

Perstorp Holding AB (Publ.)

Interim report 1 January - 30 September 2013

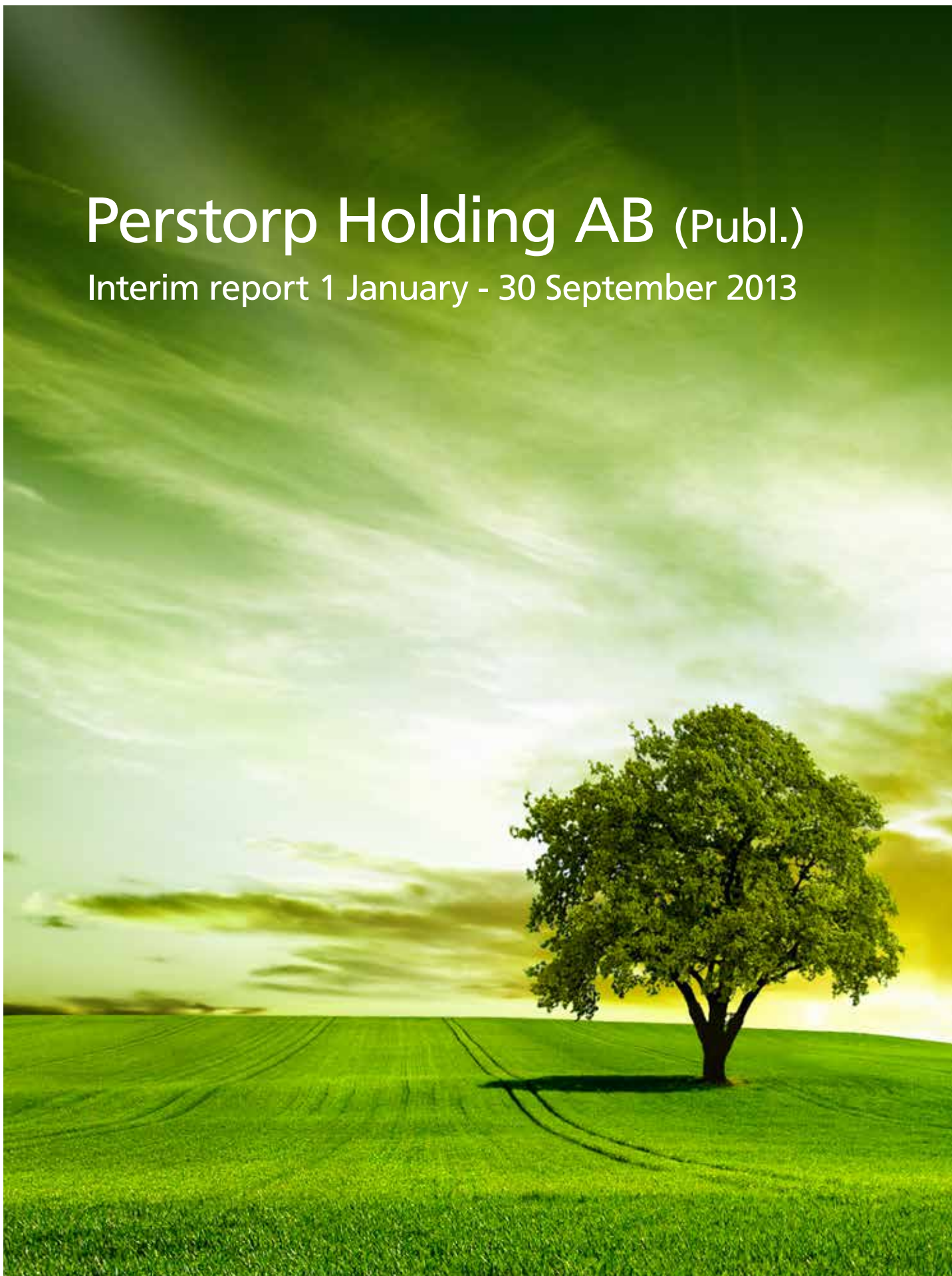


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A close-up photograph of several large, vibrant green leaves, likely from a tropical plant. The leaves are layered, with some in sharp focus and others blurred in the background. Small, clear water droplets are scattered across the surfaces of the leaves, adding texture and depth to the image. The overall color palette is a rich, natural green.

