



Perstorp Holding AB (Publ.)

Interim report, January-March 2014

Conference call May 15th, 2014

Disclaimer

- ➔ This document contains financial information regarding the businesses and assets of Perstorp Holding AB (publ) (the "Company") and its consolidated subsidiaries (the "Group"). Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this document or any related presentation should not be regarded as a representation or warranty by the Company, any of its respective affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations by the Group.
- ➔ This document contains information, data and predictions about our markets and our competitive position. While we believe this data to be reliable, it has not been independently verified and, while we are not aware of any material misstatements therein, we make no representation or warranty as to the accuracy or completeness of such information. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. In those cases where third-party data has not proved readily available, we have relied on internal analyses, as well as information obtained from sources such as our customers, suppliers, trade and business organizations connected with the markets in which we operate. We cannot assure you that any assumptions underlying these statements are accurate or correctly reflect the state and development of, or our position in, the industry. While we believe our internal company research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent source.
- ➔ Certain statements in this document are forward-looking. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. These factors include, among others: our level of indebtedness and capital structure and the terms of the notes and our other financing arrangements; our strategy, outlook and growth prospects, including our operational and financial targets; the competitive markets faced by both ourselves and our customers; the economic outlook in general and, in particular, economic conditions in the markets of the United States, Europe and Asia, and the expected growth of our markets; our ability to borrow or raise capital; costs and regulations related to contamination or exposure impacts from our operations or products; our expansion plans, including our ongoing geographic expansion and expansion of our production capacity; our ability to develop, market and launch commercially viable products; the cyclical nature of some of the industries in which we operate; our ability to manage and pass on raw material and other input costs; currency fluctuations; loss of key customers or suppliers for certain of our products; changes to or enforcement of governmental and environmental regulations and health and safety requirements across the multiple jurisdictions in which we operate; downtime at our facilities; inability to control our joint ventures or other similar business arrangements; loss of key personnel; ongoing and future tax audits and potential changes in applicable tax regulations; inadequate protection of our intellectual property rights; and expenses and reputational damage resulting from litigation.
- ➔ These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Neither the Company nor the Group undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.
- ➔ By attending this presentation, you are agreeing to be bound by the foregoing limitations.

Important notice

- ➔ Unless otherwise stated, the financial information presented in this document represents the Group's continuing operations, i.e. excluding:
 - 49% stake in Vencorex (the former Coating Additives business unit, divested in May 2012).
 - Singapore legal units (transferred to Financière Forêt S.à.r.l. in March 2013)
 - Formox legal units (divested to Johnson Matthey in March 2013)
- ➔ With effect January 1st 2014, Perstorp launched a new organizational structure. As a consequence of this, historical segment numbers are affected
- ➔ Financials of historical periods have been adjusted accordingly for comparative purposes



Business performance



Jan Secher
President & CEO

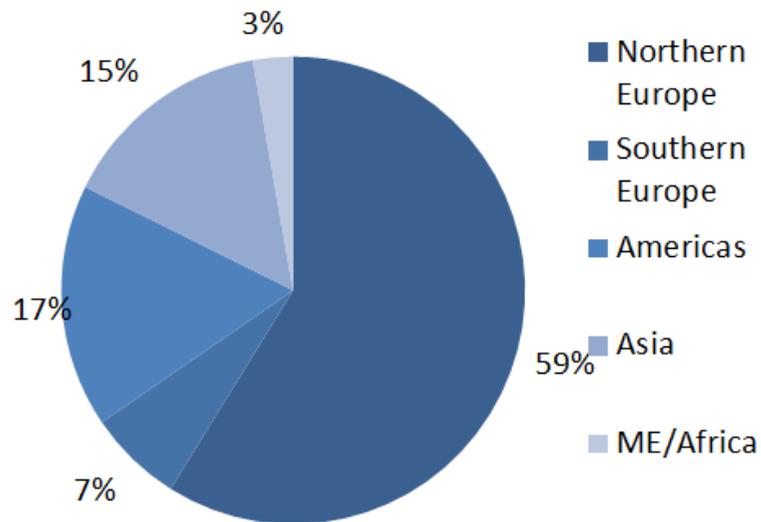


Executive summary

- ➔ Volumes in Q1/14 were 13% higher than in Q1/13 and 10% higher than in Q4/13
- ➔ Q1 sales for continuing operations amounted to SEK 2,773 m, a 12% improvement over last year which recorded sales of 2,485 m
- ➔ EBITDA excluding non-recurring items amounted to SEK 324 m in Q1/14 compared to 245 m last year, an increase of 32%
- ➔ The SEK was stable vs the Euro and USD during the first quarter but compared to Q1 last year, both the Euro and GBP have strengthened, resulting in positive Fx effects when comparing to last year
- ➔ Funds available amounted to SEK 809 m at the end of Q1/2014
- ➔ The re-organizational project, with the aim to further improve customer interface and operational excellence was implemented during the first quarter. As a consequence of those operational improvements, headcount will be reduced by around 100 employees. Non-recurring costs connected to this have affected Q1 numbers with c. SEK 50 m

