

Perstorp Holding AB (Publ.)

Interim report, January-September 2014

Conference call November 6th, 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:
 - 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 & acting CFO

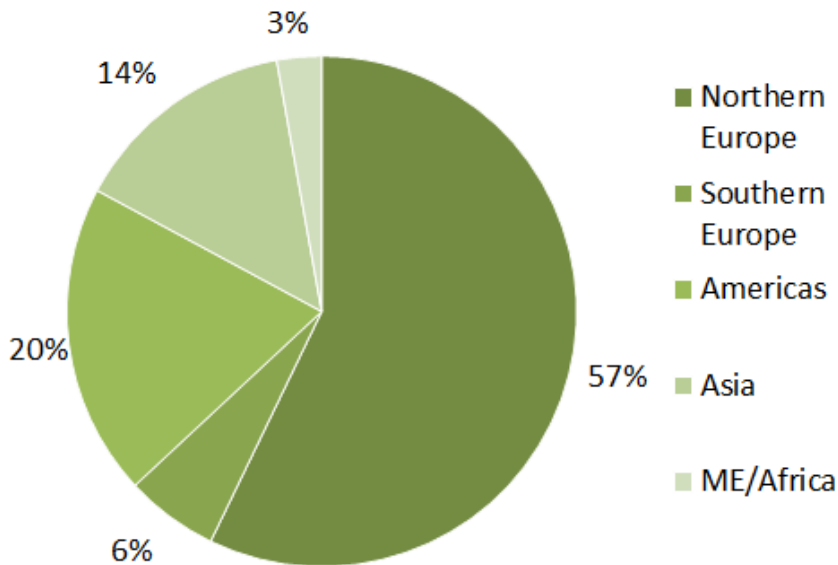


Executive summary

- ➔ Despite uncertainties in the world around us and mixed signals from leading economies, our volumes in the third quarter improved year-on-year by 5%
- ➔ Q3 sales for continuing operations amounted to SEK 2,838 m, a 7% improvement over last year which recorded sales of SEK 2,649 m
- ➔ EBITDA excluding non-recurring items amounted to SEK 386 m in Q3/14 compared to SEK 329 m in Q2/14 and 343 m last year, the fifth consecutive quarter of y-o-y improvement, despite production issues in our Oxo plant
YTD EBITDA excluding non recurring items are SEK 143 m or 16% above last year
- ➔ The Valerox project is well underway with start-up scheduled for first half of January 2015 (previous estimated start-up was mid Q1/2015)
- ➔ The off-balance trade receivables financing program implemented during end of Q2 has been expanded in Q3 from Euro 70 m to Euro 90 m, with a gradual increase in utilization; further expansion to Euro 125 m targeted
- ➔ Magnus Heimburg has been appointed new CFO as of December 1, 2014. Magnus is an experienced Senior Executive and joins Perstorp from Preem, where he has worked as CFO for the last eight years

Revenue overview

Q3/2014, Revenue by region, %



- ➔ Demand for all regions, except parts of Asia, improving year-on-year with increased sales as a result
- ➔ European recovery slow and overall cautious. The strong performance in Germany persisted throughout Q3, but the outlook is increasingly uncertain
- ➔ US demand for Q3 was strong building on a solid Q2
- ➔ Growth rate in Asia flat (y-o-y) as the recovery of China and India are slower than expected

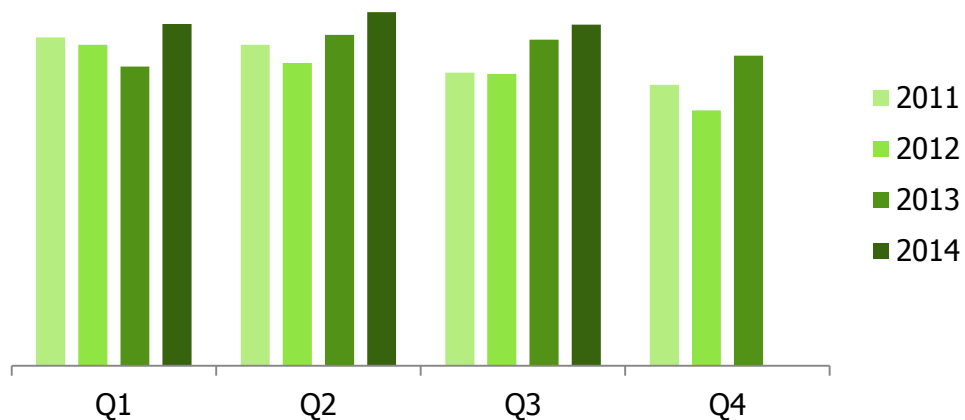


Key revenue drivers during Q3/2014

- ➔ Volumes were 5% higher than Q3/13
 - Volumes continued to strengthen y-o-y, evident in most product lines, due to slightly improving market conditions and positive effects from new capacity (Neo in China) and bolt-on acquisition (Chemko)
 - Volume growth of 5% achieved despite 6 days unplanned production outage in our Oxo plant in site Stenungsund
 - Volumes in Q4/14 expected to be on the same level as Q4/13

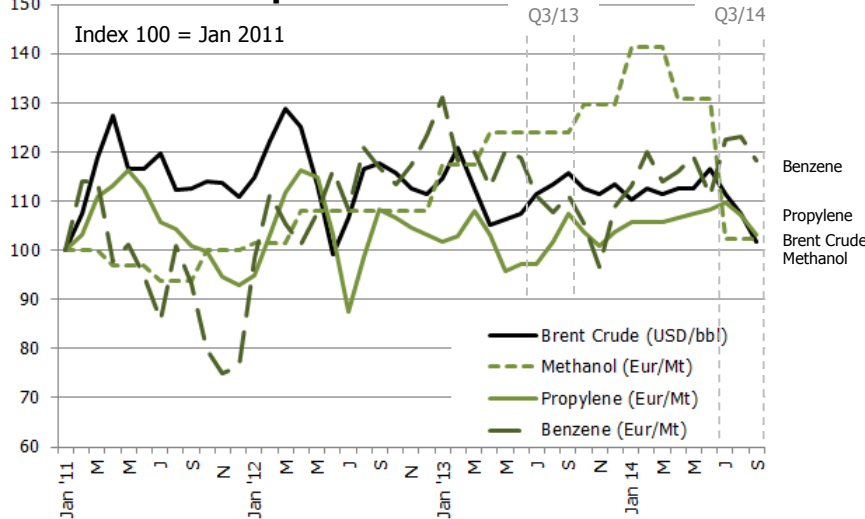
- ➔ Average selling prices in SEK increased year-on-year and vs Q2/14
 - Prices in SEK helped by the depreciation of the Swedish krona (around 4% against USD and 1% against the Euro)
 - Prices in local currency stable or in some cases slightly lower vs. Q2/14 following a downward trend on raw materials

