



Perstorp Holding AB (Publ.)

Interim report, January-June 2014

Conference call August 21st, 2014

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Important notice

- ➔ Unless otherwise stated, the financial information presented in this document represents the Group's continuing operations, i.e. excluding:
 - 49% stake in Vencorex (the former Coating Additives business unit, divested in May 2012).
 - 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 & acting CFO

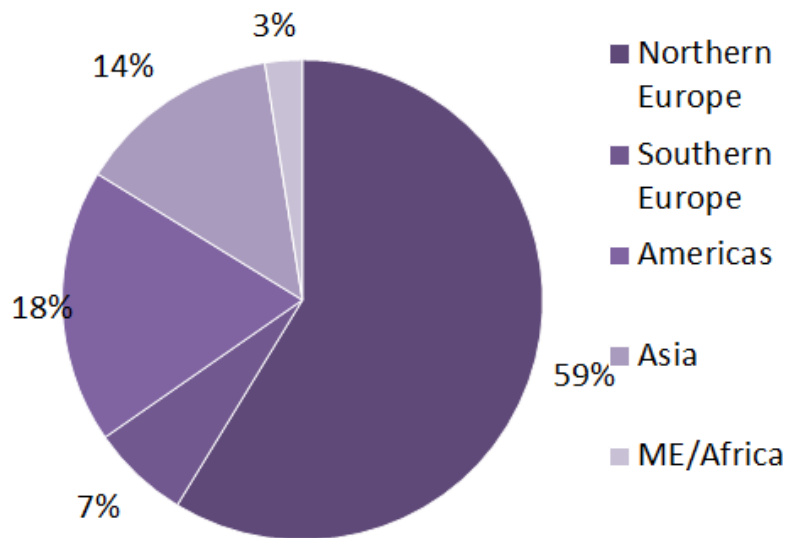


Executive summary

- ➔ On the back of slowly improving demand and global recovery, our volumes improved during the second quarter compared to both Q1/14 and Q2/13
- ➔ Q2 sales for continuing operations amounted to SEK 2,867m, a 3% improvement over Q1/14 and 6% above last year which recorded sales of SEK 2,694m
- ➔ EBITDA excluding non-recurring items amounted to SEK 329m in Q2/14 compared to SEK 324m in Q1/14 and 308m last year, the fourth consecutive quarter of y-o-y improvement
- ➔ In June, Perstorp signed an agreement with Chemko a.s. Strážske for the acquisition of its penta and calcium formate businesses, related technology and certain assets. The transaction is fully in line with Perstorp's strategy going forward and a part of a plan to increase the penetration in the polyol market
- ➔ In June, Perstorp implemented an off-balance, non-recourse, trade receivables financing program related to its Swedish entities. The total factoring volume is set to Euro 70 m, whereof around Euro 60 m was used per end of Q2
- ➔ As previously disclosed, CFO Johan Malmqvist have left the company, and the search for a new CFO is in an advanced stage

Revenue overview

Q2/2014, Revenue by region, %



- ➔ Demand for all regions improving year on-year with increased sales as a result
- ➔ European recovery slowly gaining pace in most countries. Overall cautious but steady improvement
- ➔ Severe weather in Q1 delayed US demand. Pace has picked up in Q2
- ➔ Growth rate in Asia flat but Q2 Chinese PMI indicates expansion is returning

