Perstorp Holding AB (Publ.)

Interim report 1 January - 30 June 2014

Perstorp
WINNING FORMULAS

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Perstorp Continuing operations

Perstorp Group excluding:
Vencorex legal units (51% Sold May 2012)
Singapore legal units (Sold March 2013)
Formox legal units (Sold March 2013)

Interim report 1 January - 30 June 2014

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 1,500 employees and manufacturing companies 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 – June 2014

- For the Perstorp Group's continuing operations, sales in January to June 2014 amounted to SEK 5,640 m (5,179), which is an increase of 9% compared to the previous year and is mainly explained by stronger volumes.
- Operating earnings before depreciation and amortization (EBITDA) relating to continuing operations was SEK 593 m (559). Excluding non-recurring items, the corresponding figure was SEK 653 m (553), an increase of 18%.
- 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. It does not include the manufacturing plant in Strážske, Slovakia, any real estate or employees. The transaction is fully in line with Perstorp´s strategy going forward and part of a plan to increase the penetration in the polyol market.
- Perstorp successfully attended four large and important trade shows in Asia, Europe, Middle East and America over the first six months.
- Perstorp's Capa™ 6500D, a biodegradable plastic material, has now been approved for food contact in Europe. This supports Perstorp's position in growing application areas like shopping bags, drinking bottles, disposable and reusable cutlery and plates, as well as food packaging.
- The strategic investment project in a new production plant for Valeraldehyde and its derivatives 2-PH and DPHP is progressing according to plan with an expected start-up at the beginning of 2015. Pre-marketing activities are well underway.
- 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.

Key figures in summary, Continuing operations

SEK m unless otherwise stated	Quarter 2 2014	Quarter 2 2013	Quarter 1 2014	Quarter 1-2 2014	Quarter 1-2 2013	Latest 12 months	Full year 2013
Net sales	2,867	2,694	2,773	5,640	5,179	10,804	10,343
Operating earnings before depreciation (EBITDA)	317	315	276	593	559	1,129	1,095
% of net sales	11.1	11.7	10.0	10.5	10.8	10.4	10.6
EBITDA excluding non-recurring items [1]	329	308	324	653	553	1,213	1,113
% of net sales	11.5	11.4	11.7	11.6	10.7	11.2	10.8
Operating earnings (EBIT)	160	160	118	278	250	19	-9
% of net sales	5.6	5.9	4.3	4.9	4.8	0.2	-0.1
Net earnings/loss	-345	-460	-189	-534	-553	-1,872	-1,891
Free Cash Flow	444	183	-78	366	11	627	272
% of net sales	15.5	6.8	-2.8	6.5	0.2	5.8	2.6
Number of full-time employees, end of period	1,477	1,491	1,500	1,477	1,491	1,477	1,524

[1] Non-recurring items are mainly attributable to property divestment and restructuring costs.

CEO´s comments

"At the year's halfway mark, Perstorp stands proud of its accomplishments with our purpose-driven transformation process to reroute the ways in which we approach our businesses, our markets and our internal organization. Our long-term direction is affirmed, our goals are clear and our objectives aligned."

Mid-year reflections

We have made significant strides and continue to maintain a healthy course towards maturing into the GREAT company Perstorp can become. We have successfully launched our new organization, including the introduction of our two new business areas that tailor our customer interfaces. As we move through the first steps of our implementation, I am pleased to report that we have already started to witness positive signs that confirms that we are setting the organization in the right direction, at the right pace.

With each new era at an organization, growing pains are expected. These are necessary and, in fact, required as evidence of true change. Perstorp is no different. We have navigated through the undesirable position of implementing staff redundancies across our operations. I attribute this to our thorough preparations and genuine consideration for each individual affected.

Ultimately, our goal is to establish a new way of working at Perstorp – a performance-oriented, outside-in culture – as a means of unlocking the organization's ability to achieve its full potential and secure its long-term resilience.

Stable and aligned progression

Perstorp's performance continues to steadily meet expectations and has shown overall a moderate positive gain during the year so far. We continue to strive to leverage our key growth catalysts and maintain strict management of costs and cash flow. In addition we have set margin management as a top priority in the company.

Our second quarter net sales of SEK 2,867 million equates to a 6% growth rate when compared to the same period last year. The quarter's EBITDA excluding non-recurrent items of SEK 329 million reflects a continuing slight improvement, driven by our underlying volume growth while our margins have stabilized.

Advancing our strategy

We also remain proactive in our commitment to boosting our market leadership in line with our strategic priorities. As an example of our pledge to extend polyol capacities, Perstorp acquired the penta and calcium formate business of Chemko a.s. Strážske, a Slovakian chemicals producer. This acquisition is an opportunity to increase efficiency, expand output and further grow alongside our customer demands.

In addition, Perstorp's single largest investment, the construction of a new Valeraldehyde production plant, continues to progress on time and under budget. We remain committed to meeting its scheduled start-up at the beginning of 2015.

Strengthening sustainability

One critical branch of Perstorp's strategy is its dedicated path towards differentiating our commitment to a sustainable future, while adding value to our customers. I am pleased to announce that we have launched two new products, the ProSid™ MI 700 and the ProPhorce™ SR, that both increase efficient farming, and respectively support the safe, long-term storage of feed grain and improve animal health.