Volumes by quarter



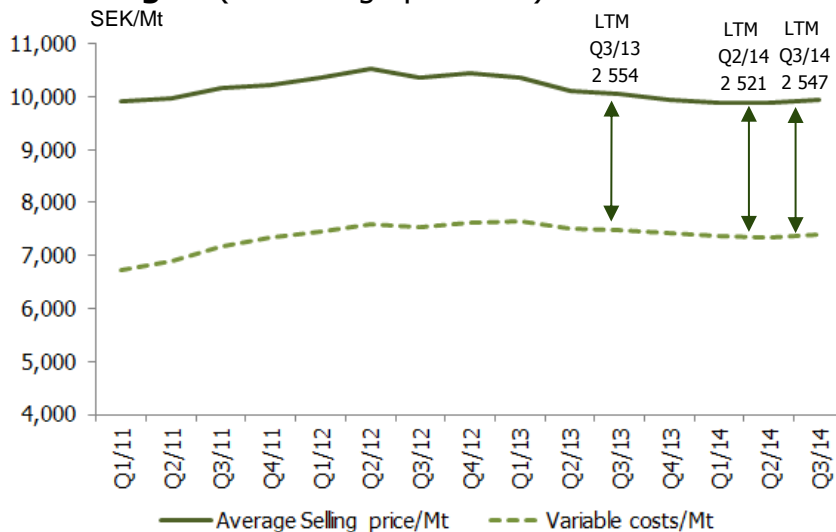
Raw materials and margins

Raw material prices



- ➔ Decreasing prices in Q3 for most key raw materials
 - Average price for Brent crude oil decreased 6% in Q3/14 with a significant drop in September ending below USD 100/bbl (avg in Q3 USD 104)
 - Quarterly average price on Oxo feedstock was rather stable vs Q2/14
 - Price on Methanol decreased 22% in Q3, the second quarter with a decrease after 11 consecutive quarters with an upward trend
 - Benzene increased 5% in Q3 due to a tight supply side

Margins (continuing operations)



- ➔ On a quarter on quarter basis, margins improved from Q2/14 due to positive Fx effects and slightly lower raw material prices
- ➔ LTM unit margins stable year-on-year, with an improving trend from Q4/13

Financial review



Financial highlights

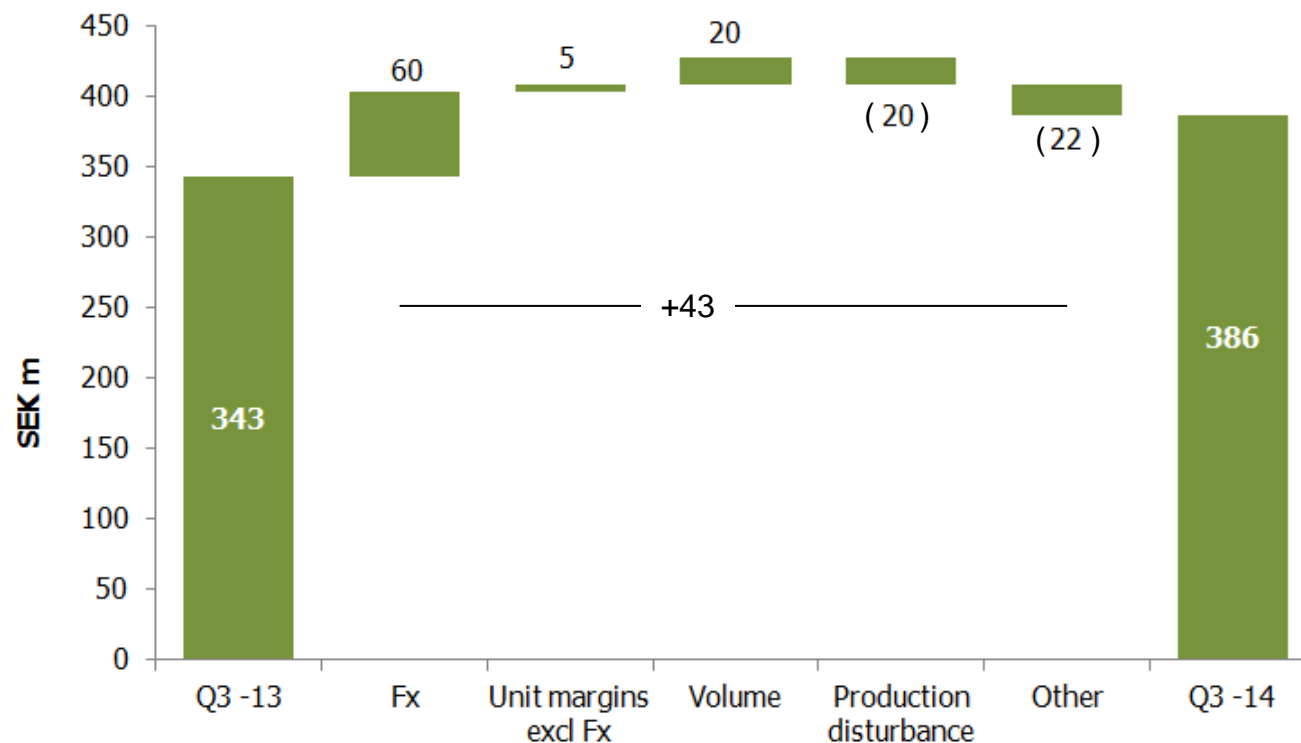
Q3 2014

SEK m	Q3 -14	Q3 -13	YTD Q3-14	YTD Q3-13	Q2 -14	LTM Q3 -14
Net Sales	2,838	2,649	8,478	7,828	2,867	10,993
% growth (y-o-y)	7.1%		8.3%			
Marginal Contribution	755	694	2,205	2,003	727	2,820
% of sales	26.6%	26.2%	26.0%	25.6%	25.4%	25.6%
EBITDA, reported	385	330	978	889	317	1,184
% of sales	13.6%	12.5%	11.5%	11.4%	11.1%	10.8%
EBITDA, excl non- recurring items	386	343	1,039	896	329	1,256
% of sales	13.6%	12.9%	12.3%	11.4%	11.5%	11.4%

- ➔ Compared to the same period last year, sales increased 7% and earnings improved 13%, driven by positive Fx effects and stronger volumes and despite production problems
- ➔ Unit margins improved from Q2/14 due to positive Fx effects and lower raw material prices, despite slightly lower sales prices
- ➔ YTD EBITDA excluding non recurring items 143 m or 16% above last year

