Perstorp Holding AB (Publ.)

Interim report January 1 - September 30 2014

Perstorp
WINNING FORMULAS

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Perstorp Continuing operations

The Perstorp Group excluding:
Vencorex legal units (51% Sold May 2012, 34% sold August 2014)
Singapore legal units (Sold March 2013)
Formox legal units (Sold March 2013)

Interim report January 1 - September 30 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 – September 2014

- For the Perstorp Group's continuing operations, sales in January to September 2014 amounted to SEK 8,478 m (7,828), which is an increase of 8% 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 978 m (889). Excluding non-recurring items, the corresponding figure was SEK 1,039 m (896), an increase of 16%.
- 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 any manufacturing facilities, real estate or employees. For Perstorp, this is part of an ambitious investment plan to increase its polyol production.
- At the end of August, Perstorp and PTT GC International (Netherlands) BV agreed on a change in strategy and shareholding structure for Vencorex Holding SAS. The financial transaction is fully in line with Perstorp's long-term strategy to focus on its core business activities outside the isocyanates market. After the transaction, Perstorp will retain a 15% ownership of the company, and will continue to support Vencorex as the new strategy is implemented, thereby benefitting from future value creation. At the same time, this transaction will enable Vencorex to invest in its new strategic plan focused on downstream isocyanates.
- The strategic investment project Valerox - a new production plant for Valeraldehyde and its derivatives 2-PH and Emoltene™ 100 - is well underway and the scheduled start-up has been pushed forward to January 2015. All major equipment is on site and installations are being completed. Pre-marketing activities are well underway.
- In the second quarter, Perstorp introduced an off-balance, non-recourse, trade receivables financing program related to its Swedish entities. The program was extended during the third quarter and will also include entities in Germany, the US and the UK going forward.
- Magnus Heimburg has been appointed the new CFO of Perstorp as of December 1, 2014. Magnus is an experienced senior executive with experience from various management positions in several companies and joins Perstorp from a position as CFO in Preem.

Key figures in summary, Continuing operations

SEK m unless otherwise stated	Quarter 3 2014	Quarter 3 2013	Quarter 2 2014	Quarter 1-3 2014	Quarter 1-3 2013	Latest 12 months	Full year 2013
Net sales	2,838	2,649	2,867	8,478	7,828	10,993	10,343
Operating earnings before depreciation (EBITDA)	385	330	317	978	889	1,184	1,095
% of net sales	13.6	12.5	11.1	11.5	11.4	10.8	10.6
EBITDA excluding non-recurring items [1]	386	343	329	1,039	896	1,256	1,113
% of net sales	13.6	12.9	11.5	12.3	11.4	11.4	10.8
Operating earnings (EBIT)	223	170	160	501	420	72	-9
% of net sales	7.9	6.4	5.6	5.9	5.4	0.7	-0.1
Net earnings/loss	-310	-307	-345	-844	-860	-1,875	-1,891
Free Cash Flow	341	243	444	707	254	725	272
% of net sales	12.0	9.2	15.5	8.3	3.2	6.6	2.6
Number of full-time employees, end of period	1,458	1,504	1,477	1,458	1,504	1,458	1,524

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

CEO´s comments

"The positive trend in the third quarter is proof that the direction we have chosen is the right one. We are currently transforming Perstorp to achieve our desired strategic position: a resilient and growing business that knows how to meet its customers' demands in an ever-changing market."

Heading in the right direction

Perstorp is on its way to going from good to GREAT, combining its existing potential with new expertise. Our course is clear, and with openness and transparency we are establishing a new way of working that will steadily move our company towards its goals.

The performance-oriented approach puts us in the shoes of our customers, allowing us to find more effective ways of bringing our products and offerings to the market. With a well-trained and goal-oriented sales staff, a streamlined supply chain, efficient production, and a market-focused innovation team, we are certain that we will be able to deliver more of the right products to our customers – on time, and with good margins.

