



# Perstorp creates your world for a more sustainable future

Goldman Sachs EMEA  
Leveraged Finance Conference  
October 2013

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# Agenda

1. Introduction to Perstorp
2. Financial Overview
3. Way forward
4. Q&A

# Today's Presenters



**Jan Secher**  
*President and CEO*

- ➔ Joined Perstorp in 2013
- ➔ Previously CEO and President of Ferrostaal AG and CEO of Clariant



**Johan Malmqvist**  
*CFO and EVP - Finance, Legal & IT*

- ➔ Joined Perstorp in 2009
- ➔ Previously CFO of Nasdaq OMX listed Duni AB

# Our products are used to enable key properties in a broad range of products...

...smooth finish on leather (Bis-MPA)



...shatterproof windshields (2-EHA)



...natural freshness in breads & cheeses (Profina™)



...paint made from renewable raw materials and energy (Voxtar™)



...scratch-resistant coatings for plastics in handheld electronics (Di-Penta)



...durable appliance surfaces (BEPD)



...performance inline skate wheels (Alkoxylate 3990)

...toe & heel counter reinforcement in shoes (Capa™)



...additives that protect grain and grass feed during storage (Propionic Acid)



...lubricants for air conditioners that do not damage the ozone layer (Penta and 2EHA)



...environmentally friendly and safe drilling muds (potassium formate)



...intumescent coatings to provide safety in public buildings (Charmor™)

# Perstorp at a glance

## Business snapshot

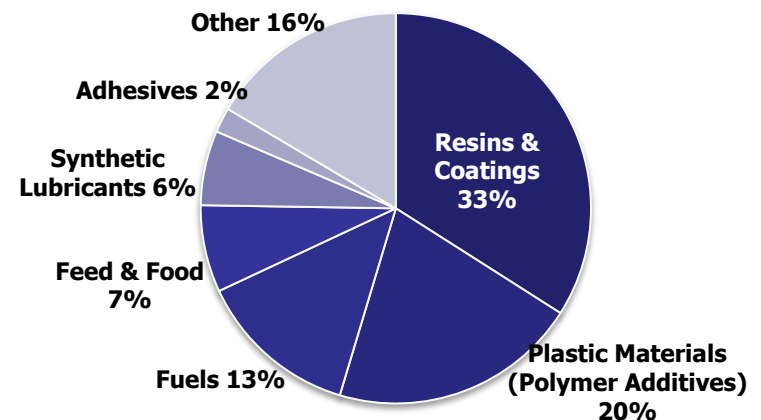
- ➔ **Vertically integrated, global chemicals producer with leading market positions**
  - ➔ ~80% of net sales from products with **#1-3 positions**
- ➔ Focus on **aldehyde and hydroformylation chemistry**
- ➔ Vertical integration and flexibility along **five production platforms**
- ➔ Focus on **high-growth niches** within market segments
- ➔ **10 production sites in 8 countries** across Europe, Asia and North America
- ➔ LTM June 2013 Net sales of Euro 1,150m and **EBITDA of Euro 115m**

## Global presence and sales by segment

### Global presence



### Sales by Market Segment



Note: Market Segment splits based on management estimations

# Group structure and customer overview

Business Units

## Oxo 31%



Used In

- ➔ Plasticizers for safety glass
- ➔ Propionic acid derivatives to preserve feed crops

## Penta & Formates 21%



Used In

- ➔ Decorative and industrial coatings
- ➔ Radiation-cured resins

## TMP & Neo Polyols 15%



Used In

- ➔ Powder coatings
- ➔ Radiation-cured and other industrial coatings

## Caprolactones & SPPO 15%



Used In

- ➔ Automobile OEM paints
- ➔ High-end waterborne PU coatings

## Performance Additives 7%



Used In

- ➔ Grain preservation
- ➔ Animal health promoters

## BioProducts 11%



Used In

- ➔ Biodiesel (blended and pure)