Long-term momentum

Perstorp's performance at mid-year represents more than a modest trend in sales growth across consecutive quarters. In my opinion, it is the total sum of the quality of our earnings, the resolute strength of our strategy in motion and the diligence of our successful transformation period.

As we enter the second half of the year, we remain steadfast in our commitment to the year's goals and our long-term trajectory. We will continue to push ahead with clear direction and decisive action, independent of any headwinds, to deliver against our strategy and optimize our leadership position in the specialty chemical landscape.

Perstorp, July 2014

Jan Secher
President and CEO

Market and economic conditions

Global overview

The second quarter of 2014 continued to show a trend of mixed sentiments across the economic landscape. The underlying theme is cautious but steady steps of improvement with a generally improved demand for Perstorp's products.

Regional comments

The Euro zone is combatting high unemployment alongside moderate growth, with too low inflation and sustained high debts of some member nations. The Eurozone's composite PMI slowed somewhat to 52.8. At the same time CEFIC is forecasting 2% annual growth in chemical production volumes based on greater industrial demand, especially in the automotive area. The EU chemical capacity utilization is at a three year high showing a positive trend, even though exports remain flat. For Perstorp European demand has been good, with noticeable improvements in the construction industry during the spring. The strategic segment Plasticizers performed particularly well with a year-on-year improvement of more than 10%. This is expected to continue as PlasticsEurope forecasts a growth rate of 3.4-3.9% for the period 2013-2018.

After Q1's 2.7% GDP drop (mostly due to the unprecedented cold winter), the US growth appears to be on a path of recovery with an improved unemployment rate and continuous positive effects generating from the impact of shale gas. Volume growth in the chemical sector is forecast at 3% through the end of the year by ACC (the American Chemistry Council). Demand has recovered both in the housing and automotive markets.

The Middle East, Africa and the CIS countries have been characterized by continued political uncertainty and soft demand in the construction sector during the first half of the year.
Asian growth continues to slow although at a milder pace. China showed the slowest growth in several years. At the same time the Chinese PMI rose to 51.0, which is the first time it is above 50 this year, indicating a possible return towards stability. Despite this, Perstorp has experienced good demand and strong sales of neopentylglycol, supplied by the new Chinese plant that started production at the end of 2013.

Raw Materials

The global recovery gained speed in the second quarter after a soft beginning of the year. However, the market landscape remains fragile. Geopolitical tensions and uncertainty could induce an oil and gas price shock and very quickly change the year's outlook.

Commodities prices, especially crude oil, were stable throughout the quarter. They were traded in a narrow range around USD 110. Supply and demand remained fairly balanced and the International Energy Agency (IEA) projects that the trend will sustain throughout the year. Uncertainties in the Middle East and Russia will likely continue to plague the oil market.

Naphtha and downstream derivative prices followed the same pattern as crude oil. Prices are generally expected to slowly rise in the coming months with the exceptions of methanol.
U.S. and European methanol spot prices fell sharply in June as many traders tried to leverage the price gap between the Atlantic and Pacific methanol markets. As a consequence, the contract price for Q3 settled 90 EUR down at 322 EUR/ton.
The benzene supply in the US fell short of demand, which led to a wide-open arbitrage window. Contract prices have risen steeply in the US (+18%) and Europe (+10%).

Capa™ polyols are important performance enhancers in polyurethane elastomers

Financial overview

Net sales

The Perstorp Group's net sales for continuing operations increased with 9% and amounted to SEK 5,640 m during the first six months of 2014, compared with SEK 5,179 m in the corresponding period in 2013.

Volumes increased 10% compared to last year following a fairly strong performance this year whereas the market in Q1 last year was cautious. The start-up of our new Neo plant has positively affected 2014's figures as deliveries to customers started in the later part of Q3 last year.

Sales prices were 4% lower than last year, primarily linked to lower raw material prices, especially for rape seed oil, but also a somewhat negative product mix effect.

The weaker Swedish krona, especially against the Euro, had a positive effect on sales of +3% compared to last year.

Earnings

Operating earnings before depreciation and amortization (EBITDA) for continuing operations reached SEK 593 m (559) for the period January to June 2014. Excluding non-recurring items, earnings amounted to SEK 653 m (553), an increase of 18%.

The depreciation of the Swedish krona positively affected results when comparing with the same period last year. Currency effects on EBITDA amounts to around SEK 40 m relating to both translational and transactional effects from flows in USD and Euro.

The improved earnings compared to last year have mainly been driven by stronger volumes besides positive currency effects.

Non-recurring items included in this year's result relate primarily to restructuring costs in connection with the reorganizational program that was implemented in the first quarter.

Operating earnings before interest and taxes (EBIT) amounted to SEK 278 m (250) for the period January to June. Depreciation was on the same level as last year, SEK 315 m (309).

Earnings before tax amounted to SEK -647 m (-641) m. The stronger EBIT was counteracted by less positive currency effects when revaluating financial liabilities in foreign currencies. Participation in associated companies contributed with a loss of SEK 97 m in the first six month of 2014, compared to a loss of SEK 94 m in the same period last year.