Financial progress

Perstorp continues to meet its financial expectations, showing a moderate positive gain in the third quarter. Net sales amounted to SEK 2,838 million, which is an increase from last year's Q3 sales of SEK 2,649 million (7%).

A year-on-year volume and sales increase of 5% and 7% respectively, as well as slightly improved margins, bode well for our continuous development in a somewhat unstable global financial situation. Asia's economy is growing at a slower pace than expected, while our business in North America remains on a positive course. Europe, although still a healthy market, displays growing hesitation and concerns for future financial growth.

The quarter's EBTDA, excluding non-recurrent items, was reported at SEK 386 million, showing a continuing improvement both versus the third quarter last year and the last quarter. This has been driven by our underlying volume growth, coupled with positive currency effects from a weaker Swedish krona.

Continuous investments

We are happy to report that our largest investment, Valerox, the production plant for the new plasticizer Emoltene™ 100, is on schedule and below budget. Aware of the complexity of a project of this dimension, we are still confident that the plant will open by the beginning of next year.

Our Neo plant in Zibo, China celebrated one year in operation in the third quarter. The plant has developed positively, and production is running according to plan. Although the growth of the Chinese market is slowing down, the demand for our products remains stable.

Moving ahead

The results of the third quarter show that our commitment to this industry is long-term and that our goals are clear and realistic. Focusing on best practice in the market, we are fully aware of where we are now, where we want to be in the future, and how we are going to get there. We will continue to follow our strategy and reach our goals, one solid step at a time.

Perstorp, October 2014

Jan Secher
President and CEO

Market and economic conditions

Global overview

A cautiously positive development in Q3 was mixed with noticeably weakened consumer confidence. The expected financial boost has not yet happened and recently the worldwide GDP growth forecast for 2015 was lowered slightly (~0.1%) by several forecasting institutions.

Regional comments

The European economy is following the global trend with a slight positive development and simultaneous signs of financial slow-down, where especially German businesses have lost some of their previous optimism. The continuing tensions due to the Ukraine-Russia crisis make the European economy one of suspense and the Russian rouble has lost nearly 18% against the US dollar since the beginning of 2014. The composite PMI slowed further to 52.0 and the Eurozone now has a GDP growth forecast of 1.0% (down from 1.4%). However, Perstorp's performance lies significantly above that of last year.

North America remains a market with relatively healthy growth and Perstorp expects to continue to grow with its customers. Due to the shale gas phenomenon market conditions have changed significantly. For instance, margins on ethylene and its derivatives, such as high-density polyethylene, have soared. General market conditions in South America, on the other hand, have deteriorated. Brazil has shown two consecutive quarters of negative GDP growth.

Areas such as the Middle East, Africa and the CIS countries have long been characterized by political uncertainty. However, Libya is currently looking to return to the market, while Iraq and Saudi Arabia are aiming to increase their production and exports to Asia. Asia still displays positive growth, and significantly above last year's. Although there is doubt that China will reach the target of 7.5% in GDP growth, there is reason to be cautiously optimistic. The PMI is still hovering above 50%, indicating growth close to that of last year. The Chinese demand for chemical products remains stable and Perstorp meets its targets in sales and volumes. Japan is experiencing relatively modest growth, but there are positive signs.

Raw Materials

Considering the geopolitical unrest in areas with oil and gas production, the price of crude oil showed a surprisingly stable downward trend in Q3. Brent crude traded at around USD 110 at the beginning of the quarter and fell below 100 towards the end. Currently there are significant supply improvements, and no signs of supply disruptions. This trend is expected to continue.

Naphtha and most downstream derivate prices follow that of crude oil, but supply and demand are of greater importance when prices settle. Ethylene and propylene prices peaked during Q3, whereas US and European methanol spot prices fell sharply. The European methanol contract price settled at EUR 322/ton in late June, down EUR 90. The European methanol market has since dried out and spot prices climbed to EUR 354/ton in late September.

Benzene falls short of the high demand due to the use of lighter feedstocks in crackers, and the subsequent decrease of benzene as a by-product, especially in the US and to some extent in Europe. For this reason the prices are the highest in the US, opening up an arbitrage window for exports from Asia and Europe.

