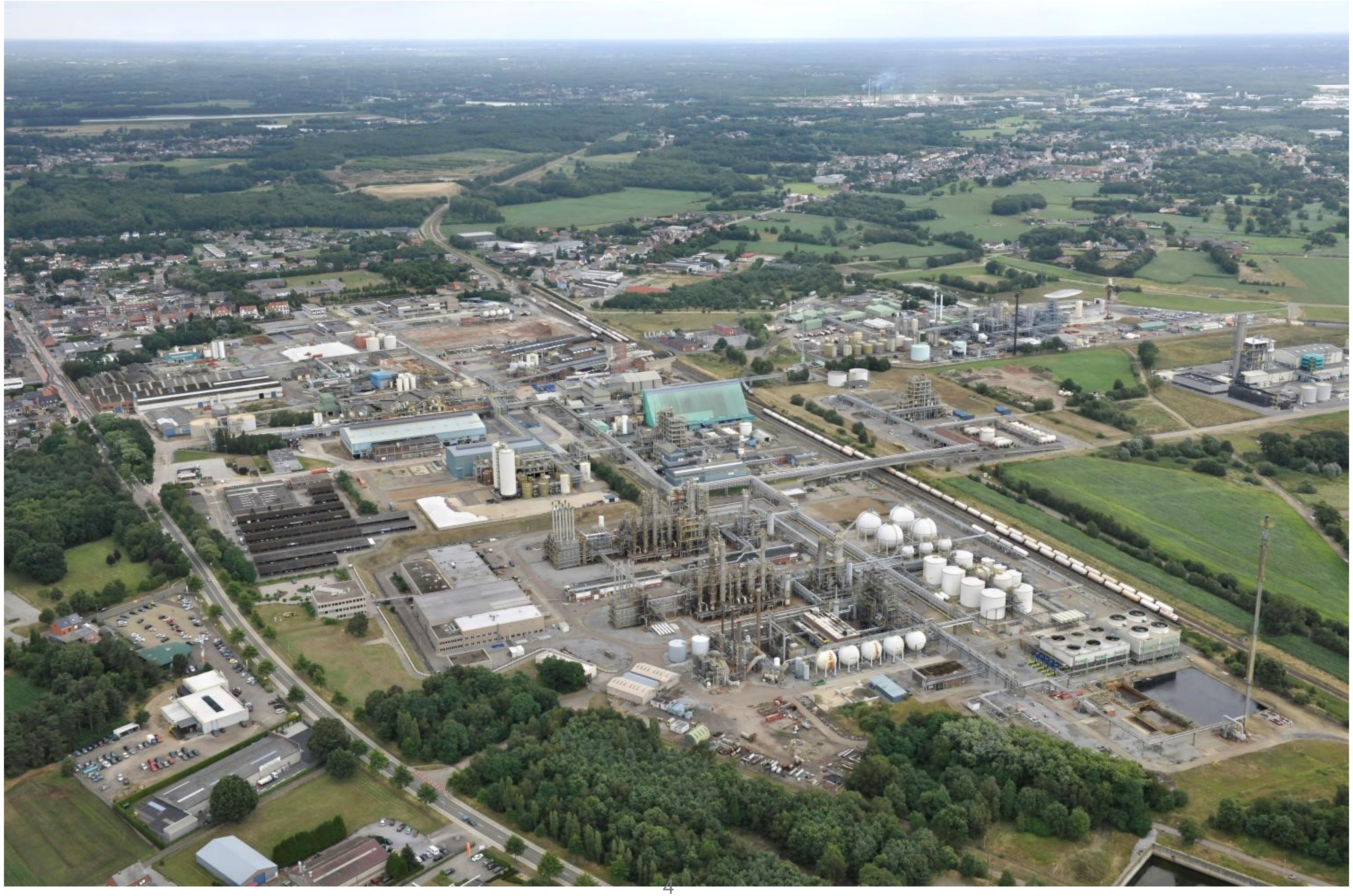
- Pan-European chlorovinyls group with six sites
- Acquisition by ICIG in August 2015 from INEOS / INOVYN
- Leading market positions
  - #2 European producer of S-PVC(1)
  - #1 European producer of KOH(2) (4)
  - #6 European producer of NaOH(3)
  - Key producer of NaClO (hypo) and HCl
- Production facilities located in the key European chlor-alkali markets
- Net sales of € 1,040 million with approx. 1,250 employees
- Consolidation Entity: Vynova Belgium N.V.

(1) S-PVC: Suspension polyvinyl chloride
(2) KOH: Potassium hydroxide
(3) NaOH: Sodium hydroxide or caustic soda
(4) Together with ICIG subsidiary PPC in France



1. Tessenderlo - Belgium
2. Wilhelmshaven - Germany
3. Mazingarbe - France
4. Beek - Netherlands
5. Runcorn - UK
6. Thann - France

