

Perstorp Holding AB (Publ.)

Interim report, January-December 2014

Conference call March 3rd, 2015

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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

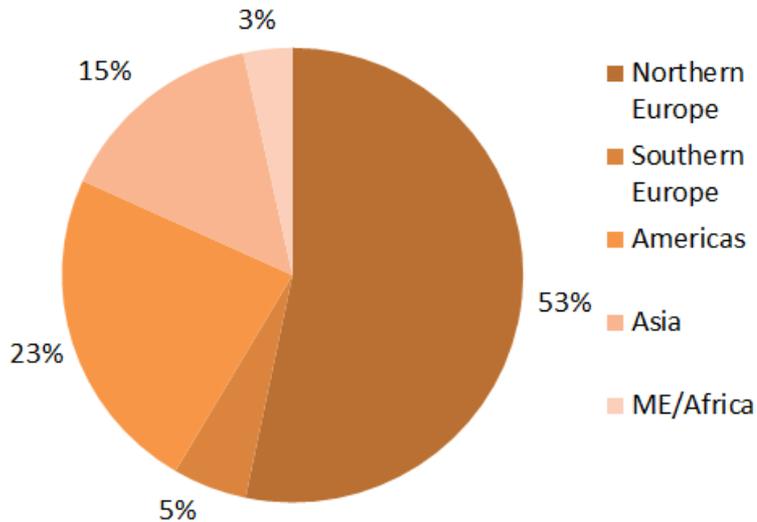


Executive summary

- ➔ 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

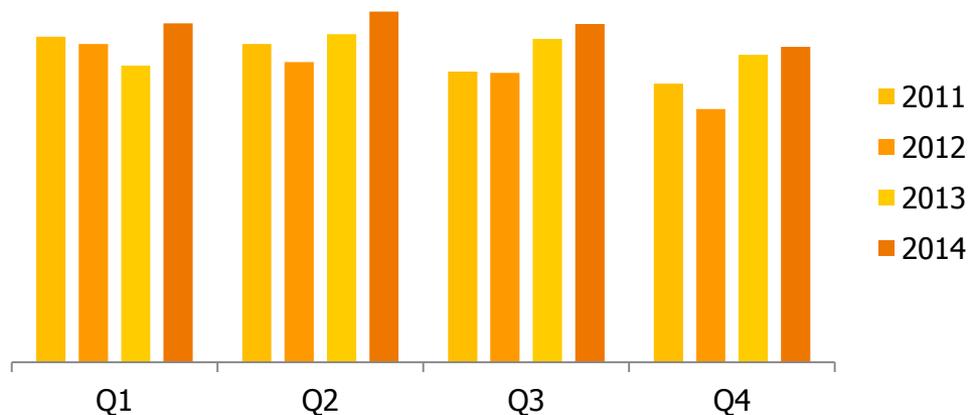


Key revenue drivers during Q4/2014

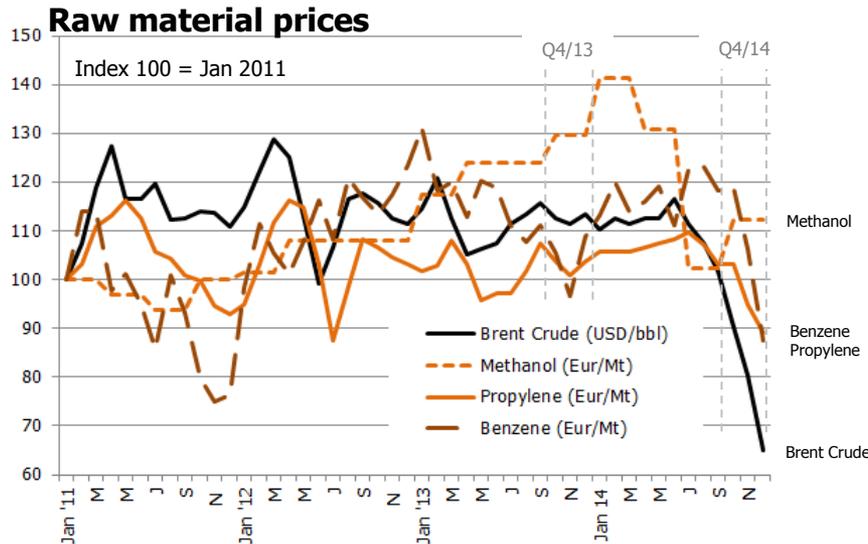
- ➔ Volumes were 2.5% higher than Q4/13
 - Volumes continued to strengthen y-o-y
 - Volume growth of 2.5% was achieved despite some customers postponing orders and de-stocking due to the volatile raw material market