## Customers

**EASTMAN**



**ARKEMA**  
INNOVATIVE CHEMISTRY



**DU PONT**

**Lubrizol**

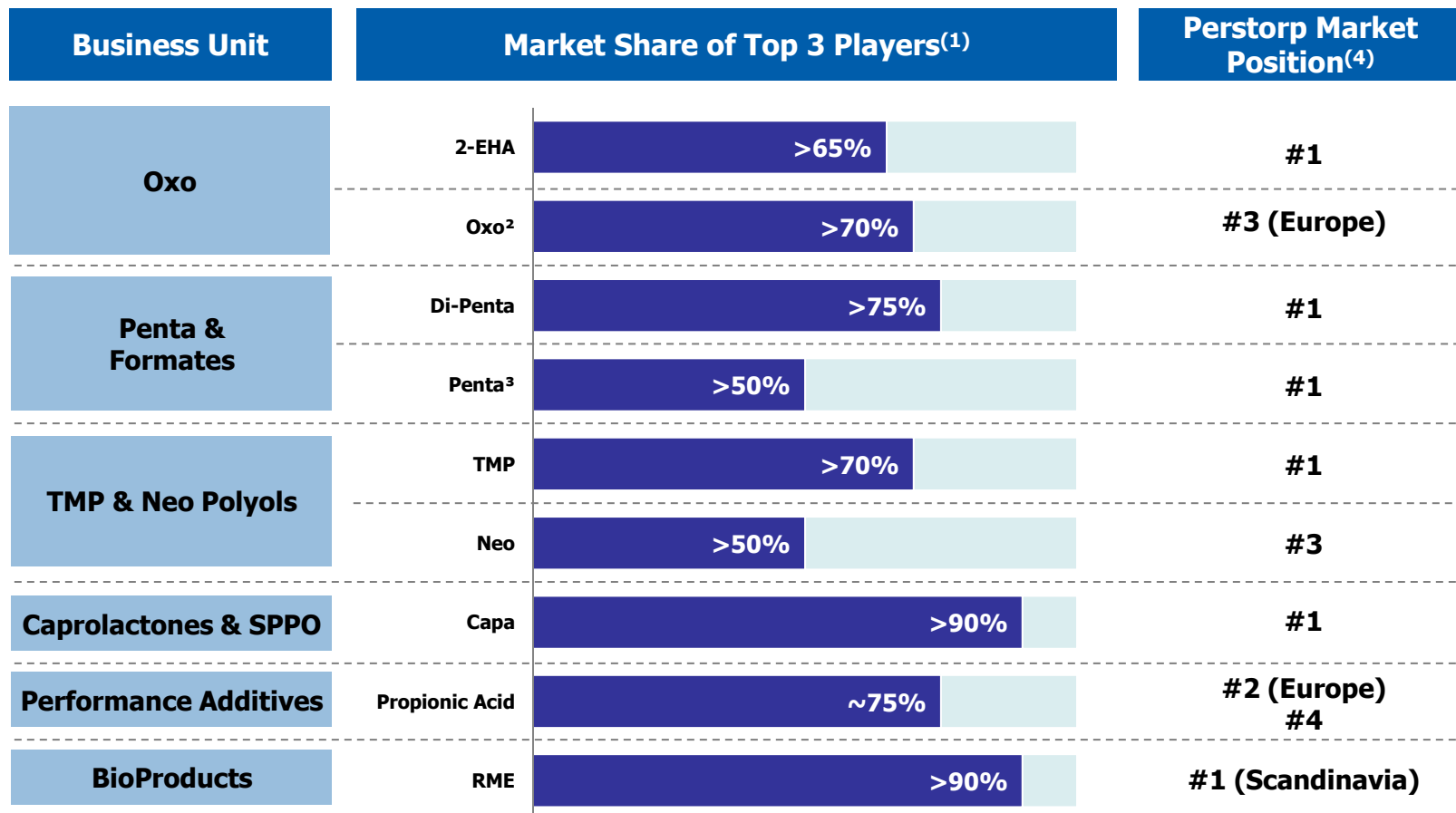




# Perstorp core building blocks



# Market leadership in consolidated markets...



- ➔ Most markets characterized by “rational” competitors
- ➔ Historically stable markets
- ➔ ~80% of net sales coming from products where Perstorp holds a #1-3 position

Source: ADL, September 2012 (except for RME which are based on management estimates)

(1) Shows estimated cumulative market share of the top 3 players in terms of the relevant market as indicated under “Perstorp’s Market Position”

(2) Refers to the Oxo family of products

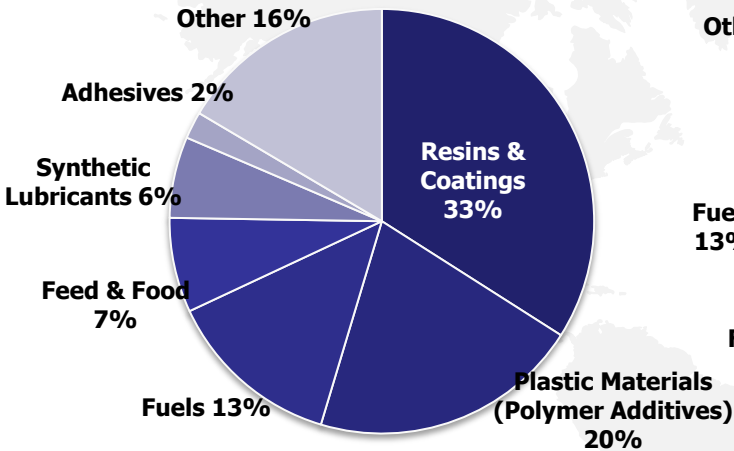
(3) Includes the sales volumes from the Chemanol off-take agreement (plant owned and operated by Chemanol, products sold by Perstorp globally)