Financial overview

Net sales

The Perstorp Group's net sales for continuing operations amounted to SEK 8,478 m during the first nine months of 2014, compared with SEK 7,828 m in the corresponding period in 2013.

Volumes increased 8% compared to last year following generally stronger demand. All quarters in 2014 show higher volumes than corresponding quarter last year, especially the first quarter which was substantially stronger. The start-up of our new Neo plant has positively affected 2014's figures as deliveries to customers started in the latter part of Q3 last year. Our acquisition of Chemko has also started to pay off in terms of higher volumes.

Sales prices were 3% 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 Swedish krona has weakened during the year, against both the USD and the Euro, with an escalation during the third quarter, which had a positive effect on sales of 4% compared to last year.

Earnings

Operating earnings before depreciation and amortization (EBITDA) for continuing operations reached SEK 978 m (889) for the period January to September 2014. Excluding non-recurring items, earnings amounted to SEK 1,039 m (896).

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 100 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 a combination of stronger volumes and positive currency effects.

Non-recurring items included in this year's results 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 501 m (420) for the period January to September. Depreciation was on the same level as last year, SEK 477 m (466).

Earnings before tax amounted to SEK -1,025 m (-928) m. The stronger EBIT was counteracted by negative currency effects when revaluating financial liabilities in foreign currencies. Participation in associated companies contributed with a loss of SEK 114 m in the first nine month of 2014, compared to a loss of 445 m, including a write-down of SEK 322 m, in the same period last year.

For the period, the net loss amounted to SEK -844 m, compared to a loss of -860 m last year. Tax amounted to SEK 181 m (68). The change is a combination of non-recurring tax in 2013 and a lower taxable result in 2014.

Income statement, Continuing operations

SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2014	2013	2014	2013	12 months	2013
Net sales	**2,838**	**2,649**	**8,478**	**7,828**	**10,993**	**10,343**
Cost of goods sold	-2,475	-2,321	-7,452	-6,932	-9,711	-9,191
Gross earnings	**363**	**328**	**1,026**	**896**	**1,282**	**1,152**
Selling, administration and R&D costs	-175	-155	-541	-541	-741	-741
Other operating income and expenses [1)]	33	0	10	64	-9	45
Write-down of assets	0	-3	0	-3	-467	-470
Result from participations in associated companies	2	0	6	4	7	5
Operating earnings (EBIT)	**223**	**170**	**501**	**420**	**72**	**-9**
Exchange-rate effects on net debt	-225	197	-420	28	-565	-117
Other financial income and expenses	-359	-303	-992	-931	-1,315	-1,254
Result from participations in associated companies	-17	-351 [2)]	-114	-445 [2)]	-175	-506 [2)]
Earnings/loss before tax	**-378**	**-287**	**-1,025**	**-928**	**-1,983**	**-1,886**
Tax	68	-20	181	68	108	-5
Net earnings/loss	**-310**	**-307**	**-844**	**-860**	**-1,875**	**-1,891**

Write-down of assets	**0**	**-3**	**0**	**-3**	**-467**	**-470**
Depreciations	**-162**	**-156**	**-477**	**-466**	**-645**	**-634**
Operating earnings before depreciation (EBITDA)	**385**	**330**	**978**	**889**	**1,184**	**1,095**
EBITDA excl non-recurring items	**386**	**343**	**1,039**	**896**	**1,256**	**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 3		Quarter 1-3		Latest	Full year
	2014	2013 [1]	2014	2013 [1]	12 months	2013 [1]
Net sales						
Intermediates and Derivatives	2,168	2,009	6,501	5,939	8,480	7,918
Specialties & Solutions	627	525	1,799	1,588	2,239	2,028
Other/eliminations	43	115	178	301	274	397
Total Continuing operations	**2,838**	**2,649**	**8,478**	**7,828**	**10,993**	**10,343**
EBITDA						
Intermediates and Derivatives	271	216	737	593	930	786
Specialties & Solutions	118	77	323	250	380	307
Other/eliminations	-4	37	-82	46	-126	2
Total Continuing operations	**385**	**330**	**978**	**889**	**1,184**	**1,095**

[1] Restated according to new group structure.