- ➔ 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

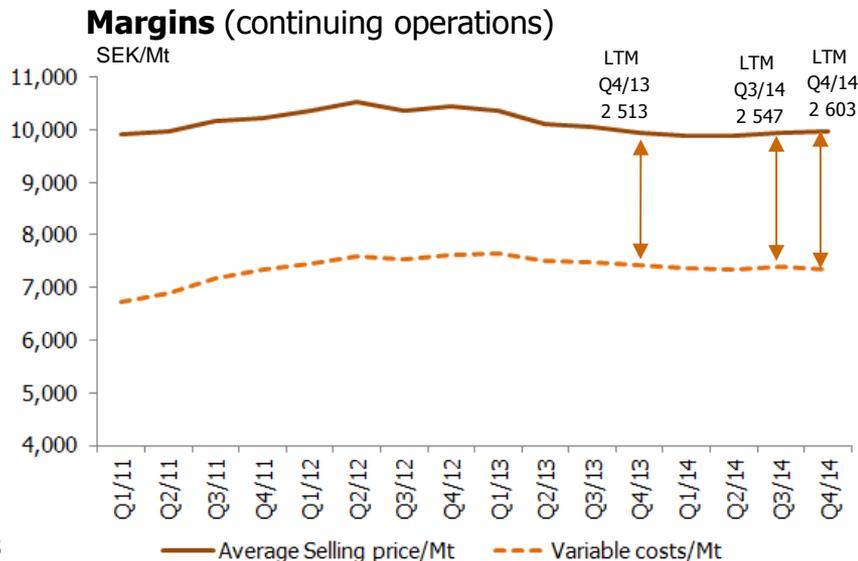


Raw materials and margins



➔ 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

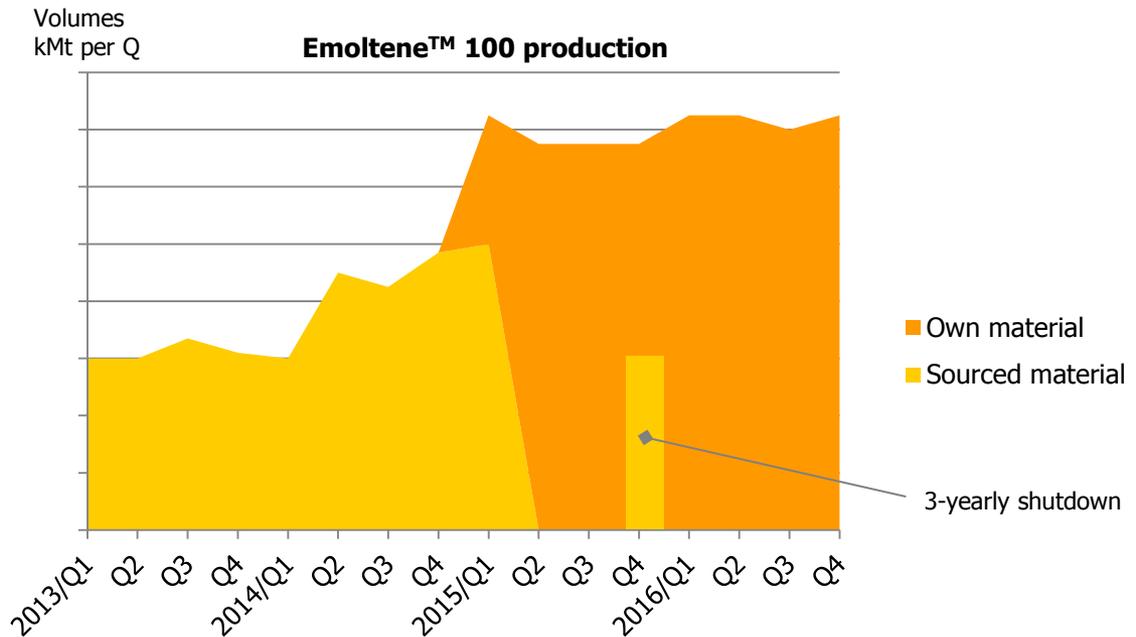
- ➔ Transformation program - Good to GREAT
 - The organization was further strengthened through new recruitments, and more efficient processes were put in place, including customer-focused sales staff training, and a streamlined supply chain and production process
- ➔ Valerox
 - Successfully started 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