Perstorp Continuing operations

Perstorp Group excluding:
Vencorex legal units
Singapore legal units
Formox legal units

Interim report 1 January - 30 September 2013

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

Perstorp is an international specialty chemicals group with leading positions in selected niches. The Group has around 1,500 employees and manufacturing companies in Europe, North America and Asia. The Perstorp Group was acquired at the end of 2005 by Perstorp Holding AB, which is controlled by the French private equity company PAI partners.

Important events, January – September 2013

- ➔ For the Perstorp Group's continuing operations, sales in January to September 2013 amounted to SEK 7,828 m, which is on par with the previous year (7,858). Volumes were 4% higher than last year, but a combination of a stronger Swedish krona and slightly lower sales prices had a negative effect on sales of -3% and -2% respectively. Operating earnings before depreciation and amortization (EBITDA) relating to continuing operations were SEK 889 m (1,122). Excluding non-recurring items, the corresponding figure amounted to SEK 896 m (1,037).
- ➔ During the year, Perstorp has divested a number of non-core business units. In March, Perstorp sold its formaldehyde technology and catalyst business, Formox to Johnson Matthey. Furthermore, Perstorp sold the Singapore legal units (Isophthalic acid operations) to Financière Forêt S.á r.l., parent company to the Perstorp Group. In May, Perstorp closed the sale of Perstorp Ättika (vinegar) to Kavli.
- ➔ In September, Jan Secher succeeded Martin Lundin as President and CEO of the Perstorp Group.
- ➔ During the third quarter, Perstorp launched four new products providing sustainable solutions for the plastics industry – Akestra™, Capa™ for bioplastics, Charmor™ PM40 Care and Pevalen™.
- ➔ In mid-September, Perstorp successfully started its new Neo plant in Zibo, China.
- ➔ A strategic investment project in a new production plant for Valeraldehyde and its derivatives 2-PH and DPHP is progressing according to plan with an expected start-up at the beginning of 2015.
- ➔ Available funds remain at comfortable levels and amounted to SEK 1,428 m at the end of the period.

Key figures in summary, Continuing operations

SEK m unless otherwise stated	Quarter 3 2013	Quarter 3 2012	Quarter 2 2013	Quarter 1-3		Latest 12 months	Full year 2012
				2013	2012		
Net sales	2,649	2,425	2,694	7,828	7,858	10,006	10,036
Operating earnings before depreciation (EBITDA)	330	303	315	889	1,122	1,044	1,277
% of net sales	12.5	12.5	11.7	11.4	14.3	10.4	12.7
EBITDA excluding non-recurring items ¹⁾	343	277	308	896	1,037	1,047	1,188
% of net sales	12.9	11.4	11.4	11.4	13.2	10.5	11.8
Operating earnings (EBIT)	170	143	160	420	649	425	654
% of net sales	6.4	5.9	5.9	5.4	8.3	4.2	6.5
Net earnings/loss	-307	44	-460	-860	181	-1,028	13
Free Cash Flow	243	263	183	254	524	345	616
% of net sales	9.2	10.8	6.8	3.2	6.7	3.4	6.1
Number of full-time employees, end of period	1,504	1,451	1,491	1,504	1,451	1,504	1,462

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



President's comments

"As the bleak global economy persists, Perstorp remains aligned with a clear vision: we will execute our strategy, we will act to best serve our customers' needs, and we will invest to affirm our long-term sustainability."

From Good to Great

A change in leadership inherently brings a new era for any organization. As the baton has been handed to me, I see a good company from which to grow and am confident that there is significant untapped potential at Perstorp. To unlock this value, we must further understand our current position and respond to the shifting market paradigms.

Perstorp will thus undertake an extensive self-examination to ensure we refine or redefine our value chain at every turning point. This process, with anticipated results delivered at the new year, will reveal existing and potential opportunities across the organization. We will strive to make swift, precise and effective decisions that expand Perstorp's competitive advantage.