Revenue overview

Q1/ 2014, Revenue by region, %



- ➔ All regions showed improved year-on-year demand and sales
- ➔ European recovery slowly gaining pace with cautious optimism throughout the majority of the countries
- ➔ Severe weather has had a negative impact on demand in the US, but normalization is expected to occur in Q2/Q3
- ➔ Momentum in Asia more muted despite continued overall growth

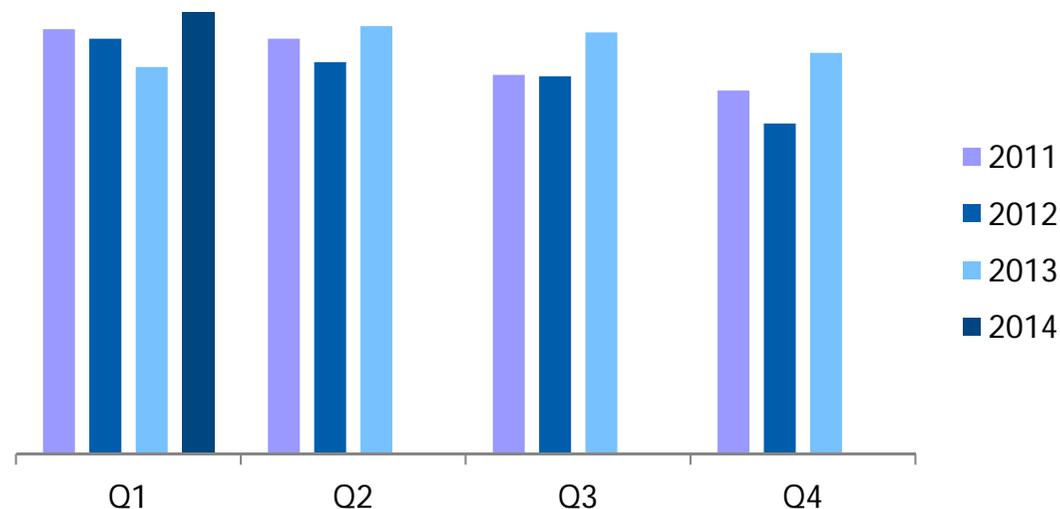


Key revenue drivers during Q1/2014

- ➔ Volumes were 13% higher than in Q1/13
 - Significantly increased volumes compared to Q1/13, a result of better market conditions and relatively weak demand in Q1/2013
 - Volumes in Q1/14 were 10% above last quarter, which reflects the typical seasonal development
 - Volumes in Q2/14 expected to be in line Q1/14 and Q2/13

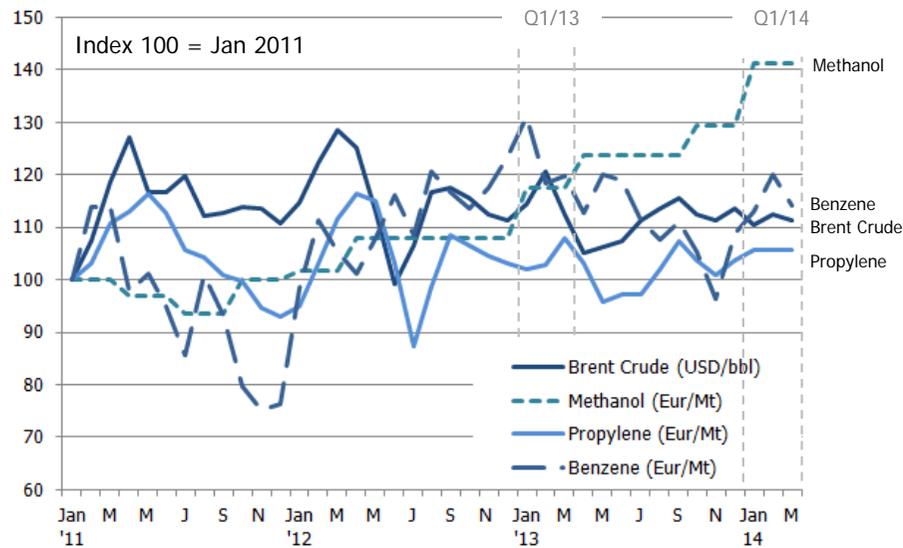
- ➔ Average selling prices stable vs. last quarters
 - Stable or increasing prices vs. last quarters on product level, following a number of price increase initiatives on selected products during Q4/13 and Q1/14
 - Small positive currency effects in Q1/14 vs. Q4/13, primarily linked to a stronger Euro
 - Slightly negative product mix effect

