

Perstorp Holding AB (Publ.)

Interim report 1 January - 30 September 2012



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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 1,600 employees and manufacturing companies in 10 countries 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 2012

- ➔ The beginning of 2012 was characterized by a significant pick-up in demand, following 2011's soft end. Volumes were supported by the seasonality of the coating markets in Q2. However, the underlying market confidence during Q3 was noticeably lower, driven by concern about economic developments, primarily in Europe.
- ➔ Sales over the first nine months of 2012 for the Perstorp Group's continuing operations, amounted to SEK 8,603 m, which was in line with the first nine months of 2011.
- ➔ Operating earnings before depreciation and amortization (EBITDA) relating to continuing operations were SEK 1,143 (1,259) m. Adjusted for items affecting comparability, the corresponding figure amounted to SEK 1,059 (1,279) m.
- ➔ At the end of May 2012, Perstorp and Thailand's largest chemical producer, PTT Global Chemical, finalized a joint venture. This venture is dedicated to the manufacturing and sales of aromatic (TDI) and aliphatic (IPDI, HDI & derivatives) isocyanates, serving the polyurethane industry. Perstorp owns 49% of the joint venture which comprises the business activities previously conducted within the business group Coating Additives. The financial results for these activities during the period January to May 2012 are accounted for as discontinued operations.
- ➔ Strategic investment projects continued their progression, most notably the investment in a new production plant for Valeraldehyde and its derivatives 2-PH and DPHP, and an expansion of the Group's Neo production with a new plant in China.
- ➔ During Q2, a new organizational set-up was launched, with a greater focus on regional sales and marketing and a better interface for greater clarity between Group, Business Groups, and functions.

Key figures in summary, continuing operations

SEK m unless otherwise stated	Quarter 3 2012	Quarter 2 2012	Quarter 3 2011	Quarter 1-3	
				2012	2011
Net sales	2,726	2,925	2,805	8,603	8,694
Operating earnings before depreciation (EBITDA)	303	382	424	1,143	1,259
% of net sales	11.1	13.1	15.1	13.3	14.5
EBITDA excluding non-recurring items ¹⁾	279	393	439	1,059	1,279
% of net sales	10.2	13.4	15.6	12.3	14.7
Operating earnings (EBIT)	146	215	266	661	742
% of net sales	5.4	7.4	9.5	7.7	8.5
Net earnings/loss	25	30	-49	136	-115
Cash flow from operating activities	65	170	341	196	513
% of net sales	2.4	5.8	12.2	2.3	5.9

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

President comments

“As the year’s prolonged economic slowdown cools the global chemical demand and dashes hopes of a durable recovery by fourth quarter, Perstorp continues to expand its competitive edge with a focus on customer attention, innovative product development and strict price discipline.”



Martin Lundin,
President and CEO

Industry trends

While the nearly SEK 20 trillion chemical industry has grown at a brisk pace for more than five decades, the slowing of global economies has started to weigh down chemical earnings and the industry’s overall outlook through year end.

The business climate remains unsettling, hampered by weakening demands, lower productivity rates and price increases in raw materials. However, Perstorp continues to maintain our market position as one of the top three players in its chosen market segments by being a reliable and innovative partner to its customers.

Performance in figures

Volumes have dropped during the period with net sales for the third quarter slightly lower than those attained at this time last year, amounting to SEK 8,603 million. Subsequently, our EBITDA of SEK 1,143 million is also somewhat behind last year’s performance.

As the company has demonstrated in the past, Perstorp continues to safeguard its healthy margins despite increases in feedstock.

Innovation hits the market

While global markets may sag, Perstorp’s pipeline of product development remains healthy and continues to deliver on its commitment to strengthening our high-value market niche.

I am very proud to announce that Perstorp recently released ProPhorce™ SR, a novel feed additive that effectively regulates the digestive systems in livestock. This highly anticipated product launch reinforces our dedication to serving the feed additive arena in a sustainable and responsible way.