Stable progression

While we maintain a modest positive trend, we recognize that we are still at historically low levels of performance. With sales at around SEK 2,650 million, Perstorp's overall financial results for the third quarter advanced when compared with both last year's figures and those of the previous quarter.

Third quarter reported EBITDA of SEK 330 million reflects a slightly improved margin trend compared to last quarter as well as the benefits emerging from our profit improvement measures. The macro-economic environment remains fragile and we understand that we cannot cost control our way into long-term prosperity. We will need to continue innovating and leveraging on our investments to expand earnings.

Driving growth

Perstorp will take resolute measures that amplify our customer focus, seeking to increase our speed and agility in response to their needs. In testament this quarter, we launched four new, dynamic products that offer safe, sustainable solutions. Most notably our Capa™ for bioplastics, which is an exciting, highly biodegradable plastic that improves mechanical properties and accelerates the biodegradation process.

I also am proud to announce that our Neo plant in China has successfully begun operating and has already delivered its first products on-spec to customers. This represents a strengthening of our footprint in the Asian market. Our Valerox project continues to be on time and on-budget with a scheduled start-up at the beginning of 2015.

Acting responsibly

We will continue our tireless efforts to improve our carbon footprint, not only qualifying for industry standards but also actively seeking measures that differentiate our commitment to the environment and ultimately add value to our customers.

Over the past five years, we have allocated more than 7% of total capital investment toward environmental improvements and have successfully maintained one of the lowest carbon footprints in the industry. We will push to do even better both in regards to our internal operations as well as throughout the full product lifecycle.

Driving performance

With strong determination and decisive action, we will deliver against our commitments and stand accountable for proactively implementing decisions to achieve our targets. As we enter this new and exciting phase for Perstorp, I look forward to driving our existing strategy and converting our goals into achievements of excellence.

Perstorp, October 2013

Jan Secher
President and CEO

Market and economic conditions

General

The ambiguity of the reported trends, signals and KPIs also continued during Q3. Coupled with events such as the Syrian crisis and the fiscal uncertainties in the US, this has had a dampening effect on the sentiment of Perstorp's key markets.

Still, Q3 2013 was in many ways a step forward from the last quarter and also showed year-on-year improvements. Improvements have come mainly in the US but Europe (Perstorp's most important market) is also showing signs of revival. The ESI (economic sentiment indicator for the EU) has now increased for 4 months in a row narrowing the gap to the long-term average. The PMI (purchasing managers index) reached a 27-month high in September and is now in solid territory. Capacity utilization in the chemical industry is also increasing. Annual figures are still negative but Q3 is showing a reversed trend with positive growth. The emerging markets have been less successful. China, as an example, has been performing less well than historically. However, PMI figures have been improving lately so the trend is positive.

The European PetroChemical Association conference has just ended, providing a good insight into customer demand. The picture is not markedly different from the past few quarters although there was a definite sense of improved optimism from our European customers. Q4 is not typically a strong quarter, given the normal seasonality with less number of working days in December, but there is a cautiously positive view for 2014.

Raw materials

Looking at crude oil, prices have generally been stable over the year. However there have been a number of events such as the Syrian crisis that have created some short-term turmoil. Comparing Q3 to Q2 the average oil price has been around 5% higher. Naphtha and its downstream derivatives, (prices for Perstorp's major Raw materials are based on these) followed suit.

Methanol remained stable compared to Q2 when quarterly contracts settled. However, during the quarter, Methanol reached a post crisis peak at EUR 409 per ton, a level seen only twice in history. The reasons were increased demand from the energy sector (DME, MTBE) while supply has been weak due to various production problems. For Benzene demand has been healthy while supply has been somewhat restricted. Even so our average Benzene price went down over the quarter compared with earlier in the year.

The outlook for oil-based raw material in Q4 is that demand and prices will pick up slightly and supply/demand will tighten gradually on both seasonal (heating season in the northern hemisphere) and cyclical factors. For Methanol the high spot price will probably be reflected in the coming quarterly price.



Financial overview

Net sales

The Perstorp Group's net sales for continuing operations amounted to SEK 7,828 m during the first nine months of 2013, compared with 7,858 m in the corresponding period 2012.