(4) Refers to global market position unless otherwise stated. Includes captive production

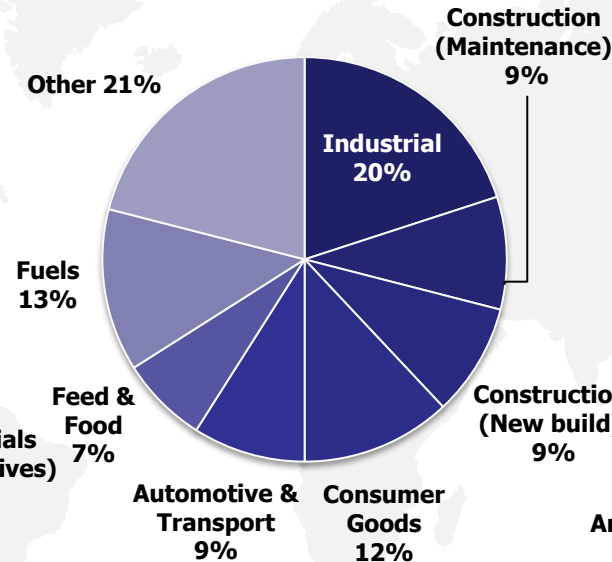
# Diversified portfolio offering across geographies

## Net Sales

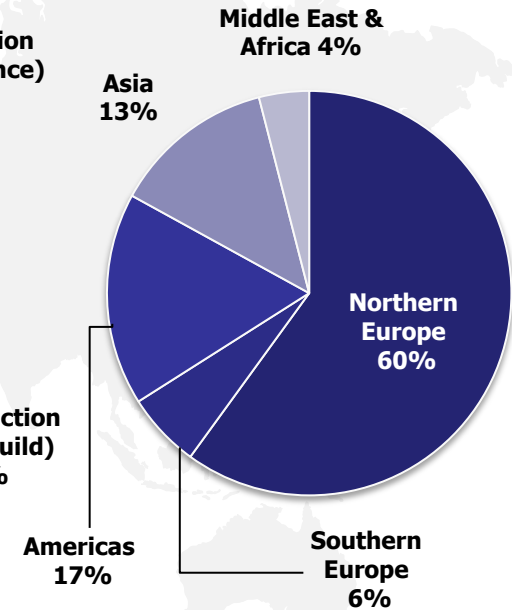
### by Market Segment



### by End-market

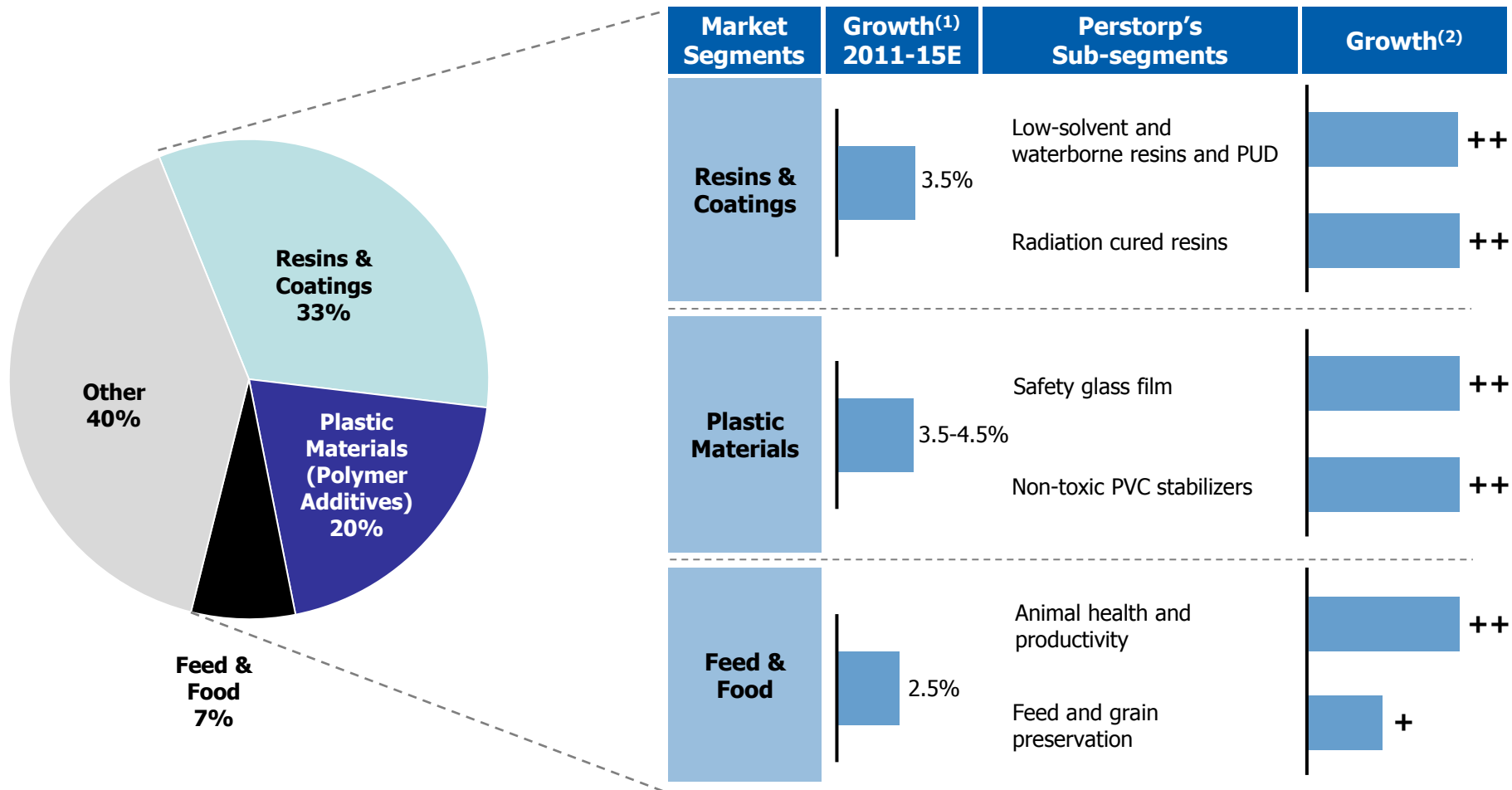