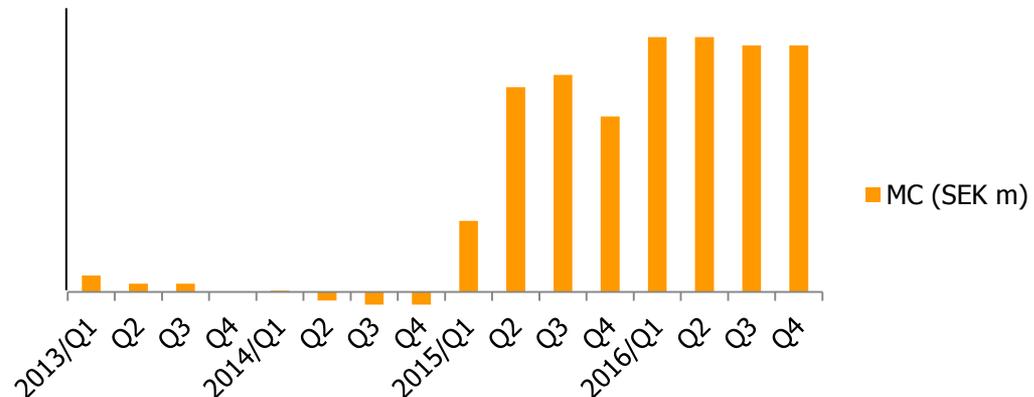
- Successful start-up in January 2015
- Own produced volumes to be ramped-up during 2015, with positive effect on margins
- Multi week shutdown scheduled for Q3/2015



