

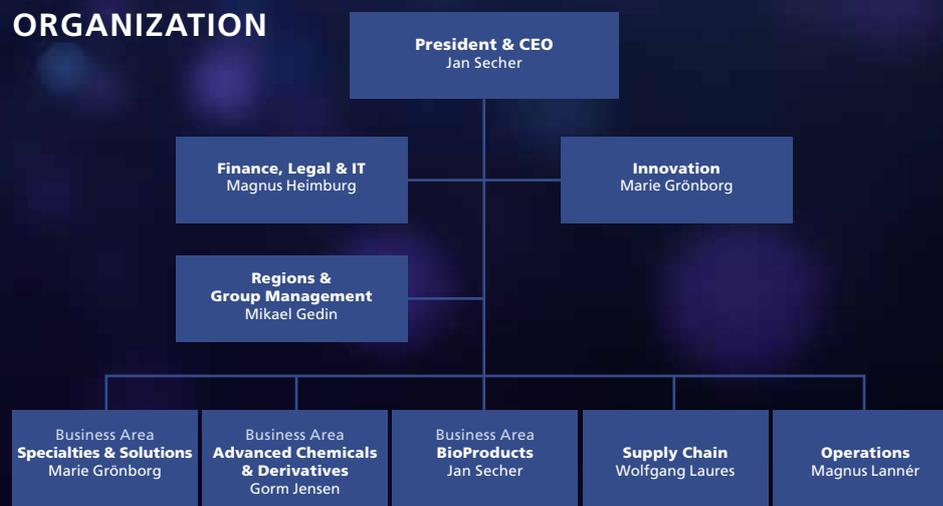
PERSTORP  
IN BRIEF 2016

# Year in review

## KEY FIGURES IN SUMMARY

SEK m unless otherwise stated	Full year	
	2016	2015
Net sales	11,305	11,149
Operating earnings before depreciations (EBITDA)	1,800	1,653
% of net sales	15.9	14.8
EBITDA excluding non-recurring items	1,865	1,667
% of net sales	16.5	15.0
Operating earnings (EBIT)	1,206	971
% of net sales	10.7	8.7
Free cash flow	1,370	1,127
Net debt excluding parent company loan and pension liabilities	12,964	11,196

## ORGANIZATION



## IMPORTANT EVENTS 2016

Net sales amounted to SEK 11,305 m during the period January to December 2016, an increase of SEK 156 m or 1 % compared to the same period last year. Volumes increased 11 % compared to the same period last year.

Operating earnings before depreciation and amortization (EBITDA) were SEK 1,800 m (1,653). Excluding non-recurring items, the corresponding figure was SEK 1,865 m (1,667), an increase of almost 12 %.

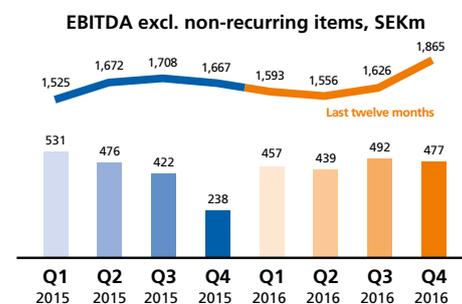
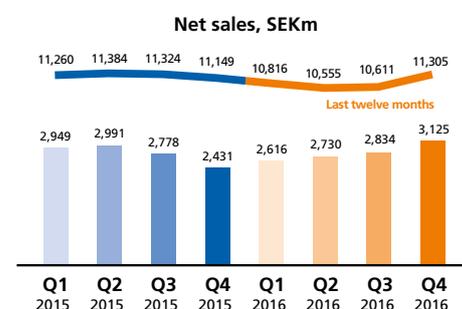
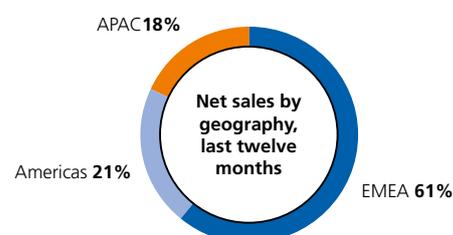
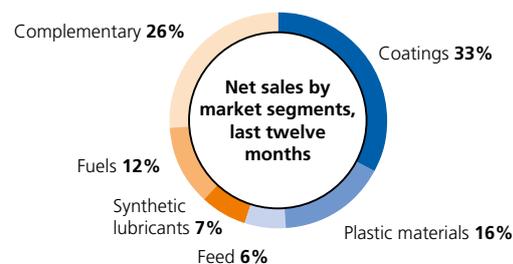
The strategic investment project Valerox, a new production plant for Oxo products in Stenungsund, Sweden, now has a second reactor up and running. This reactor will be used primarily for additional production of valeric acid and 2-PH, which means we now have a facility in place that can address new application areas such as synthetic lubricants and the pharmaceutical industry.