Volumes by quarter



Raw materials and margins

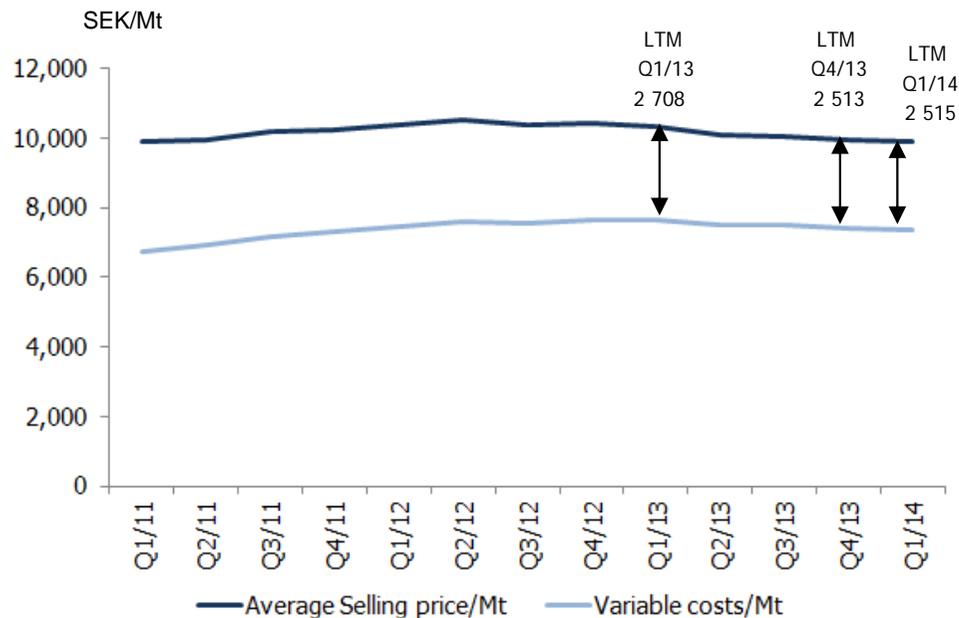
Raw material prices



➔ Somewhat differentiated picture for raw materials

- Brent crude oil was stable in Q1/14, at around USD 108/bbl
- Price on Methanol continue to increase, up 9% in Q1/14
- Benzene increased 12% in Q1/14 after a short dip in Q3-Q4/13
- Other key raw materials such as Rape seed oil and natural gas decreased in Q1/14 compared to Q4/13

Margins (continuing operations)



➔ On a quarter on quarter basis, margins improved in Q1/14 following increased prices for a number of product lines and positive Fx effects

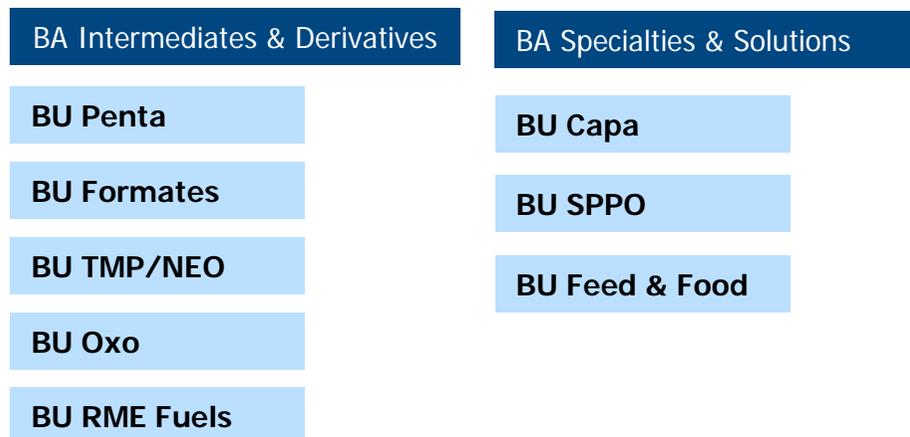
➔ Compared to Q1 last year, LTM unit margins continue to be negatively affected by competitive market conditions during 2013