For the period, the net loss amounted to SEK -534 m, compared to a loss of SEK -553 m last year.

Income statement, Continuing operations

SEK m	Quarter 2		Quarter 1-2		Latest	Full year
	2014	2013	2014	2013	12 months	2013
Net sales	**2,867**	**2,694**	**5,640**	**5,179**	**10,804**	**10,343**
Cost of goods sold	-2,547	-2,398	-4,977	-4,611	-9,557	-9,191
Gross earnings	**320**	**296**	**663**	**568**	**1,247**	**1,152**
Selling, administration and R&D costs	-184	-197	-366	-386	-721	-741
Other operating income and expenses [1]	23	59	-23	64	-42	45
Write-down of assets	0	0	0	0	-470	-470
Result from participations in associated companies	1	2	4	4	5	5
Operating earnings (EBIT)	**160**	**160**	**278**	**250**	**19**	**-9**
Exchange-rate effects on net debt	-194	-278	-195	-169	-143	-117
Other financial income and expenses	-330	-324	-633	-628	-1,259	-1,254
Result from participations in associated companies	-60	-84	-97	-94	-509 [2]	-506 [2]
Earnings/loss before tax	**-424**	**-526**	**-647**	**-641**	**-1,892**	**-1,886**
Tax	79	66	113	88	20	-5
Net earnings/loss	**-345**	**-460**	**-534**	**-553**	**-1,872**	**-1,891**

Write-down of assets	**0**	**0**	**0**	**0**	**-470**	**-470**
Depreciations	**-157**	**-155**	**-315**	**-309**	**-640**	**-634**
Operating earnings before depreciation (EBITDA)	**317**	**315**	**593**	**559**	**1,129**	**1,095**
EBITDA excl non-recurring items	**329**	**308**	**653**	**553**	**1,213**	**1,113**

1) Other operating income and expenses primarily includes exchange-rate effects on operational net receivables and non-recurring income and costs.
2) Including a write down of SEK 322 m.

Segment information

Segment data, Continuing operations	Quarter 2		Quarter 1-2		Latest	Full year
	2014	2013 [1]	2014	2013 [1]	12 months	2013 [1]
Net sales						
Intermediates and Derivatives	2,196	2,041	4,333	3,930	8,321	7,918
Specialties & Solutions	611	543	1,172	1,063	2,137	2,028
Other/eliminations	60	110	135	186	346	397
Total Continuing operations	**2,867**	**2,694**	**5,640**	**5,179**	**10,804**	**10,343**
EBITDA						
Intermediates and Derivatives	226	217	466	377	875	786
Specialties & Solutions	118	95	205	173	339	307
Other/eliminations	-27	3	-78	9	-85	2
Total Continuing operations	**317**	**315**	**593**	**559**	**1,129**	**1,095**

[1] Restated according to new group structure.

The Group is domiciled in Sweden. Revenue from external customers in Sweden is 16% (14), and revenue from external customers from other countries is 84% (86).

No single external customer accounted for more than 10% of our sales.

Perstorp's operations are divided into two Business Areas;