Bridge EBITDA excl. non recurring items

Q3 -14 vs. Q3 -13

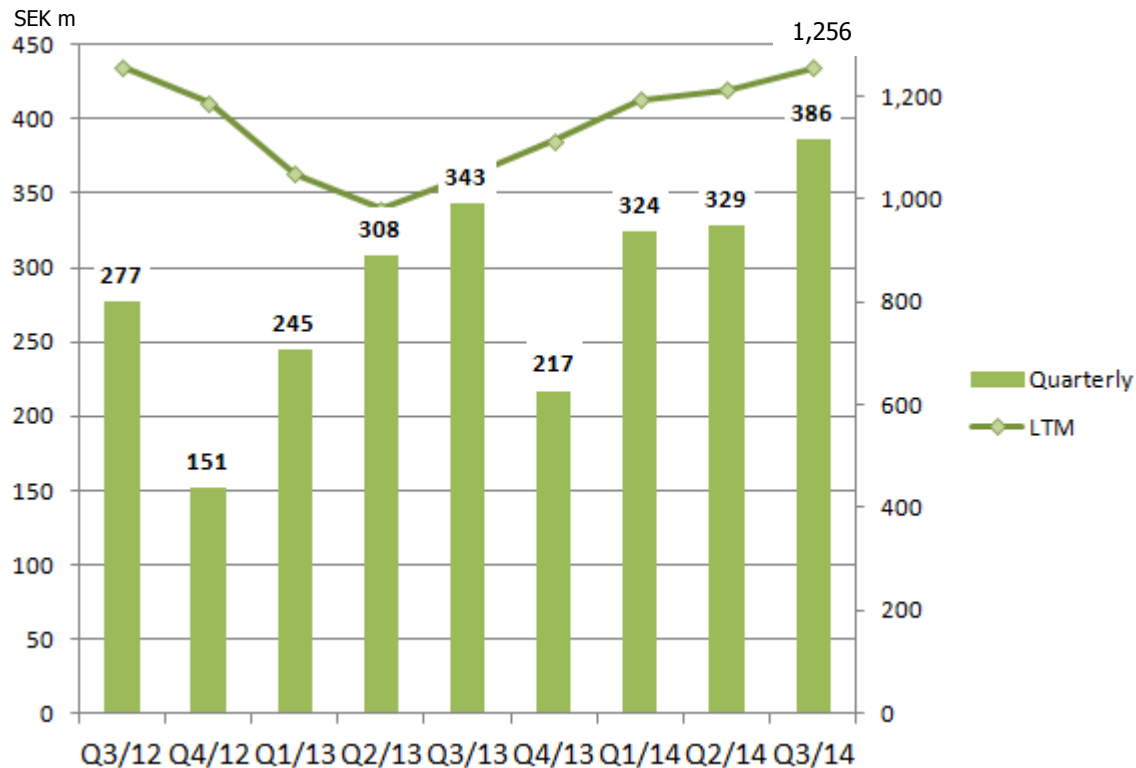


- ➔ Q3/14 EBITDA excluding non recurring items improved SEK 43 m year-on-year, primarily driven by positive Fx effects and higher volumes, counteracted by production disturbances. In Q3/13 we had a positive one-off effect (other)

Positive LTM development

Q3/12 to Q3/14

EBITDA excluding non recurring items

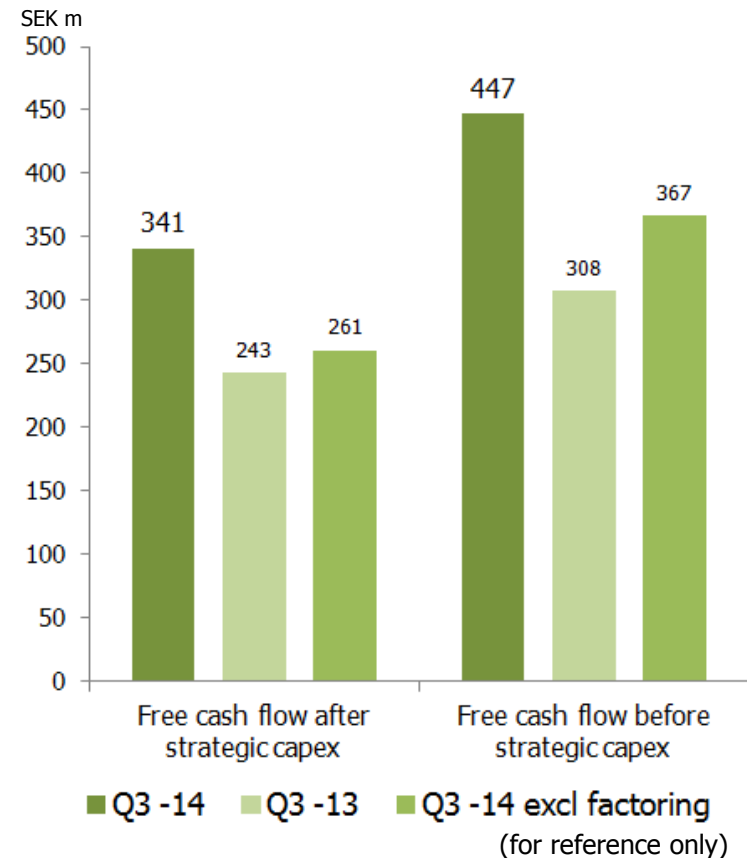


- ➔ LTM EBITDA continues to improve for a fifth consecutive quarter due to improving volumes and positive Fx effects