### by Geography



➔ Diversification limits dependency on individual products or markets

# Serving attractive market segments



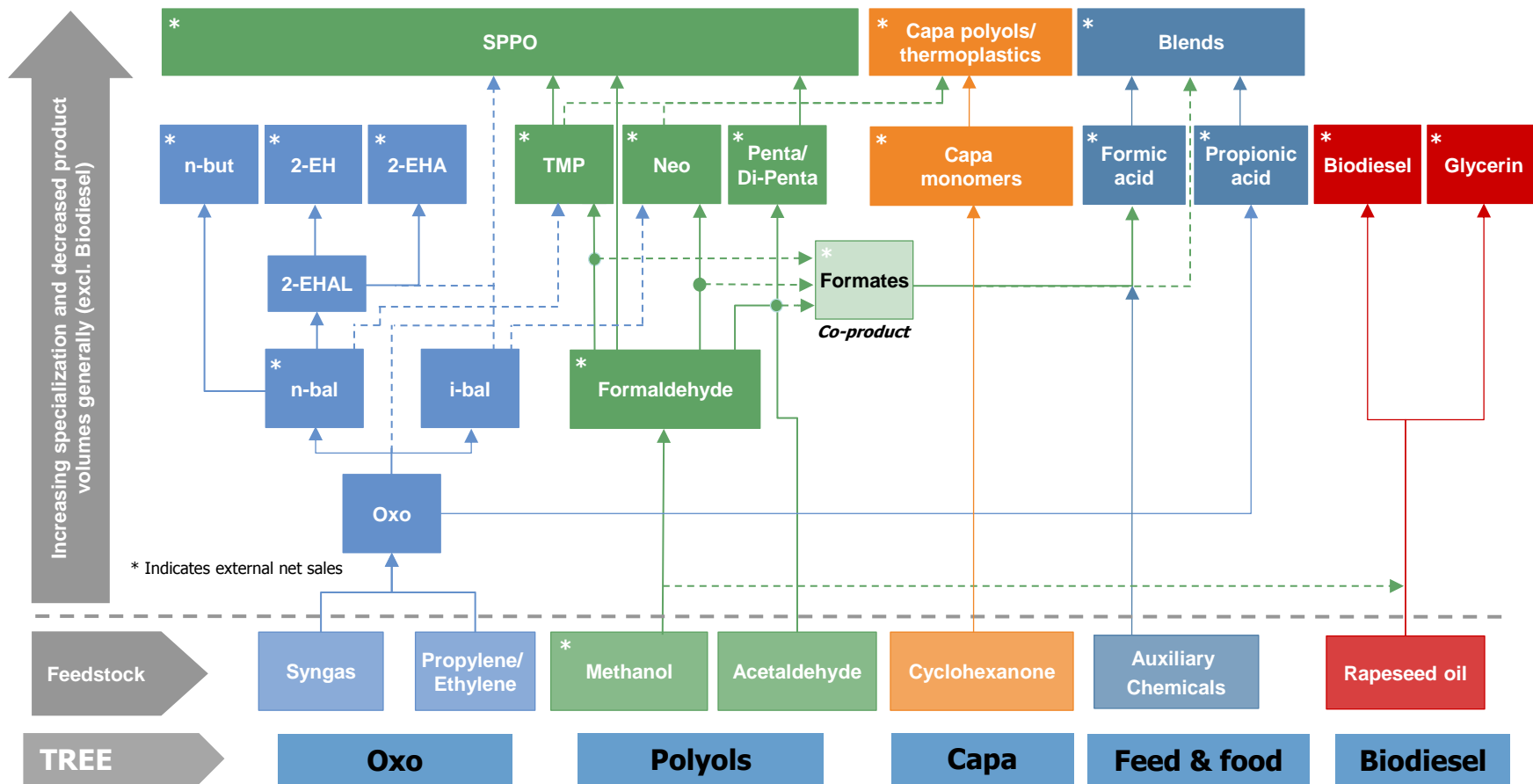
➔ Higher growth potential provided through our focus on certain niches within our market segments benefitting from positive underlying drivers