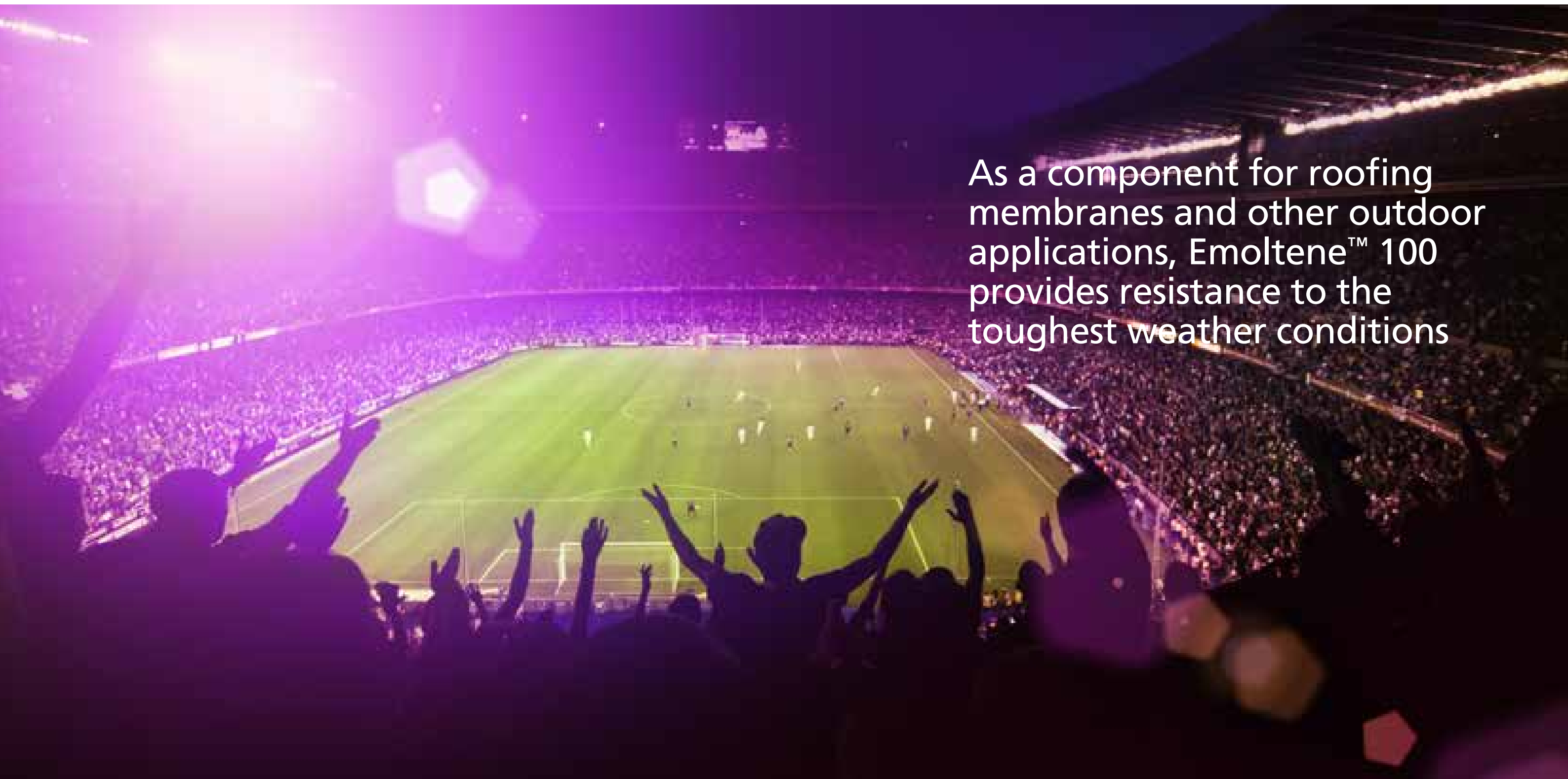
Intermediates & Derivatives consisting of the business units Penta, Oxo, TMP & Neo, Formates and BioFuels

Specialties & Solutions consisting of business units Caprolactones, Feed & Food and Specialty Polyols.

Business Area Intermediates & Derivatives increased sales by 10% compared to last year. Volumes increased 11%, partly driven by the new Neo plant in China that was started last autumn, and currency effects had a positive effect of 3%, but were offset by negative price/product mix effects of, -4%. The higher earnings, SEK 466 m against SEK 377 m last year, can primarily be assigned to higher volumes, efficient production and positive currency effects. Lower prices negatively affected earnings but the effects were limited.

Business Area Specialties & Solutions recorded sales 10% above last year. Volumes were 10% higher than last year and positive currency effects lifted sales by 3%, whereas lower prices negatively affected sales, -3%. Earnings were reported 18% higher than the same period last year, SEK 205 m against SEK 173 m. The increase can primarily be assigned to higher volumes and a slightly positive foreign exchange effect, counteracted by a negative price effect.

The deviation in EBITDA related to Other/eliminations can primarily be explained by restructuring charges that affected 2014's figures negatively, and divested units, that affected figures positively.



Cash flow

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 had been used by the end of Q2. The corresponding amount, has reduced account receivables and working capital. The target is to utilize the program fully by the end of the third quarter at the latest.