Last year, Perstorp acquired a biodiesel plant in Fredrikstad, Norway. This year the production is fully up and running and has supported growth in the Norwegian market for biofuel and also enabled a step into the non-mobile segment.

2016 was a year of several production records; TMP at site Perstorp where the team already in end of November managed to beat the old yearly volume record, several 7-day-production-records have been achieved at the DPHP plant in Stenungsund and site Zibo delivered a new yearly TMP production record.

On November 17th, Perstorp successfully closed the refinancing process and secured a renewed long term capital structure, which is a sound basis to continue developing the business and further strengthen the market position in the coming years.

The transformation of Perstorp from a Good to a GREAT company is mid-term, and having made substantial investments, it is now time to harvest the benefits of those and enter a period of consolidation and delivery.



Other key figures	2016	2015
Available funds	983	934
Net debt	13,424	11,609
Net debt excluding parent company loan and pensions liabilities	12,964	11,196

## President's comments

*Four years ago, we began an ambitious transformation of Perstorp towards becoming a truly GREAT company. We've differentiated in how we go to market, making big changes in synchronizing our operative model from production to market reality. 2016 brought us another significant step forward in that journey. We clearly showed improved results from all our dedicated work.*

*Yet more than that, 2016 marked our full shift past the mid-way point. A year when we began moving our focus from tools, processes, and what we call the production apparatus to developing our future leadership model. If there is one phrase that signifies this new wave we're navigating now, it's Leadership for Full Potential.*

### LEADERSHIP FOR FULL POTENTIAL

The energy building in the organization for driving Perstorp forward is tangible. We started already in early March with our annual top-management meeting, where we discussed our needs and natural next steps. We worked meticulously on this during the year, and in the fourth quarter, 90 of our top managers and select talents went through an energizing development program. Empowering our people for full potential is a key characteristic of who we are as a company moving forward. It's about developing resilience. If we're only rigged for one type of situation, changes in the world around us could collapse everything. By diversifying and equipping resilient leaders, we're much less affected by external factors. With an empowered leadership, our foundation holds.

### FOCUSED INNOVATION

Central to reaching full potential is one of our three core values: Focused Innovation. We made great progress in many of the products we've taken from development to market. One that stands as a role model is in our Feed area: ProPhorce™ SR. Launched a little more than a year ago, we've seen high volume growth. Other highlights include:

- 11 new patent families filed, a record for Perstorp in one year – a sign of the high quality in our innovation and the solidity of the pipeline we've developed over several years
- signed largest innovation cooperation with an external partner ever, developing renewable-based adhesives using Capa™ lactides together with Corbion in The Netherlands
- new record in externally financed development work: 80 million SEK

**“We are positioned for sustainable momentum. And for resilience. Ready to ride out any waves and stay on top.”**

Our leadership development is also a significant element of our Focused Innovation. For us, it's not just a matter of literal molecule development, but also development of every molecule of talent within our company. Because when it comes to making things better, every individual makes a difference.

### SOLID FINANCIAL PROGRESS

In terms of financial results, we're proud to have achieved an 11% volume-based sales growth. We also saw healthy development on our bottom line, adding 200 million SEK to our EBITDA result to reach 1.865 billion SEK. This 16% EBITDA margin is a strong benchmark in our industry. The successful refinancing of our balance sheet also gives us a five-year runway of stable financing.