We also extended our offerings to resin producers by entering the HDO market. This in-demand product is an excellent complement to Perstorp’s resin offering and is expected to become a value-added component of our Caprolactone product tree offering.

In line, on stream

Perstorp continues to foster effective relationships with our strategic partners, such as PTT Global Chemical, to further the sales and development efforts in select markets. This proactive approach helps align our strategic direction with a product offering and service our customers appreciate.

Perstorp’s two major capital investments currently under construction, new Valeraldehyde and Neo plants, are progressing according to plan. We look forward to having our new Neo capacity in China on stream at the beginning of next year.

Pushing onward

Despite the world’s current economic weakness, our integrated business model, attractive product offering and forward thinking, safeguard Perstorp’s competitive position as a leader in the specialty chemical field.

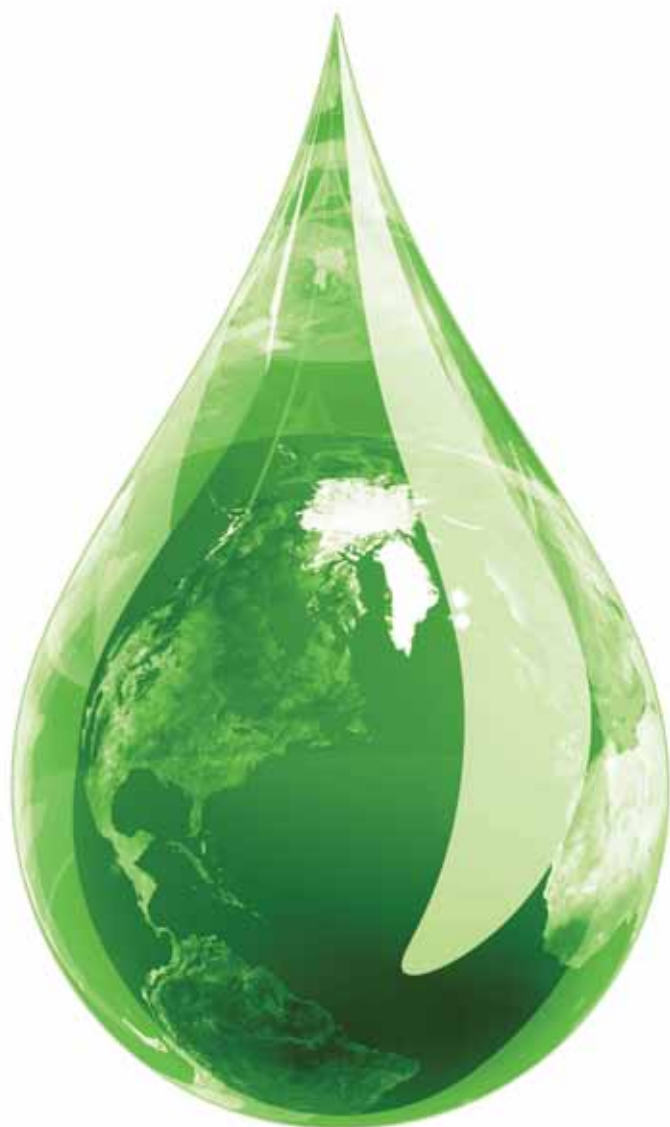
Perstorp, November 2012

Martin Lundin
President and CEO

Market & economic conditions

During the period January to September, demand has been decent for the main part of the period, but a softening in the market has become more visible towards the end of the period.

The year started off with rather strong market conditions but uncertainty in the financial systems across many European countries in combination with relatively flat economic activity in the US, have created somewhat uneasy markets and inconsistent demand in the latter part of the period. Relatively soft economic news from Asia has not provided the positive momentum necessary to boost demand.



Despite the situation, customer demand has overall held up rather well over the summer months. The Swedish krona has appreciated during the third quarter, which has had a negative effect on the Group's sales and earnings.

