



# **Perstorp Holding AB (Publ.)**

Interim report, January-December 2014

Conference call March 3<sup>rd</sup>, 2015

# Disclaimer

- ➔ This document contains financial information regarding the businesses and assets of Perstorp Holding AB (publ) (the "Company") and its consolidated subsidiaries (the "Group"). Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this document or any related presentation should not be regarded as a representation or warranty by the Company, any of its respective affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations by the Group.
- ➔ This document contains information, data and predictions about our markets and our competitive position. While we believe this data to be reliable, it has not been independently verified and, while we are not aware of any material misstatements therein, we make no representation or warranty as to the accuracy or completeness of such information. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. In those cases where third-party data has not proved readily available, we have relied on internal analyses, as well as information obtained from sources such as our customers, suppliers, trade and business organizations connected with the markets in which we operate. We cannot assure you that any assumptions underlying these statements are accurate or correctly reflect the state and development of, or our position in, the industry. While we believe our internal company research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent source.
- ➔ Certain statements in this document are forward-looking. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. These factors include, among others: our level of indebtedness and capital structure and the terms of the notes and our other financing arrangements; our strategy, outlook and growth prospects, including our operational and financial targets; the competitive markets faced by both ourselves and our customers; the economic outlook in general and, in particular, economic conditions in the markets of the United States, Europe and Asia, and the expected growth of our markets; our ability to borrow or raise capital; costs and regulations related to contamination or exposure impacts from our operations or products; our expansion plans, including our ongoing geographic expansion and expansion of our production capacity; our ability to develop, market and launch commercially viable products; the cyclical nature of some of the industries in which we operate; our ability to manage and pass on raw material and other input costs; currency fluctuations; loss of key customers or suppliers for certain of our products; changes to or enforcement of governmental and environmental regulations and health and safety requirements across the multiple jurisdictions in which we operate; downtime at our facilities; inability to control our joint ventures or other similar business arrangements; loss of key personnel; ongoing and future tax audits and potential changes in applicable tax regulations; inadequate protection of our intellectual property rights; and expenses and reputational damage resulting from litigation.
- ➔ These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Neither the Company nor the Group undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.
- ➔ By attending this presentation, you are agreeing to be bound by the foregoing limitations.

# Important notice

- ➔ Unless otherwise stated, the financial information presented in this document represents the Group's continuing operations, i.e. excluding:
  - 15% stake in Vencorex (the former Coating Additives business unit, 51% divested in May 2012 and 34% divested in August 2014)
  - Singapore legal units (transferred to Financière Forêt S.à.r.l. in March 2013)
  - Formox legal units (divested to Johnson Matthey in March 2013)
- ➔ With effect January 1st 2014, Perstorp launched a new organizational structure. As a consequence of this, historical segment numbers are affected
- ➔ Financials of historical periods have been adjusted accordingly for comparative purposes



# Business performance



**Jan Secher**  
*President & CEO*

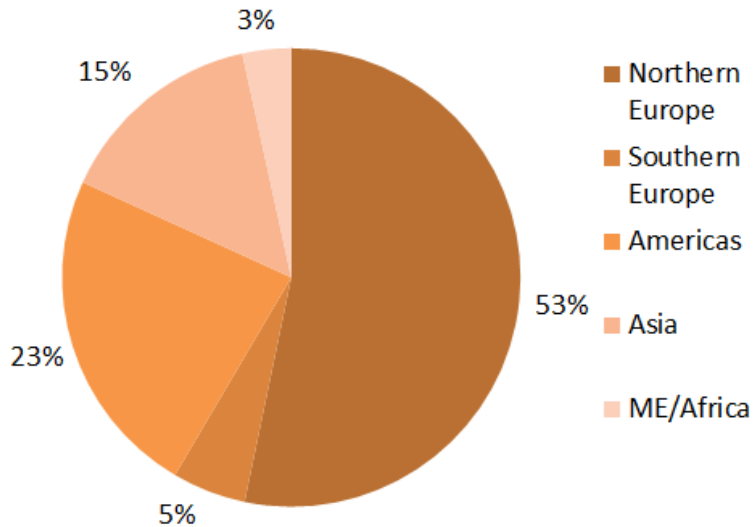


# Executive summary

- ➔ Despite continued uncertainties in the world and volatility in several different markets, our volumes in the fourth quarter continued growing and improved year-on-year by 2.5%
- ➔ Q4 sales for continuing operations amounted to SEK 2,606 m, a 4% improvement over last year which recorded sales of SEK 2,515 m
- ➔ EBITDA excluding non-recurring items amounted to SEK 279 m in Q4/14 compared to SEK 217 m last year, the sixth consecutive quarter of y-o-y improvement. FY EBITDA excluding non recurring items amounted to SEK 1,318 m an 18% increase compared to last year
- ➔ The Valerox project was successfully implemented beginning of January 2015, on time and below budget. Production has started and will be ramped up during Q1/2015, positively impacting margins
- ➔ The off-balance trade receivables financing program, that was implemented during Q2/14, was utilized corresponding to Euro 79 m. A further expansion to Euro 125 m, with gradual increase in utilization, is targeted during the first half of 2015

# Revenue overview

**Q4/2014, Revenue by region, %**



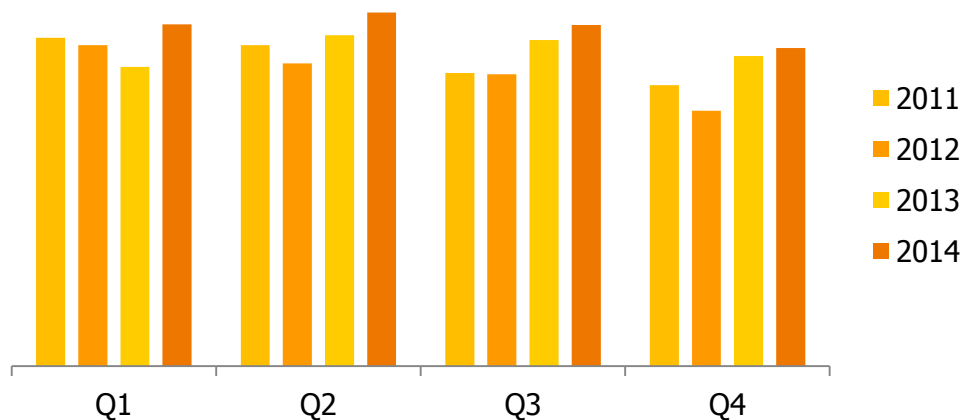
- ➔ Global uncertainty and volatility characterized the market sentiment
- ➔ European recovery continue to be weak and fragile. Declining demand from across all industry segments and countries, with UK being a very positive exception
- ➔ The US economy slowed somewhat during the fourth quarter but growth remained
- ➔ The APAC region continued to show growth numbers according to expectations. Positive PMI numbers from India and Japan in the end of 2014