### SOUND MARKETS

2016 showed overall harmony in terms of our market situation between the Americas, Europe and Asia. Despite geopolitical uncertainty, pure economic facts indicate the regions have found an equilibrium within their different situations. Demand is solid, with no one industry or region sticking out to form an unhealthy dependency for us. We did have some troubled areas in early 2016 with supply/demand balance, putting pressure on pricing. However, we saw strong momentum towards the second half. Raw material prices are increasing, which was not unexpected. We have completed the hard work to establish trending and pricing tools, and it's now up to us to use them to build further resilience.

### DIFFERENTIATING SUCCESS

We have been purposefully moving away from a one-size-fits-all to a more differentiated way of going to market to meet customer needs. 2016 proved we are becoming better and better at serving our customers and their needs, understanding the true value we can bring with a more application-oriented solution when they need it and where it's justified. We're providing enhanced service, carefully measured in terms of on-time-in-full delivery, how we handle complaints and the complaint rate, etc.

### SETTING THE PRODUCTION BAR HIGH

We put increasingly high expectations on availability from our plants in 2016 and will continue to do so going forward. A lot of our focus over the previous couple of years was on the Oxo platform, in particular Stenungsund. Last year we started to shift our investment focus more over to the polyol side, expanding both our Penta and TMP capacity.

### SAFETY STEP-UP

As we increase expectations, we must ensure that safety is the priority. Our performance in 2016 saw our KPIs going in the wrong direction. That is alarming and is something we are addressing with a clear safety step-up plan. Most incidents are human at their root so we're working on attention and action

– starting with myself and the Perstorp leadership team, and taking responsibility for following through with an aim at reaching 100% of our tough safety targets for 2017. We are putting processes in place to make safety the instinctive, everyday habit in all actions. We've already implemented regular safety walks with an aim to see and act immediately.

With safety hinging in large part on behavior, our focus on Leadership for Full Potential will deliver essential positive effects in this area as well. I'm confident the momentum we have in the organization, and specifically in our operations, will lead to results. I will not take my eye off this ball, to ensure we provide a safe working environment for our employees, contractors and all who interact with Perstorp.

### FORWARD MOMENTUM FOR 2017

Momentum is building in our organization from many angles. There's solid demand for our products in the market. Energy is clearly also building among our people here in Perstorp as we focus on empowering their full potential. Each person is capable of extraordinary things, and I'm excited to see how much they will achieve. Last but absolutely not least, there's the building awareness and eagerness to change our safety record to become something we can be as equally proud of as the many other things we have achieved so far. Altogether, we are positioned for sustainable momentum. And for resilience. Ready to ride out any waves and stay on top.

MALMÖ, MARCH 2017

Jan Secher  
President and CEO



# The way forward: Focus on growth

*Our transformational journey of the last few years has seen us moving steadily forward along three strategic lines: 1) internal transformation, 2) growth investments such as our Oxo plant in Stenungsund, and now 3) increased focus on strengthened leadership within our Leading Change initiative. Using these three as enablers for step-change in EBITDA and cash flow, Perstorp has a clear focus on markets, customers and performance excellence for 2017.*

## LEADING CHANGE FROM GOOD TO GREAT

### Highlights of our transformation during the last four years

#### 2013

- year of self-examination and preparation
- new management in place
- identification of untapped potential and the need for a more outside-in, market and customer-driven organization
- project Mont Blanc started, leading to the 'From Good to Great' transformation

#### 2014

- year of reorganization and transformation beginnings
- new functional organization based on two strong business areas: Advanced Chemicals & Derivatives for supply/demand driven products, and Specialties & Solutions for more value driven, differentiated business
- development of end-to-end supply chain linking operations and business to balance needs from both customers and suppliers
- launch of sales and operational planning process, a required base for GREAT performance
- new forecasting system, moving responsibility from product management to sales, and giving them appropriate tools
- manufacturing assets brought together into one common operations function under new management
- acquisition of Chemko's Penta business in Slovakia

#### 2015

- year of strategic and ambitious investment
- Oxo-plant in Stenungsund officially inaugurated, the largest investment in the history of Perstorp
- Perstorp becomes one of few fully integrated plasticizer suppliers worldwide, giving customers increased reliability, consistency and customization
- talent management program enables succession planning
- Commercial Excellence in pricing and new pricing model, PACE, fully implemented for more data-driven and transparent view in pricing products
- acquisition of the Penta business from Koei in Japan