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

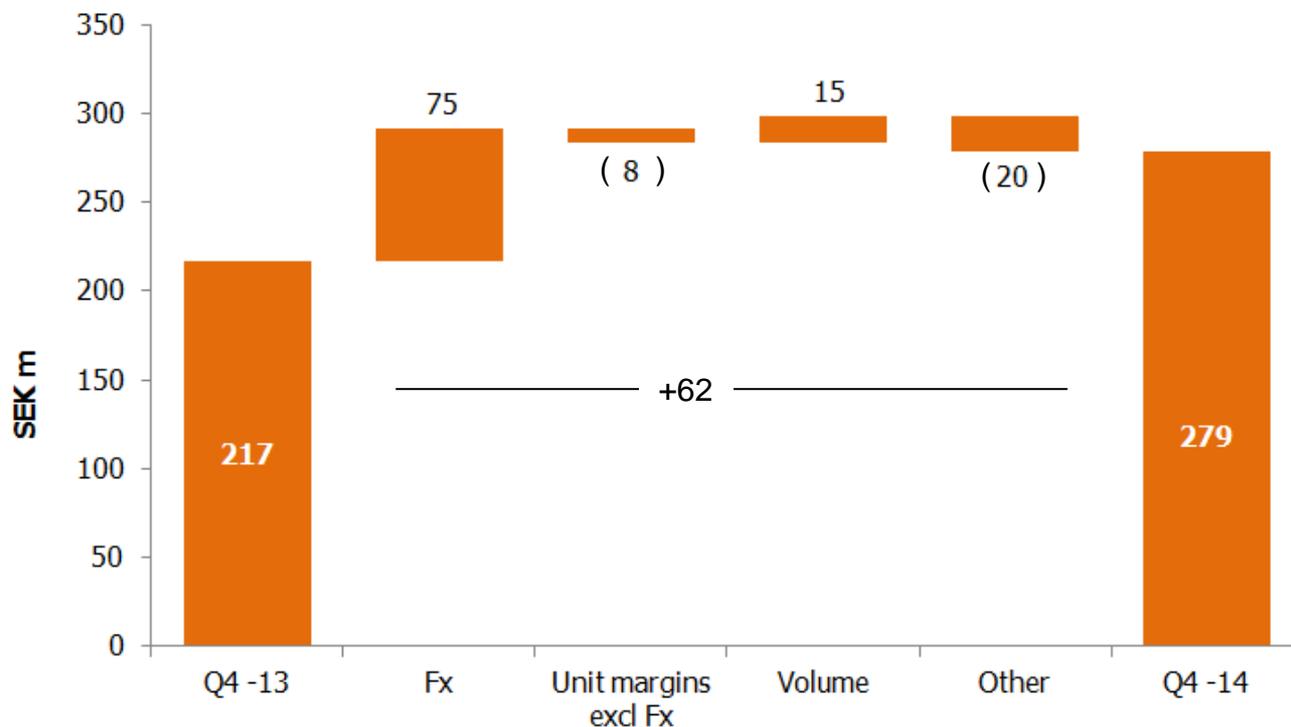
Q4 2014

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

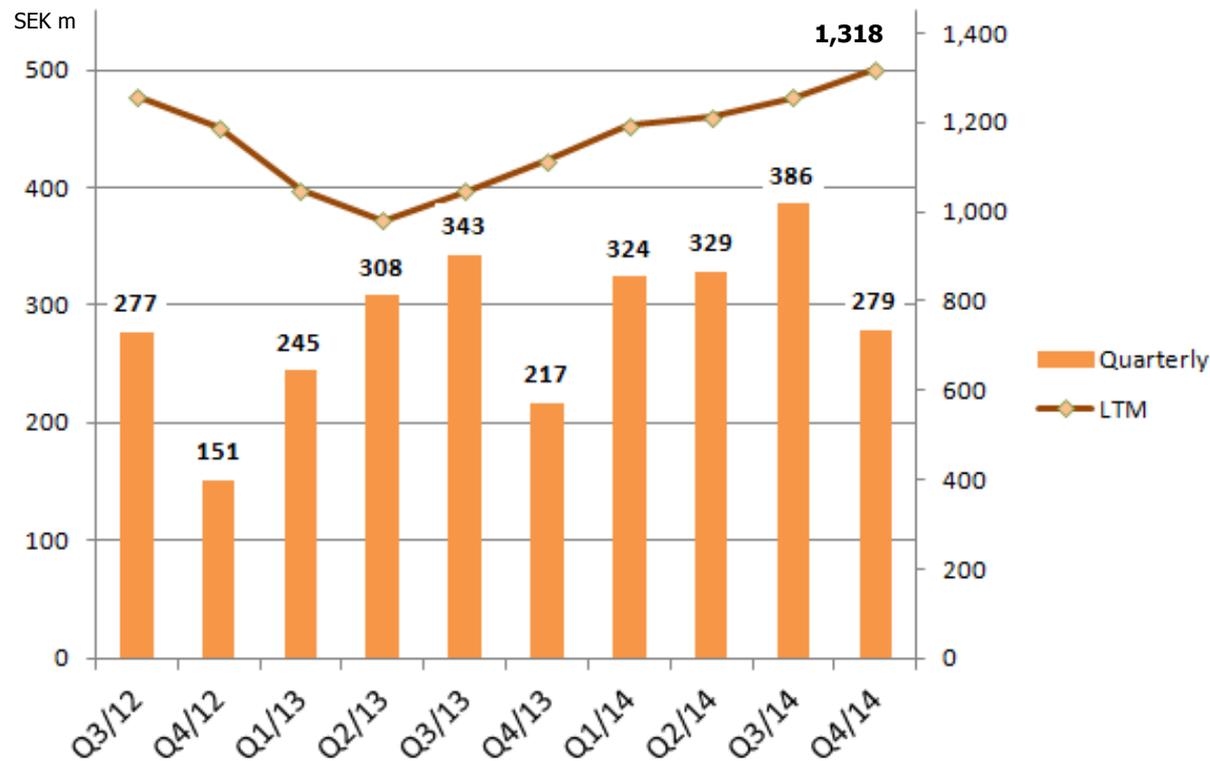


- ➔ Q4/14 EBITDA excluding non recurring items improved SEK 62 m year-on-year, primarily driven by positive Fx effects and higher volumes, counteracted by inventory write-downs of SEK 20 m (other)

Positive LTM development

Q3/12 to Q4/14

EBITDA excluding non recurring items

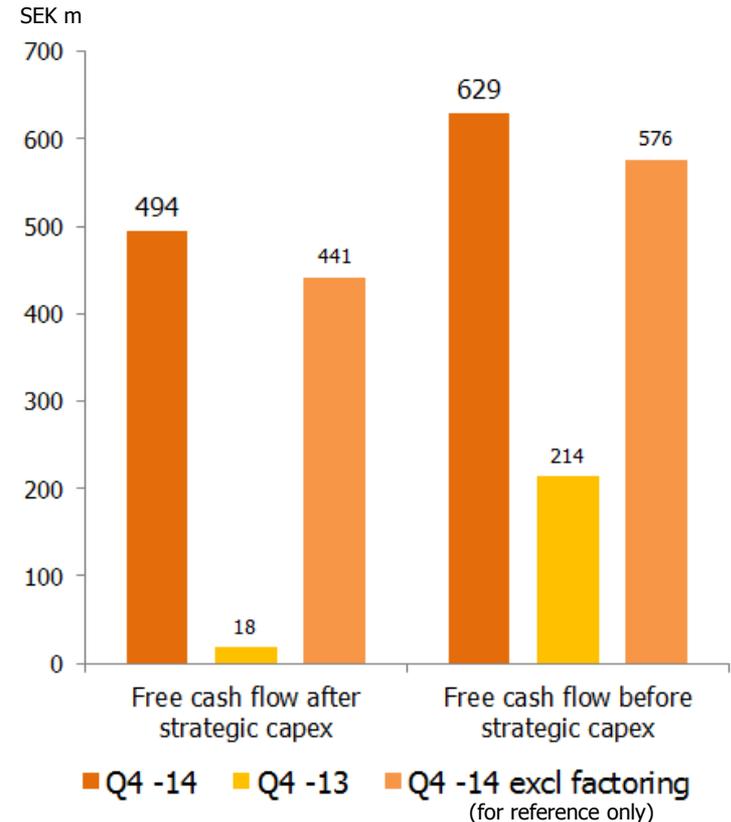


- ➔ LTM EBITDA continues to improve for a sixth consecutive quarter due to improving volumes and positive Fx effects