The Group is domiciled in Sweden. Revenue from external customers in Sweden is 15% (15%), and revenue from external customers from other countries is 85% (85%).

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 9% compared to last year. Volumes increased 10%, partly driven by the new Neo plant in China that was started last autumn, and currency effects had a positive effect of 4%, while negative price/product mix had an effect of, -4%. The higher earnings, SEK 737 m against SEK 593m last year, can primarily be assigned to higher volumes and positive currency effects. Lower prices negatively affected sales but the effect on earnings was compensated by lower raw material prices.

Business Area Specialties & Solutions recorded sales 13% above last year. Volumes were 11% higher than last year and positive currency effects lifted sales by 5%, whereas lower prices negatively affected sales, by -3%. Earnings were reported 29% higher than the same period last year, SEK 323 m against SEK 250 m. The increase can primarily be assigned to higher volumes and positive foreign exchange effect, partly 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 property divestment, that affected figures positively.

Emoltene™ 100 expands the lifespan of end products such as cables

Cash flow

In June, Perstorp implemented an off-balance, non-recourse, trade receivables financing program related to its Swedish entities. The credit line was initially set at EUR 70 m but was increased to to EUR 90 m at the end of September. By the end of the third quarter around EUR 66 m had been used. As a result account receivables and working capital have been reduced. The target is to further increase the credit line up to EUR 125 m and gradually increase the utilization of the program during the coming two quarters.

Free cash flow from operating activities for continuing operations was SEK 707 m (254) for the period January to September 2014. The improved cash flow from operating activities against last year is primarily explained by the introduction of the trade receivable financing program and higher earnings but is partly offset by higher investments.

Cash flow from investment activities amounted to SEK -596 m (-385) for the first nine months. The investment amount includes the acquisition of Chemko a.s. Strážske. The increase compared to last year reflects our higher 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 3		Quarter 1-3		Latest	Full year
	2014	**2013**	**2014**	**2013**	**12 months**	**2013**
EBITDA excl non-recurring items	386	343	1,039	896	1,256	1,113
Change in Working capital [1]	131	8	264	-257	370	-151
Maintance capex	-70	-43	-180	-132	-289	-241
Free cash flow before strategic capex	**447**	**308**	**1,123**	**507**	**1,337**	**721**
% of EBITDA excluding non-recurring items	116	90	108	57	106	65
Strategic capex	-106	-65	-416	-253	-612	-449
Free cash flow	**341**	**243**	**707**	**254**	**725**	**272**
% of EBITDA excluding non-recurring items	88	71	68	28	58	24

[1] Excluding exchange rate effects and provisions.

CaFo Tech is an additive designed to significantly improve the qualities and properties of tile adhesives

Financial position

Working capital for continuing operations fell SEK 261 m during the first nine months. The trade receivables financing program introduced, had a positive effect on working capital of SEK 607 m. Adjusted for these effects, working capital increased SEK 376 m, primarily related to higher account receivables, following stronger sales in 2014, but also currency effects from the weaker SEK. Inventory levels decreased SEK 82 m compared to last quarter and 67 m compared to Q4 2013, whereas inventory has increased some SEK 34 m compared to Q3 last year.

Working capital for continuing operations amounted to SEK 1,118 m at the end of Q3 2014 compared to SEK 1,226 m at the end of last quarter and SEK 1,476 m at the end of Q3 last year.

The Group's available funds, including liquid funds and letter of credit facilities, were SEK 949 m at the end of the period, compared with SEK 859 m at the end of Q2.