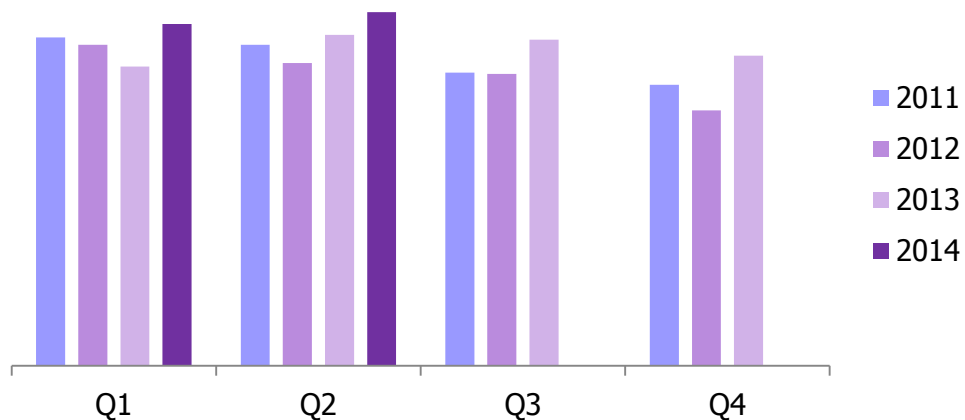


Key revenue drivers during Q2/2014

- ➔ Volumes were 7% higher than Q2/13 and 4% higher than in Q1/14
 - Volumes continue to strengthen compared to preceding quarters a result of slightly improving market conditions and seasonal effects
 - Volumes in Q2/14 were 7% above the same quarter last year, evident in most product lines
 - Volumes in Q3/14 expected to be in line Q2/14 and 7-8% higher than in Q3/13

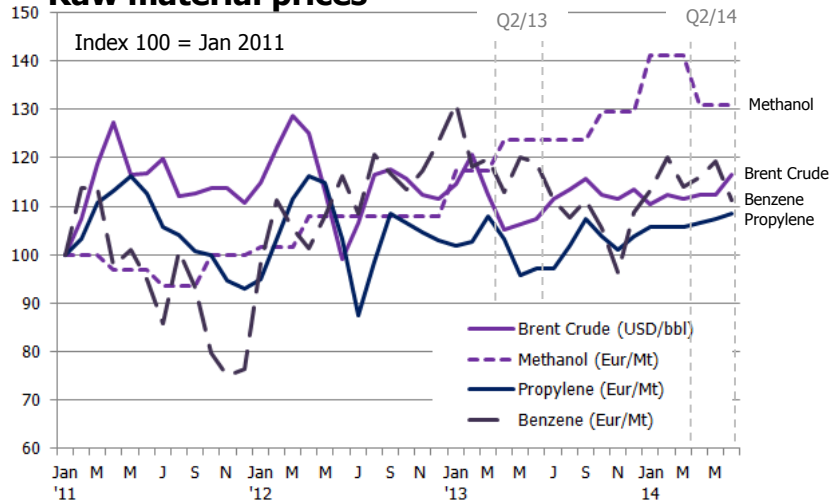
- ➔ Average selling prices stable vs. last quarters
 - Rather stable prices in local currency vs. last quarters for most product lines
 - Prices in SEK helped by the depreciation of the Swedish krona (around 2% against USD and Euro)
 - Slightly negative product mix effect

Volumes by quarter

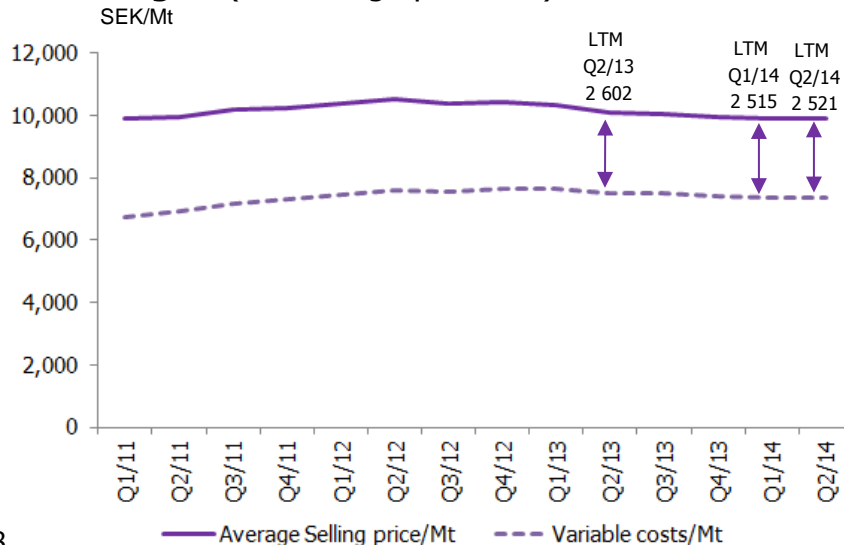


Raw materials and margins

Raw material prices



Margins (continuing operations)