Volumes increased 4% compared to last year following stronger performance in both the second and third quarter. The volume increase was evident in all business units.

The start-up of the new Neo plant has only had a minor effect on the figures as the deliveries to customers started in the second half of September.

Sales prices were 2% lower than the same period last year, primarily affected by a competitive market sentiment.

The stronger Swedish krona, especially versus the USD, has had a negative effect on sales of 3% compared to last year.

Earnings

For the period January to September 2013, operating earnings before depreciation and amortization (EBITDA) for continuing operations reached SEK 889 m (1,122). Excluding non-recurring items, earnings amounted to SEK 896 m (1,037).

The appreciation of the Swedish krona affects results negatively when comparing January to September 2013 with the same period

last year. Currency effects amounted to around SEK -30 m relating to both translational and transactional effects from flows in USD and Euro.

Besides the negative currency effects, the decline in earnings compared to last year has mainly been driven by somewhat lower margins following high feedstock prices coupled with a competitive market for some product lines.

Non-recurring items included in last year's results relates primarily to profit from land sales in India.

Operating earnings before interest and taxes (EBIT) were SEK 420 m (649) in the first nine months. Depreciation was on the same level as last year, 466 m (469).

Earnings before tax amounted to SEK -928 m (253) m. The decline compared to last year can be explained by less positive currency effects when revaluating financial liabilities in foreign currencies and higher financial expenses compared to last year as a result of the new capital structure. In addition, participation in associated companies contributed a loss of SEK 445 m including a write down of SEK 322 m in Q3, compared to a loss of 25 m last year.

For the period, the net loss was SEK 860 m, compared to a gain of 181 m last year.

Income statement, Continuing operations						
SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2013	2012	2013	2012	12 months	2012
Net sales	2,649	2,425	7,828	7,858	10,006	10,036
Cost of goods sold	-2,321	-2,123	-6,932	-6,778	-8,947	-8,793
Gross earnings	328	302	896	1,080	1,059	1,243
Selling, administration and R&D costs	-155	-177	-541	-551	-736	-746
Other operating income and expenses ¹⁾	0	22	64	123	95	154
Write-down of assets	-3	-4	-3	-4	1	0
Result from participations in associated companies	0	0	4	1	6	3
Operating earnings (EBIT)	170	143	420	649	425	654
Exchange-rate effects on net debt	197	176	28	311	-7	276
Other financial income and expenses	-303	-235	-931	-682	-1,284	-1,035
Result from participations in associated companies	-351 ³⁾	-12	-445 ³⁾	-25	-490 ³⁾	-70
Earnings/loss before tax	-287	72	-928	253	-1,356	-175
Tax	-20	-28	68	-72	328 ²⁾	188 ²⁾
Net earnings/loss	-307	44	-860	181	-1,028	13
Write-down of assets	-3	-4	-3	-4	1	0
Depreciations	-156	-155	-466	-469	-620	-623
Operating earnings before depreciation (EBITDA)	330	303	889	1,122	1,044	1,277
EBITDA excl non-recurring items	343	277	896	1,037	1,047	1,188

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

²⁾ Including group contribution received from discontinued operation of SEK 28 m.

³⁾ Including a write down of SEK 322 m



Segment information

Segment data, Continuing operations						
	Quarter 3		Quarter 1-3		Latest 12 months	Full year 2012
	2013	2012	2013	2012		
Net sales						
Specialty Intermediates	1,714	1,611	5,177	5,277	6,600	6,700
Performance Products	907	819	2,638	2,666	3,393	3,421
Other/Eliminations	28	-5	13	-85	13	-85
Total Continuing operations	2,649	2,425	7,828	7,858	10,006	10,036
EBITDA						
Specialty Intermediates	211	149	588	659	676	747
Performance Products	92	82	295	323	361	388
Other/Eliminations	28	71	6	140 ¹⁾	7	142 ¹⁾
Total Continuing operations	330	303	889	1,122	1,044	1,277

¹⁾ Other/eliminations is mainly attributable to sale of land in India.