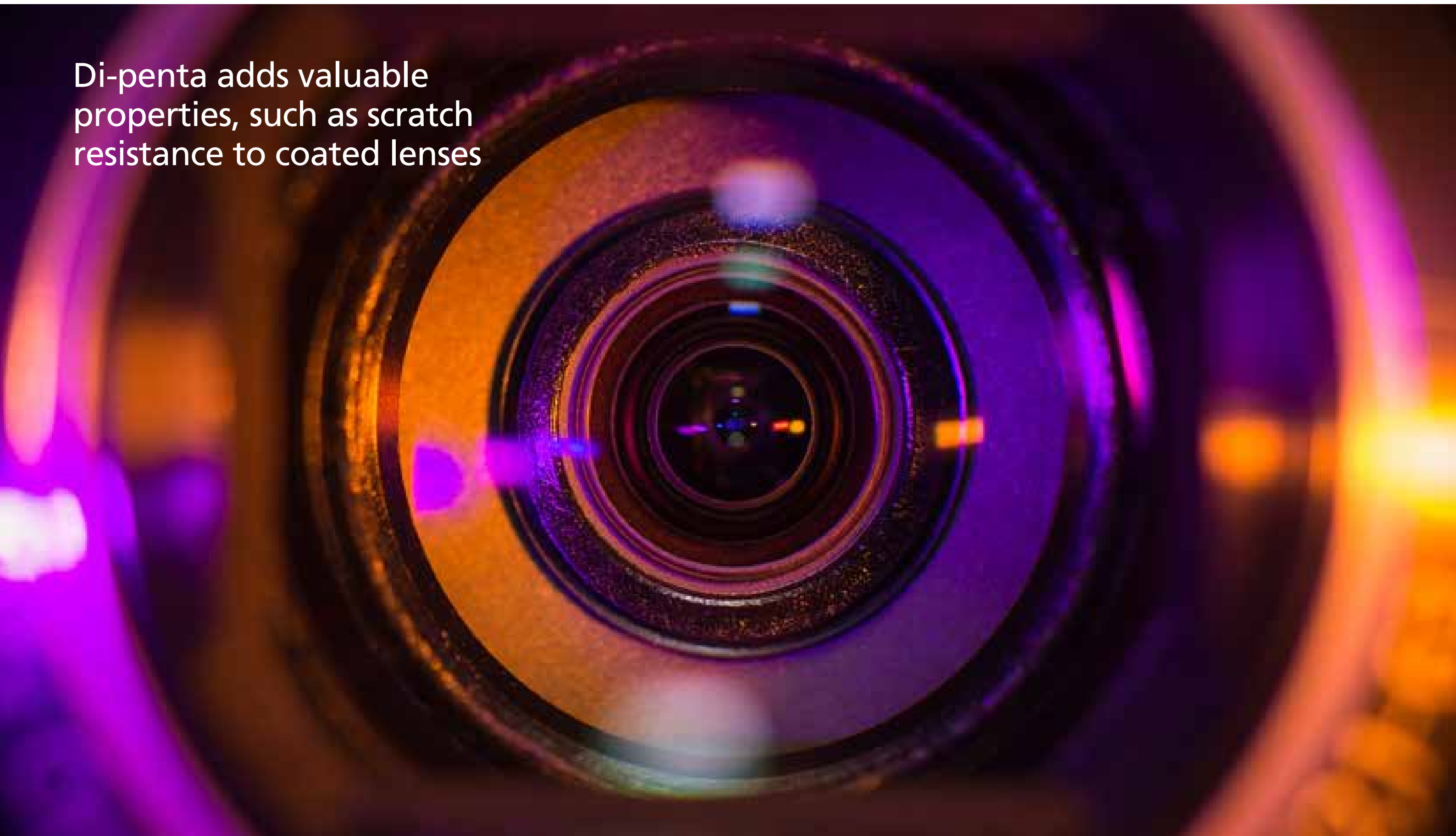
Free cash flow from operating activities for continuing operations was SEK 366 m (11) for the period January to June 2014. The improved cash flow from operating activities against last year is primarily explained by the implementation of a trade receivable financing program and higher earnings but somewhat offset by higher expansion investments.

Cash flow from investment activities amounted to SEK -420 m (-277) for the first six months. The investment amount includes the Chemko a.s. Strážske acquisition. The increase compared to last year reflects our increased spending rate in primarily the Valeraldehyde and derivatives project in Stenungsund, Sweden, which is scheduled to be finalized during Q1 2015. Capital expenditure related to maintenance investments was slightly higher compared to the same period last year.

Free cash flow analysis, Continuing operations

SEK m	Quarter 2		Quarter 1-2		Latest	Full year
	2014	**2013**	**2014**	**2013**	**12 months**	**2013**
EBITDA excl non-recurring items	329	308	653	553	1,213	1,113
Change in Working capital [1]	368	78	133	-265	247	-151
Maintance capex	-70	-53	-110	-89	-262	-241
Free cash flow before strategic capex	**627**	**333**	**676**	**199**	**1,198**	**721**
% of EBITDA excluding non-recurring items	191	108	104	36	99	65
Strategic capex	-183	-150	-310	-188	-571	-449
Free cash flow	**444**	**183**	**366**	**11**	**627**	**272**
% of EBITDA excluding non-recurring items	135	59	56	2	52	24

[1] Excluding exchange rate effects and provisions.



Financial position

Working capital for continuing operations decreased SEK 153 m during the first six months. The implemented trade receivables financing program had a positive effect on working capital with SEK 572 m. Adjusted for these effects, working capital increased SEK 419 m, primarily related to higher account receivables, following stronger sales in Q2 2014, but also currency effects from the weaker SEK. Inventory levels were more or less stable compared to the end of Q1 2014 and Q4 2013, whereas inventory has increased some SEK 100 m compared to Q2 last year.

Working capital for continuing operations amounted to SEK 1,226 m at the end of Q2 2014 compared to SEK 1,607 m at end the of Q1 2014 and SEK 1,401 m at the end of Q2 last year.

The Group's available funds, including liquid funds and letter of credit facilities, were SEK 859 m at the end of the period (incl. SEK 539 m from the trade receivables financing program), compared with SEK 809 m at the end of Q1.

In Q1 2014, the shareholder loan was converted to equity with the amount of SEK 633 m.

Net debt excluding parent company loan and pension liabilities amounted to SEK 9,747 m compared to SEK 9,092 m at the end of 2013. The increase in debt is related to capitalization of mezzanine debt in Q1, depreciation of the Swedish krona and negative cash flow from operating and investing activities.