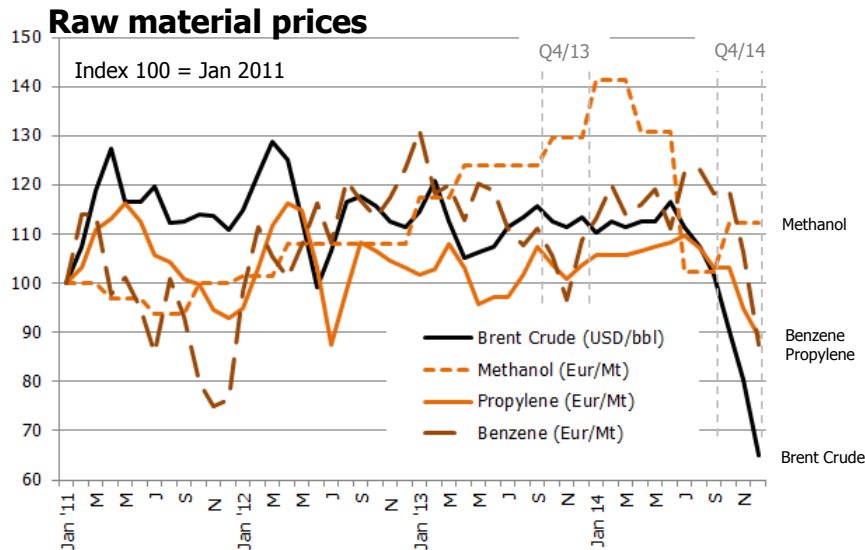
# Key revenue drivers during Q4/2014

- ➔ Volumes were 2.5% higher than Q4/13
  - Volumes continued to strengthen y-o-y
  - Volume growth of 2.5% was achieved despite some customers postponing orders and de-stocking due to the volatile raw material market
  
- ➔ Average selling prices in SEK increased year-on-year
  - Prices in SEK increased slightly year-on-year helped by the depreciation of the Swedish krona
  - Prices in local currency were c. 5% lower than in Q4/13 following lower raw material prices, especially for Olefins and Rape seed oil

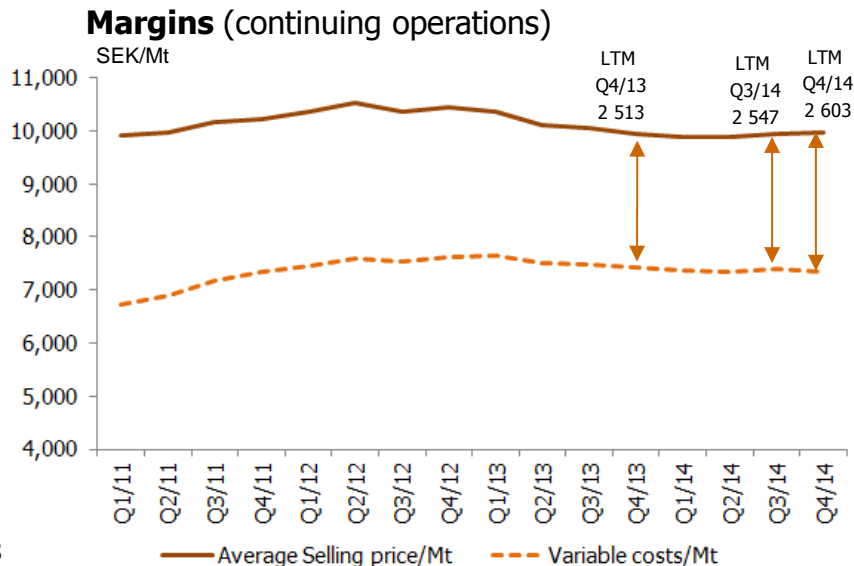
**Volumes by quarter**



# Raw materials and margins



- ➔ Sharply decreasing prices in Q4 for most key raw materials
  - Average price for Brent crude oil decreased by 25% in Q4/14 with a significant drop in December ending at USD 63/bbl
  - Oil downstream derivatives (olefins and aromatics) have had a slower price development due to major production outages, but decreased sharply in the end of the year
  - Benzene decreased 14% in Q4, with Propylene decreasing 10%
  - Price on Methanol increased 10% in Q4, after two quarters with decreasing prices



- ➔ On a quarter by quarter basis, margins were flat from Q3/14, however unit margins improved 10% from Q4/13. Positive Fx effects and lower raw material prices were counterbalanced by negative impact from a write-down of inventory
- ➔ However, LTM unit margins improved, confirming an improving trend since Q4/13



# Other events

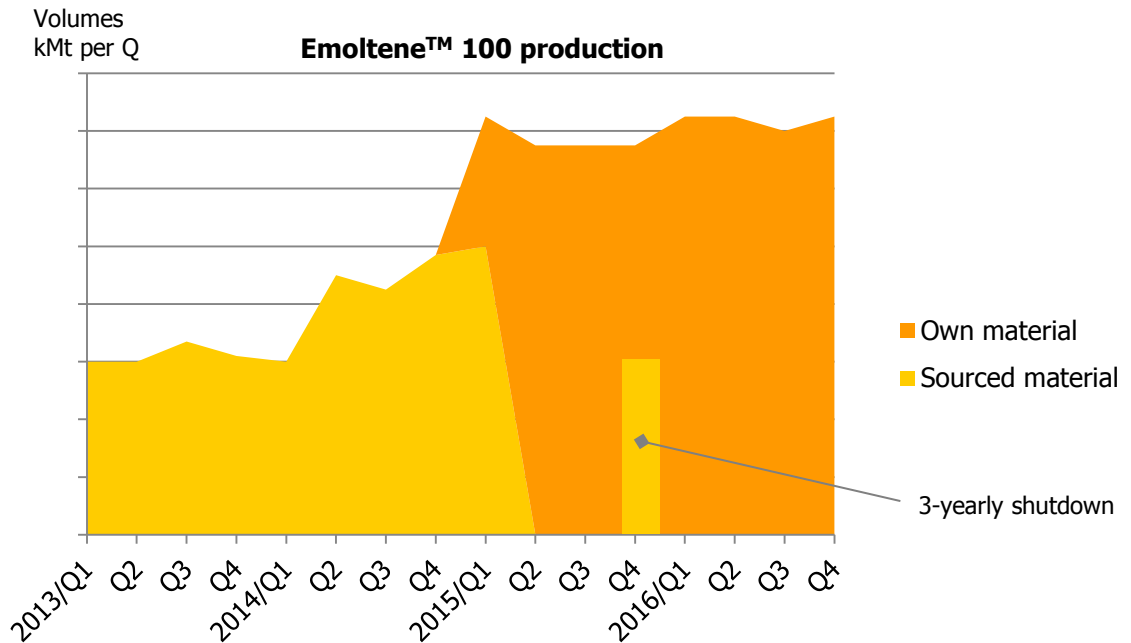
- ➔ Transformation program - Good to GREAT
  - The organization was further strengthened through new recruitments, and more efficient processes were put in place, including customer-focused sales staff training, and a streamlined supply chain and production process
- ➔ Valerox
  - Successfully started early January 2015, on time and under budget in terms of capex
  - Approved product quality
- ➔ Chemko acquisition
  - Customer retention rate continue at a high level
  - Pay-back expected to be around 1 year; a good example of a successful bolt-on acquisition
- ➔ Neo China
  - Plant continues to run very well, including product quality and yields
  - Successful capacity test conducted in Q4/14