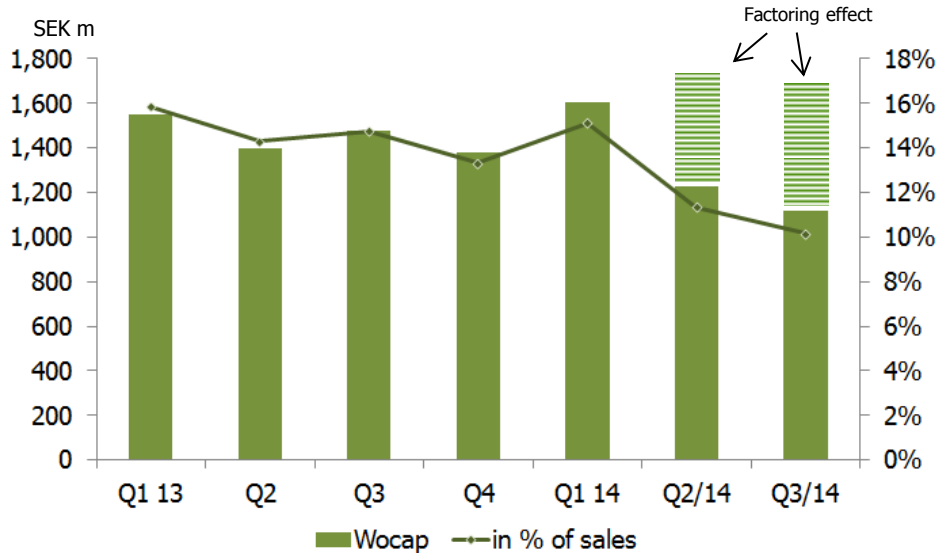
Free cash flow

- ➔ Free cash flow in Q3/14 was SEK 341 m, positively affected by strong earnings, a slight decrease in working capital and a positive effect from higher utilization in the factoring program (YTD effect SEK 535 m whereof SEK 40 m in Q3/14)
- ➔ LTM free cash flow continue to be positive, SEK 725 m
- ➔ In Q3/14, both strategic and maintenance capex were higher compared to last year
- ➔ Q4 free cash flow is expected to be positive. High capex and expected lower earnings are expected to be counterbalanced by improved working capital and increased utilization of the factoring program
- ➔ Credit approval received to increase factoring volume from €70 m to €125 m, whereof €20 m implemented in September. Remaining €35 m expected to be implemented during coming two quarters

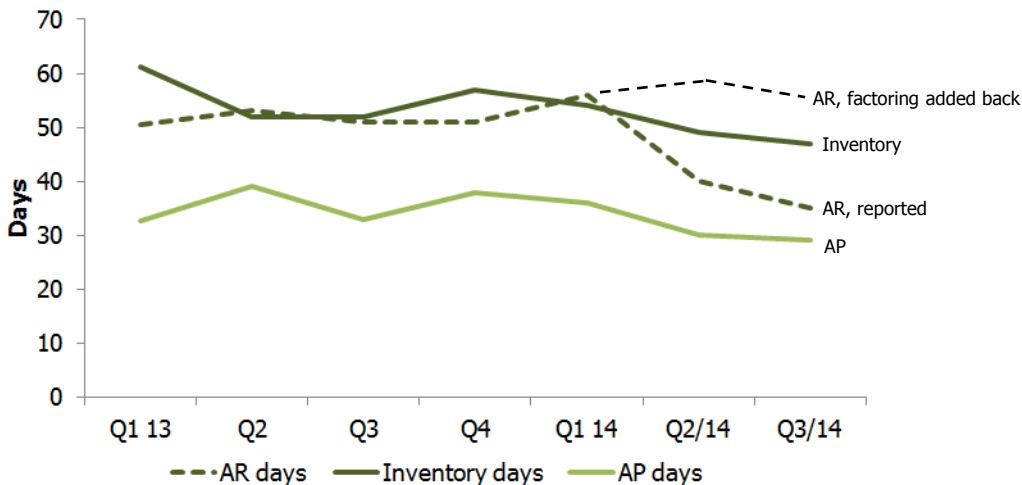
Q3 cash flow



Working capital

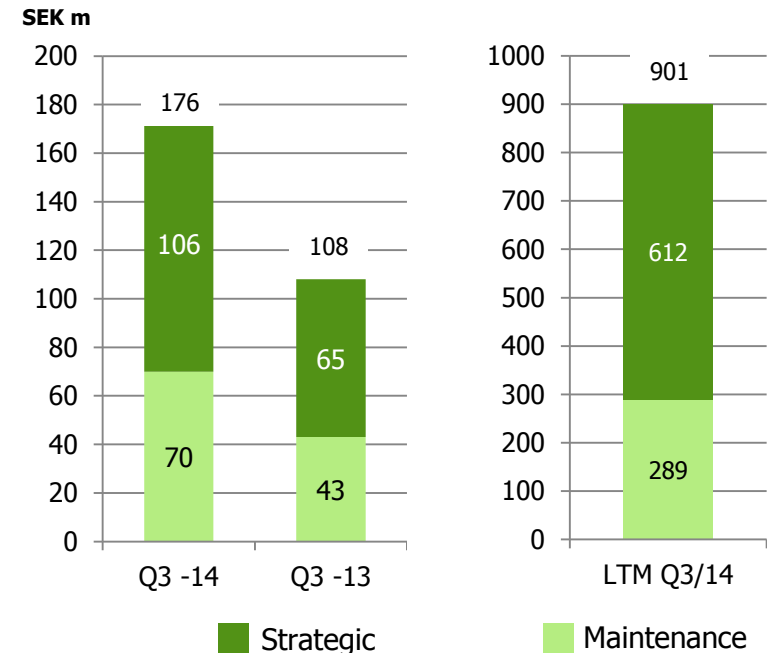


- ➔ Both reported and underlying working capital (excl. factoring) decreased slightly compared to Q2/14
- ➔ Inventory decreased SEK c. 80 m in Q3/14 following active inventory management and the un-scheduled shutdown in our Oxo plant
- ➔ The weaker Swedish Krona drove an increase in reported working capital, SEK c. 140 m vs Q3/13
- ➔ The off-balance trade receivables financing program affect AR and working capital per the end of Q3 with around SEK 600 m (€ 66 m)
- ➔ Working capital is expected to decrease during Q4 following seasonally lower sales and our target to reduce inventory and AR



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)
 - All key equipment delivered and installed
 - Overall project on time, below budget
 - Approx. 70% of total capex budget spent by end of Q3/14
 - Expected start-up January 2015
 - Milestones reached & ahead
 - July; compressor for the aldehyde plant arrived
 - September; reactor for the aldehyde plant arrived in Stenungsund from India
 - November; mechanical completion targeted
 - January 2015; planned start-up