The Group is domiciled in Sweden. Revenue from external customers in Sweden is 15% (14), and revenue from external customers from other countries is 85% (86).

No single external customer accounted for more than 10% of our sales.

Perstorp's operations are divided into two business groups. Business Group Specialty Intermediates consisting of business units Oxo, Penta & Formates and TMP & Neo. Business Group Performance Products consisting of business units Caprolactones & SPPO, Performance Additives and Bioproducts.

Business Group Specialty Intermediates reported a decline in sales of -2% compared to the same period last year. Volumes increased 4%, but were offset by negative currency effects, -3% and lower prices/product mix, -3%. The lower earnings, SEK 588 m vs. 659 m last year, can primarily be assigned to the lower sales prices. Both sales and earnings were higher in the third quarter compared to the same period last year.

Business Group Performance Products reported sales 1% below the same period last year. Volumes were 3% higher than last year, but negative currency effects and slightly lower prices affected sales negatively, -3% and -1% respectively. The lower EBITDA can be assignable to a combination of higher raw material prices, especially Benzene, and slightly lower sales prices. Compared to last year, Q3's performance was better on both sales and earnings.

Advancing coating and resin technology with innovative and sustainable chemistry



Cash flow

Cash flow from operating activities for continuing operations was SEK 254 m (524) for the period January to September 2013. The lower cash flow from operating activities can primarily be explained by a combination of lower earnings and higher expansion investments. Cash flow in Q3 was more or less on par with the same quarter last year.

Cash flow from investment activities amounted to SEK 385 m (259). The increase compared to the same period last year reflects our increased spending rate in primarily the Valeraldehyde and derivatives project in Stenungsund, Sweden. Capital expenditure related to maintenance investments have been slightly lower than last year.

Free cash flow analysis, Continuing operations						
SEK m	Quarter 3		Quarter 1-3		Latest 12 months	Full year 2012
	2013	2012	2013	2012		
EBITDA excl non-recurring items	343	277	896	1,037	1,047	1,188
Change in Working capital ¹⁾	8	90	-257	-254	-85	-82
Maintenance capex	-43	-60	-132	-161	-247	-276
Free cash flow before strategic capex	308	308	507	622	714	830
% of EBITDA excluding non-recurring items	90	111	57	60	68	70
Strategic capex	-65	-45	-253	-98	-369	-214
Free cash flow	243	263	254	524	345	616
% of EBITDA excluding non-recurring items	71	95	28	51	33	52

¹⁾ Excluding exchange rate effects and provisions

Capa™ opens up new opportunities for bioplastics



Financial position

Working capital for continuing operations rose SEK 285 m during the first nine months of the year. The increase follows normal seasonal patterns and the majority of the increase relates to higher sales. Inventory has been reduced to satisfactory levels during the period, mainly during the second and third quarters.

Working capital for continuing operations amounted to SEK 1,476 m at the end of Q3 2013 compared to SEK 1,369 m at the end of Q3 2012 and SEK 1,191 m at end of last year.

In Q1 2013, Perstorp divested its formaldehyde technology and catalyst business, Formox (Formox AB) to Johnson Matthey (Johnson Matthey Plc), for SEK 1,050 m, which strengthened the financial position of the Group.

The change in deferred tax liability primarily relates to a lower tax rate on deferred tax, valid from Q4 2012.

The Group's available funds, including liquid funds and letter of credit facilities, were SEK 1,428 m at the end of the period, compared with SEK 578 m at the end of Q3 2012.

Assets and liabilities, Continuing operations			
SEK m	Sept 30, 2013	Sept 30, 2012	Dec 31, 2012
Working capital, Continuing operations			
Inventories	1,130	1,107	1,280
Accounts receivable	1,509	1,393	1,198
Other current assets	249	253	326
Accounts payables	823	756	822
Other current liabilities	589	628	791
Total Working capital, Continuing operations	1,476	1,369	1,191

Capital employed, Continuing operations			
Total assets	14,737	13,971	14,517
Deferred tax liability	947	1,279	979
Accounts payable	823	756	822
Other liabilities	1,157	1,191	1,250
Total Capital employed, Continuing operations	11,810	10,745	11,466