#### 2016

- making the model work and preparation for Leading Change
- new organization for Global Key Accounts to deepen relationships for growth and profitability
- operations focused on optimizing produced volumes, introducing a new plant performance measure and overall equipment effectiveness
- Leadership Academy, our biggest investment in leadership training in 15 years, brought together approx. 100 top managers at Perstorp for a three + one day training in leading change towards extraordinary results
- November 17 we successfully closed refinancing and secured a renewed long-term capital structure to further strengthen our market position in coming years

#### 2017

We've reached the midway mark in transforming Perstorp from a Good to GREAT company. Now it's time to harvest the benefits, entering a period where we consolidate and deliver. We'll continue to focus on our customers and our markets, preparing to act even faster on new or changing conditions. At the same time, we're shifting to a new phase in our transformation: leadership. By empowering our leaders and employees to reach their full potential – while providing them with training and coaching – we'll take advantage of the structural changes we've made to reach a new level for our whole company and our industry. Because our commitment to each other and our industry is long-term.



# Our strategies

## STRATEGIES 2017

### Underlying end-market growth

- Take advantage of above-GDP growth in selected niches, driven by and capitalizing on macro-trends and our strong market positions

### Innovation and niche product development

- Drive technology evolution to create new product derivatives
- Pursue niche-focused product innovation, meeting real end-market needs

### Integrated platform advantage

- Maximize value along the product chains
- Remove bottlenecks to expand
- Draw full potential from new Valeraldehyde platform

### Cash generation and deleveraging

- Reduce debt leverage with sensible cash management
- Be selective with new strategic investments

## FOCUS AREAS FOR LEADERSHIP FOR FULL POTENTIAL

In 2016, we increased focus on how leadership dynamics can bring our transformation to the next level. In kicking off 2017, we've introduced a new methodology for setting divisional strategies throughout the company. The Executive Leadership Team and our main functional teams have each developed goals for the coming year, centered on fully empowering all people at Perstorp for extraordinary results. As we continue to develop this new focus internally, we're confident we will reach our overall business objectives and bring significantly higher value to all our customers.

## EXECUTIVE LEADERSHIP TEAM

### Fully empowered Perstorp

## SUPPLY CHAIN

### 100% passion for first time right

Go from a reactive to a proactive state – working as one team instead of in silos. That's our way forward to better serve our customers and boost satisfaction both for them and ourselves.

## OPERATIONS

### Full ownership of a safety-driven culture

Increase focus on competence, motivation and culture. Safety is about clear rules. Yet equally important is motivational leadership to help employees understand and follow the rules. We must be sure to follow up with consequences if rules are intentionally disregarded and celebration for good progress.

## REGIONS AND GROUP MANAGEMENT

### One culture for all Perstorpers

Clarify Perstorp's common culture with emphasis on Care, Joy and Excellence – owned and lived by everyone in the company.

## INNOVATION

### One team driving the common agenda delivering right

Work as one: one team, one agenda, one goal. We have transparency between each other, and courage to make decisions and move forward.

## FINANCE, LEGAL AND IT

### True excellence in enabling business success

Understand business needs, prioritizing fewer “nice to have” initiatives and more of what really matters. Key words are trust and empowerment. We simplify processes and make it ok to dare and try new things.

## SPECIALTIES & SOLUTIONS

### Full ownership of our own future

Listen to others around us, but dare to take a stand for where and how we make a difference. Believe in ourselves and what we do, creating involvement within the team and the courage to step out of our comfort zone to take ownership for extraordinary results.

## ADVANCED CHEMICALS & DERIVATIVES

### All in Perstorp are fully aligned on an outside-in AC&D strategy that is executed efficiently

Make the AC&D strategy understood and alive for everyone within Perstorp so decisions are made accordingly. Because understanding creates motivation for execution.



# Business units

## SPECIALTIES & SOLUTIONS

Collaboration and teamwork are the hallmarks of our progress during the past year. We even got a hero's welcome with police escort on one occasion. Our success in 2016 is measured not just in one single achievement, but in our total development across many areas with strong input from all our team members.

### Capa™ healthier than ever

Continuing to build capabilities in several segments and focusing on collaboration with our customers, we achieved more than 3 times the average market growth with maintained good profitability and several sales records during the year.