Assets and liabilities, Continuing operations

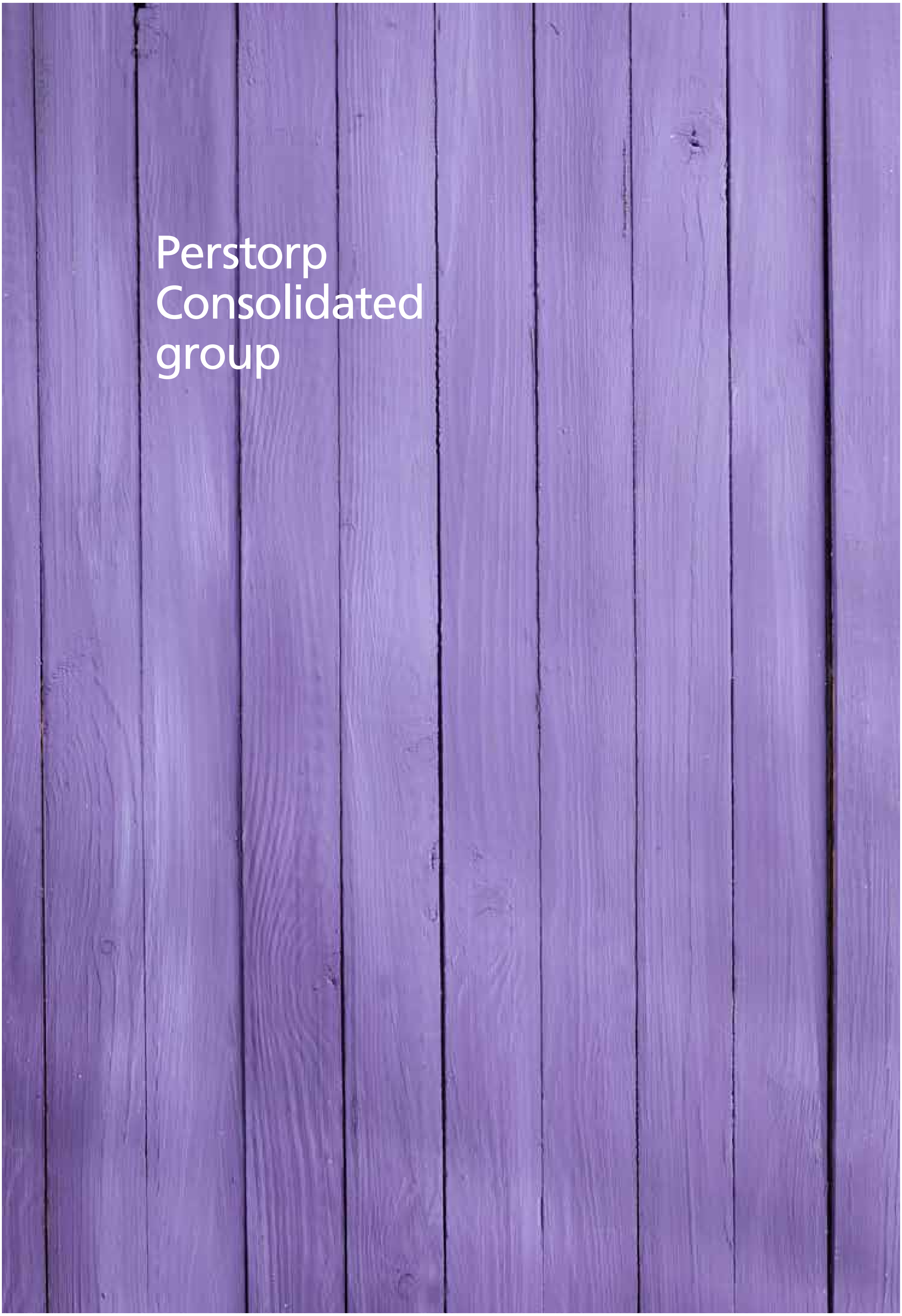
SEK m	June 30, 2014	June 30, 2013	Dec 31, 2013
Working capital, Continuing operations			
Inventories	1,246	1,156	1,231
Accounts receivable	1,306	1,531	1,420
Other current assets	294	287	221
Accounts payables	741	827	774
Other current liabilities	880	746	720
Total Working capital, Continuing operations	**1,226**	**1,401**	**1,379**

Capital employed, Continuing operations			
Total assets	14,151	15,358	13,995
Deferred tax liability	892	962	897
Accounts payable	741	827	774
Other liabilities	1,376	1,238	1,251
Total Capital employed, Continuing operations	**11,142**	**12,331**	**11,074**

Other key figures, Continuing operations			
Available funds	859	1,571	1,162
Net debt	10,078	9,719	10,048
Net debt excl. parent company loan and pension liabilities	9,747	8,730	9,092

The strategic investment project in a new production plant for Valeraldehyde and its derivatives 2-PH and DPHP is progressing according to plan with an expected start-up at the beginning of 2015