Other key figures, Continuing operations			
Available funds	1,428	578	975
Net debt	9,592	10,170	10,526
Net debt excl. parent company loan and pension liabilities	8,596	8,939	8,848

Project Valerox -
innovation in the field
of sustainable solutions



Perstorp Consolidated group



Financial overview

Income statement, Consolidated group						
SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2013	2012	2013	2012	12 months	2012
<i>Continuing operations</i>						
Net sales	2,649	2,425	7,828	7,858	10,006	10,036
Cost of goods sold	-2,321	-2,123	-6,932	-6,778	-8,947	-8,793
Gross earnings	328	302	896	1,080	1,059	1,243
Selling, administration and R&D costs	-155	-177	-541	-551	-736	-746
Other operating income and expenses ¹⁾	0	22	64	123	95	154
Write-down of assets	-3	-4	-3	-4	1	0
Result from participations in associated companies	0	0	4	1	6	3
Operating earnings (EBIT)	170	143	420	649	425	654
Exchange-rate effects on net debt	197	176	28	311	-7	276
Other financial income and expenses	-303	-235	-931	-682	-1,284	-1,035
Result from participations in associated companies	-351 ⁴⁾	-12	-445 ⁴⁾	-25	-490 ⁴⁾	-70
Earnings/loss before tax	-287	72	-928	253	-1,356	-175
Tax	-20	-28	68	-72	328 ²⁾	188 ²⁾
Net earnings/loss	-307	44	-860	181	-1,028	13
<i>Discontinued operation</i>						
Net sales	-	301	257	2,420	635	2,798
Operating earnings (EBIT)	-	3	837	-122	1,379	420
Earnings/loss before tax	-	-15	822	-304	1,341	215
Tax	-	-4	-5	-15	-39 ³⁾	-49 ³⁾
Net earnings/loss	-	-19	817	-319	1,302	166
<i>Group, total</i>						
Net sales	2,649	2,726	8,085	10,278	10,641	12,834
Operating earnings (EBIT)	170	146	1,257	527	1,804	1,074
Earnings/loss before tax	-287	57	-105	-51	-14	40
Tax	-20	-32	62	-87	288	139
Net earnings/loss	-307	25	-44	-138	273	179

Operating earnings before depreciation (EBITDA)	330	303	1,730	1,166	1,925	1,361
EBITDA excluding non-recurring items	343	279	915	1,082	1,105	1,272

Comprehensive income report, Consolidated accounts						
SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2013	2012	2013	2012	12 months	2012
Earnings/loss for the period	-307	25	-44	-138	273	179
Other comprehensive results						
Translation effects	3	23	-2	-10	4	-4
Translation effects sold subsidiaries	-	-	-77	-99	-77	-99
Market valuation of interest swaps	-	5	-	0	5	5
Market valuation of forward contracts	2	2	6	-7	9	-4
Remeasurements of defined benefit plan	-	-	-	-	-45	-45
Tax relating to other comprehensive results	0	-2	-1	2	9	12
Other comprehensive results net after tax	5	28	-74	-114	-95	-135
Comprehensive results after tax	-302	53	-118	-252	178	44
Comprehensive results attributable to:						
Parent company's shareholder	-300	54	-117	-256	180	41
Non controlling interest	-2	-1	-1	4	-2	3

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

²⁾ Including group contribution received from discontinued operation of SEK 28 m.

³⁾ Including group contribution paid to continuing operations of SEK -28 m.

⁴⁾ Including a write down of SEK 322 m

Financial position

Balance sheet, Consolidated group			
SEK m	Sept 30, 2013	Sept 30, 2012	Dec 31, 2012
Tangible fixed assets	4,256	4,168	4,281
Intangible fixed assets	5,280	5,973	5,943
Participation in associated companies	543	1,012	981
Financial fixed assets	493	573	448
Inventories	1,130	1,319	1,375
Other current assets	1,855	1,896	1,724
Cash & cash equivalents, incl. short-term investments	1,180	181	678
Assets held for sale	-	-	430
Assets	14,737	15,122	15,860
Shareholders' equity	1,159	981	1,277
Loan from parent company	594	877	1,271
Pension liability, others	400	354	407
Other long-term liabilities	10,573	10,018	10,388
Current liabilities	2,011	2,892	2,343
Liabilities held for sale	-	-	174
Shareholders' equity & liabilities	14,737	15,122	15,860
Working capital	1,476	1,514	1,224
Net debt	9,592	10,170	10,526
Net debt excl. parent company loan and pension liabilities	8,596	8,939	8,848
Capital employed	11,810	11,313	12,293
Number of full-time employees, end of period	1,504	1,604	1,621