# Valerox overview / ramp-up

## Volumes

Sourced material vs own material

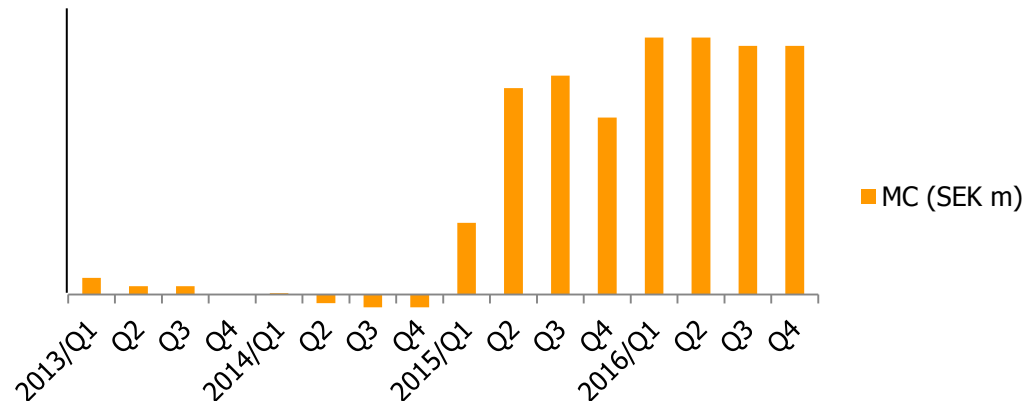
- Successful start-up in January 2015
- Own produced volumes to be ramped-up during 2015, with positive effect on margins
- Multi week shutdown scheduled for Q3/2015



## Profitability

MC generation (indicative)

- Pre-marketing volumes sold at low margins due to high sourcing cost
- Own Valeraldehyde will reduce costs significantly
- Plasticizer market assumed to improve driven by S/D 2015 and onwards

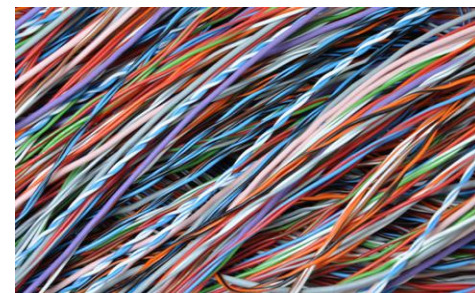


# Perstorp makes a difference

## Valerox - 4 new exciting product lines

### Successful marketing activities to leverage our new production platform:

- ➔ **Emoltene™ 100:** The most extensive pre-marketing activity in Perstorp's history
  - A new generation High Molecular Weight plasticizer with outstanding properties and outlasting performance for outdoor applications, such as transmission cables, fiber optics and roofing membranes
  - When mixed with PVC, Emoltene™ 100 offers virtually limitless flexibility and maximizes the bend and twist of wires and cables without cracking
  - Expands the lifespan of end products by providing strong resistance to harsh weather conditions
- ➔ **Pevalen™:** Our new generation plasticizer - Genuine non-phthalate high efficiency plasticizer for close-to-consumer applications
- ➔ **2-PH:** Offers the market the C10 alcohol 2-PH as a raw material for surfactants, adhesives and lubricants as well as plasticizers production
- ➔ **Valeric acid:** Strengthens market position by offering a specialty product with unique properties for lubricant formulators



# Financial review



**Magnus Heimburg**  
*CFO*



# Financial highlights

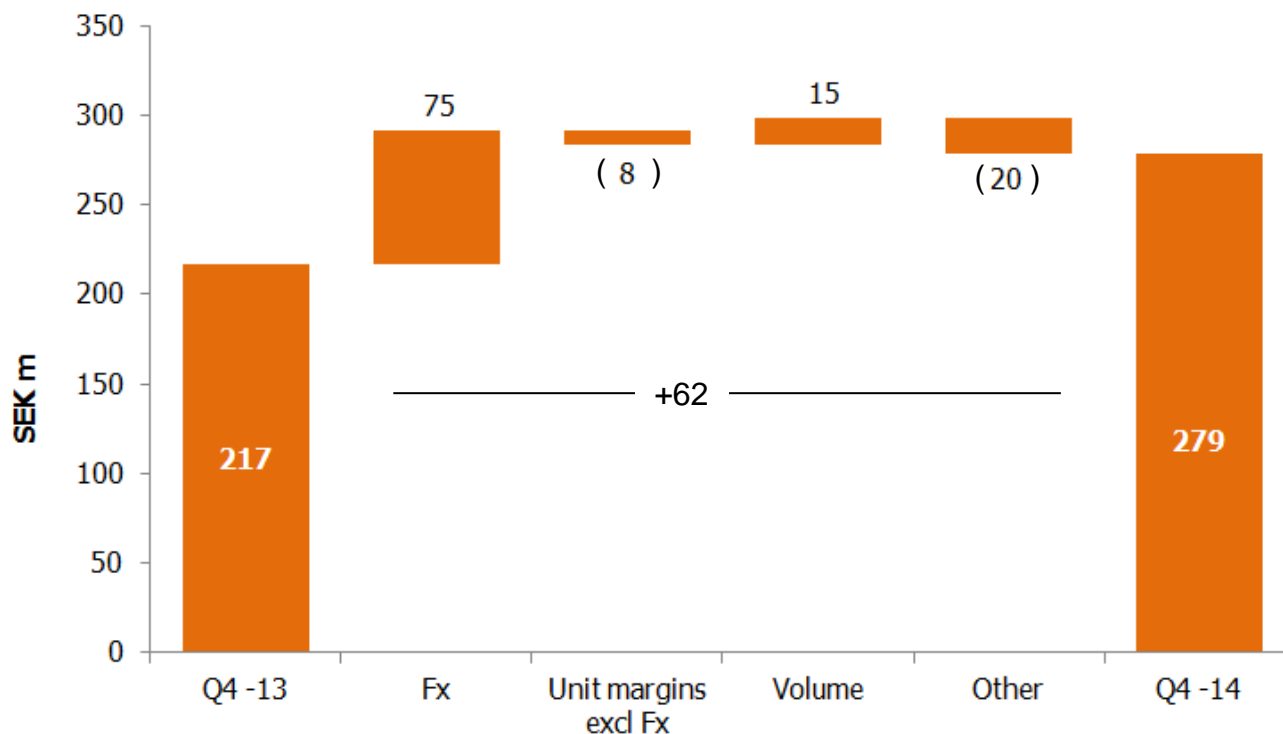
## Q4 2014

SEK m	Q4 -14	Q4 -13	Q3 -14	FY2014	FY2013
Net Sales	2,606	2,515	2,838	11,084	10,343
% growth (y-o-y)	3.6%			7.2%	
Marginal Contribution	692	614	755	2,898	2,617
% of sales	26.6%	24.4%	26.6%	26.1%	25.3%
EBITDA, reported	291	206	385	1,269	1,095
% of sales	11.2%	8.2%	13.6%	11.4%	10.6%
EBITDA, excl non recurring items	279	217	386	1,318	1,113
% of sales	10.7%	8.6%	13.6%	11.9%	10.8%