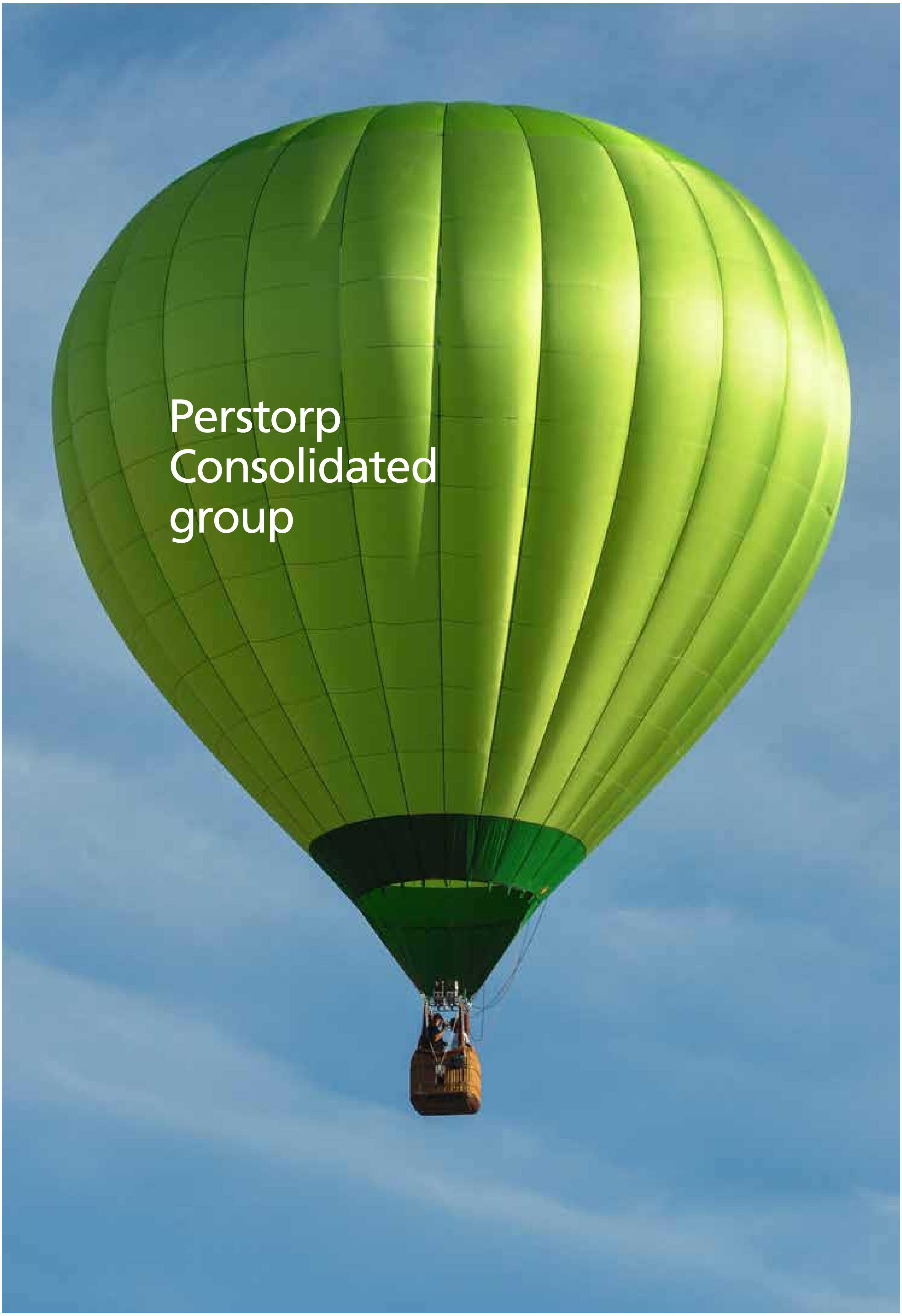
In Q1 2014, the shareholder loan was converted to equity at an amount of SEK 633 m.