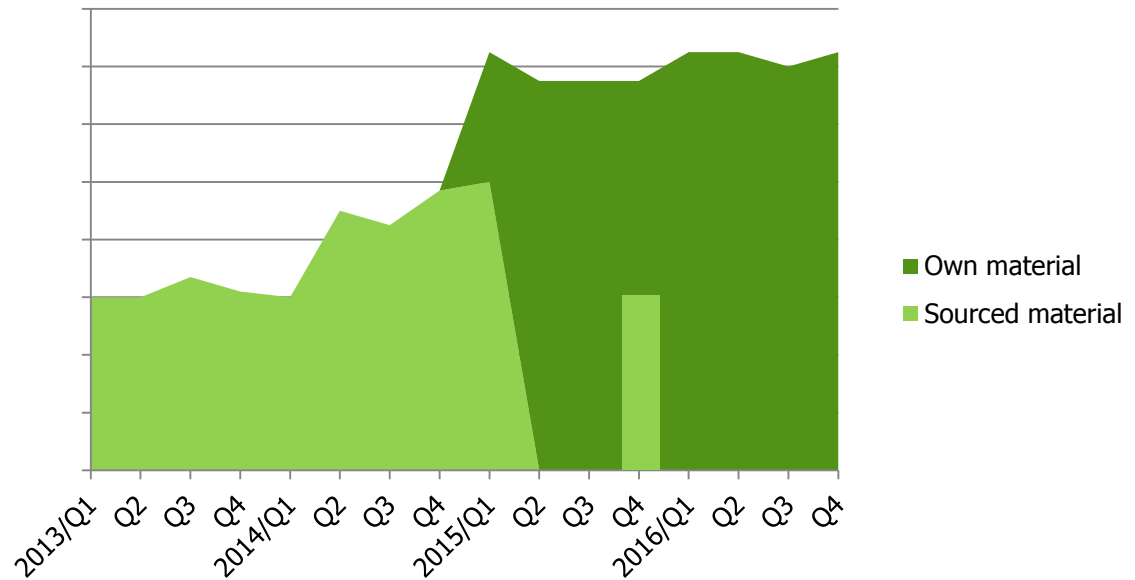
Valerox overview / ramp-up

Volumes kMt per Q

Volumes

Sourced material vs own material

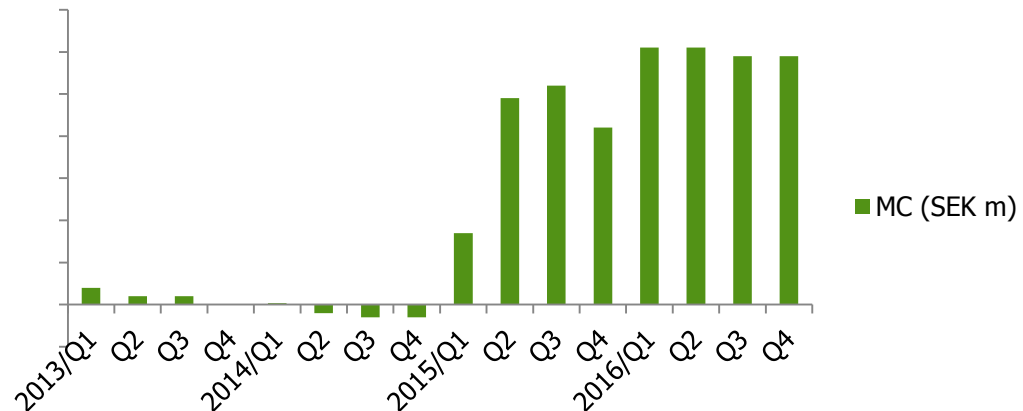
- Start-up scheduled for Q1/2015
- Own produced volumes to be ramped-up during 2014
- Multi week shutdown scheduled for Q3/2015



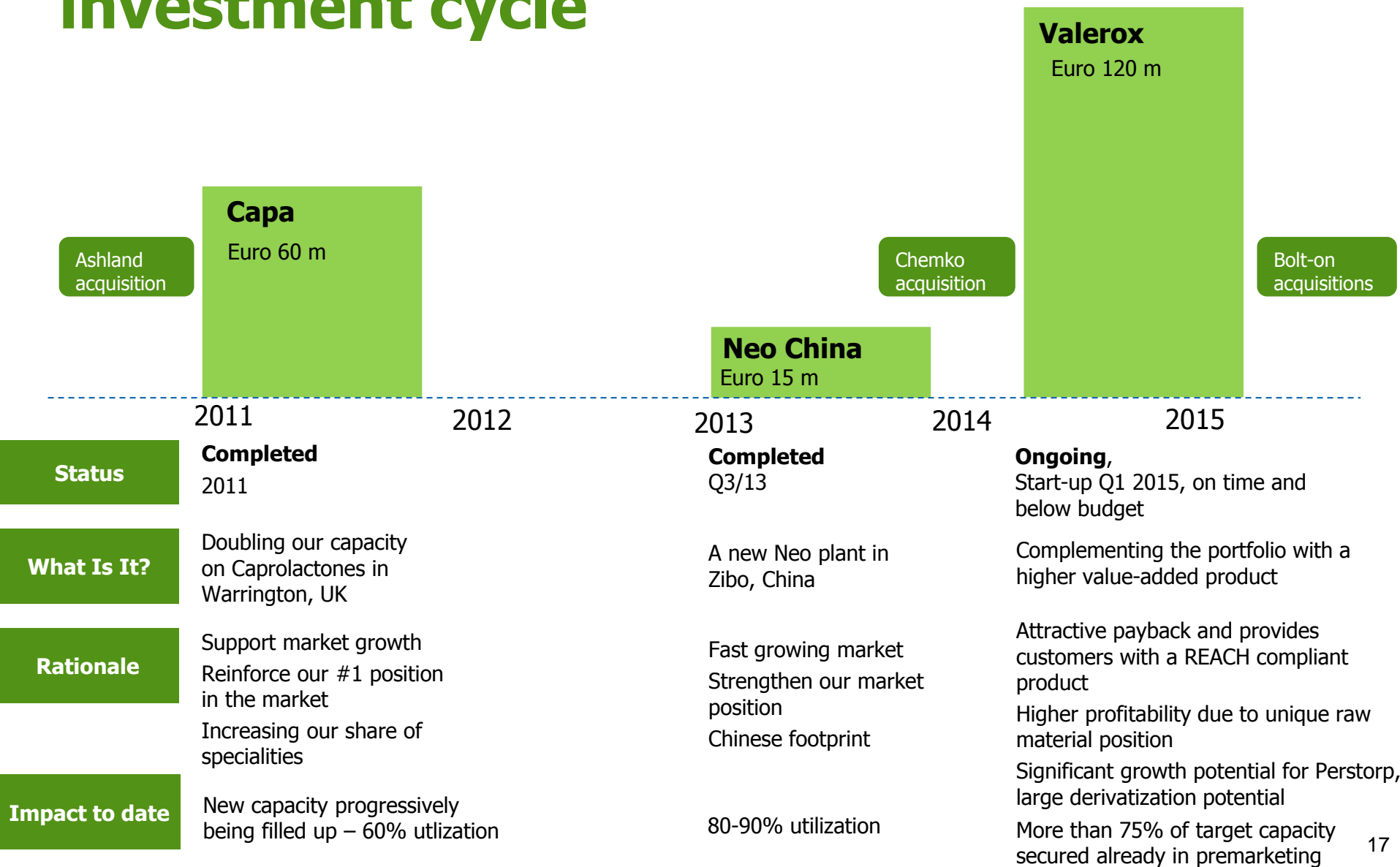
Profitability

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



Valerox adds to our successful investment cycle



Other events

- ➔ Transformation program - Good to Great
 - Progress according to plan targeting a new market driven business and operating model
 - New functional organization and new Management Team