- ➔ Compared to the same period last year, sales increased 3.6% and earnings improved 29%, driven by positive Fx effects and stronger volumes
- ➔ Unit margins were flat from Q3/14 but well above Q4/13, following positive Fx effects and slightly lower raw material prices
- ➔ FY EBITDA excluding non recurring items were SEK 205 m or 18% above last year

# Bridge EBITDA excl. non recurring items

## Q4 -14 vs. Q4 -13

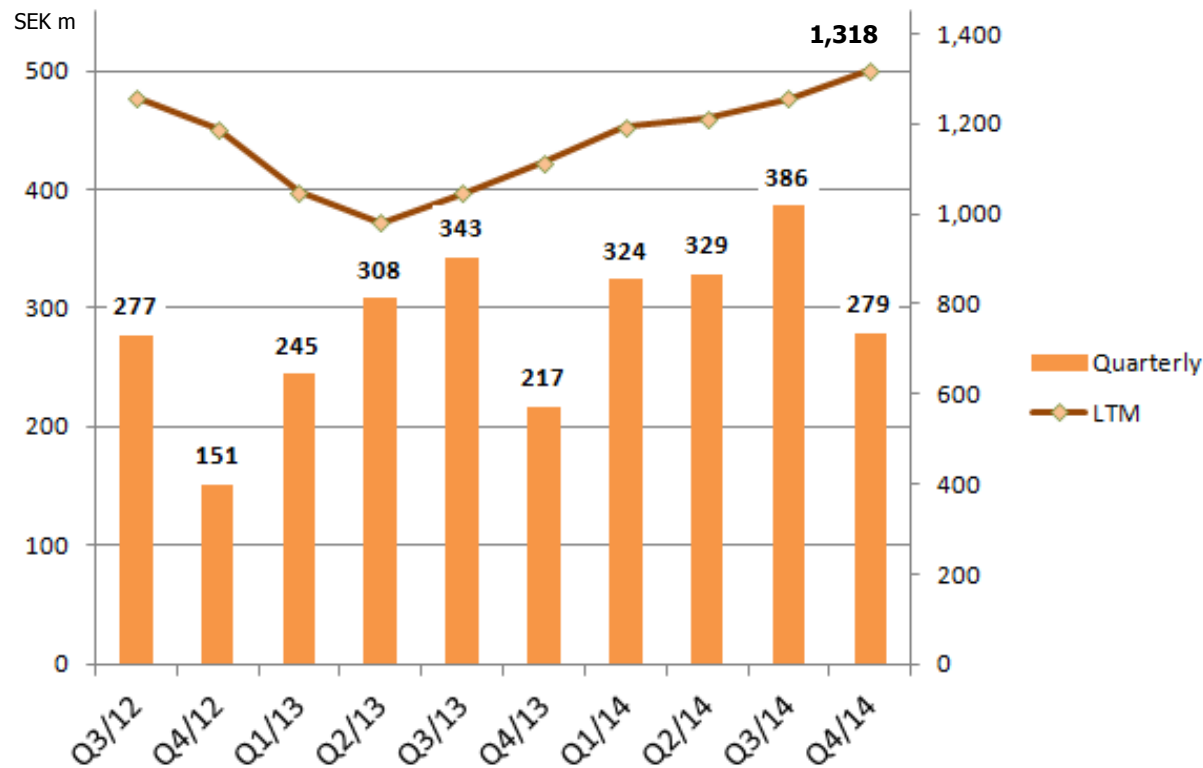


- ➔ Q4/14 EBITDA excluding non recurring items improved SEK 62 m year-on-year, primarily driven by positive Fx effects and higher volumes, counteracted by inventory write-downs of SEK 20 m (other)

# Positive LTM development

## Q3/12 to Q4/14

### EBITDA excluding non recurring items



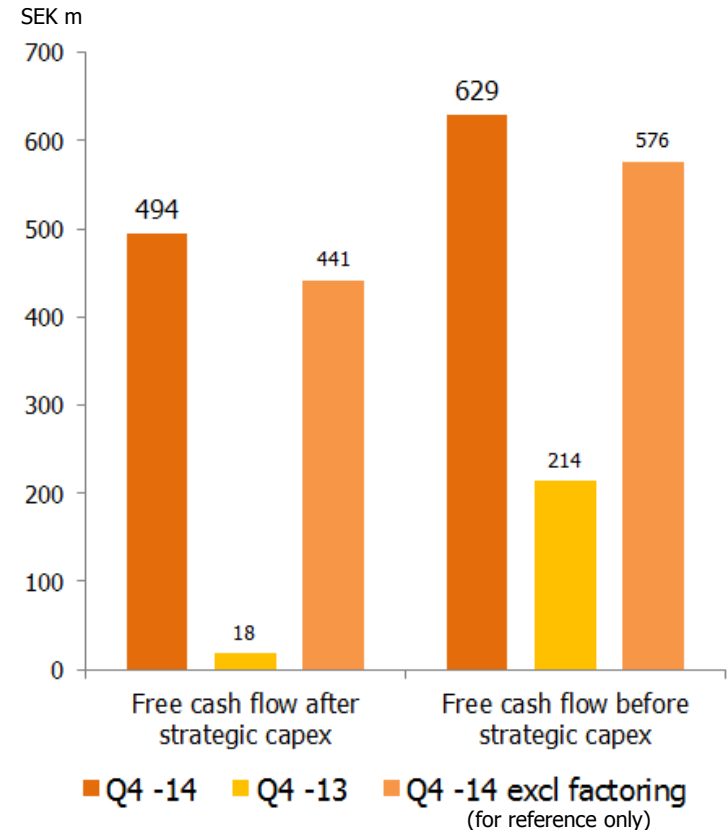
- ➔ LTM EBITDA continues to improve for a sixth consecutive quarter due to improving volumes and positive Fx effects