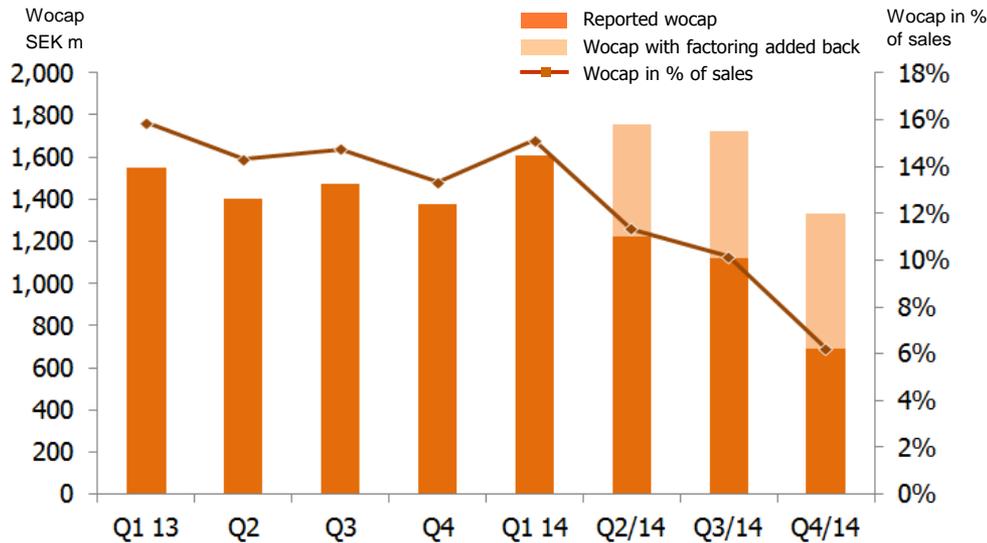
Free cash flow

- ➔ 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

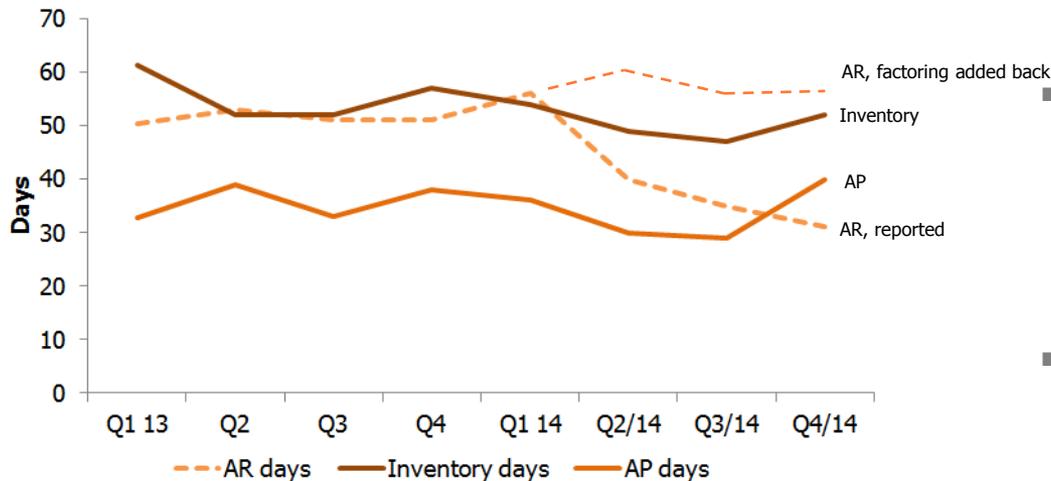
➔ Higher volumes of finished goods increased inventory by SEK c. 40 m in Q4/14