- ➔ Chemko acquisition
 - Customer retention rate at a high level
 - Well received in the market

- ➔ Neo China
 - Plant continue to run very well, including product quality and yields
 - Production run in line with customer demand, 90% capacity utilization in Q3/14

- ➔ Vencorex
 - Vencorex is in need of further capital injection to finance its strategic plan. Vencorex is not a strategic holding for Perstorp and hence the Shareholder agreement has been re-negotiated to allow PTT-GC to proceed with the implementation of the transformation of the company
 - Perstorp has reduced its ownership by 34% to 15%
 - Perstorp maintains the same earn-out structure as in the Shareholder agreement and has received a put option (2016 and 2022-24 respectively)

Indebtedness

Current capital structure detail

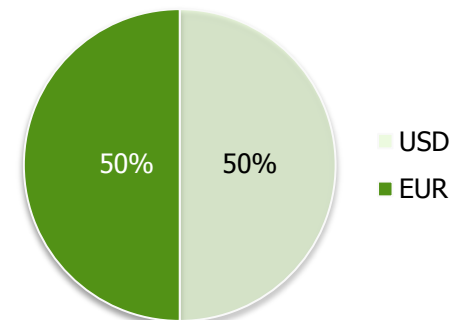
	USDm equiv.	SEKm	x EBITDA excl non-rec.
Cash on balance sheet	-112	-811	
Senior secured notes (€)	342	2,479	
Senior secured notes (\$)	380	2,751	
Net senior secured debt	610	4,419	3.5 x
Second lien notes (\$)	370	2,678	
Net second lien debt	980	7,097	5.7 x
Mezzanine loans (€)	409	2,958	
Other debt	2	12	
Net debt, excl pensions and shareholder loan	1,391	10,067	8.0 x

- ➔ Net debt, excl. pensions and shareholder loan increased by SEK 321 m during Q3/14, mainly following negative impact from exchange rates
- ➔ Available funds per end of Q3/14 amount to SEK 949 m (undrawn RCF and cash, excl. restricted)
- ➔ The factoring line was increased up to €90 m at the end of Q3 – cash effect expected in Q4