# Free cash flow

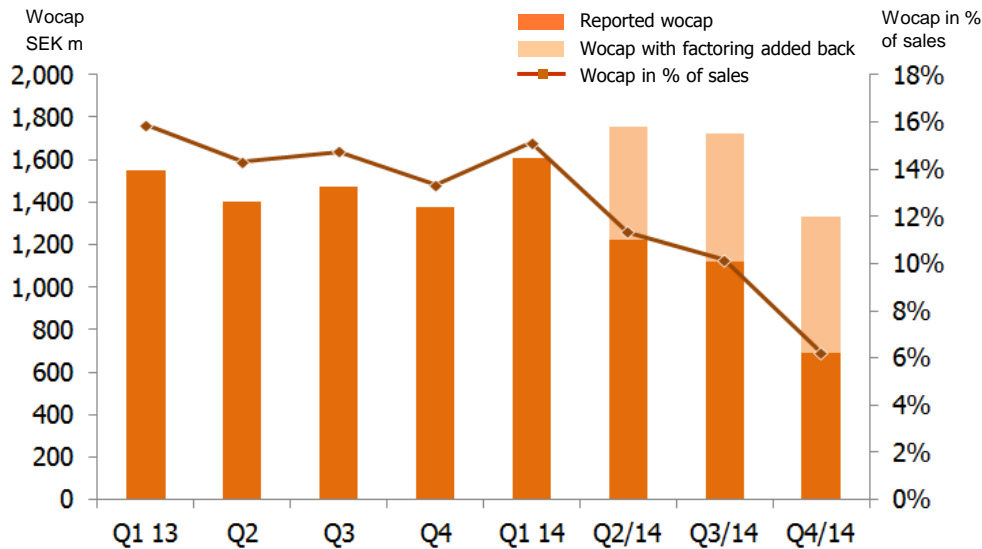
- ➔ Free cash flow in Q4/14 was SEK 494 m, positively affected by strong earnings, complemented by a substantial decrease in working capital and a positive effect from higher utilization in the factoring program (YTD effect SEK 640 m)
- ➔ Free cash flow for the full year amounted to SEK 1,201 m
- ➔ In Q4/14, investments were slightly lower compared to last year
- ➔ Q1-15 free cash flow is expected to be neutral. Improved earnings and increased utilization of the factoring program are expected to be offset by an seasonal increase in working capital
- ➔ Utilization of the factoring program amount to €79 m per end of Q4/14, with credit approval amounting to €125 m. Increased utilization is targeted during the first half of 2015

## Q4 cash flow





# Working capital



➔ Both reported and underlying working capital (excl. factoring) decreased substantially during Q4

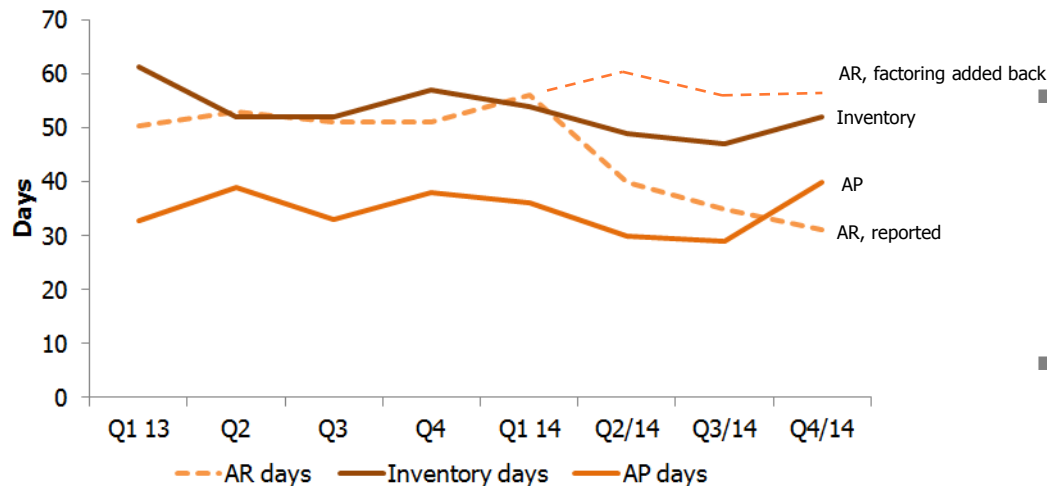
➔ Higher volumes of finished goods increased inventory by SEK c. 40 m in Q4/14

➔ The weaker Swedish Krona drove an increase in reported working capital, SEK c. 140 m vs Q4/13

➔ Increase in account payables per the end of Q4/14

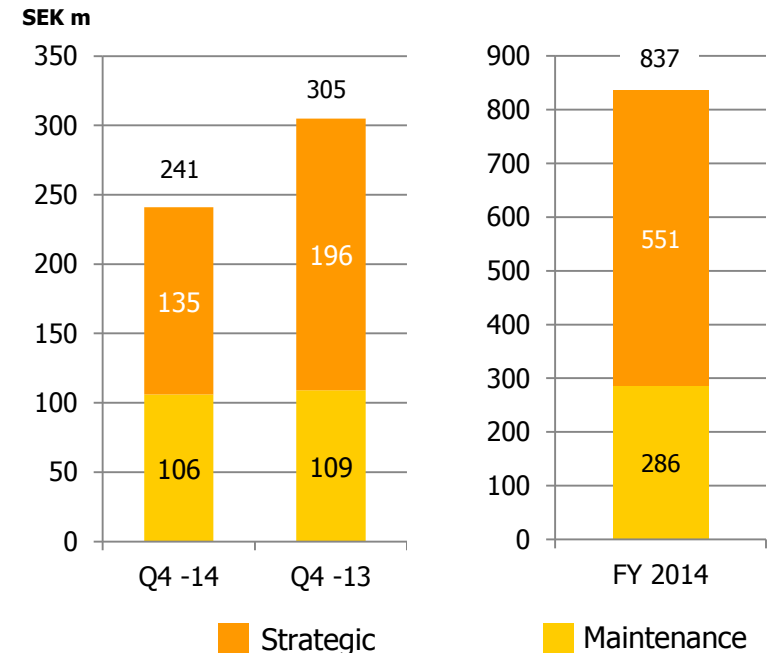
➔ The off-balance trade receivables financing program affect AR with SEK 755 m (€ 79 m) and working capital with around SEK 640 m (€ 67 m) per the end of Q4/14

➔ Working capital is expected to increase during Q1/15 following seasonally higher sales



# Investments

- ➔ Strategic capex in Q4/14 continued to mainly relate to the Valerox project in Stenungsund
- ➔ The plan for 2015 is to invest SEK 650-700 m, including completion of the Valerox project and adding some new capacity enabling further organic growth
- ➔ Valerox (valeraldehyde and derivatives)
  - Successfully started early January with on-spec product
  - Overall project on time, below budget in terms of capex
  - Approx. 90% of total capex budget spent by end of Q4/14
  - Completion, work still to be done in Q1/15
  - Milestones reached & ahead
    - December 2014; hand-over from construction to production
    - January 2<sup>nd</sup> 2015; successful start-up
    - September/October 2015; second Valerox-reactor to be installed to expand capacity and improve variable costs