Raw material prices have continued to be volatile during the year. In the beginning of the year, commodities increased sharply primarily due to a stronger than expected global demand and concerns about the supply situation. However, the sentiment changed back to neutral-to-negative with renewed concerns about the global recovery leading to a price fall of some 20% up until mid year.

In the latter part of the period the effects of sanctions against Iran became visible as energy prices increased by 14% and the Brent Crude oil rose by 17%. Unplanned outages and maintenance in the North Sea and in downstream processing units also contributed to a shortage pushing prices upwards.

As a contrast, European methanol, Perstorp's third most important commodity, has shown stable pricing during the full period. Fluctuations in demand have been well balanced by the production level. Lower demand has been counteracted by unplanned outages and loss of methanol volumes related to the UN sanctions against Iran, one of the major producers globally.

The Perstorp Group is exposed to movements in the Euro and US dollar exchange rate, since both net inflows and loans are primarily in those currencies. The Swedish krona has fluctuated versus both the Euro and USD during the year. For the period January to September 2012, the US dollar averaged 6% higher whereas the Euro was 3% lower vs. the SEK, compared to the same period last year. All in all, this has contributed to a negative currency effect on operating profit of approximately SEK 65 when comparing with last year.

Financial overview

Net sales

The Perstorp Group's net sales for continuing operations amounted to SEK 8,603 m during the first nine months of 2012 compared with SEK 8,694 m in the corresponding period of 2011. However, volumes for feed additives, caprolactones and the Formox business was strong and outperformed last year.

Volumes declined by 1% compared to last year, mainly due to PIA, Penta and Oxo products. The deviation in Oxo can partly be explained by a very strong Q1 last year and our planned shutdown in September 2012. The effects on net sales of prices and currency fluctuations have been very limited over the period.

Earnings

Operating earnings before depreciation and amortization (EBITDA) for continuing operations were SEK 1,143 (1,259) m for the first nine months. Adjusted for items affecting comparability, earnings amounted to SEK 1,059 (1,279) m. A negative currency effect of SEK 65 m is a result of the translation impact and transaction flows being denominated in EUR and USD. The decline compared with last year has also been driven by margin pressure stemming from high and volatile raw material prices, coupled with uncertainty about economic developments particularly in Europe. This effect, however, can be seen in most regions of the world. Fixed costs remain under control only slightly higher than last year.

During the first nine months of 2012, non-comparable items amounted to SEK 84 m, where the largest item was a profit from sale of land in India.

Operating earnings before interest and taxes (EBIT) were SEK 661 (742) m. Depreciation was slightly higher than the same period last year. Earnings before tax amounted to SEK 216 (-129) m. Net financial items have been positively impacted by the currency effects when revaluating financial liabilities in foreign currencies, while the same period last year recorded negative currency effects. Excluding currency effects, the financial income and expenses fell against last year following a lower net debt.

Net earnings were SEK 136 m, compared with a loss of SEK 115 m for the same period last year.

Income statement, Group						
SEK m	Quarter 3		Quarter 1-3		Latest 12 months	Full year 2011
	2012	2011	2012	2011		
<i>Continuing operations</i>						
Net sales	2,726	2,805	8,603	8,694	11,206	11,297
Cost of goods sold	-2,394	-2,392	-7,432	-7,348	-9,771	-9,687
Gross earnings	332	413	1,171	1,346	1,435	1,610
Selling, administration and R&D costs	-197	-188	-612	-579	-803	-770
Other operating income and expenses ¹⁾	15	43	105	21	119	35
Write-down of assets	-4	0	-4	-44	-249	-289
Result from participations in associated companies	0	-2	1	-2	1	-2
Operating earnings (EBIT)	146	266	661	742	503	584
Exchange-rate effects on net debt	177	-33	311	-91	435	33
Other financial income and expenses	-254	-274	-731	-781	-983	-1,032
Result from participations in associated companies	-12	-	-25	-	-25	-
Earnings/loss before tax	57	-42	216	-129	-70	-415
Tax	-32	-7	-80	15	-85	10
Net earnings/loss	25	-49	136	-115	-154	-405
<i>Discontinued operation</i>						
Net sales	-	991	1,675	3,004	2,573	3,902
Operating earnings (EBIT)	-	-40	-133	-592	-302	-761
Earnings/loss before tax	-	-120	-267	-731	-507	-971
Tax	-	-8	-6	-343	0	-337
Net earnings/loss	-	-128	-273	-1,074	-507	-1,308
<i>Group, total</i>						
Net sales	2,726	3,796	10,278	11,698	13,779	15,199
Operating earnings (EBIT)	146	226	527	150	200	-177
Earnings/loss before tax	57	-161	-51	-861	-576	-1,386
Tax	-32	-15	-87	-329	-85	-327
Net earnings/loss	25	-176	-138	-1,189	-661	-1,713