➔ 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

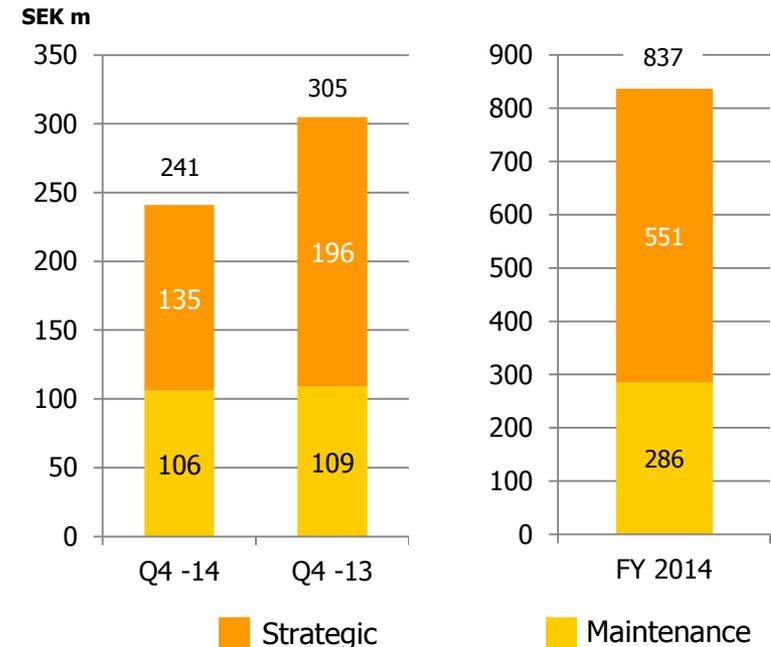
➔ The off-balance trade receivables financing program affect AR with SEK 755 m (€ 79 m) and working capital with around SEK 640 m (€ 67 m) per the end of Q4/14

➔ 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 2nd 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:

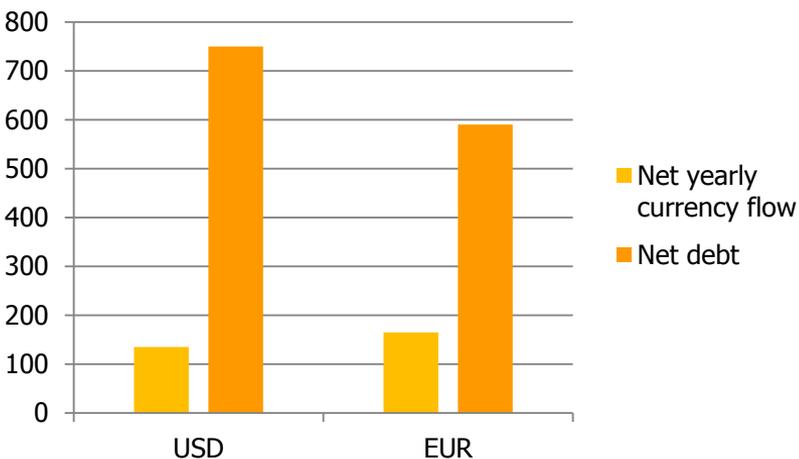
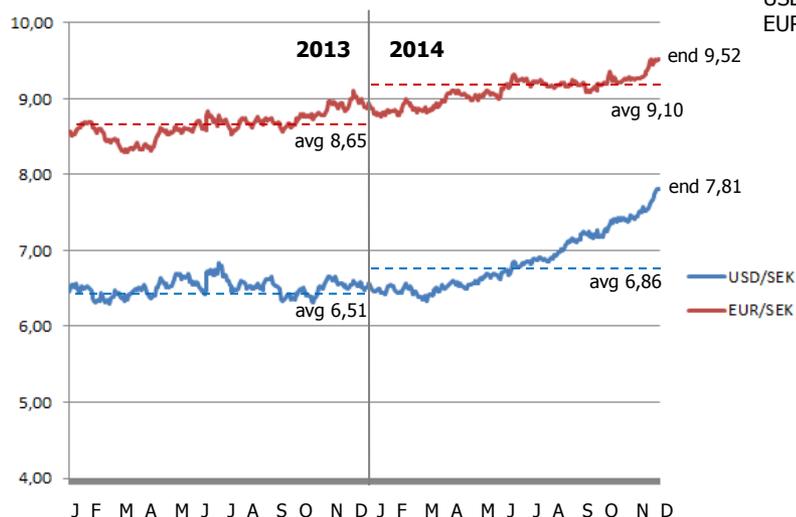
USD +20%

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

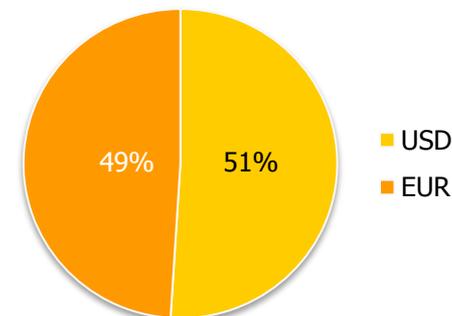
Indebtedness

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	
Net senior secured debt	578	4,518	3.4 x
Second lien notes (\$)	370	2,890	
Net second lien debt	948	7,408	5.6 x
Mezzanine loans (€)	392	3,065	
Other debt	5	41	
Net debt, excl pensions and shareholder loan	1,346	10,514	8.0 x