- ➔ Stable or decreasing raw material prices in Q2
 - Brent crude oil increased slightly in Q2/14, up 2% to USD 110/bbl in avg
 - Price on Methanol decreased 7% in Q2 following 11 consecutive quarters with an upward trend
 - Benzene was stable in Q2 after a sharp increase in Q1

- ➔ On a quarter on quarter basis, margins were stable from Q1/14

- ➔ Compared to Q2 last year, LTM unit margins continue to be negatively affected by competitive market conditions and higher raw material prices but have started a slight upwards trend

Financial review



Financial highlights

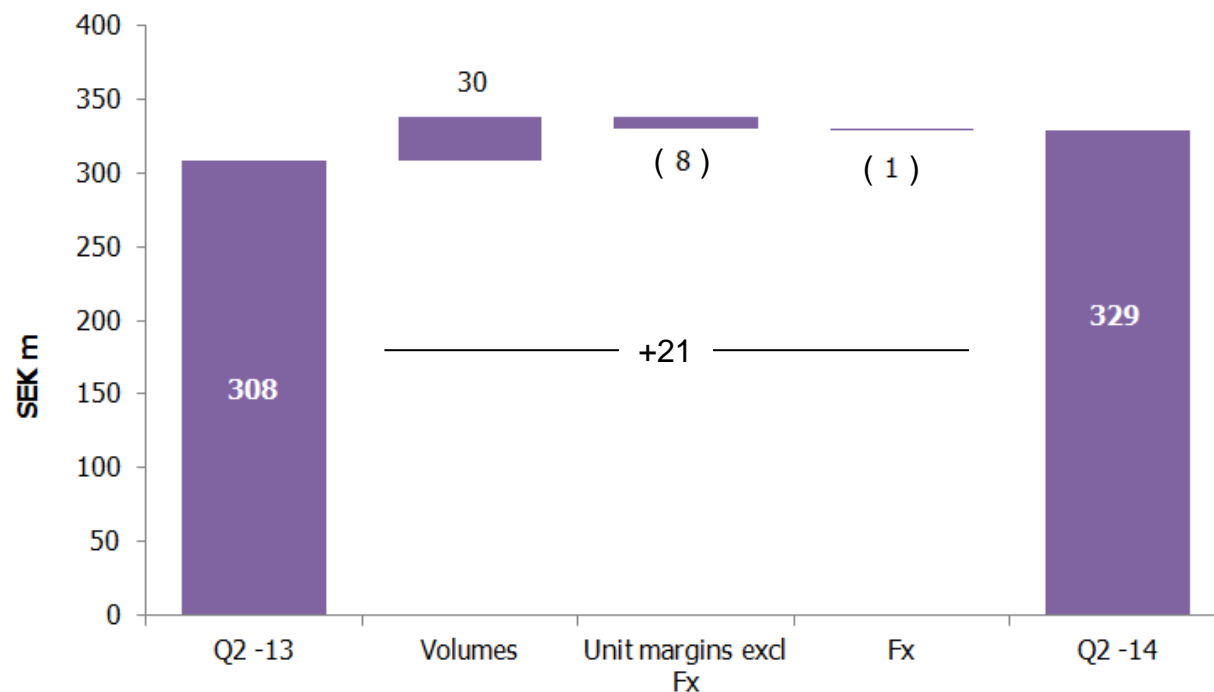
Q2 2014

SEK m	Q2 -14	Q2 -13	YTD Q2-14	YTD Q2-13	Q1 -14	LTM Q2 -14
Net Sales	2,867	2,694	5,640	5,179	2,773	10,804
% growth (y-o-y)	6.4%		8.9%			
Marginal Contribution	727	674	1,450	1,308	723	2,759
% of sales	25.4%	25.0%	25.7%	25.3%	26.1%	25.5%
EBITDA, reported	317	315	593	559	276	1,129
% of sales	11.1%	11.7%	10.5%	10.8%	10.0%	10.4%
EBITDA, excl non- recurring items	329	308	653	553	324	1,213
% of sales	11.5%	11.4%	11.6%	10.7%	11.7%	11.2%