Continuing operations						
Operating earnings before depreciation (EBITDA)	303	424	1,143	1,259	1,401	1,517
EBITDA adjusted for non-recurring items	279	439	1,059	1,279	1,277	1,497

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

Comprehensive income report, Group						
SEK m	Quarter 3		Quarter 1-3		Latest 12 months	Full year 2011
	2012	2011	2012	2011		
Earnings/loss for the period	25	-176	-138	-1,189	-661	-1,713
Other comprehensive results						
Translation effects	23	-34	-10	52	-58	5
Translation effects sold subsidiaries	-	-	-99	-	-99	-
Market valuation of interest swaps	5	-6	0	28	6	34
Market valuation of forward contracts	2	-1	-7	-25	-32	-50
Tax relating to other comprehensive results	-2	2	2	-1	7	4
Other comprehensive results net after tax	28	-38	-114	55	-176	-7
Comprehensive results after tax	53	-215	-252	-1,135	-837	-1,720
Comprehensive results attributable to:						
Parent company's shareholders	54	-218	-256	-1,138	-842	-1,724
Non controlling interests	-1	3	4	3	5	4

Financial position

Working capital increased during the period which follows the normal seasonal pattern. Also compared to the same period last year, the working capital for continuing operations was somewhat higher at the end of Q3, partly as a consequence of planned maintenance shutdowns in Q3. Working capital at the end of Q3 amounted to SEK 1,514 m, compared to SEK 1,481 at year-end 2011. The divestment of the Coating Additives business as well as a shareholder's contribution during Q2 has strengthened the financial position. Consequently, the net debt excluding parent company loans, fell during the period from SEK 10,355 m to SEK 9,194 m.