Note: Market Segment split based on 2011 net sales

(1) Estimated growth rates based on ADL

(2) Represents managements' expected growth rate above market growth rates

# Efficient, flexible platforms based on integrated production trees

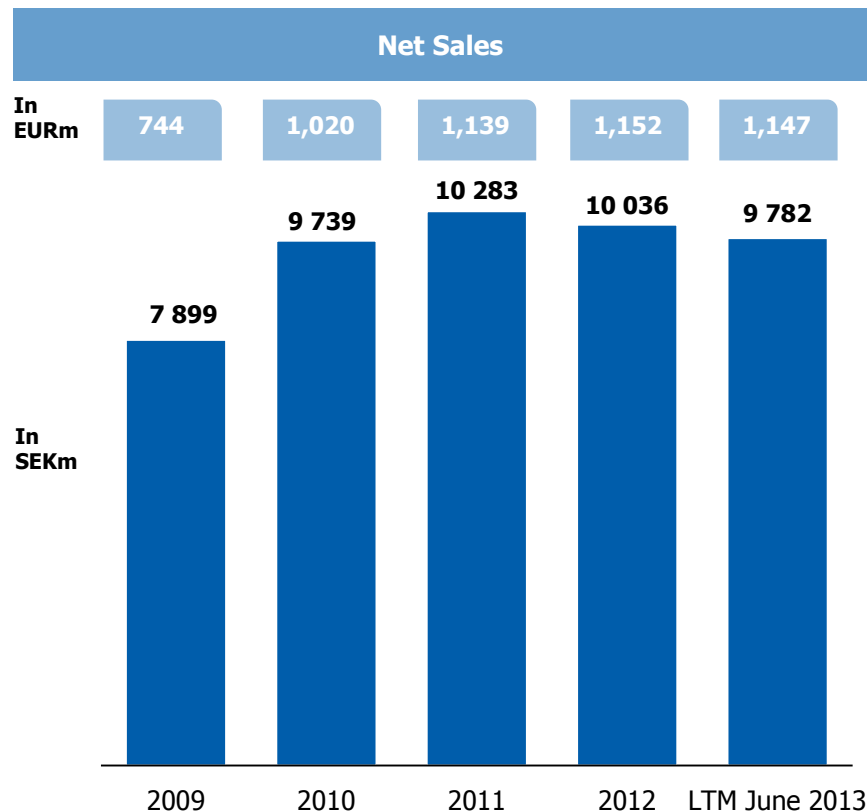


- ➔ Ability to enter into niche and highly profitable downstream and derivative markets
- ➔ Beneficial raw material sourcing position – including pipeline to Borealis' cracker
- ➔ Strong innovation and scale benefits of integration
- ➔ Optimize profitability in different market environments
- ➔ High barriers to entry