- ➔ Compared to the same period last year, sales increased 6% and earnings improved 7%, mainly driven by stronger volumes
- ➔ Unit margins were rather stable from last quarter
- ➔ Non-recurring costs of around SEK 10 m have a negative effect on reported EBITDA in Q2/14

Bridge EBITDA excl. non recurring items

Q2 -14 vs. Q2 -13

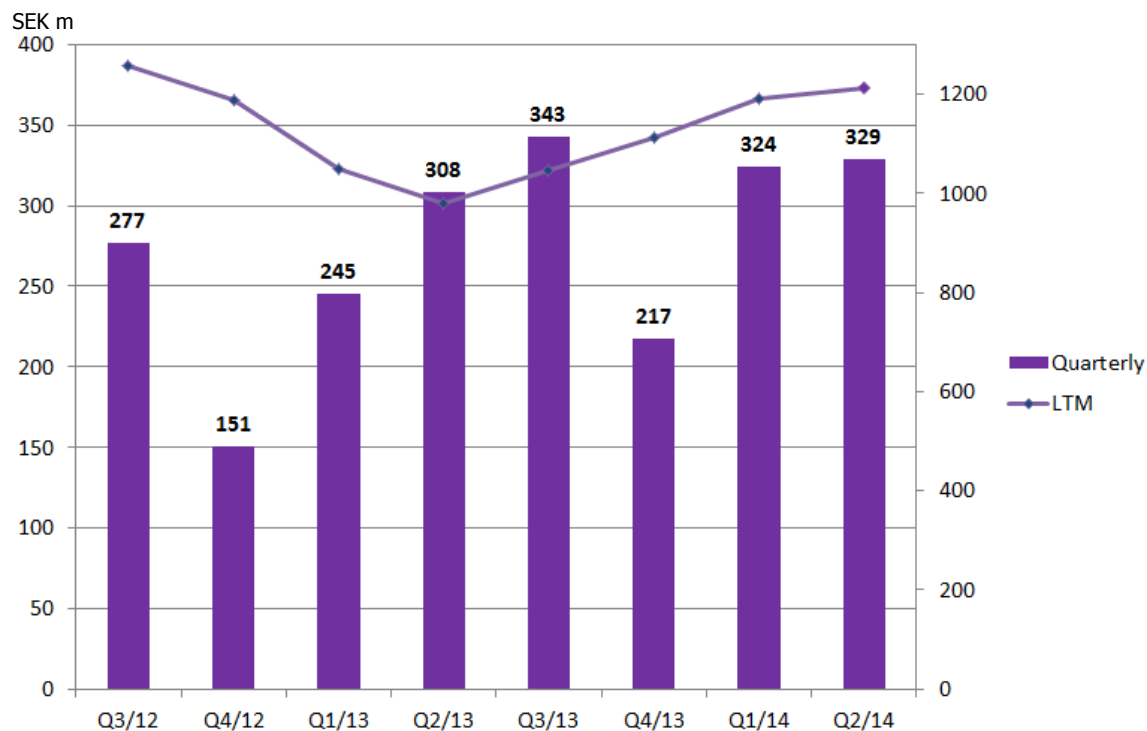


- ➔ Q2/14 EBITDA excluding non recurring items improved SEK 21 m vs. previous year, primarily driven by higher volumes, while slightly lower margins had a negative impact