Perstorp Consolidated group



Financial overview

Income statement, Consolidated group

SEK m	Quarter 2		Quarter 1-2		Latest	Full year
	2014	2013	2014	2013	12 months	2013
Continuing operations						
Net sales	**2,867**	**2,694**	**5,640**	**5,179**	**10,804**	**10,343**
Cost of goods sold	-2,547	-2,398	-4,977	-4,611	-9,557	-9,191
Gross earnings	**320**	**296**	**663**	**568**	**1,247**	**1,152**
Selling, administration and R&D costs	-184	-197	-366	-386	-721	-741
Other operating income and expenses [1]	23	59	-23	64	-42	45
Write-down of assets	0	0	0	0	-470	-470
Result from participations in associated companies	1	2	4	4	5	5
Operating earnings (EBIT)	**160**	**160**	**278**	**250**	**19**	**-9**
Exchange-rate effects on net debt	-194	-278	-195	-169	-143	-117
Other financial income and expenses	-330	-324	-633	-628	-1,259	-1,254
Result from participations in associated companies	-60	-84	-97	-94	-509 [2]	-506 [2]
Earnings/loss before tax	**-424**	**-526**	**-647**	**-641**	**-1,892**	**-1,886**
Tax	79	66	113	88	20	-5
Net earnings/loss	**-345**	**-460**	**-534**	**-553**	**-1,872**	**-1,891**
Discontinued operation						
Net sales	-	-	-	257	-	257
Operating earnings (EBIT)	-	-26	-	837 [3]	4	841 [3]
Earnings/loss before tax	-	-26	-	822	4	826
Tax	-	0	-	-5	0	-5
Net earnings/loss	**-**	**-26**	**-**	**817**	**4**	**821**
Group, total						
Net sales	2,867	2,694	5,640	5,436	10,804	10,600
Operating earnings (EBIT)	160	134	278	1,087	23	832
Earnings/loss before tax	-424	-552	-647	181	-1,888	-1,060
Tax	79	67	113	83	20	-10
Net earnings/loss	**-345**	**-485**	**-534**	**264**	**-1,868**	**-1,070**

Consolidated Group

Operating earnings before depreciation (EBITDA)	**317**	**289**	**593**	**1,400**	**1,132**	**1,939**
EBITDA excluding non-recurring items	**329**	**308**	**653**	**572**	**1,209**	**1,128**

Comprehensive income report, Consolidated accounts

SEK m	Quarter 2		Quarter 1-2		Latest	Full year
	2014	2013	2014	2013	12 months	2013
Net result for the period	**-345**	**-485**	**-534**	**264**	**-1,868**	**-1,070**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plan	-	0	-	0	47	47
Items that may be subsequently reclassified to profit or loss						
Currency translation effect	33	51	34	-82	72	-44
Market valuation of forward contracts	1	1	3	3	7	7
Other comprehensive income net after tax	**34**	**52**	**37**	**-79**	**126**	**10**
Total comprehensive income	**-311**	**-433**	**-497**	**185**	**-1,742**	**-1,060**
Attributable to:						
Parent company's shareholder	-316	-434	-502	184	-1,748	-1,062
Non controlling interest	5	1	5	1	6	2

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

2) Including a write down of SEK 322 m

3) Mainly attributable to capital gain from sale of assets related to discontinued operation (Formox and Singapore legal units)

Financial position

Balance sheet, Consolidated group			
SEK m	**June 30, 2014**	**June 30, 2013**	**Dec 31, 2013**
Tangible fixed assets	4,684	4 ,275	4,497
Intangible fixed assets	4,888	5,340	4,845
Participation in associated companies	434	904	506
Other non-current assets	439	498	301
Inventories	1,246	1,156	1,231
Other current assets	1,685	1,863	1,710
Cash & cash equivalents, incl.short-term investments	775	1,322	905
Total assets	**14,151**	**15,358**	**13,995**
Total equity	353	1,462	217
Loan from parent company	1	586	626
Pension liability, others	330	403	330
Other non-current liabilities	11,322	10,831	10,762
Current liabilities	2,145	2,076	2,060
Total equity & liabilities	**14,151**	**15,358**	**13,995**
Working capital	1,226	1,401	1,379
Net debt	10,078	9,719	10,048
Net debt excl. parent company loan and pension liabilities	9,747	8,730	9,092
Capital employed	11,142	12,331	11,074
Number of full-time employees, end of period	1,477	1,491	1,524

Shareholders' equity, 2014			
SEK m	**Equity attributable to owners of the parent**	**Non controlling interest**	**Total equity**
Opening balance, January 1, 2014	**171**	**46**	**217**
Total comprehensive income	-502	5	-497
Shareholders contribution	633	-	633
Closing balance, June 30, 2014	**302**	**51**	**353**

Shareholders' equity, 2013			
SEK m	**Equity attributable to owners of the parent**	**Non controlling interest**	**Total equity**
Opening balance, January 1, 2013	**1,326**	**44**	**1,370**
Effect of change in accounting policy for reporting defined benefit pension plans	-93	-	-93
Adjusted opening balance, January 1, 2013	**1,233**	**44**	**1,277**
Total comprehensive income	184	1	185
Closing balance, June 30, 2013	**1,417**	**45**	**1,462**

Perstorp has clear strategies for the market segments that overlap with its core manufacturing platforms and expertise, and the market segments that Perstorp focuses on are: Coatings & Resins, Plastic materials, Feed & Food, Fuels and Synthetic lubricants