# Fx impact

End rate Dec/14 vs, Dec/13:

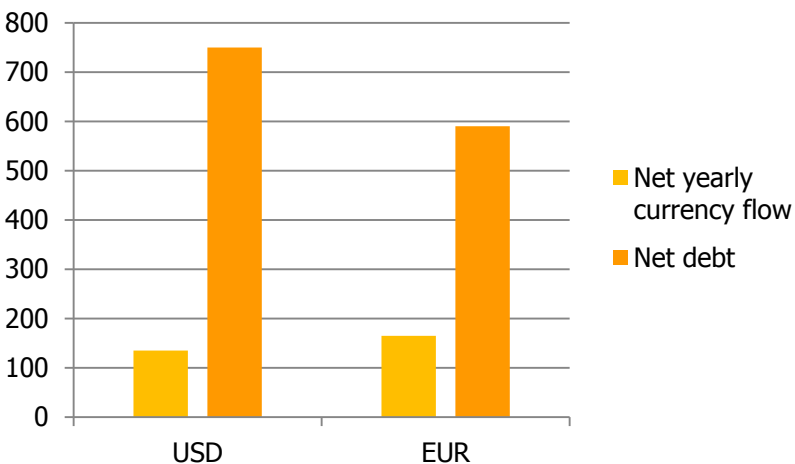
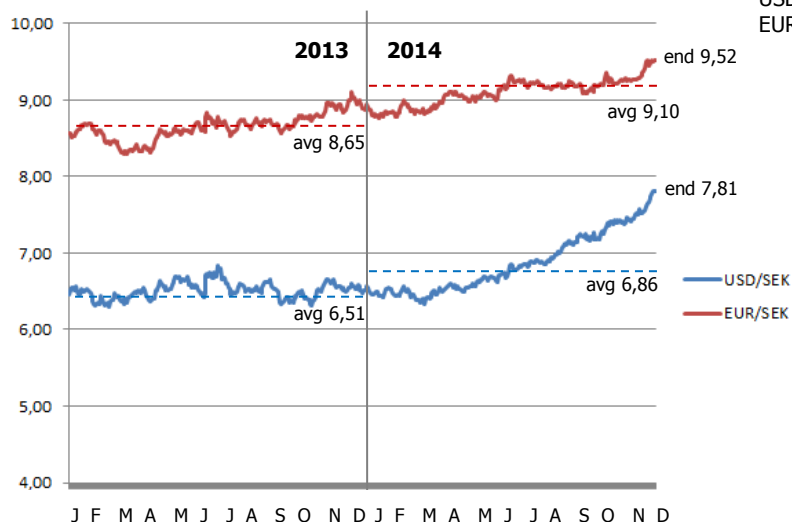
USD +20%

EUR +6.5%

Average rate FY 2014 vs. FY 2013:

USD +5.3%

EUR +5.2%



## Comments

- ➔ The Swedish krona has weakened during 2014 resulting in:
  - positive effect on earnings
  - negative effect on net debt
 >> the effect on net debt is immediate whereas for EBITDA, the effect becomes visible over time
- ➔ A 1% weaker SEK will have a positive effect on EBITDA on a yearly basis of:
  - USD/SEK = c. 9 m
  - EUR/SEK = c. 14 m
- ➔ The corresponding effect on Net debt:
  - USD/SEK = c. 50 m
  - EUR/SEK = c. 55 m
- ➔ Average 2014 Fx was \$/SEK 6,86 and €/SEK 9,10 – 18% and 5% below current spot Fx
- ➔ Hedging of FX transaction exposure
  - put options equivalent to approximately 50% of the annual transaction exposure hedged in January/2015 at strike price of USD/SEK 7.80 and EUR/SEK 9.30

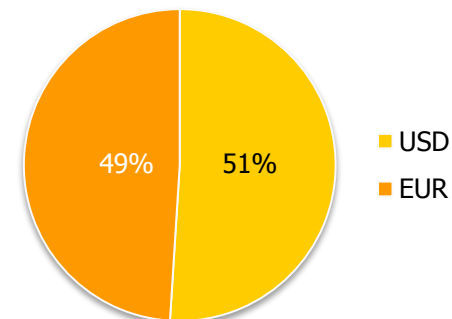
# Indebtedness

## Current capital structure detail

	USDm equiv.	SEKm	x EBITDA excl non-rec.
Cash on balance sheet	-131	-1,019	
Senior secured notes (€)	329	2,569	
Senior secured notes (\$)	380	2,968	
<b>Net senior secured debt</b>	<b>578</b>	<b>4,518</b>	<b>3.4 x</b>
Second lien notes (\$)	370	2,890	
<b>Net second lien debt</b>	<b>948</b>	<b>7,408</b>	<b>5.6 x</b>
Mezzanine loans (€)	392	3,065	
Other debt	5	41	
<b>Net debt, excl pensions and shareholder loan</b>	<b>1,346</b>	<b>10,514</b>	<b>8.0 x</b>

- ➔ Net debt, excl. pensions and shareholder loan increased by SEK 448 m during Q4/14, mainly following negative translation impact from exchange rates
- ➔ Available funds per end of Q4/14 amount to SEK 1,119 m (undrawn RCF and cash, excl. restricted)
- ➔ The factoring line was increased up to €90 m at the end of Q3/14 – cash effect in Q4/14 appr €5 m. An additional increase up to €125 m is targeted for first half of 2015