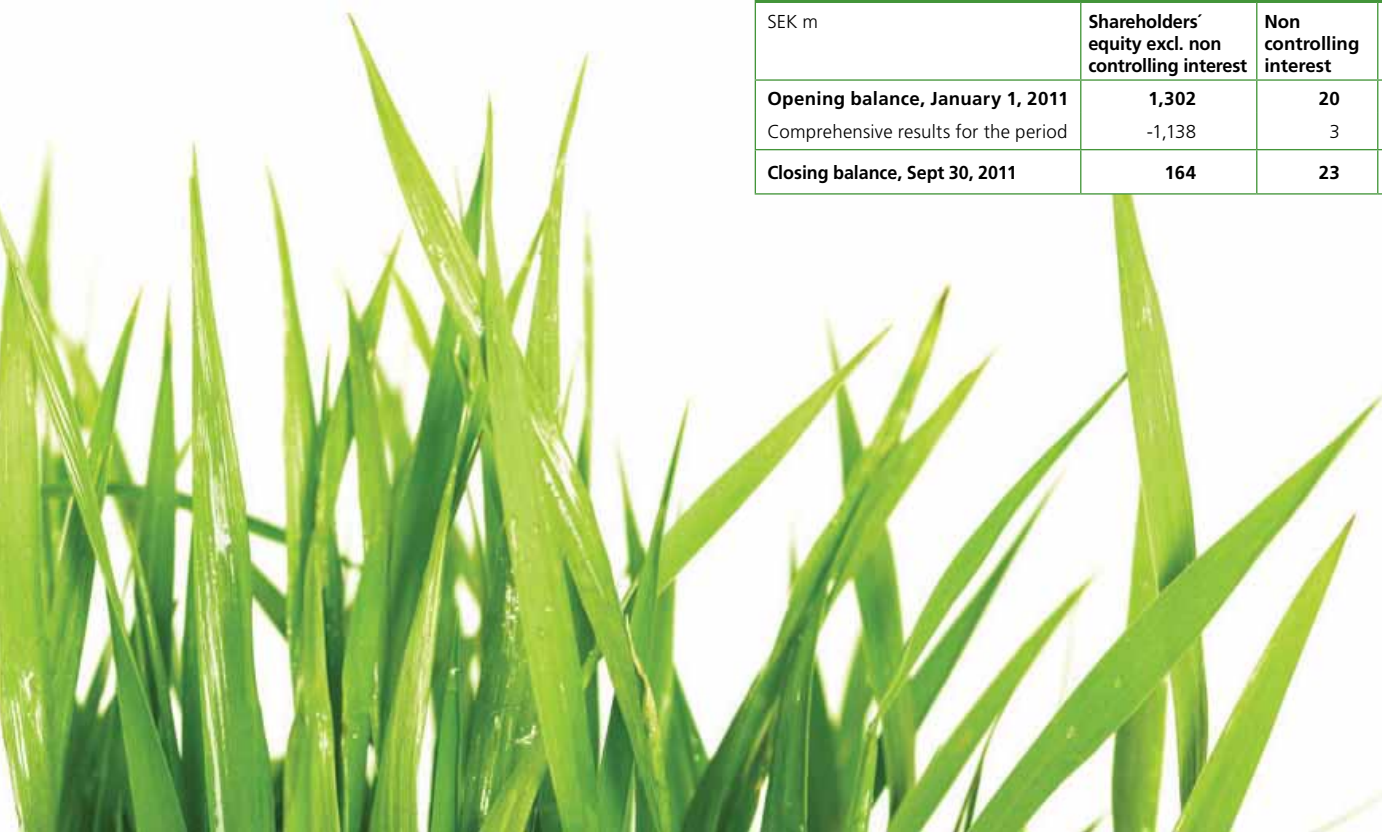
Shareholders' equity at the end of September was SEK 1,042 m. This is SEK 64 m higher compared to the start of the year, reflecting the change in comprehensive results for the period. It also reflects the equity injection from the owners amounting to SEK 299 m.

The figures for the same period last year include the Coating Additives business affecting comparability. This business was divested at the end of May 2012 and is accounted for as assets/liabilities held for sale as per the end of December 2011.

Balance sheet, Group			
SEK m	Sept 30, 2012	Dec 31, 2011	Sept 30, 2011
Tangible fixed assets	4,168	4,349	5,695
Intangible fixed assets	5,973	6,173	6,658
Financial assets	535	530	761
Participation in associated companies	1,012	44	43
Inventories	1,319	1,185	1,737
Other current assets	1,896	1,694	2,860
Cash & cash equivalents, incl. short-term investments	181	453	143
Assets held for sale	-	2,787	-
Assets	15,084	17,215	17,897
Shareholders' equity	1,042	978	187
Loan from Parent Company	877	870	2,194
Other long-term liabilities	10,273	11,287	11,767
Current liabilities	2,892	3,306	3,749
Liabilities held for sale	-	774	-
Shareholders' equity and liabilities	15,084	17,215	17,897
Working capital	1,514	1,481	2,059
Net debt	10,071	11,225	13,160
Net debt excl. Parent company owner loan	9,194	10,355	10,966
Capital employed	11,275	12,584	13,365