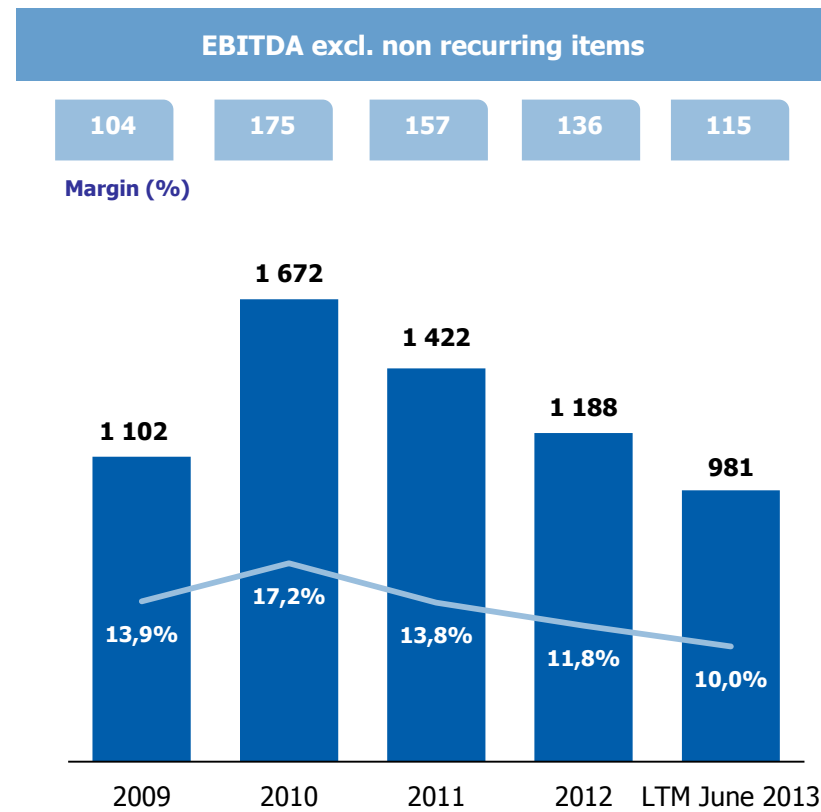
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# Results at a trough, following challenging market conditions and a strong SEK



- ➔ Robust volume recovery following impact of economic slowdown in 2009
- ➔ Price increases reflecting rising raw material price environment
- ➔ Net sales negatively affected by the strengthening of the Swedish krona against the euro and U.S. dollar

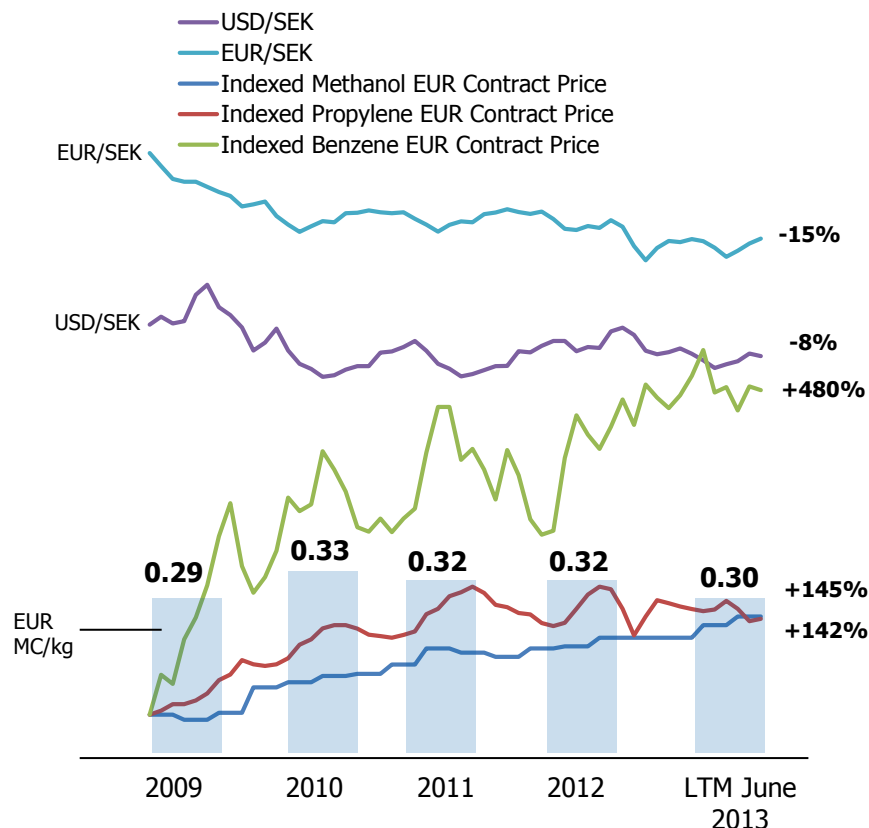


- ➔ 2010 exceptionally strong primarily due to favourable contribution ratio in combination with a sharp volume recovery from 2009
- ➔ Margins have eroded following a competitive market environment and negative FX effects
- ➔ LTM June 2013 negatively affected by a weak Q4 in 2012

Note: Conversion from SEK to Euro have been made at actual average rates for the period.