Positive LTM development

Q3/12 to Q2/14

EBITDA excluding non recurring items

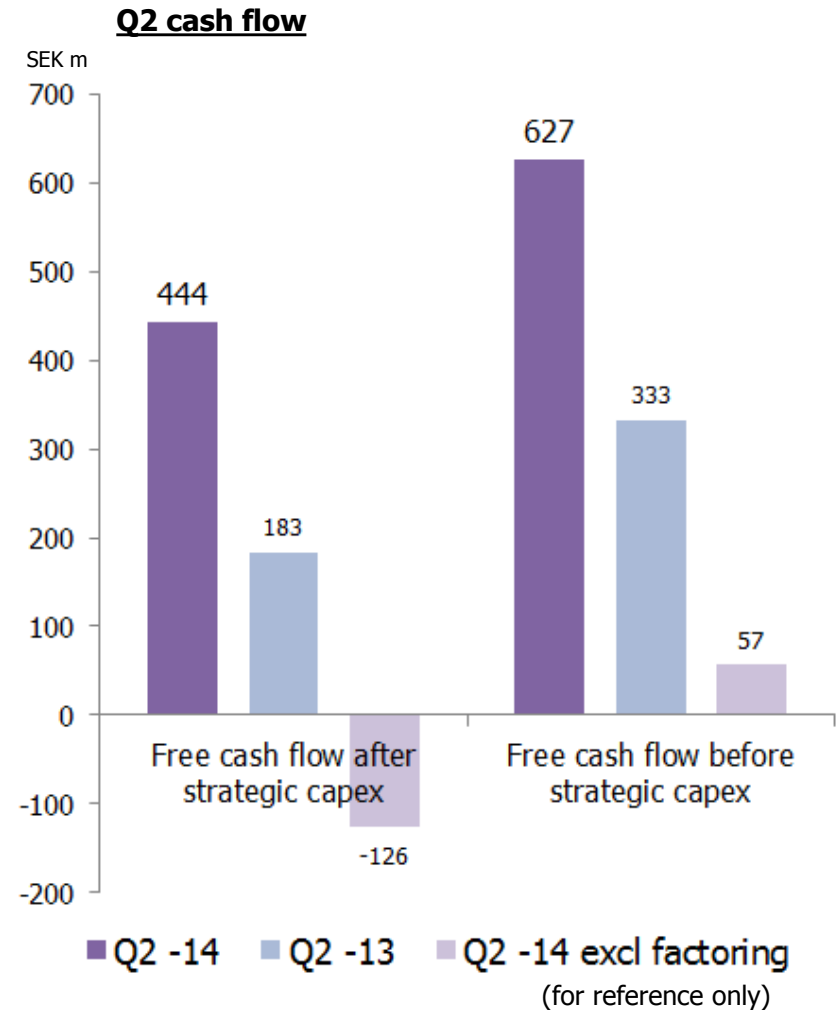


➔ LTM EBITDA continues to improve for a fourth consecutive quarter given slowly improving market conditions resulting in higher volumes