### Feeding growth

Our Feed business grew in many directions, including new markets in China and the US. In the latter, ProPhorce™ SR – part of our new product portfolio for gut health based on glycerol esters – saw success as an alternative to use of antibiotics as growth promoters. We also picked up the pace towards becoming the perceived leader in Preservation and Gut Health, as well as in meeting more customer needs digitally.

### Sales records in SPPO

For Specialty Polyols (SPPO), we continued to strengthen our leading positions in key sub-segments within intumescent coatings, polyurethane dispersions, radiation curing and polymer additives.

Through close collaboration with leading players, and successfully gaining market shares from competing technologies (especially in intumescent and polymer additives in the Americas), we've achieved record sales in 8 of our 15 product families. We're also making further inroads into the plastic arena with Akestra becoming food compliant in EU in 2016. (Akestra is launched in cooperation with Mitsubishi Gas Chemical and brought to Europe by Perstorp.)

### Take-off in runway de-icing

Through our Nordway™ product, we've established Perstorp as one of the leading European suppliers in runway de-icer. In 2016, we further strengthened our positions, mainly in Germany, France and Scandinavia. In fact, Perstorp played a crucial role in keeping Arlanda International Airport open when the worst snowfall in over a century hit Stockholm. Our Nordway™ de-icer received a police escort to help get flights in the air and travelers safely to their destinations without further delay. We're now the chosen supplier for the coming contract.

### Our offerings in Specialties & Solutions

- Capa™ (caprolactones)
- Specialty Polyols
- Feed & Food





## ADVANCED CHEMICALS & DERIVATIVES

2016 was marked by an overall strengthening of our global leadership position for our Advanced Chemical & Derivatives offering. “Breaking records” was certainly a theme for this business area over the past year, and we look forward to challenging ourselves to beat those new records in the coming year.

### Breaking records

Both our TMP and Penta businesses had record margins: Penta in both actual and per kg, and TMP thanks to regular customer business as well as supply agreements with co-producers (BASF, Oxea). Already by the end of November, our TMP team in Perstorp, Sweden managed to beat the previously held yearly volume record. Our DPHP plant in Stenungsund also achieved several seven-day production records, while China produced and sold record Neo volumes.

### Robust regional growth

Business in the US has gradually grown strong with improved margins. In addition, we had impressive growth in APAC at over 35% above 2015, and well above budget. We maintained our strong position in EMEA as well.

### Sold out for Emoltene™

After a tough market situation during the first half of 2016, we have now maximized our Emoltene™ volumes in production. We're pleased to say that our stock is sold out and margins are increasing.

### Pevalen™ approved for sustainable textile production

Perstorp has been awarded ECO PASSPORT by OEKO-TEX® for its Pevalen™ true non-phthalate plasticizer, which certifies that Pevalen™ can be used in sustainable textile production. Along with a continuously increasing demand for Pevalen™, there is also an increased demand for OEKO-TEX® certification from the coated fabrics industry.

### Our offerings in Advanced Chemicals & Derivatives

- Oxo
- Penta
- TMP/Neo
- Formates

## BIOPRODUCTS

BioDiesel is the best and most widely available transport fuel for those who want to make a sustainable, climate-saving difference. Perstorp is a leading player in Scandinavia for BioDiesels based on RME (Rapeseed Methyl Ester), both in low blend and as high-performance, 100% BioDiesel (Verdis Polaris™).

### Ambitious growth plans

Perstorp acquired a production plant for biodiesel in Fredrikstad, Norway at the end of 2015, almost doubling production capacity and allowing us to grow our premium-branded products Verdis Polaris™ and Aura™ unconstrained. In 2016, we focused on integrating this plant. Start-up is running excellently and according to expectations, fueling growth.

### Realities of uncertainty and competition

2016 saw continuous uncertainty with regards to political decisions regarding biofuels in Sweden. We also saw some set-back in demand for BioO in Sweden due to competition from tax-free HVO and cheap fossil diesel.

### Introducing new products

During 2016, we introduced the non-mobile product BioCaleo™ in the Norwegian market. Perstorp is also planning to launch a partly non-crop based biofuel in the future. Keep watching for exciting developments in our BioProducts line-up.