Changes in segment reporting

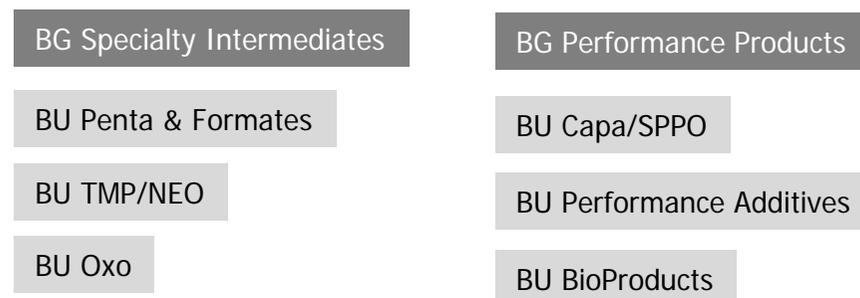
Continuing operations



New structure



Old structure



From Q4/2013 presentation

20

Financial review



Johan Malmqvist
CFO



Financial highlights

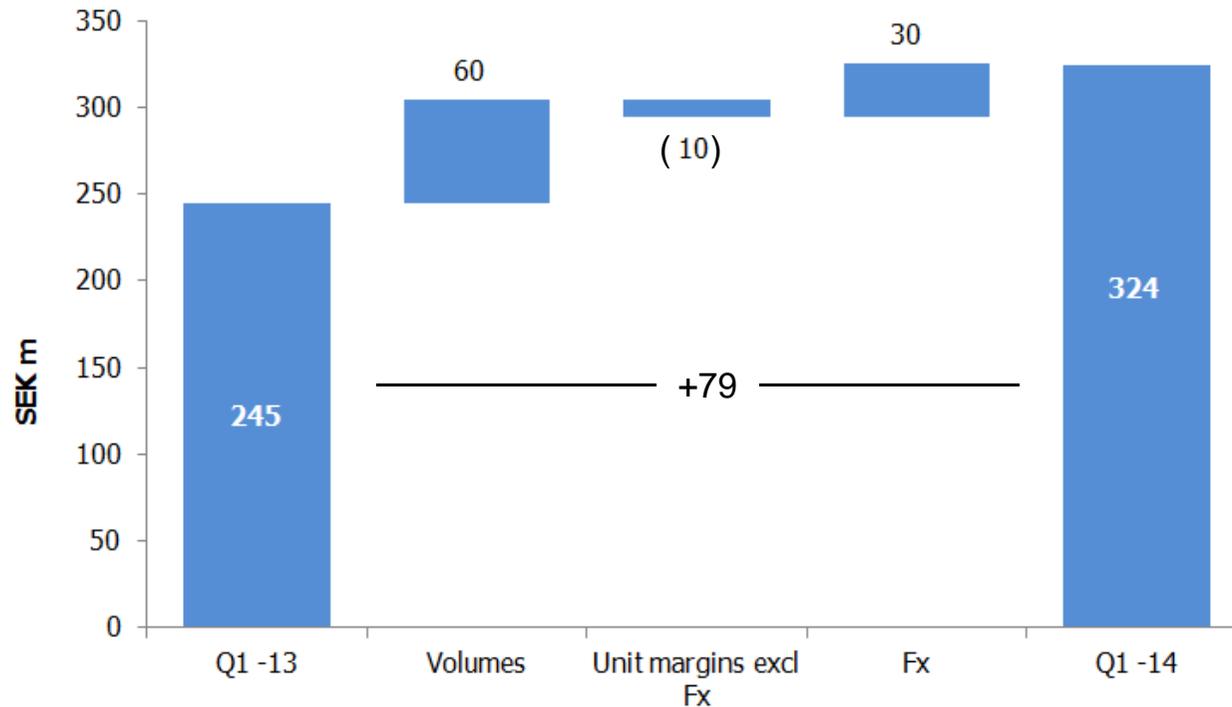
Q1 2014

SEK m	Q1 -14	Q1 -13	Q4 -13	LTM Q1 -14
Net Sales	2,773	2,485	2,515	10,631
% growth (y-o-y)	11.6%		15.5%	
Marginal Contribution	723	634	614	2,706
% of sales	26.1%	25.5%	24.4%	25.5%
EBITDA, reported	276	244	206	1,127
% of sales	10.0%	9.8%	8.2%	10.6%
EBITDA, excl non- recurring items	324	245	217	1,192
% of sales	11.7%	9.9%	8.6%	11.2%

- ➔ Compared to the same period last year, both sales and earnings improved driven by substantially stronger volumes and positive Fx effects from a stronger Euro
- ➔ Unit margins increased from last quarter primarily related to price increases for a number of product lines and positive Fx effects
- ➔ Non-recurring costs of c. SEK 50 m have a negative effect on reported EBITDA in Q1/14