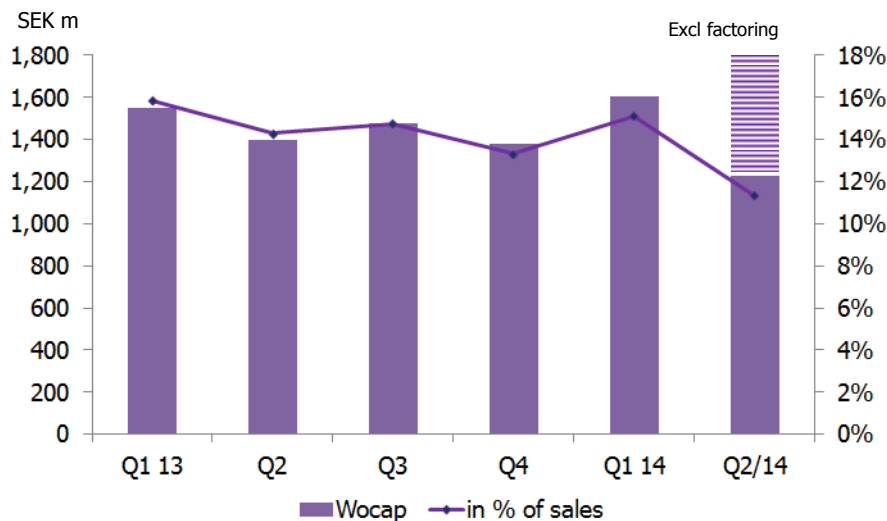


Free cash flow

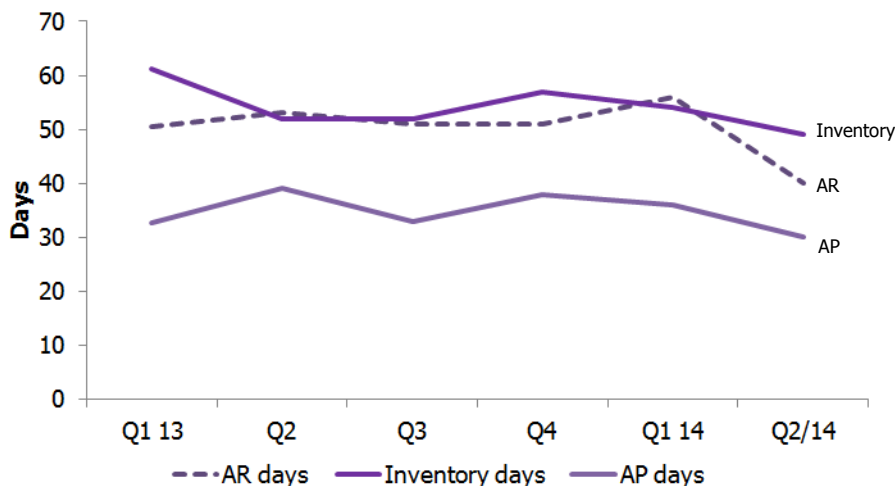
- ➔ Free cash flow in Q2/14 was SEK 444 m, positively affected by the implemented factoring program of around SEK 570 m
- ➔ LTM free cash flow continue to be positive, above SEK 600 m
- ➔ In Q2/14, strategic capex was SEK 30 m higher compared to last year and underlying working capital increased following higher sales
- ➔ Q3 free cash flow is expected to be positive based on stable earnings, improved working capital and full utilization of the factoring program. Investments are expected to be on the same level as in Q2