Assets and liabilities, Continuing operations

SEK m	Sept 30, 2014	Sept 30, 2013	Dec 31, 2013
Working capital, Continuing operations			
Inventories	1,164	1,130	1,231
Accounts receivable	1,114	1,509	1,420
Other current assets	320	249	221
Accounts payables	716	823	774
Other current liabilities	764	589	720
Total Working capital, Continuing operations	**1,118**	**1,476**	**1,379**

Capital employed, Continuing operations			
Total assets	14,073	14,737	13,995
Deferred tax liability	895	947	897
Accounts payable	716	823	774
Other liabilities	1,277	1,157	1,251
Total Capital employed, Continuing operations	**11,184**	**11,810**	**11,074**

Other key figures, Continuing operations			
Available funds	949	1,428	1,162
Net debt	10,401	9,592	10,048
Net debt excl. parent company loan and pension liabilities	10,067	8,596	9,092


Perstorp
Consolidated
group

Financial overview

Income statement, Consolidated group						
SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2014	2013	2014	2013	12 months	2013
Continuing operations						
Net sales	**2,838**	**2,649**	**8,478**	**7,828**	**10,993**	**10,343**
Cost of goods sold	-2,475	-2,321	-7,452	-6,932	-9,711	-9,191
Gross earnings	**363**	**328**	**1,026**	**896**	**1,282**	**1,152**
Selling, administration and R&D costs	-175	-155	-541	-541	-741	-741
Other operating income and expenses [1]	33	0	10	64	-9	45
Write-down of assets	0	-3	0	-3	-467	-470
Result from participations in associated companies	2	0	6	4	7	5
Operating earnings (EBIT)	**223**	**170**	**501**	**420**	**72**	**-9**
Exchange-rate effects on net debt	-225	197	-420	28	-565	-117
Other financial income and expenses	-359	-303	-992	-931	-1,315	-1,254
Result from participations in associated companies	-17	-351 [2]	-114	-445 [2]	-175	-506 [2]
Earnings/loss before tax	**-378**	**-287**	**-1,025**	**-928**	**-1,983**	**-1,886**
Tax	68	-20	181	68	108	-5
Net earnings/loss	**-310**	**-307**	**-844**	**-860**	**-1,875**	**-1,891**
Discontinued operation						
Net sales	-	-	-	257	0	257
Operating earnings (EBIT)	-	-	-	837 [3]	4	841 [3]
Earnings/loss before tax	-	-	-	822	4	826
Tax	-	-	-	-5	0	-5
Net earnings/loss	**-**	**-**	**-**	**817**	**4**	**821**
Group, total						
Net sales	2,838	2,649	8,478	8,085	10,993	10,600
Operating earnings (EBIT)	223	170	501	1,257	76	832
Earnings/loss before tax	-378	-287	-1,025	-105	-1,980	-1,060
Tax	68	-20	181	62	109	-10
Net earnings/loss	**-310**	**-307**	**-844**	**-44**	**-1,870**	**-1,070**

Consolidated Group						
Operating earnings before depreciation (EBITDA)	**385**	**330**	**978**	**1,730**	**1,187**	**1,939**
EBITDA excluding non-recurring items	**386**	**343**	**1,039**	**915**	**1,252**	**1,128**

Comprehensive income report, Consolidated accounts						
SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2014	2013	2014	2013	12 months	2013
Net result for the period	**-310**	**-307**	**-844**	**-44**	**-1,870**	**-1,070**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plan	-	-	-	-	47	47
Items that may be subsequently reclassified to profit or loss						
Currency translation effect	-21	3	13	-79	48	-44
Market valuation of forward contracts	2	2	5	5	7	7
Other comprehensive income net after tax	**-19**	**5**	**18**	**-74**	**102**	**10**
Total comprehensive income	**-329**	**-302**	**-826**	**-118**	**-1,768**	**-1,060**
Attributable to:						
Parent company's shareholder	-335	-300	-837	-117	-1,782	-1,062
Non controlling interest	6	-2	11	-1	14	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	**Sep 30, 2014**	**Sep 30, 2013**	**Dec 31, 2013**
Tangible fixed assets	4,743	4,256	4,497
Intangible fixed assets	4,928	5,280	4,845
Participation in associated companies	57	543	506
Other non-current assets	848	493	301
Inventories	1,164	1,130	1,231
Other current assets	1,522	1,855	1,710
Cash & cash equivalents, incl.short-term investments	811	1,180	905
Total assets	**14,073**	**14,737**	**13,995**
Total equity	24	1,159	217
Loan from parent company	3	594	626
Pension liability, others	331	400	330
Other non-current liabilities	11,699	10,573	10,762
Current liabilities	2 016	2,011	2,060
Total equity & liabilities	**14,073**	**14,737**	**13,995**
Working capital	1,118	1,476	1,379
Net debt	10,401	9,592	10,048
Net debt excl. parent company loan and pension liabilities	10,067	8,596	9,092
Capital employed	11,184	11,810	11,074
Number of full-time employees, end of period	1,458	1,504	1,524