Bridge EBITDA excl. non recurring items

Q1 -14 vs. Q1 -13

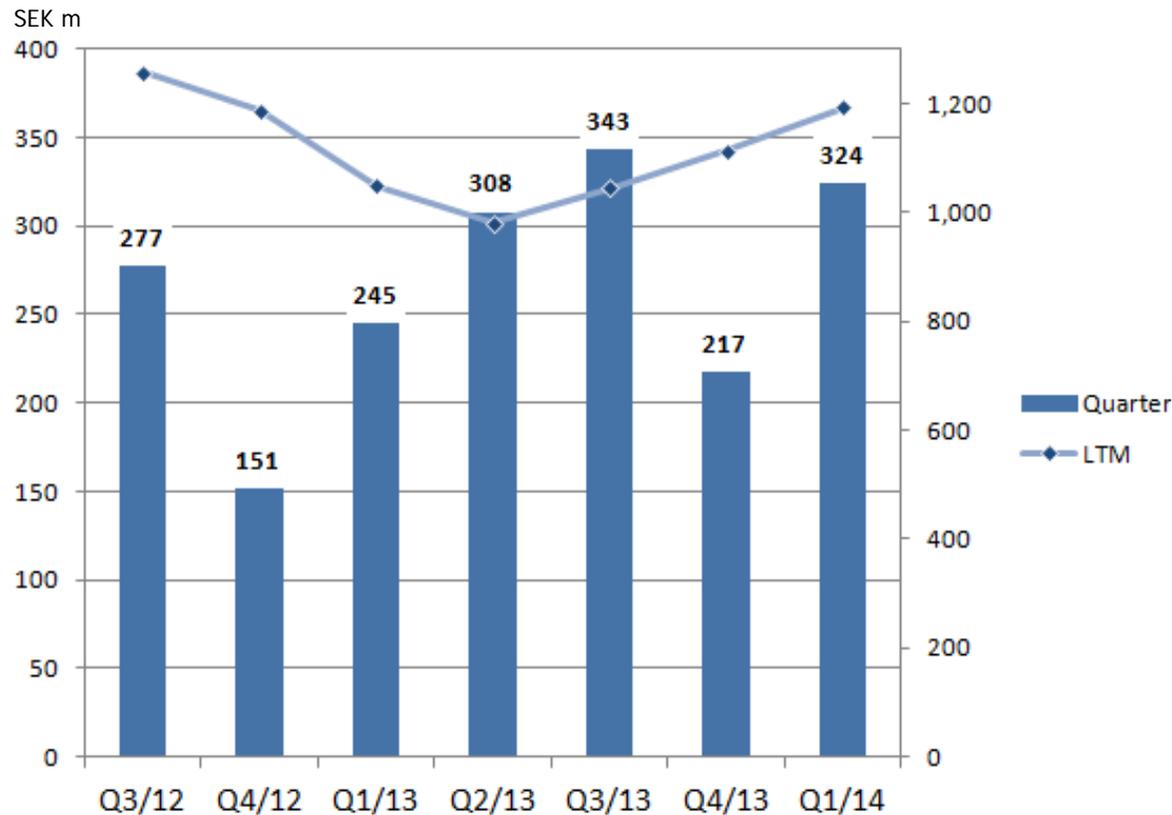


- ➔ Q1/14 EBITDA improved SEK 79 m vs. previous year, primarily driven by substantially higher volumes and positive Fx effects, while slightly lower margins had a negative impact
- ➔ The non-recurring cost of c. SEK 50 m is not included in the EBITDA bridge above