Shareholders' equity, Group, 2012			
SEK m	Shareholders' equity excl. non controlling interest	Non controlling interest	Total shareholders' equity
Opening balance, January 1, 2012	954	24	978
Comprehensive results for the period	-256	4	-252
Shareholders' contribution	299	17	316
Closing balance, Sept 30, 2012	997	45	1,042

Shareholders' equity, Group, 2011			
SEK m	Shareholders' equity excl. non controlling interest	Non controlling interest	Total shareholders' equity
Opening balance, January 1, 2011	1,302	20	1,322
Comprehensive results for the period	-1,138	3	-1,135
Closing balance, Sept 30, 2011	164	23	187





Cash flow

Cash flow from operating activities for continuing operations was SEK 196 (513) m for the first nine months of 2012. The lower cash flow from operating activities can be explained by a combination of lower earnings, higher interest payments and an increase in working capital.

Cash flow from investment activities amounted to SEK 824 (-403) m. This significant increase reflects the sale of assets both for the divestment of 51% of the shares in the Coating Additives business in Q2, as well as the land sale in India in Q1. The main capital expenditure over the period is related to the investment in the new

Neo plant in China and the new Valeraldehyde and derivatives plant in Sweden. In addition, there was a shareholder's contribution of SEK 299 m during the period.

Although liquid funds for continuing operations fell by SEK 13 m over the period, the use of credit facilities declined by SEK 1177 m. This is due to the main portion of the proceeds, from the asset disposals, being utilized for amortizing senior loans. The Group's available funds, including liquid funds and letter of credit facilities, were SEK 578 m at the end of the period, compared with SEK 1,064 m at year-end 2011.

Cash flow analysis, Group						
SEK m	Quarter 3		Quarter 1-3		Latest 12 months	Full year 2011
	2012	2011	2012	2011		
<i>Operating activities</i>						
Operating earnings	146	226	527	150	200	-177
Adjustment items:						
Depreciation and write-down	157	217	639	1,203	1,157	1,721
Other	-96	-33	-174	-27	-120	27
Interest received	0	0	1	2	2	3
Interest paid	-137	-162	-485	-405	-600	-520
Income tax paid	-10	-6	-44	-33	-79	-68
Cash flow from operating activities before change in working capital	60	242	464	890	560	986
<i>Changes in working capital</i>						
Increase (-) Decrease (+) in inventories	88	99	-198	-193	-106	-101
Increase (-) Decrease (+) in current receivables	111	106	-377	-236	12	153
Increase (+) Decrease (-) in current liabilities	-194	-127	-100	-39	-45	16
Cash flow from operating activities ¹⁾	65	320	-211	422	421	1,054
<i>Investing activities</i>						
Acquisition of shares in associated companies	0	-1	-1	-26	-1	-26
Acquisition of tangible and intangible fixed assets	-110	-126	-338	-388	-542	-592
Sale of interest in subsidiary to non-controlling interest	-	-	1,046	-	1,046	-
Sale of tangible and intangible fixed assets	0	0	117	10	117	10
Change in financial assets, external	1	0	0	1	-3	-2
Cash flow from investing activities ¹⁾	-109	-127	824	-403	617	-610
<i>Financing activities</i>						
Shareholders' contribution	1	-	299	-	337	38
Change in credit utilization	-5	-222	-1,177	-268	-1,332	-423
Cash flow from financing activities ¹⁾	-4	-222	-878	-268	-995	-385
Change in liquid funds, incl. short-term investments	-48	-29	-265	-249	43	59
Liquid funds opening balance, incl. short-term investments	233	168	454	395	143	395
Translation difference in liquid funds	-4	4	-8	-3	-5	0
Liquid funds, end of period	181	143	181	143	181	454
^{1) Whereof discontinued operation}						
Cash flow from operating activities	-	-21	-407	-91	-322	-6
Cash flow from investing activities	-	-50	-59	-73	-134	-148
Cash flow from financing activities	-	147	214	270	207	263
Change in liquid funds, incl. short-term investments	-	76	-252	106	-249	109