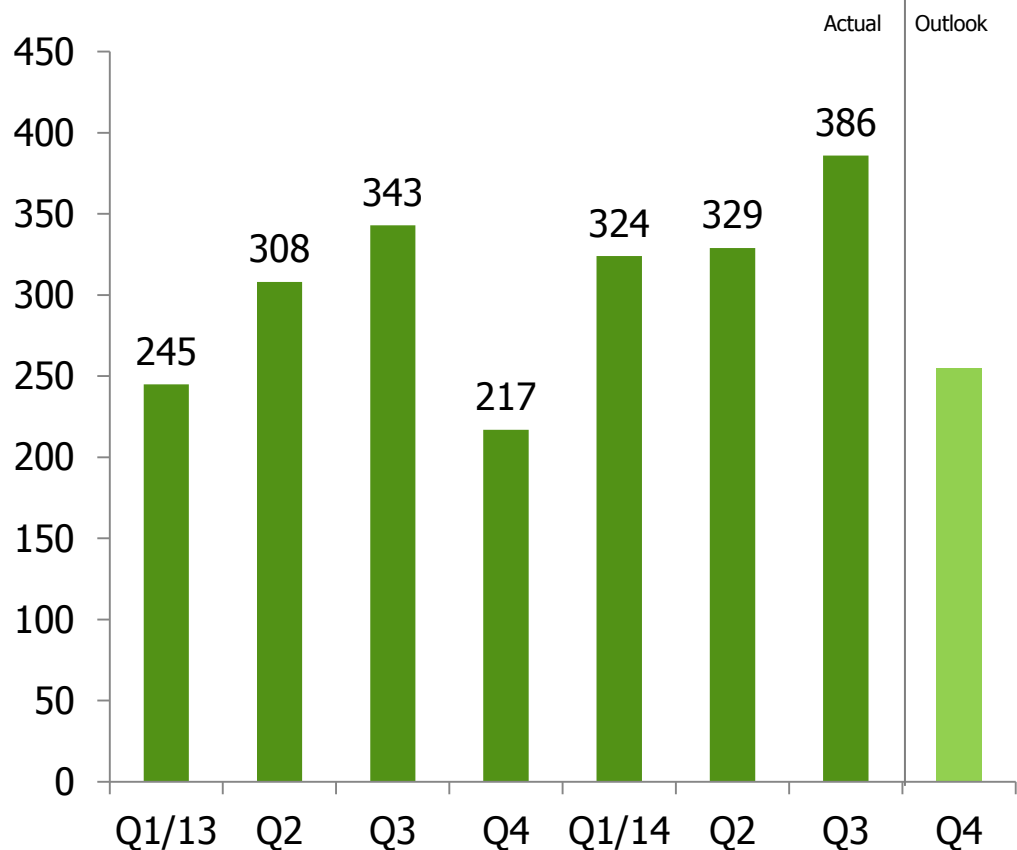
Fx rates; USD 7.24 and Euro 9.18

Based on EBITDA excl non-rec. of SEK 1,256 m

Debt by currency



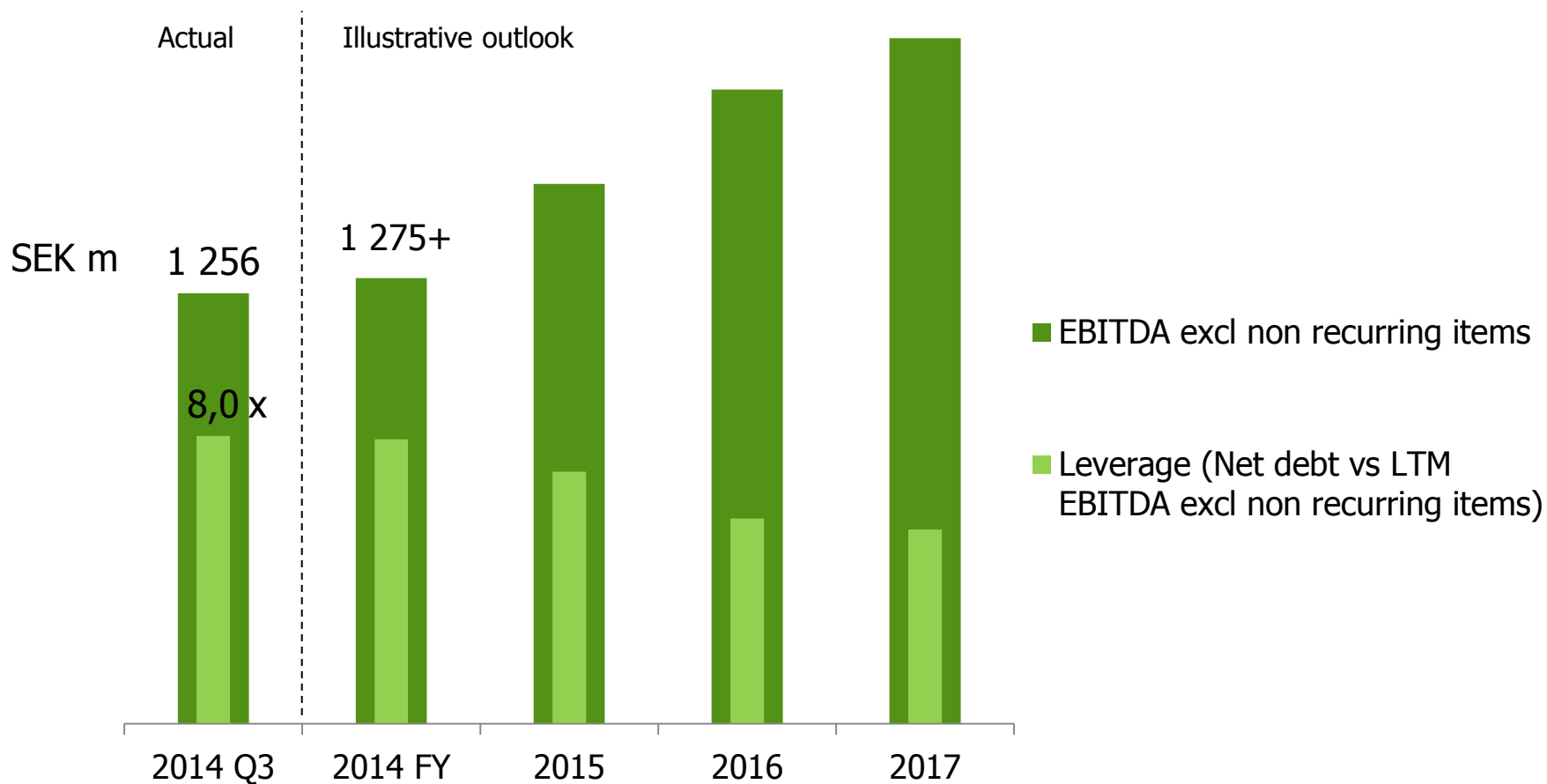
Outlook EBITDA



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 Q4/14 and Q1/15
- ➔ Forward looking assumption based on no dramatic change in market sentiment or Fx-markets

Financial performance and leverage



Q3 conclusion

- ➔ Volumes and margins continued to improve year-on-year, resulting in a fifth consecutive quarter of increased LTM EBITDA
- ➔ Market sentiment continues to improve slowly, although with uncertainty in some regions
- ➔ The implemented trade receivables financing program has been extended to Euro 90 m in a second step and a credit approval has been received on a third step. Utilization of the program will increase during the two coming quarters
- ➔ Efforts to finalize the Valerox-project in Stenungsund continues with full focus and commitment. Project on time, with expected start-up in January 2015, and spent capex below budget. Pre-marketing activities well underway
- ➔ Q4 is normally a weak quarter for Perstorp due to seasonality. In line with previous years we expect Q4/14 to be the weakest during the year



Appendix



Free cash flow details

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

SEK m	Q3 -14	Q3 -13	YTD Q3 -14	YTD Q3 -13	Q2 -14	LTM Q3-14
EBITDA excl non-rec.	386	343	1,039	896	329	1,256
Change in working capital	131	8	264	-257	368	370
Maintenance capex	-70	-43	-180	-132	-70	-289
FCF before strategic capex	447	308	1,123	507	627	1,337
% of EBITDA excl non-rec.	116%	90%	108%	57%	191%	106%
Strategic capex	-106	-65	-416	-253	-183	-612
Free cash flow	341	243	707	254	444	725
% of EBITDA excl non-rec.	88%	71%	68%	28%	135%	58%



Segment reporting

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

SEK m	Q3-14	Q3-13	YTD Q3-14	YTD Q3-13	Q2-14	LTM Q3 -14
Net Sales	2,838	2,649	8,478	7,828	2,867	10,993
Intermediates & Derivatives	2,168	2,009	6,501	5,939	2,196	8,480
Specialties & Solutions	627	525	1,799	1,588	611	2,239
Other/eliminations	43	115	178	301	60	274
EBITDA, reported	385	330	978	889	317	1,184
Intermediates & Derivatives	271	216	737	593	226	930
Specialties & Solutions	118	77	323	250	118	380
Other/eliminations	-4	37	-82	46	-27	-126



Restated segment reporting

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

SEK m	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Net Sales	2,838	2,867	2,773	2,515	2,649	2,694	2,485	2,178	2,425
Intermediates & Derivatives	2,168	2,196	2,137	1,979	2,009	2,041	1,889	1,674	1,819
Specialtes & Solutions	627	611	561	440	525	543	520	437	514
Other/eliminations	43	60	75	96	115	110	76	67	92
EBITDA, reported	385	317	276	206	330	315	244	155	303
Intermediates & Derivatives	271	226	240	193	216	217	160	92	186
Specialties & Solutions	118	118	87	57	77	95	78	49	76
Other/eliminations	-4	-27	-51	-44	37	3	6	14	41
EBITDA excl non recurring items	386	329	324	217	343	308	245	150	277
Intermediates & Derivatives	272	226	240	192	216	215	157	93	189
Specialties & Solutions	118	117	87	57	77	86	79	50	77
Other/eliminations	-3	-15	-4	-32	50	7	8	7	11

Quarter on quarter development

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

SEK m	Q3-14	Q2-14	Q1 -14	Q4-13	Q3-13	Q2 -13	Q1 -13	Q4 -12	Q3 -12
Net Sales	2,838	2,867	2,773	2,515	2,649	2,694	2,485	2,178	2,425
Marginal Contribution	755	727	723	614	694	674	635	541	669
% of sales	26.6%	25.4%	26.1%	24.4%	26.2%	25.0%	25.5%	24.8%	27.6%
EBITDA, reported	385	317	276	206	330	315	244	155	303
% of sales	13.6%	11.1%	10.0%	8.2%	12.5%	11.7%	9.8%	7.1%	12,4%
EBITDA, excl non-recurring items	386	329	324	217	343	308	245	151	277
% of sales	13.6%	11.5%	11.7%	8.6%	12.9%	11.4%	9.9%	6.9%	11.4%