Positive LTM development

Q3/12 to Q1/14

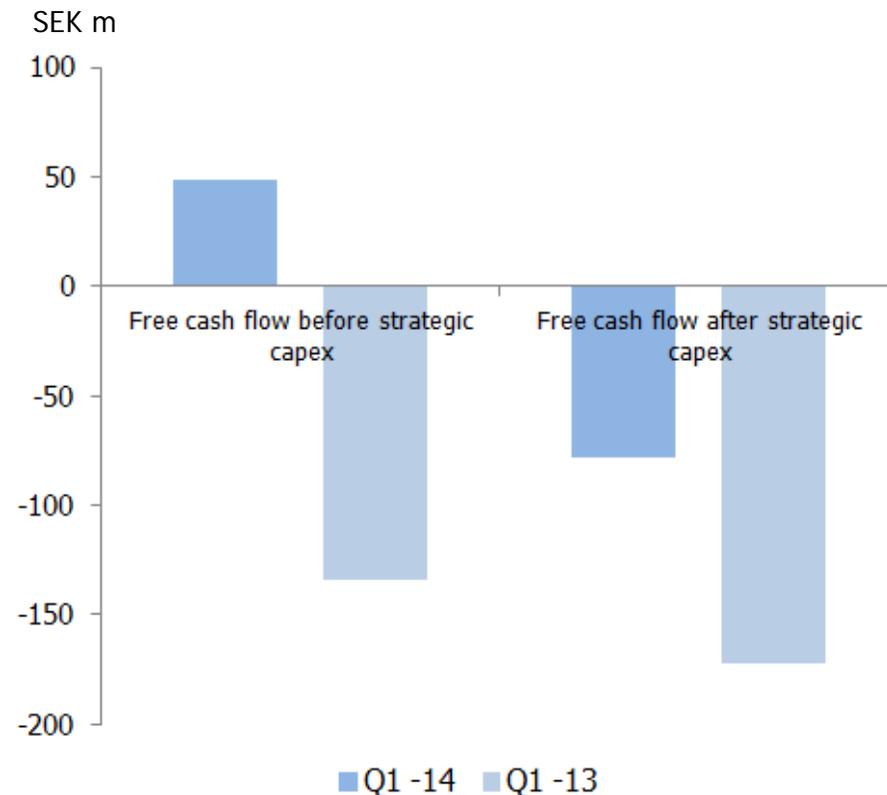
EBITDA excluding non recurring items



- ➔ LTM EBITDA continues to improve for a third consecutive quarter given slowly improving market conditions and profit improvement measures

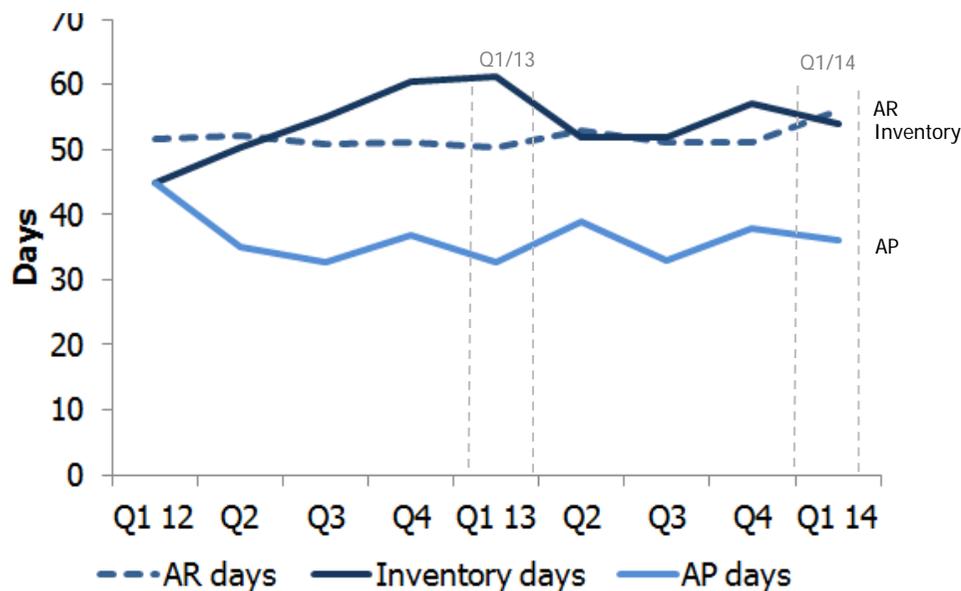
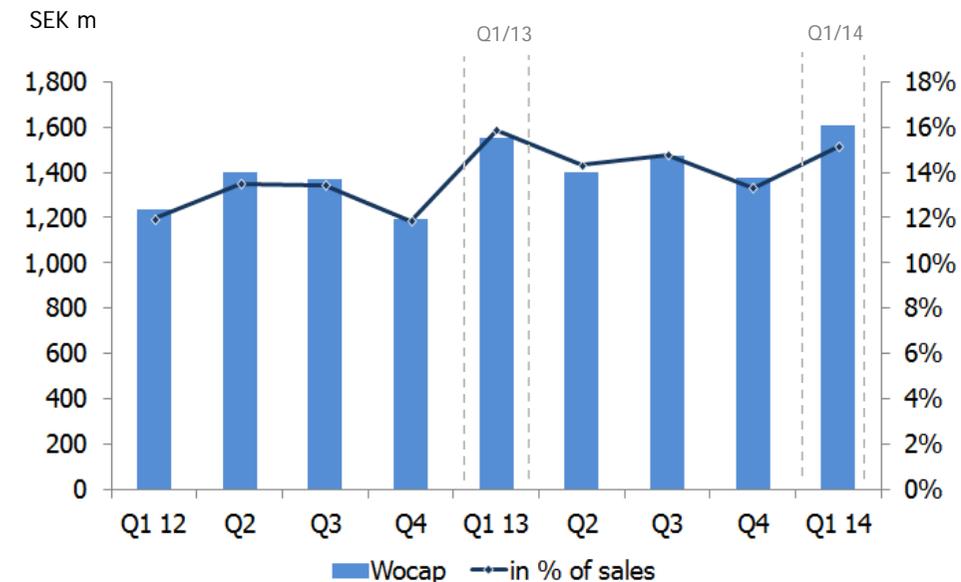
Free cash flow