### Our offerings in BioProducts

- Verdis Polaris™ Flora
- Verdis Polaris™ Aura
- RME – Perstorp BXN
- BioCaleo™

# Living, learning and leading by our values

*It's no coincidence that values and value are so similar in English. At Perstorp, three core values guide us in everything we do so we can deliver the highest value across all areas of our business. Simply put, we believe in doing right. We believe in always keeping our promise. And we believe if it matters, make it better.*

## RESPONSIBILITY - DO RIGHT

Safety is our utmost responsibility. As KPIs for Perstorp's safety performance went in the wrong direction in 2016, we took action to establish a clear safety step-up plan for 2017. Most incidents have a human root so our focus is first and foremost on behavior – making safety the instinctive, everyday habit in all actions. Our safety targets are demanding, yet fully in line with top-quartile performance in our industry. And only 100% achievement will satisfy us.

From a sustainability perspective, our impact on the total well-being and development of our employees, associated partners and the communities in which we operate are also significant factors in measuring our success. A cross-functional team undertook a high-level analysis during 2015 and 2016 to determine what dimensions are most relevant to our stakeholders. The outcome was a strong set of links between our vision, the markets we serve and the United Nations Global Compact's Sustainable Development Goals (SDGs). We will develop these links further in the coming year.

## RELIABILITY - KEEP THE PROMISE

Reliability is foundational at Perstorp because it's the enabler – for innovation, quality, efficiency, sustainability and more. In 2016, we took important steps to increase benefits for our customers in terms of supply security. Thanks to a Sales and Operations Planning process (S&OP), we improved the quality and reliability of our forecasting numbers. Another tangible benefit is new digital transport management bookings.

We also implemented a new plant performance measure for Overall Equipment Effectiveness (OEE). This global data measurement will help us understand underlying reasons for unused capacity in our plants and give a comprehensive picture of any limiting factors for each one of our plants. The data analytics will also go into the S&OP process to better understand where we have capacity available worldwide.

## FOCUSED INNOVATION - MAKE IT BETTER

Innovation in 2016 was instrumental in solving several business issues, enabling new opportunities and supporting our long-term ambitions. Highlights include:

- all-time-high patent generation with 11 new patent families filed
- ligand degradation in the Valerox complex
- many promising research collaborations, including new hot-melt adhesives based on Capa™ Lactides

Yet, innovation is about more than inventing new products. It's also about making the small things that matter a little bit better every day. Perstorp Performance System (PPS) is our purposeful way of working to ensure continuous improvement. With PPS, all employees work every day to improve based on what's important for the people their work serves. Focused innovation means we continuously:

- increase the value of what we deliver, whether it be to customers, colleagues, partners or the community
- reduce resources spent (time, money, materials) for things that do not provide value

This outside-in perspective for creating value depends on us acting on all our core values in harmony. Innovation could simply be done for innovation sake, within our own bubble. But that's not where real value is. To do right, to keep the promise, and to make better what matters most, we always listen to the market and our customers first.

## Did you know



11

new patent families filed in 2016, an all-time high



1500

registrations filed leading to safety improvements



2

gold medals for Perstorp's chef in the Culinary Olympics



50<sup>th</sup>

anniversary for Penta plant in Sweden



54

entries in Capa™ Innovation Challenge



1

police escort of de-icer to keep Stockholm airport open



75

students enrolled at Perstorp's preparatory school



35%

volume growth in AC&D APAC regions vs 2015



208

million tonnes regular diesel enhanced each year



135

years serving our industry



## Improving everyday life

Perstorp believes in improving everyday life – making it safer, more convenient, more fun and more environmentally sound for millions of people all over the world. As a trusted world industrial leader, our innovations provide essential properties for products used every day at home and work. You'll find us everywhere from your car and mobile phone to towering wind turbines and the local dairy farm. Simply put, we work to make good products even better.

Perstorp's focused innovation builds on more than 135 years of experience, representing a complete chain of solutions in organic chemistry, process technology and application development. Manufacturing is based in Asia, Europe and North America, with sales and support in all major markets. The Perstorp Group is controlled by funds, managed and advised by the European private equity company PAI partners.