- ➔ 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

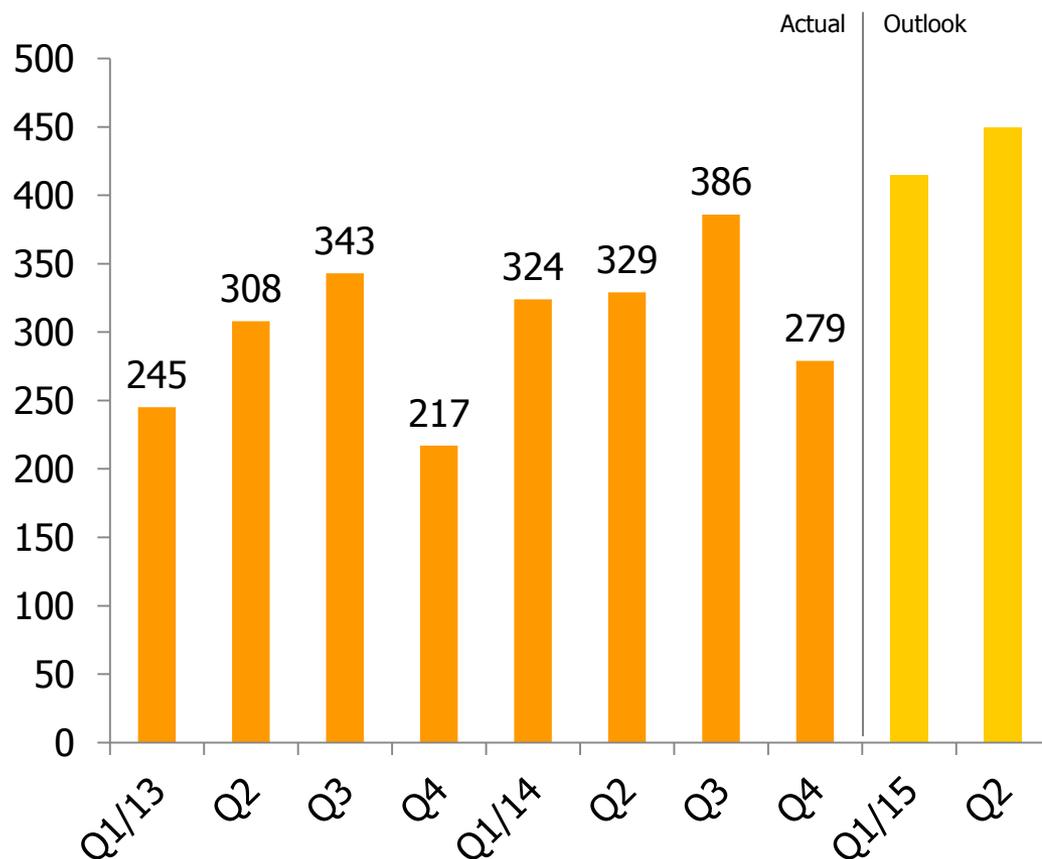
Debt by currency



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

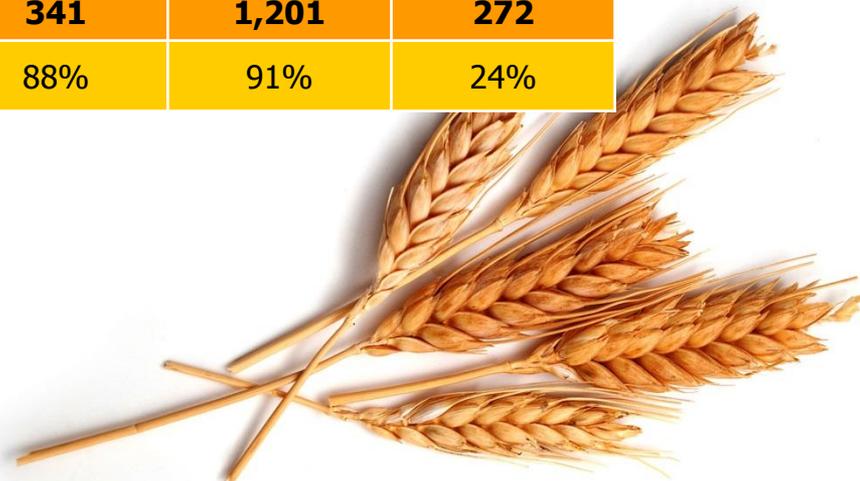
Appendix



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
Free cash flow	494	18	341	1,201	272
% 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
Net Sales	2,606	2,515	2,838	11,084	10,343
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
EBITDA, reported	291	206	385	1,269	1,095
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
Net Sales	2,606	2,838	2,867	2,773	2,515	2,649	2,694	2,485	2,178
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
EBITDA, reported	291	385	317	276	206	330	315	244	155
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
EBITDA excl non recurring items	279	386	329	324	217	343	308	245	150
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
Cash on Balance Sheet	1,019