Cash and Available funds

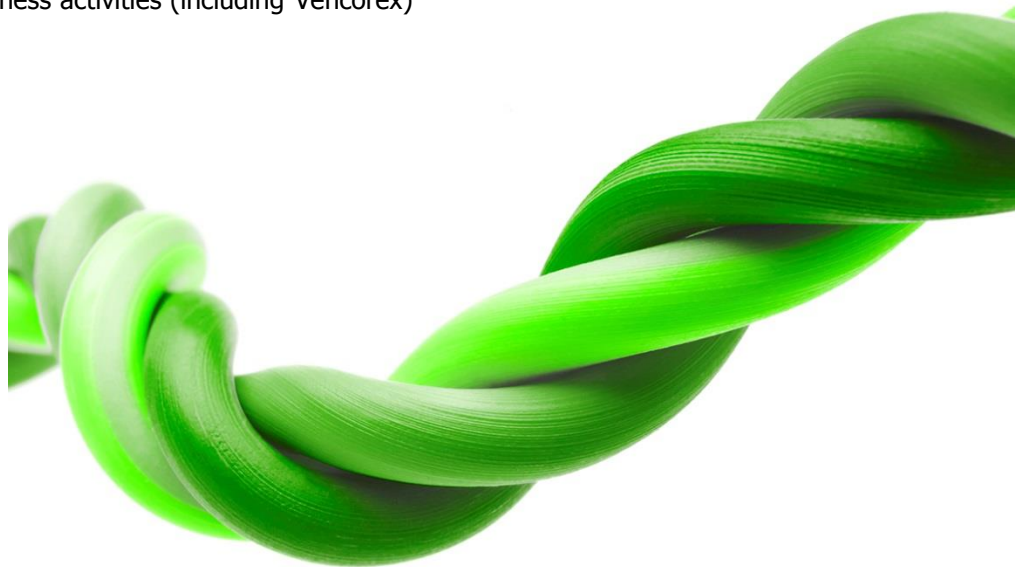
Continuing operations (i.e. excluding Vencorex, Singapore legal units and Formox legal units)

SEK m	Q3-14
Unrestricted cash	549
Restricted* and escrowed cash**	262
Cash on Balance Sheet	811

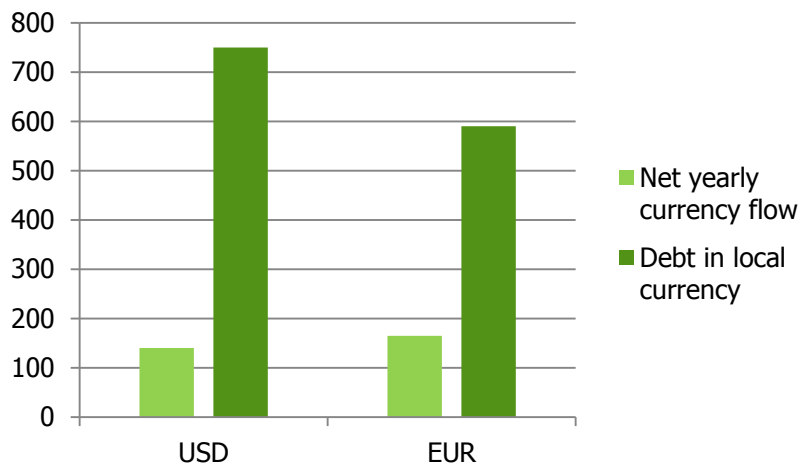
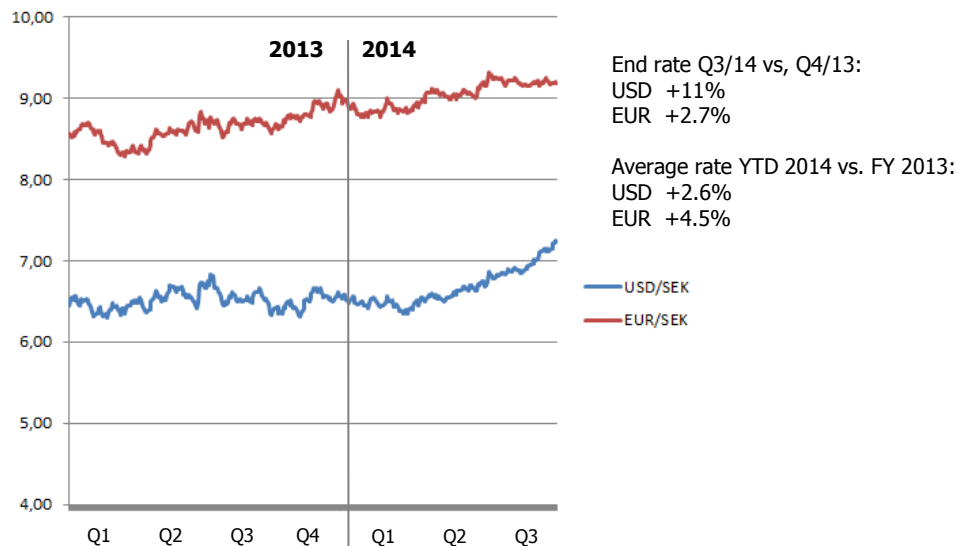
SEK m	Q3-14
Unrestricted cash	549
RCF not Drawn	400
Reported Available Funds	949

* 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)



Fx impact



Comments

- ➔ The Swedish krona has weakened during 2014, which has a positive effect on earnings although with a lag but a negative effect on net debt
- ➔ 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

Currency

Period average exchange rates

SEK per LOC	Q3 -14	Q3 -13	Q2 -14	YTD Q3-14	YTD Q3-13	LTM Q3-14	LTM Q3-13
USD	6.94	6.55	6.60	6.68	6.52	6.63	6.55
Euro	9.21	8.68	9.05	9.04	8.58	8.99	8.59
GBP	11.60	10.15	11.10	11.14	10.07	10.99	10.23

Period end exchange rates

SEK per LOC	Q3 -14	Q2 -14	Q3 -13
USD	7.24	6.74	6.43
Euro	9.18	9.20	8.68
GBP	11.77	11.47	10.38

Source: Swedish Central Bank, Riksbanken