# Increasing raw material prices and Fx have affected unit margins negatively

## Marginal Contribution & Raw Material Prices<sup>(1)</sup>



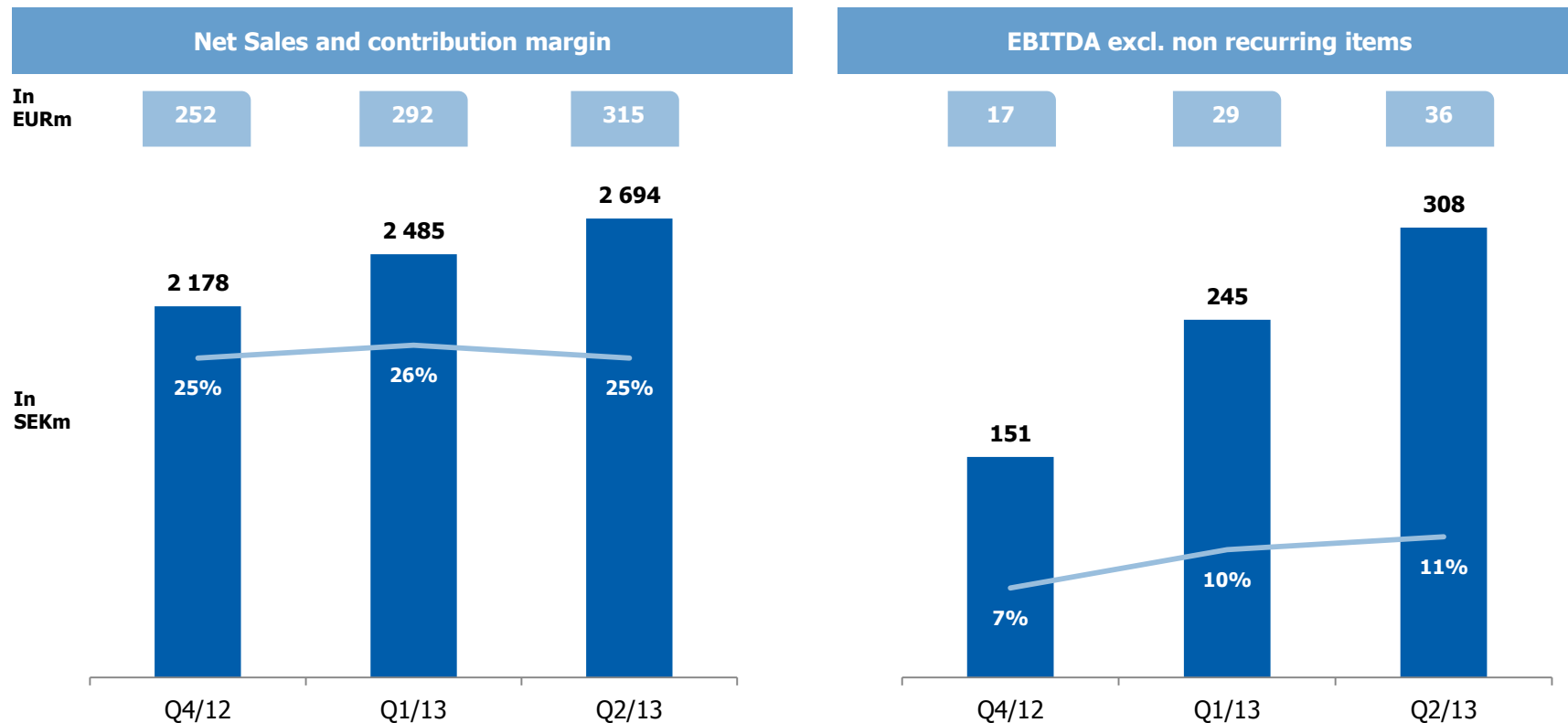
## Commentary

- ➔ Unit margins have eroded from peak year 2010 due to a combination of:
  - ➔ A competitive market environment
  - ➔ Increasing price trend on key raw materials since 2009
  - ➔ The stronger SEK has led to negative effects when translating Euro and USD to SEK

➔ Slight margin erosion in a competitive market with increasing raw material prices



# Recent performance shows improvement



- ➔ Sales and EBITDA have improved quarter by quarter since Q4 2012 primarily driven by stronger volumes; visible in most product lines
- ➔ The increased volumes mirrors an improved demand and our strategy to defend or in selective cases expand/recover our market share

Note: Conversion from SEK to Euro have been made at actual average rates for the period.