Total 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	-837	11	-826
Shareholders contribution	633	-	633
Closing balance, September 30, 2014	**-33**	**57**	**24**

Total 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	-117	-1	-118
Closing balance, September 30, 2013	**1,116**	**43**	**1,159**

Cash flow

Cash Flow analysis, Consolidated group						
SEK m	Quarter 3		Quarter 1-3		Latest	Full year
	2014	2013	2014	2013	12 months	2013
Operating activities						
Operating earnings	223	170	501	420	72	-9
Adjustments:						
Depreciation and write-down	162	159	477	469	1,112	1,104
Other	8	-22	3	-72	26	-49
Operating activities in discontinued operations	-	-	-	19	4	23
Interest received	2	3	6	7	11	12
Interest paid	-281	-224	-750	-558	-977	-785
Income tax paid	5	-7	17	-20	-11	-48
Interest and taxes paid in discontinued operations		-		-22	0	-22
Cash flow from operating activities before change in working capital	**119**	**79**	**254**	**243**	**237**	**226**
Changes in working capital						
Increase (-) Decrease (+) in inventories	103	13	111	145	20	54
Increase (-) Decrease (+) in current receivables	184	38	246	-208	373	-81
Increase (+) Decrease (-) in current liabilities	-156	-105	-93	-194	-23	-124
Discontinuing operations	-	-	-	-62	0	-62
Cash flow from operating activities	**250**	**25**	**518**	**-76**	**607**	**13**
Investing activities						
Acquisition of supplier contract	-	-	-	-	-45	-45
Acquisition of shares in associated companies	-27	-	-27	-	-27	-
Acquisition of tangible and intangible fixed assets [1]	-176	-108	-596	-385	-901	-690
Sale of net assets, subsidiaries	-	-33	-	1,033	-15	1,018
Sale of tangible and intangible fixed assets	-	-	24	-	24	-
Change in financial assets, external	4	-32	5	-29	2	-32
Discontinuing operations	-	-	-	-12	0	-12
Cash flow from investing activities	**-199**	**-173**	**-594**	**607**	**-962**	**239**
Financing activities						
Change in loan from parent company	-	-	-	-61	0	-61
Change in credit utilization	-17	12	-26	31	-23	34
Cash flow from financing activities	**-17**	**12**	**-26**	**-30**	**-23**	**-27**
Change in liquid funds, incl. short-term investments	**34**	**-136**	**-102**	**501**	**-378**	**225**
Liquid fund opening balance, incl. short-term investments	775	1,322	905	685	1,180	685
Translation difference in liquid funds	2	-6	8	-6	9	-5
Liquid funds, end of period	**811**	**1,180**	**811**	**1,180**	**811**	**905**
[1] Whereof paid interest	-11	-4	-27	-9	-32	-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.

In Q1 2014, Perstorp 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

In Q2, 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 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 a shareholders' contribution amounting to SEK 633 m, which has been converted from loans to equity. At the end of September, the net amount borrowed from the Luxembourg-based parent company Financiére Forêt S.á r.l. amounted to SEK 3 m (594).

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, November, 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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