- ➔ Free cash flow in Q1/14 was negative with SEK 78 m, following a seasonal build-up of working capital and continued investments mainly in our strategic capex projects
- ➔ Cash flow before strategic capex higher than Q1/13 based on stronger earnings and lower build-up of working capital
- ➔ LTM cash flow before strategic capex continue to be positive, SEK 904 m
- ➔ Q2/Q3 free cash flow will be positively impacted by the anticipated implementation of a USD 90 m factoring line that has been agreed and further inventory optimization



- ➔ On the other hand, Vencorex is expected to call for the Euro 15 m as provided under the shareholder agreement

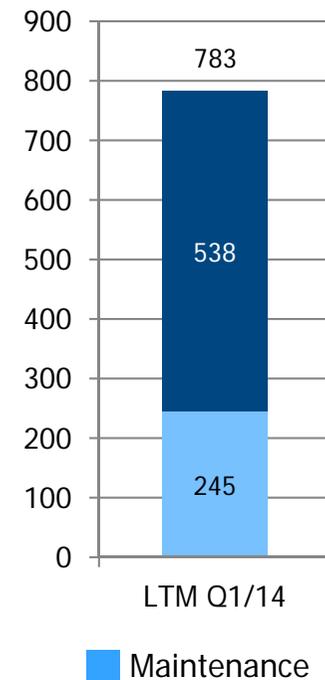
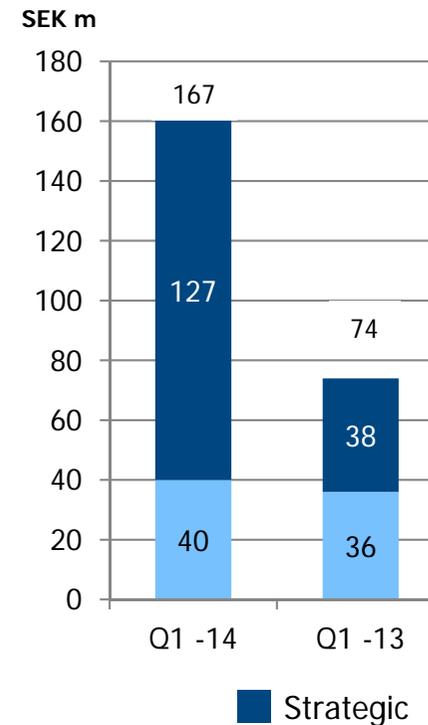
Working capital



- ➔ Working capital increased during Q1 primarily related to the usual seasonal pattern
- ➔ Inventory increased slightly in Q1/14 to prepare for seasonal sales and upcoming scheduled maintenance shutdowns; inventory days, however, decreased slightly
- ➔ Reduction of accounts receivables expected during Q2 and Q3 as a result of the agreed factoring line
- ➔ Inventory will be optimized going forward with a focused Supply Chain function

Investments

- ➔ Strategic capex continues to mainly relate to the Valerox project in Stenungsund and will continue to be high during the remainder of the year as the Valerox project comes closer to completion
- ➔ Valerox (valeraldehyde and derivatives)
 - Majority of process equipment delivered and installed
 - Overall project on time, below budget
 - Expected start-up Q1 2015
- ➔ Neo expansion in China
 - Plant continue to run very well, including product quality and yields
 - Production run in line with customer demand, 80% capacity utilization in Q1/14