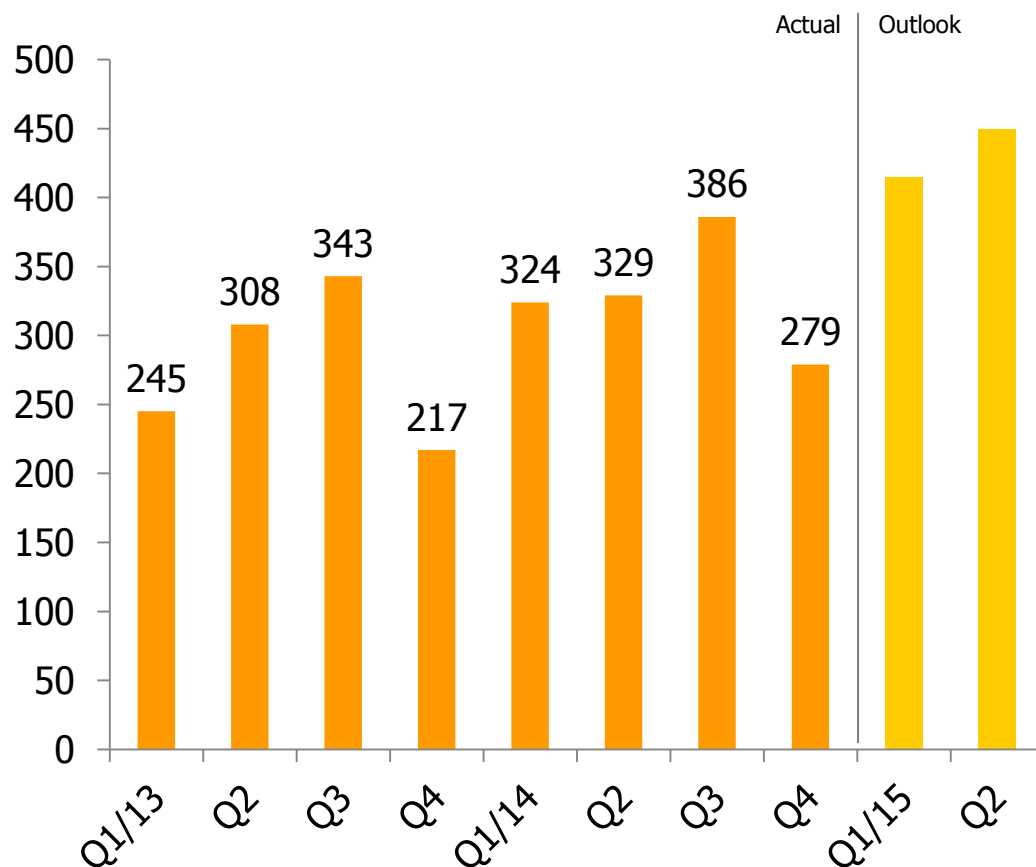
### Debt by currency



Fx rates; USD 7.81 and Euro 9.52

Based on EBITDA excl non-rec. of SEK 1,318 m

# Outlook EBITDA



## Comments

- ➔ Quarter on quarter performance have improved since end of 2012
- ➔ We expect that the trend will continue and that quarter on quarter performance will be stronger also in at least Q1 and Q2 2015
- ➔ Forward looking assumption based on no dramatic change in market sentiment or Fx-markets

## Q4 conclusion

- ➔ Volumes and margins continued to improve year-on-year, resulting in a sixth consecutive quarter of increased LTM EBITDA
- ➔ Market sentiment characterized by volatility and uncertainty
- ➔ Decreasing raw material prices and Fx will have an positive effect on Q1/15 earnings
- ➔ The Valerox-project in Stenungsund was successfully started early January 2015. Ramp-up of production and sales will be done during Q1/15 with positive effect on earnings
- ➔ Increased utilization of the implemented trade receivables financing program is targeted during the first half of 2015
- ➔ The first quarter is normally a rather strong quarter for Perstorp due to seasonality. Stronger volumes and favorable raw material prices bode well for a strong start of 2015

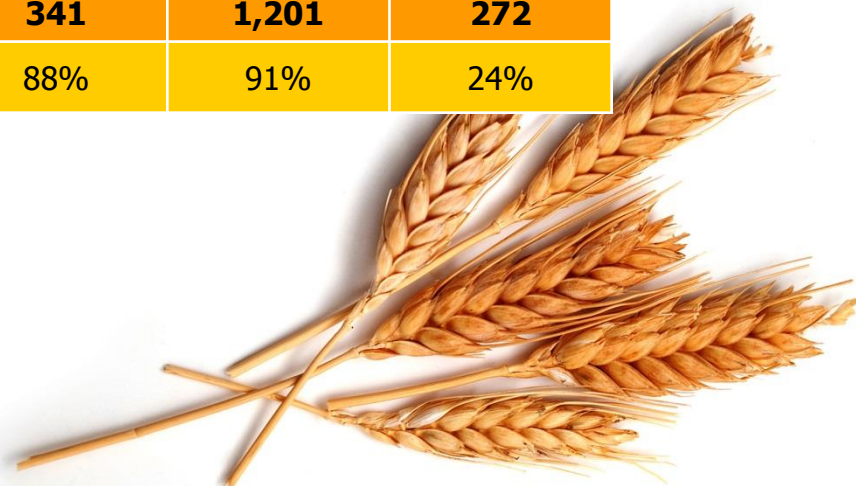
# Appendix



# Free cash flow details

Continuing operations (i.e. excluding Vencorex, Singapore legal units and Formox legal units)

SEK m	Q4 -14	Q4 -13	Q3 -14	FY 2014	FY 2013
EBITDA excl non-rec.	279	217	386	1,318	1,113
Change in working capital	456	106	131	720	-151
Maintenance capex	-106	-109	-70	-286	-241
FCF before strategic capex	629	214	447	1,752	721
% of EBITDA excl non-rec.	225%	99%	116%	133%	65%
Strategic capex	-135	-196	-106	-551	-449
<b>Free cash flow</b>	<b>494</b>	<b>18</b>	<b>341</b>	<b>1,201</b>	<b>272</b>
% of EBITDA excl non-rec.	177%	8%	88%	91%	24%





# Segment reporting

Continuing operations (i.e. excluding Vencorex, Singapore legal units and Formox legal units)

SEK m	Q4-14	Q4-13	Q3-14	FY2014	FY2013
<b>Net Sales</b>	<b>2,606</b>	<b>2,515</b>	<b>2,838</b>	<b>11,084</b>	<b>10,343</b>
Intermediates & Derivatives	2,032	1,979	2,168	8,533	7,918
Specialties & Solutions	539	440	627	2,338	2,028
Other/eliminations	35	96	43	213	397
<b>EBITDA, reported</b>	<b>291</b>	<b>206</b>	<b>385</b>	<b>1,269</b>	<b>1,095</b>
Intermediates & Derivatives	222	193	271	959	786
Specialties & Solutions	78	57	118	401	307
Other/eliminations	-9	-44	-4	-91	2



# Restated segment reporting

Continuing operations (i.e. excluding Vencorex, Singapore legal units and Formox legal units)

SEK m	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12
<b>Net Sales</b>	<b>2,606</b>	<b>2,838</b>	<b>2,867</b>	<b>2,773</b>	<b>2,515</b>	<b>2,649</b>	<b>2,694</b>	<b>2,485</b>	<b>2,178</b>
Intermediates & Derivatives	2,032	2,168	2,196	2,137	1,979	2,009	2,041	1,889	1,674
Specialtes & Solutions	539	627	611	561	440	525	543	520	437
Other/eliminations	35	43	60	75	96	115	110	76	67
<b>EBITDA, reported</b>	<b>291</b>	<b>385</b>	<b>317</b>	<b>276</b>	<b>206</b>	<b>330</b>	<b>315</b>	<b>244</b>	<b>155</b>
Intermediates & Derivatives	222	271	226	240	193	216	217	160	92
Specialties & Solutions	78	118	118	87	57	77	95	78	49
Other/eliminations	-9	-4	-27	-51	-44	37	3	6	14
<b>EBITDA excl non recurring items</b>	<b>279</b>	<b>386</b>	<b>329</b>	<b>324</b>	<b>217</b>	<b>343</b>	<b>308</b>	<b>245</b>	<b>150</b>
Intermediates & Derivatives	223	272	226	240	192	216	215	157	93
Specialties & Solutions	79	118	117	87	57	77	86	79	50
Other/eliminations	-23	-3	-15	-4	-32	50	7	8	7