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

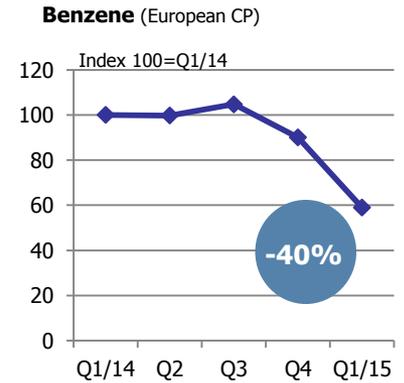
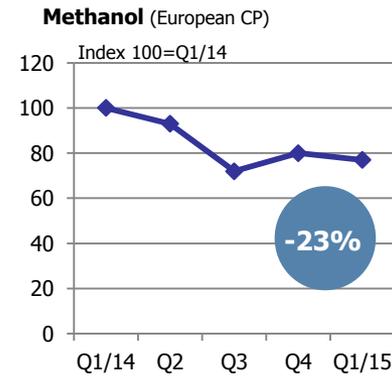
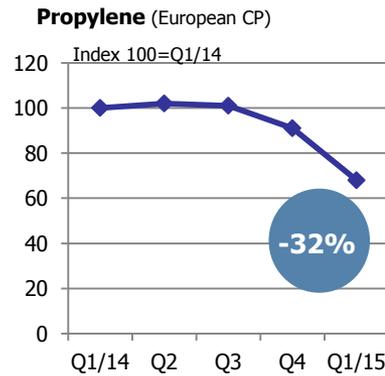
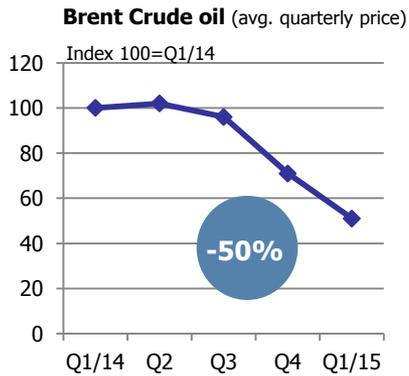
* Cash in Perstorp accounts in countries where international movement of funds are restricted.

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

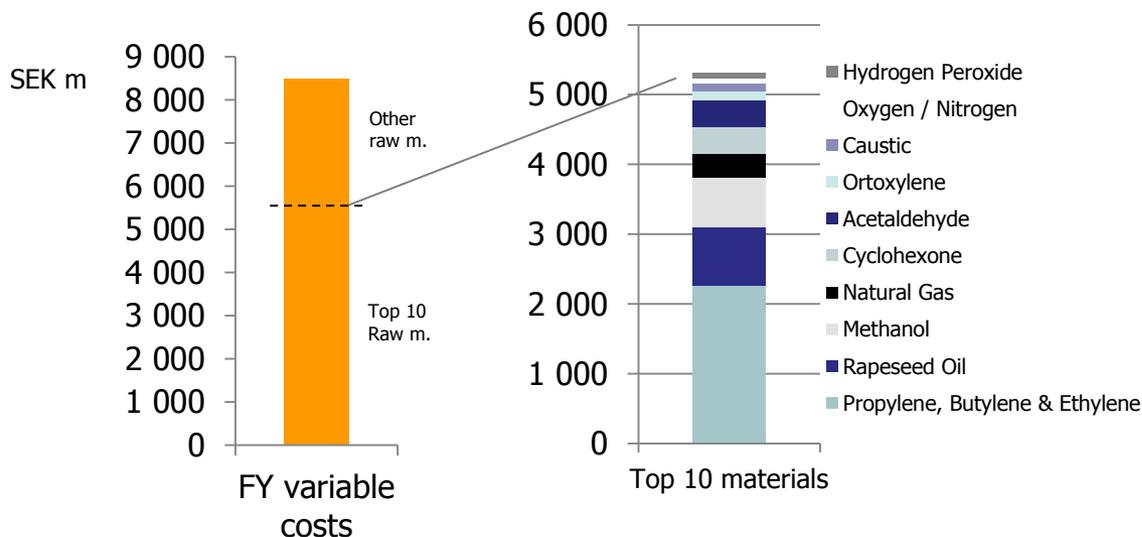


Raw material impact

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