TESSENDERLO SITE



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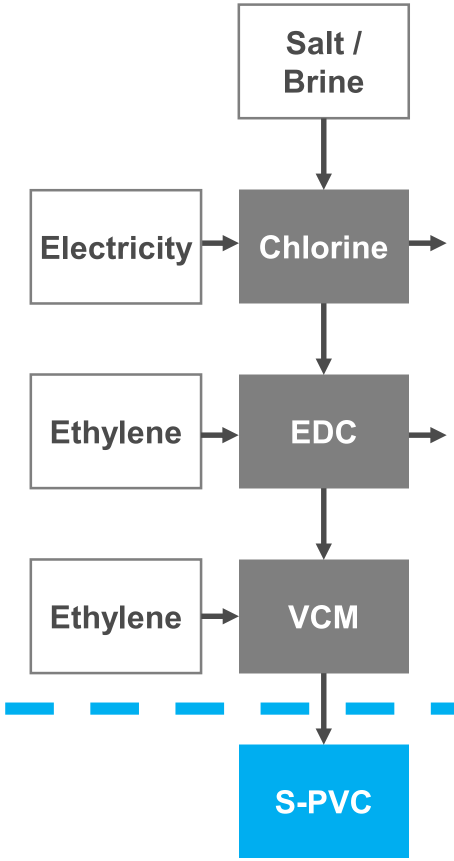
Integrated Value Chain

Tessenderlo Site



- State-of-the-art membrane electrolysis plant for the conversion of salt into chlorine by electricity. Depending on type of salt, NaOH or KOH as side product.
- Chlorine sold to neighbouring companies
- Production of EDC from chlorine and ethylene (supply from direct access to ARG pipeline)
- Ethylene Dichloride (EDC) sales
- Conversion of EDC to Vinyl Monochloride (VCM) and subsequent transport to S-PVC polymerization production sites
  - Beek (NL) VCM supplied by pipeline
  - Mazingarbe (F) VCM supplied by rail transport

Vynova Belgium NV

- Production capacities: 365 000 ton chlorine, 550 000 ton VCM, 150 000 ton caustic potash, 330 000 ton caustic soda

- Key logistics through pipelines (ethylene, salt, VCM) and Albert Canal (salt, caustic)

- 500 direct employees

- 2018 data:
    - Revenu: 1,042 m€
    - Added Value: 158 m€

- Integrated links with other local companies: Tessenderlo Group, Valtris, Chevron Philips Chemicals.

- Electricity:
    - Annual Usage > 1.1 TWh – among largest industrial users in Belgium
    - Value: +/- 10% of Revenu
    - Participation in Demand Side Management

Vynova Belgium NV

Competitive Landscape

- 70-80% of Chlorovinyls business is 'local' West European (500 km radius)
- Main competition located in Germany, France, Netherlands
- Key cost drivers: Electricity, ethylene, natural gas, salt

Energy competiveness

- Electricity pricing is single largest competitive driver in this industry
- Belgian/Flemish Industry remains disadvantaged versus German/French/Dutch competitors

Vynova Belgium NV

Electricity competitiveness

- Commodity Market
- Grid / Transport
- Taxes and Levies

1 €/MWh = 1 M€/year

Comparisons with France/Germany based on actual Vynova experience in these countries.

Vynova Belgium – Commodity Market

- Biggest differentiator between Chlorovinyls producers in EU but markets remains country based;
- Last winter delta price versus Germany/Netherlands decreased because of the increased nuclear availability in Belgium but a disadvantage of € 4/MWh remains.
  - Additional **commercial** Interconnection capacity with neighbours remains a key competitive factor;
  - This is needed to get to **full convergence of markets** (integrated balancing markets)
  - Biggest current risk is **lack of clarity** on way forward (Authority, Grid Operator, Regulator) for future supply situation.
    - Prolongation Nuclear capacity
    - Capacity Remuneration Mechanism
    - Compromise needed here **urgently** : CRM Light + 'smart' Nuclear prolongation ?

Vynova Belgium NV - Transmission tariffs

- Specific legislation in Germany, France and the Netherlands for Electro-Intensive Industries
- Specific criteria (Energy Efficiency Performance, exposed to international competition, high continuous year round usage, or anti-cyclical profiles)

=> Reduction of (up to) 90% in France/Germany

➢ Application of a similar system as in neighbouring countries

Vynova Belgium NV - Transmission tariffs

- Grid losses are in Belgium not included in the transmission tariffs but are supplied “in kind” by the suppliers. A comparison of Transmission tariffs with neighbouring countries is therefor skewed.

  - We recommend to have a sourcing of transmission grid losses by ELIA based on the measured offtake in the offtake point, comparable to the existing obligation of the Distribution grid operators and practice abroad.
  - It would also allow to give an incentive to the grid operator to reduce this cost
  - In case of early announcement of such a switch upfront (i.e. as of start of the next 4 year tariff in 2024 but with announcement in 2020) all market actors could anticipate.

Vynova Belgium NV – Taxes & Levies

- High number of different taxes and levies spread over Federal and Regional level, with large diversity of exemptions remains.

- Versus France/Germany where levies are combined with reduction based on electro-intensive criteria and energetic performance criteria. Up to 95% reduction in Germany and France !

  - Combination of Taxes and Levies into one overall 'tax' with single exemption process

Vynova Belgium NV – CO2 certificates impact

- Despite the continued efforts of the (chemical) industry to reduce its CO2-impact, the competitiveness of this industry is at risk against less CO2-efficient or less CO2 taxed outside EU imported products;

  - A level playing field within the EU-countries on CO2-incentives and a treatment, on equal grounds, for imported good into the EU-area based on the CO2-content.

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Thank you

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