Segment information

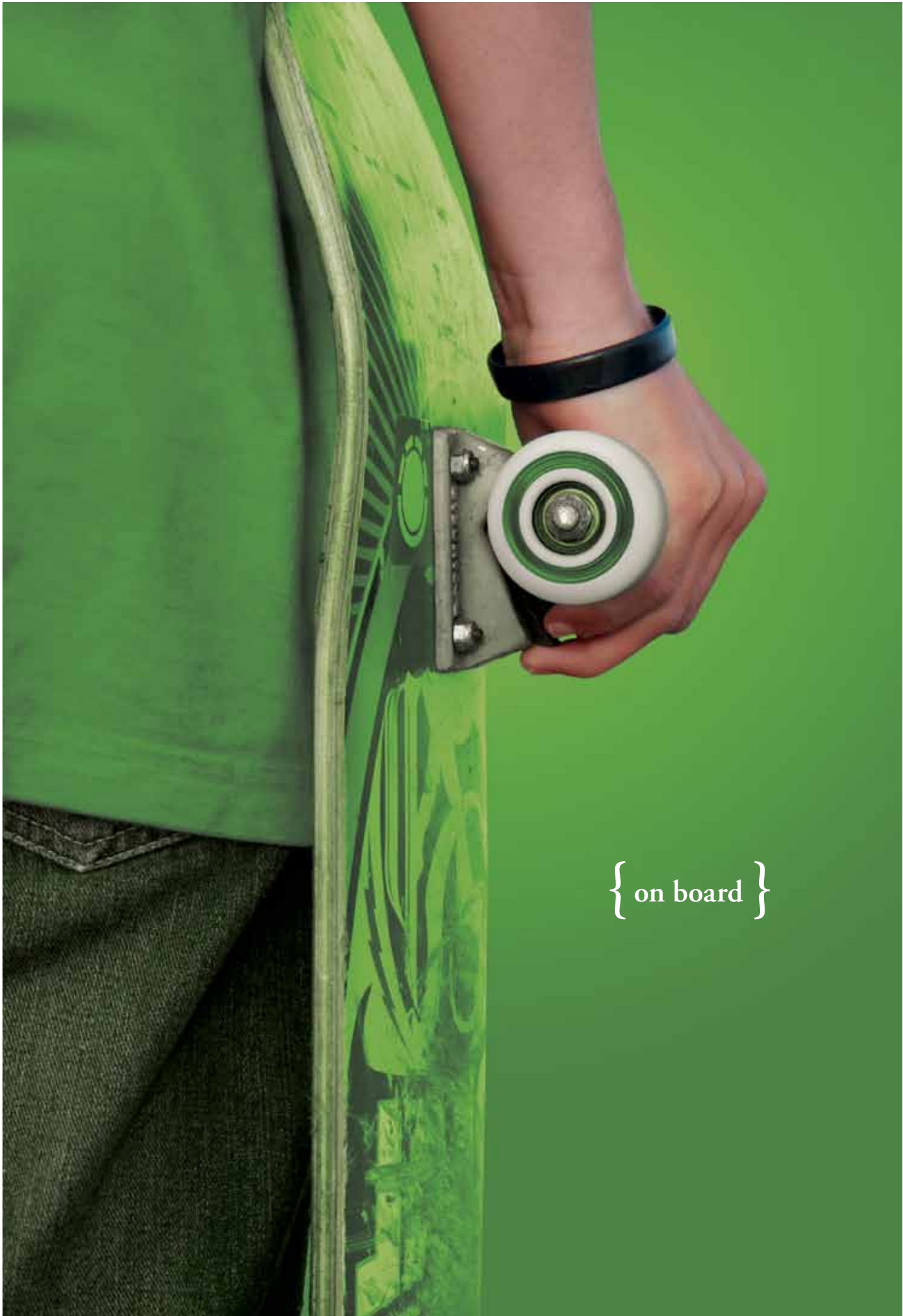
	Quarter 1-3	
	2012	2011
Net sales		
Specialty Intermediates	5,542	5,648
Performance Products	3,140	3,118
Eliminations	-79	-72
Total Continuing operations	8,603	8,694
EBITDA		
Specialty Intermediates	737	894
Performance Products	265	385
Other/Eliminations	141 ¹⁾	-20
Total Continuing operations	1,143	1,259

¹⁾ Other/eliminations is mainly attributable to property divestment.