Driving
high quality
and lasting
performance
in paints

Shareholders' equity, 2013			
SEK m	Shareholders' equity excl. non controlling interest	Non controlling interest	Total shareholders' equity
Opening balance, January 1, 2013	1,326	44	1,370
Effect of change in accounting policy for reporting defined benefit pension plans	-93	-	-93
Adjusted opening balance, January 1, 2013	1,233	44	1,277
Comprehensive results for the period	-117	-1	-118
Closing balance, Sept 30, 2013	1,116	43	1,159

Shareholders' equity, 2012			
SEK m	Shareholders' equity excl. non controlling interest	Non controlling interest	Total shareholders' equity
Opening balance, January 1, 2012	954	24	978
Effect of change in accounting policy for reporting defined benefit pension plans	-61	-	-61
Adjusted opening balance, January 1, 2012	893	24	917
Comprehensive results for the period	-256	4	-252
Shareholders contribution	299	17	316
Closing balance, Sept 30, 2012	936	45	981

Cash flow

Cash Flow analysis, Consolidated group						
SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2013	2012	2013	2012	12 months	2012
<i>Operating activities</i>						
Operating earnings	170	143	420	649	425	654
Adjustments:						
Depreciation and write-down	159	159	469	472	620	623
Other	-22	-96	-72	-72	-70	-70
Operating activities in discontinued operations	-	1	19	-57	59	-17
Interest received	3	-	7	0	12	5
Interest paid	-224	-116	-558	-380	-646	-468
Income tax paid	-7	-11	-20	-39	-24	-43
Interest and taxes paid in discontinued operations	-	-20	-22	-109	-46	-133
Cash flow from operating activities before change in working capital	79	60	243	464	330	551
<i>Changes in working capital</i>						
Increase (-) Decrease (+) in inventories	13	72	145	-81	-32	-258
Increase (-) Decrease (+) in current receivables	38	135	-208	-173	-84	-49
Increase (+) Decrease (-) in current liabilities	-105	-142	-194	0	31	225
Discontinuing operations	-	-60	-62	-421	57	-302
Cash flow from operating activities	25	65	-76	-211	302	167
<i>Investing activities</i>						
Acquisition of shares in associated companies	-	-	-	-1	0	-1
Acquisition of tangible and intangible fixed assets	-108	-104	-385	-258	-617	-490
Sale of net assets, subsidiaries	-33	-	1,033	-	1,033	-
Sale of interest in subsidiary to non-controlling interest	-	-	-	1,046	0	1,046
Sale of tangible and intangible fixed assets	-	-	-	117	0	117
Change in financial assets, external	-32	1	-29	-9	-35	-15
Discontinuing operations	-	-6	-12	-71	-18	-77
Cash flow from investing activities	-173	-109	607	824	363	580
<i>Financing activities</i>						
New loans external	-	-	-	-	7,325	7,325
Shareholders' contribution	-	1	-	299	0	299
Change in loan from parent company	-	-	-61	-	284	345
Change in credit utilization	12	-5	31	-1,177	-7,268	-8,476
Cash flow from financing activities	12	-4	-30	-878	341	-507
Change in liquid funds, incl. short-term investments	-136	-48	501	-265	1,006	240
Liquid fund opening balance, incl. short-term investments	1,322	233	685	454	181	454
Translation difference in liquid funds	-6	-4	-6	-8	-7	-9
Liquid funds, end of period	1,180	181	1,180	181	1,180	685

ProMyr™ silage additives
help to ensure a good start
to the ensiling process



Other

Accounting & valuation principles

The consolidated financial statements for Perstorp Holding AB have been prepared in accordance with IAS 34, Interim Financial Reporting, and the Annual Accounts Act. The same accounting principles and calculation methods used in the interim reports were used in the annual accounts for 2012. The accounting principles of the Group and parent company are stated in Note 2 of the 2012 annual report.