Working capital

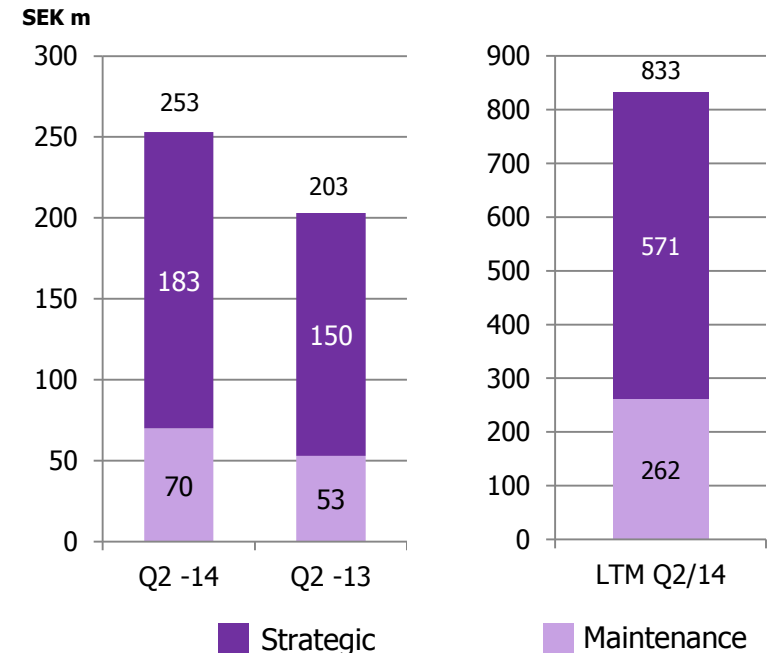


- ➔ Underlying working capital increased during Q2 primarily related to stronger sales and the depreciation of the SEK
- ➔ Inventory was more or less stable in Q2/14. Inventory days, however, decreased slightly following stronger sales
- ➔ In Q2, an off-balance trade receivables financing program was implemented. The effect on AR and working capital per the end of Q2 was around SEK 570m
- ➔ Reported accounts receivables decreased following the agreed factoring line, but underlying AR increased due to Fx effects and an unfavorable customer mix
- ➔ Working capital, especially targeting inventory and AP, will be optimized going forward



Investments

- ➔ Strategic capex continues to mainly relate to the Valerox project in Stenungsund and will continue to be high during the remainder of the year as the Valerox project comes closer to completion
- ➔ Valerox (valeraldehyde and derivatives)
 - Majority of process equipment delivered and installed
 - Overall project on time, below budget
 - Expected start-up Q1 2015
- ➔ Chemko acquisition
 - An agreement with Chemko a.s. Strážske was signed in June for the acquisition of penta and calcium formate businesses, related technology and certain assets
 - It does not include the manufacturing plant in Strážske, Slovakia, any real estate or employees
 - Reported within strategic investments in Q2
 - Payback to start in Q3



Indebtedness

Current capital structure detail

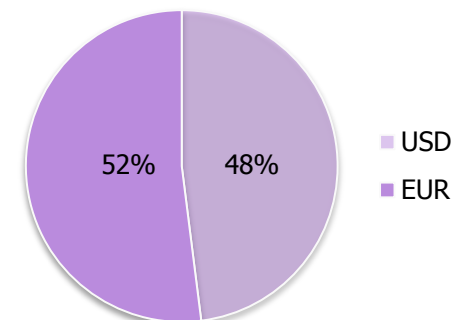
	USDm equiv.	SEKm	x EBITDA excl non-rec.
Cash (incl trapped)	-115	-775	
Senior secured notes (€)	368	2,483	
Senior secured notes (\$)	380	2,561	
Net senior secured debt	634	4,270	3.5 x
Second lien notes (\$)	370	2,494	
Net second lien debt	1,004	6,764	5.6 x
Mezzanine loans (€)	439	2,962	
Other debt	3	20	
Net debt, excl pensions and shareholder loan	1,446	9,747	8.0 x

- ➔ Net debt, excl. pensions and shareholder loan increased by SEK 110 m during Q2/14, mainly following negative impact from exchange rates (c. SEK 325 m) and a positive cash flow after financial net (c. SEK 215 m)
- ➔ Available funds per end of Q2/14 amount to SEK 859 m (undrawn RCF and cash, excl. trapped)
- ➔ In Q2, Vencorex called for the SEK 135 m (Euro 15 m) as provided under the shareholder agreement.
- ➔ Utilization of factoring line has freed up incremental funds in Q2

Fx rates; USD 6.74 and Euro 9.20

Based on EBITDA excl non-rec. of SEK 1,213 m

Debt by currency



Q2 conclusion

- ➔ Volumes and margins continued to improve during Q2/14, resulting in a fourth consecutive quarter of increased LTM EBITDA
- ➔ Market sentiment continues to improve slowly, while the depreciation of the SEK and lower methanol prices represent tailwind to our margins
- ➔ The acquisition of the penta and calcium formate businesses from Chemko a.s. Strážske, is part of the strategy to strengthen our position on the market and pay back is expected to start in Q3
- ➔ In June, Perstorp implemented an off-balance, non-recourse, trade receivables financing program related to its Swedish entities. The total credit line is set to Euro 70 m, whereof around Euro 60 m was used per end of Q2
- ➔ Efforts to finalize the Valerox-project in Stenungsund, continues with full focus and commitment. Project on time, with expected start-up in Q1 2015, and below budget. Pre-marketing activities well underway
- ➔ Q3 is normally a rather strong quarter for Perstorp and we expect 2014 to be in line with Q3/13