Cash flow

Cash Flow analysis, Consolidated group						
SEK m	Quarter 2		Quarter 1-2		Latest	Full year
	2014	2013	2014	2013	12 months	2013
Operating activities						
Operating earnings	160	160	278	250	19	-9
Adjustments:						
Depreciation and write-down	157	155	315	310	1,109	1,104
Other	-33	-15	-5	-50	-4	-49
Operating activities in discontinued operations	-	-	-	19	4	23
Interest received	2	2	4	4	12	12
Interest paid	-251	-227	-469	-334	-920	-785
Income tax paid	3	-3	12	-13	-23	-48
Interest and taxes paid in discontinued operations	-	-	-	-22	0	-22
Cash flow from operating activities before change in working capital	**38**	**72**	**135**	**164**	**197**	**226**
Changes in working capital						
Increase (-) Decrease (+) in inventories	41	131	8	132	-70	54
Increase (-) Decrease (+) in current receivables	395	-43	62	-246	227	-81
Increase (+) Decrease (-) in current liabilities	-9	53	63	-89	28	-124
Discontinuing operations	-	-	-	-62	-	-62
Cash flow from operating activities	**465**	**213**	**268**	**-101**	**382**	**13**
Investing activities						
Acquisition of supplier contract	-	-	-	-	-45	-45
Acquisition of tangible and intangible fixed assets [1]	-253	-203	-420	-277	-833	-690
Sale of net assets, subsidiaries	-	-	-	1,066	-48	1,018
Sale of tangible and intangible fixed assets	-	-	24	-	24	-
Change in financial assets, external	-5	27	1	3	-34	-32
Discontinuing operations	-	-	-	-12	0	-12
Cash flow from investing activities	**-258**	**-176**	**-395**	**780**	**-936**	**239**
Financing activities						
Change in loan from parent company	-	-61	-	-61	0	-61
Change in credit utilization	-9	-67	-9	19	6	34
Cash flow from financing activities	**-9**	**-128**	**-9**	**-42**	**6**	**-27**
Change in liquid funds, incl. short-term investments	**198**	**-91**	**-136**	**637**	**-548**	**225**
Liquid fund opening balance, incl. short-term investments	573	1,411	905	685	1,322	685
Translation difference in liquid funds	4	2	6	0	1	-5
Liquid funds, end of period	**775**	**1,322**	**775**	**1,322**	**775**	**905**
[1] Whereof paid interest	-9	-3	-16	-5	-25	-14

Other

Accounting & valuation principles

The consolidated financial statements for Perstorp Holding AB have been prepared in accordance with IAS 34, Interim Financial Reporting, and the Annual Accounts Act. The same accounting principles and calculation methods used in the interim reports were used in the annual accounts for 2013. The accounting principles of the Group and parent company are stated in Note 2 of the 2013 annual report. During Q2 2014, Perstorp implemented an off-balance, non-recourse, trade receivables financing program. Trade receivables for which substantially all risks and rewards have been transferred are de-recognized and excluded from the reported figures.

During Q1 2014, Perstorp has introduced a new business model, a new organizational structure, a new management team and a cost competitiveness program. These changes are the result of an extensive self-examination conducted to unlock Perstorp's full potential and to expand the Group's competitive advantage. It will also lead to anticipated redundancies of 111 employees throughout the Group and a restructuring charge amounting to approximately SEK 50 m and was reported as a non-recurring item in the income statement for continuing operations, in Q1 2014.

Acquisition 2014

Perstorp has signed, during Q2, 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 the strategy going forward and a part of an ambitious investment plan to increase the polyol production.

Divested units 2013

In May 2013, Perstorp closed the sale of Perstorp Ättika (vinegar) to Kavli. The financial results are accounted for as continuing operations up until the date of closing.
At the end of March 2013, Perstorp closed the sale of its formaldehyde technology and catalyst business, Formox (Formox AB) to Johnson Matthey (Johnson Matthey Plc), a global speciality chemicals company and a leader in sustainable technologies. The divestment is in line with Perstorp's strategy to focus on and expand its core specialty chemical activities. The financial results for Formox are accounted for as discontinued operations.
In December 2012, Perstorp's Board of Directors decided to transfer Perstorp's Singapore legal units (isophthalic acid operations) to Financiére Forêt S.á r.l., parent company to Perstorp Holding AB, as a consequence of the recent refinancing process. The transaction was completed in March 2013 and settled via a vendor loan. The financial results for this operation are accounted for as discontinued operations.

Transactions with related parties

In March 2014, Perstorp Holding AB received shareholders' contribution amounting to SEK 633 m, whereof SEK 633 m has been converted from loans to equity. After the contribution the net amount borrowed from the Luxembourg-based parent company Financiére Forêt S.á r.l. amounted to SEK 1 m (586).

Risk and uncertainty

Perstorp is exposed to a number of risks and uncertainty factors, which are reviewed in the Annual Report for 2013.

Important events after reporting period

No major events have occurred since the balance sheet date and up to the publication of this report.

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

Perstorp, August, 2014

Jan Secher
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. This is how we enable you to meet market demands for safer, lighter, more durable and environmentally sound end-products – for the aerospace, marine, coatings, chemicals, plastics, engineering, and construction industries, as well as 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. Consistent high quality, 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 smarter and safer products and sustainable processes that reduce environmental impact and create real value in new chemical applications. This principle of proactive 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

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