The agreed revision of IAS 19, Employee Benefits, applies from January 1, 2013 with a retroactive effect during 2012. This recalculation of comparative information for 2012 is accounted for as an adjustment of the opening equity taking into account tax effects. The unrecognized balance sheet items at January 1st, 2012 totaled SEK 99 million, with a net impact of SEK 61 million in equity and the corresponding effect at December 31st 2012 totaled SEK 144 million, with a net impact of SEK 93 million in equity.

Divested units and Assets held for sale

In May 2013, Perstorp closed the sale of Perstorp Ättika (vinegar) to Kavli. The financial results are accounted for as continuing operations up until the date of closing.

At the end of March 2013, Perstorp closed the sale of its formaldehyde technology and catalyst business, Formox (Formox AB) to Johnson Matthey (Johnson Matthey Plc), a global speciality chemicals company and a leader in sustainable technologies. The divestment is in line with Perstorp's strategy to focus on and expand its core specialty chemical activities. The financial results for Formox are accounted for as discontinued operations.

In December 2012, Perstorp's Board of Directors decided to transfer Perstorp's Singapore legal units (isophthalic acid operations) to Financière Forêt S.á r.l., parent company to Perstorp Holding AB, as a consequence of the recent refinancing process. The transaction was completed in March 2013 and settled via a vendor loan. The financial results for this operation are consequently from January to December 2012, reported within discontinued operations.

On May 31, 2012, Perstorp and Thailand's largest chemical producer PTT Global Chemical completed the formation of a joint venture dedicated to the manufacturing and sales of aromatic (TDI) and aliphatic (IPDI, HDI and derivatives) isocyanates. PTT Global Chemical (PTT GC) holds 51% of the joint venture and Perstorp 49% which includes certain exit rights. After the transaction day, Perstorp's share of 49% is reported as Participation in associated companies in the balance sheet and as Result from participations in associated companies in the income statement.

Transactions with related parties

In March 2013 Financière Forêt S.á r.l. purchased the Singapore legal units via a vendor loan, from Perstorp Holding AB. The net amount borrowed from the Luxembourg-based parent company Financière Forêt S.á r.l. amounted to SEK 594 million at the end of September. The annual interest rate is 10% and capitalized.

Risk and uncertainty

Perstorp is exposed to a number of risks and uncertainty factors, which are reviewed in the Annual Report for 2012.

Important events after reporting period

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

Financial information

Perstorp's financial information comprises interim reports and an annual & social responsibility report. The complete annual report is available in English and can be ordered in print format. It is also posted on the Group's website at www.perstorp.com.

Perstorp, November, 2013



Jan Secher
President and CEO

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



Your Winning Formula

The Perstorp Group, a trusted world leader in specialty chemicals, places focused innovation at your fingertips. Our culture of performance builds on 130 years of experience and represents a complete chain of solutions in organic chemistry, process technology and application development.

Matched to your business needs, our versatile intermediates enhance the quality, performance and profitability of your products and processes. This is how we enable you to meet market demands for safer, lighter, more durable and environmentally sound end-products – for the aerospace, marine, coatings, chemicals, plastics, engineering, and construction industries, as well as automotive, agricultural, food, packaging, textile, paper and electronics applications.

Our chemistry is backed by reliable business practices and a global commitment to responsiveness and flexibility. Consistent high quality, capacity and delivery security are ensured through strategic production plants in Asia, Europe and North America, as well as sales offices in all major markets. Likewise, we combine product and application assistance with the very best in technical support.

As we look to the future, we strive for the development of smarter and safer products and sustainable processes that reduce environmental impact and create real value in new chemical applications. This principle of proactive innovation and responsibility applies not only to our own business, but also to our work with yours. In fulfilling it, we partner with you to create a winning formula that benefits your business – as well as the people it serves.

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