Appendix



Free cash flow details

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

SEK m	Q2 -14	Q2 -13	YTD Q2 -14	YTD Q2 -13	Q1 -14	LTM Q2-14
EBITDA excl non-rec.	329	308	653	553	324	1,213
Change in working capital	368	78	133	-265	-235	247
Maintenance capex	-70	-53	-110	-89	-40	-262
FCF before strategic capex	627	333	676	199	49	1,198
% of EBITDA excl non-rec.	191%	108%	104%	36%	15%	99%
Strategic capex	-183	-150	-310	-188	-127	-571
Free cash flow	444	183	366	11	-78	627
% of EBITDA excl non-rec.	135%	59%	56%	2%	-24%	52%



Segment reporting

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

SEK m	Q2-14	Q2-13	YTD Q2-14	YTD Q2-13	Q1 -14	LTM Q2 -14
Net Sales	2,867	2,694	5,640	5,179	2,773	10,804
Intermediates & Derivatives	2,196	2,041	4,333	3,930	2,173	8,321
Specialties & Solutions	611	543	1,172	1,063	561	2,137
Other/eliminations	60	110	135	186	75	346
EBITDA, reported	317	315	593	559	276	1,129
Intermediates & Derivatives	226	217	466	377	240	875
Specialties & Solutions	118	95	205	173	87	339
Other/eliminations	-27	3	-78	9	-51	-85



Restated segment reporting

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

SEK m	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q14-12	Q3-12	Q2-12	Q1-12
Net Sales	2,867	2,773	2,515	2,649	2,694	2,485	2,178	2,425	2,685	2,748
Intermediates & Derivatives	2,196	2,137	1,979	2,009	2,041	1,889	1,674	1,819	2,106	2,127
Specialtes & Solutions	611	561	440	525	543	520	437	514	518	558
Other/eliminations	60	75	96	115	110	76	67	92	61	63
EBITDA, reported	317	276	206	330	315	244	155	303	365	454
Intermediates & Derivatives	226	240	193	216	217	160	92	186	251	279
Specialties & Solutions	118	87	57	77	95	78	49	76	84	116
Other/eliminations	-27	-51	-44	37	3	6	14	41	30	59



Quarter on quarter development

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

SEK m	Q2-14	Q1 -14	Q4-13	Q3-13	Q2 -13	Q1 -13	Q4 -12	Q3 -12	Q2 -12	Q1 -12
Net Sales	2,867	2,773	2,515	2,649	2,694	2,485	2,178	2,425	2,685	2,748
Marginal Contribution	727	723	614	694	674	635	541	669	713	776
% of sales	25.4%	26.1%	24.4%	26.2%	25.0%	25.5%	24.8%	27.6%	26.6%	28.2%
EBITDA, reported	317	276	206	330	315	244	155	303	365	454
% of sales	11.1%	10.0%	8.2%	12.5%	11.7%	9.8%	7.1%	12,4%	13,6%	16,5%
EBITDA, excl non-recurring items	329	324	217	343	308	245	151	277	377	383
% of sales	11.5%	11.7%	8.6%	12.9%	11.4%	9.9%	6.9%	11.4%	14.0%	13.9%



Currency

Period average exchange rates

SEK per LOC	Q2 -14	Q2 -13	Q1 -14	YTD Q2-14	YTD Q2-13	LTM Q2-14	LTM Q2-13
USD	6,60	6.56	6.46	6,53	6.50	6,53	6.60
Euro	9,05	8.56	8.86	8,95	8.53	8,86	8.53
GBP	11,10	10.07	10.70	10,90	10.03	10,61	10.36

Period end exchange rates

SEK per LOC	Q2 -14	Q1 -14	Q2 -13
USD	6,74	6.51	6.71
Euro	9,20	8.95	8.76
GBP	11,47	10.83	10.25

Source: Swedish Central Bank, Riksbanken