The group is domiciled in Sweden. The result of its revenue from external customers in Sweden is 13% (13%), and the total of revenue from external customers from other countries is 87% (87%).

No sales above 10% derived from a single external customer.





{ on board }

Other

Employees

The number of FTE (full time equivalent) in the continuing operations at the end of the period was 1,604, which is 27 more than at year-end 2011.

Transactions with related parties

The loan from the Luxembourg-based parent company Financiere Foret S.a r.l. amounted to SEK 877 m at the end of September. The annual interest rate is 10% and capitalized.

Joint venture

On December 22, 2011, an agreement on the formation of a new joint venture between PTT Global Chemical (PTT GC) and Perstorp Holding AB was signed, dedicated to the worldwide manufacturing and sales of products for the polyurethane industry. The transaction was finalized on May 31, 2012.

The joint venture includes the Perstorp Business Group "Coating Additives" with its manufacturing sites at Pont-de-Claix in France and Freeport in the US. PTT GC retains 51% and Perstorp 49% of the joint venture, named VENCOREX Holding.

Accounting & valuation principles

The consolidated financial statements for Perstorp Holding AB have been prepared in accordance with International Financial Reporting Standards and the Annual Accounts Act. This means that the same accounting principles and calculation methods used in the interim reports were used in the annual accounts for 2011. The principle accounting policies of the Group and parent company are stated in Note 2 of the 2011 annual report. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO that makes strategic decisions.

Segment Information

Perstorp operations are divided into two business groups, Specialty Intermediates and Performance Products. Each business group is divided further into business units which are identified by the key chemical products produced. The Specialty Intermediates business group comprises Oxo, Penta & Formates, TMP & Neo and Formox business units, which have similar economic characteristics, chemical elements, distribution methods and customers and is centered on aldehyde production trees. The Performance Products business group comprises our Caprolactones & SPPO, Performance Additives, PIA and BioProducts business units, which share fewer economic, production or customer-related characteristics. However, to facilitate and streamline overall business administration, these business units are managed as the collective Performance Products business group.

Important events after reporting period

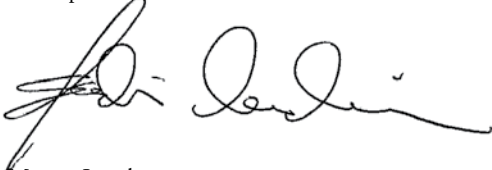
Perstorp has successfully completed an issue of senior secured and second lien notes to refinance its existing senior debt in full and its mezzanine debt facilities in part. EUR 270 million and USD 380 million of senior secured notes, as well as USD 370 million of second lien notes have been raised. The notes are listed on the Luxembourg Stock Exchange as of November 15, 2012. The notes will mature in 2017 and the maturity of the remaining mezzanine facilities has also been extended to 2017. In connection with the refinancing, Perstorp's owners, PAI partners, have supported the financial position of the Group via a contribution amounting to EUR 45 million.

Perstorp Chairman of the Board, Lennart Holm, decided to leave his assignment with the Perstorp Group due to an increasing number of other assignments. He is replaced by Fabrice Fouletier, PAI partners.

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 also is posted on the Group's website at www.perstorp.com.

Perstorp, November, 2012



Martin Lundin
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. Present in the aerospace, marine, coatings, chemicals, plastics, engineering and construction industries, they can also be found in 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. 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 safer products and sustainable processes that reduce environmental impact. This principle of 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.

Discover your winning formula at www.perstorp.com