# Cash flow generation

	Free Cash Flow <sup>(1)</sup>				
	2009	2010	2011	2012	LTMQ2 2013
EBITDA excl. non recurring	1,102	1,672	1,422	1,188	981
Change in working capital	144	8	(76)	(82)	(3)
Maintenance capex	(184)	(231)	(150)	(276)	(264)
<b>Free Cash Flow (before strategic capex)</b>	<b>1,062</b>	<b>1,449</b>	<b>1,196</b>	<b>830</b>	<b>715</b>
<i>% of Adjusted EBITDA</i>	96%	87%	84%	70%	73%
Strategic capex	(187)	(270)	(214)	(214)	(349)
<b>Free Cash Flow</b>	<b>875</b>	<b>1,179</b>	<b>982</b>	<b>616</b>	<b>366</b>
<i>% of Adjusted EBITDA</i>	79%	71%	69%	55%	37%

## Comments

- ➔ Negative development for EBITDA excl. non recurring items
- ➔ Active working capital management
- ➔ Moderate maintenance capex requirements
- ➔ Cash flow conversion before strategic capex above 70%

Note: 2009-2011 based on simplified Free cash flow calculation for illustrative purposes (Fx effects are included in the change in working capital; which is a difference from the official quarterly reports where it is excluded)

# Future EBITDA growth drivers

Project	What Is It?	Why Do We Do It?	Total capex	Status
<b>CAPA</b>	<ul style="list-style-type: none"> <li>→ Doubling our capacity on Caprolactones in Warrington, UK</li> </ul>	<ul style="list-style-type: none"> <li>→ Support market growth</li> <li>→ Reinforce our #1 position in the market</li> <li>→ Increasing our share of specialities</li> </ul>	Euro 60 m	<b>Completed</b> 2011
<b>NEO CHINA</b>	<ul style="list-style-type: none"> <li>→ A new Neo plant in Zibo, China</li> </ul>	<ul style="list-style-type: none"> <li>→ Fast growing market</li> <li>→ Strengthen our market position</li> <li>→ Chinese footprint</li> </ul>	Euro 15 m	<b>Completed</b> end of Q3/13
<b>VALEROX</b>	<ul style="list-style-type: none"> <li>→ Complementing the portfolio with a higher value-added product</li> </ul>	<ul style="list-style-type: none"> <li>→ Attractive payback</li> <li>→ Provides customers with a REACH compliant product</li> <li>→ Higher profitability due to unique raw material position</li> <li>→ Significant growth potential for Perstorp, large derivatisation potential</li> </ul>	Euro 120 m	<b>Ongoing</b> , on time on budget Start-up 2015  Premarketing of products over the past two years in large quantities

# Overview of Capital Structure

## Q2 2013

	USDm equiv.	SEKm	Coupon	Maturity
<b>Cash</b>	<b>-197</b>	-1,322		
<b>Senior secured notes (€)</b>	<b>352</b>	2,365	<b>9.00%</b>	May 2017
<b>Senior secured notes (\$)</b>	<b>380</b>	2,551	<b>8.75%</b>	May 2017
<b>Net senior secured debt</b>	<b>535</b>	3,594		
<b>Second lien notes (\$)</b>	<b>370</b>	2,484	<b>11.00%</b>	Aug 2017
<b>Net second lien debt</b>	<b>905</b>	6,078		
<b>Mezzanine loans (€)</b>	<b>391</b>	2,622		Dec 2017
<b>Other debt</b>	<b>4</b>	30		-
<b>Net debt, excl pensions and shareholder loan</b>	<b>1,300</b>	<b>8,730</b>		

➔ Available funds per end of Q2/13 amount to SEK 1,571 m (cash and undrawn RCF)

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## **Continue to execute on decided strategy**

- ➔ Enhance leading positions by investing in niche market segments and capitalize on end-market growth drivers
- ➔ Focus on continued innovation and niche product development
- ➔ Optimize and leverage our integrated production platform
- ➔ Expand product portfolio through selective capex

## **Review organizational setup**

- ➔ Review efficiency and cost structure with assistance from Booz & Co
- ➔ Improve our competitiveness
- ➔ New organization expected to go-live January 1<sup>st</sup> 2014

## **Transform Perstorp into a more market-oriented company**

- ➔ Focused go-to-market approach
- ➔ Capitalize on our strong market positions
- ➔ Unlock the full potential in our business

# Sharp in all aspects

## OPERATIONS

The right quality for the lowest cost with the best technology

## SUPPLY CHAIN

The switchyard, providing optimal planning, logistics and procurement

## BUSINESS

Purely driven by customers and markets

- ➔ The battle in today's competitive world, is fought and won at the customer interface
- ➔ Responsiveness to the customer's demands decides the outcome
- ➔ Our new business set-up will target the customer interface directly with our commercial decision makers, without organizational boundaries, with as few steps as possible



**Perstorp**  
creates your world for a  
more sustainable future

**Q&A**