# Quarter on quarter development

Continuing operations (i.e. excluding Vencorex, Singapore legal units and Formox legal units)

SEK m	Q4-14	Q3-14	Q2-14	Q1 -14	Q4-13	Q3-13	Q2 -13	Q1 -13	Q4 -12
Net Sales	2,606	2,838	2,867	2,773	2,515	2,649	2,694	2,485	2,178
Marginal Contribution	692	755	727	723	614	694	674	635	541
% of sales	26,6%	26.6%	25.4%	26.1%	24.4%	26.2%	25.0%	25.5%	24.8%
EBITDA, reported	291	385	317	276	206	330	315	244	155
% of sales	11.2%	13.6%	11.1%	10.0%	8.2%	12.5%	11.7%	9.8%	7.1%
EBITDA, excl non-recurring items	279	386	329	324	217	343	308	245	151
% of sales	10.7%	13.6%	11.5%	11.7%	8.6%	12.9%	11.4%	9.9%	6.9%



# Cash and Available funds

Continuing operations (i.e. excluding Vencorex, Singapore legal units and Formox legal units)

SEK m	Q4-14
Unrestricted cash	706
Restricted* and escrowed cash**	313
<b>Cash on Balance Sheet</b>	<b>1,019</b>

SEK m	Q4-14
Unrestricted cash	706
RCF not Drawn	413
<b>Reported Available Funds</b>	<b>1,119</b>

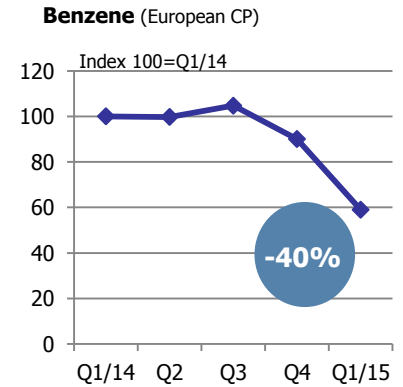
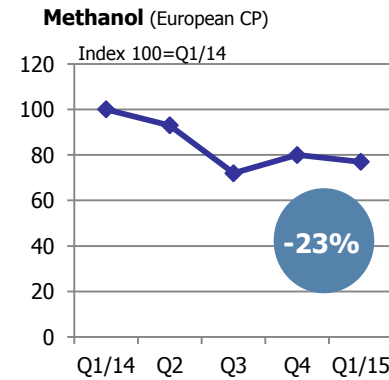
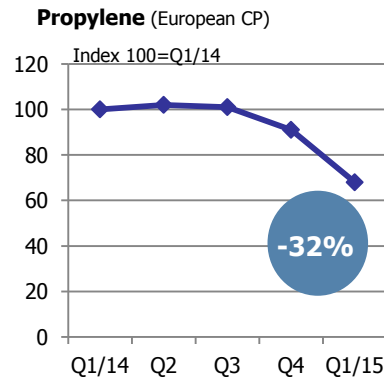
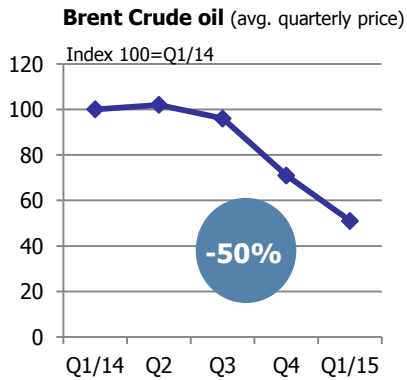
\* Cash in Perstorp accounts in countries where international movement of funds are restricted.

\*\* Cash held in escrowed accounts as collateral for different business activities (including Vencorex)

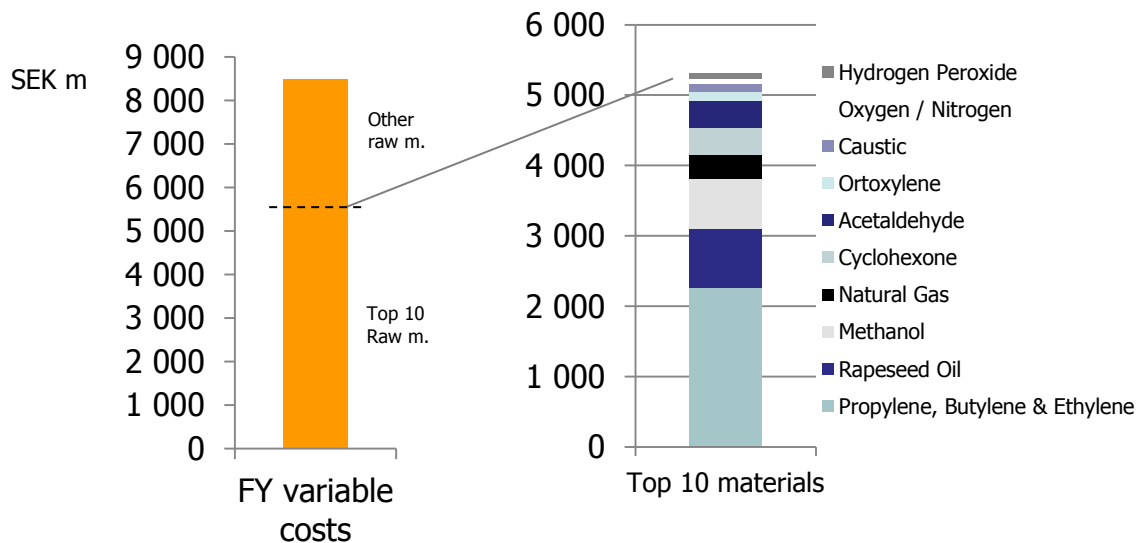


# Raw material impact

## Raw material development



## Perstorp spend



### Specialty & Solutions

- ~20% of Perstorp turnover
- Mostly value based pricing

### Intermediates & Derivatives

- ~80% of Perstorp turnover
- Market based pricing, i.e. Raw material costs passed through to a varying degree although with delay.
- Some value based product pricing and some formula based pricing is present
- S/D is a key component for where value is captured

# Currency

## Period average exchange rates

SEK per LOC	Q4 -14	Q4 -13	Q3 -14	FY 2014	FY 2013
USD	7.41	6.51	6.94	6.86	6.51
Euro	9.26	8.85	9.21	9.10	8.65
GBP	11.74	10.53	11.60	11.29	10.19

## Period end exchange rates

SEK per LOC	Q4 -14	Q4 -13	Q3 -14
USD	7.81	6.51	7.24
Euro	9.52	8.94	9.18
GBP	12.14	10.73	11.77

Source: Swedish Central Bank, Riksbanken