Indebtedness

Current capital structure detail

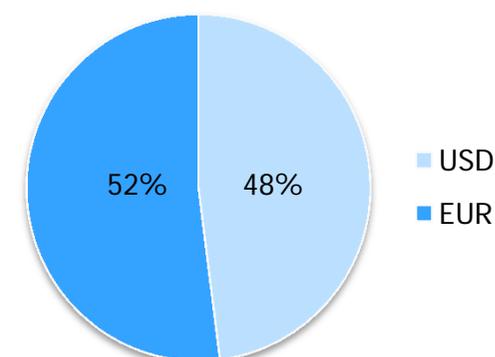
	USDm equiv.	SEKm	x EBITDA excl non-rec.
Cash	-88	-573	
Senior secured notes (€)	371	2,416	
Senior secured notes (\$)	380	2,473	
Net senior secured debt	663	4,316	3.6 x
Second lien notes (\$)	370	2,408	
Net second lien debt	1,033	6,724	5.6 x
Mezzanine loans (€)	443	2,882	
Other debt	5	30	
Net debt, excl pensions and shareholder loan	1,481	9,636	8.1 x

Fx rates; USD 6.51 and Euro 8.95

Based on EBITDA excl non-rec. of SEK 1,192 m

- ➔ Net debt, excl. pensions and shareholder loan increased by SEK 544 m during Q1/14, following capitalization of PIK interest on Mezzanine loans and negative cash flow after financial net
- ➔ Available funds per end of Q1/14 amount to SEK 809 m (undrawn RCF and cash)
- ➔ Utilization of factoring line will free up incremental funds in Q2/Q3

Debt by currency



Q1 conclusion

- ➔ Volumes and margins continued to improve during Q1/14
- ➔ A third consecutive quarter of increased LTM EBITDA
- ➔ Market sentiment continues to improve slowly, while the competitive situation is still tough in some product lines
- ➔ Our new Neo plant in China continues to deliver above expectations after start-up
- ➔ Efforts to finalize our largest strategic capex project ever, the Valerox-project in Stenungsund, continues with full focus and commitment. Project on time and below budget
- ➔ The internal transformation project to further improve customer interface and operational excellence was implemented during Q1/14, resulting in non recurring costs of c. SEK 50 m given the associated headcount reduction
- ➔ Q2 is normally a rather strong quarter for Perstorp and we expect 2014 to be in line with Q1/14 and Q2/13 performance

Appendix



Free cash flow details

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

SEK m	Q1 -14	Q1 -13	Q4 -13	LTM Q1 -14
EBITDA excl non-rec.	324	245	217	1,192
Change in working capital	-235	-343	106	-43
Maintenance capex	-40	-36	-109	-245
FCF before strategic capex	49	-134	214	904
% of EBITDA excl non-rec.	15%	-55%	99%	135%
Strategic capex	-127	-38	-196	-538
Free cash flow	-78	-172	18	366
% of EBITDA excl non-rec.	-24%	-70%	8%	31%



Segment reporting

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

SEK m	Q1 -14	Q1 -13	Q4 -13	LTM Q1 -14
Net Sales	2,773	2,485	2,515	10,631
Intermediates & Derivatives	2,173	1,889	1,979	8,166
Specialties & Solutions	561	520	440	2,069
Other/eliminations	75	76	96	396
EBITDA, reported	276	244	206	1,127
Intermediates & Derivatives	240	160	193	866
Specialties & Solutions	87	78	57	316
Other/eliminations	-51	6	-44	-55



Restated segment reporting

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

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



Quarter on quarter development

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

SEK m	Q1 -14	Q4-13	Q3-13	Q2 -13	Q1 -13	Q4 -12	Q3 -12	Q2 -12	Q1 -12
Net Sales	2,773	2,515	2,649	2,694	2,485	2,178	2,425	2,685	2,748
Marginal Contribution	723	614	694	674	635	541	669	713	776
% of sales	26	24%	26%	25%	26%	25%	28%	27%	28%
EBITDA, reported	276	206	330	315	244	155	303	365	454
% of sales	10.0%	8.2%	12.5%	11.7%	9.8%	7.1%	12,4%	13,6%	16,5%
EBITDA, excl non- recurring items	324	217	343	308	245	151	277	377	383
% of sales	11.7%	8.6%	12.9%	11.4%	9.9%	6.9%	11.4%	14.0%	13.9%



Currency

Period average exchange rates

SEK per LOC	Q1 -14	Q1 -13	Q4 -13	LTM Q1-14	LTM Q1-13
USD	6.46	6.43	6.51	6.52	6.70
Euro	8.86	8.50	8.65	8.74	8.62
GBP	10.70	9.99	10.19	10.36	10.58

Period end exchange rates

SEK per LOC	Q1 -14	Q4 -13	Q4 -13
USD	6.51	6.52	6.51
Euro	8.95	8.34	8.94
GBP	10.83	9.88	10.73

Source: Swedish Central Bank, Riksbanken

