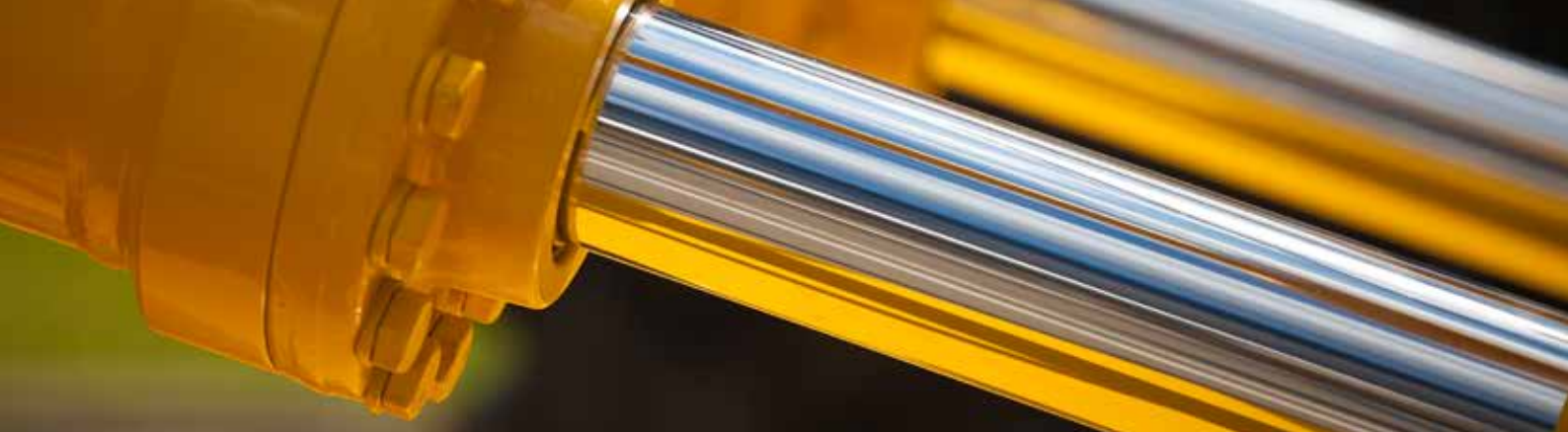




# One molecule can change everything

ANNUAL AND SUSTAINABILITY REPORT 2021






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We are here to lead  
change toward chemistry  
that advances everyday  
life for the better.



With every molecule  
of our being.

Perstorp believes in improving everyday life – making it safer, more convenient and more environmentally sound for billions of people all over the world. As one of the world's leading sustainable solutions providers, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets, our innovative solutions provide essential properties for products used everywhere, every day. Our products can be found in everything – from your car and mobile phone to towering wind turbines and the local dairy farm. Put simply, we work to make good products even better, with a clear sustainability agenda.

# Perstorp in brief 2021

1,450

employees worldwide

13.5

Billion SEK Turnover

2.513

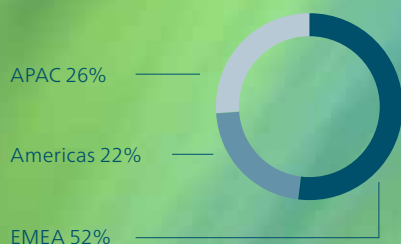
Billion SEK  
EBITDA excl. non-  
recurring items



50%

No. 1 position of  
50% of portfolio

## NET SALES BY GEOGRAPHY, 2021



AMERICAS

EMEA

APAC

## World leader in selected specialty chemicals niches

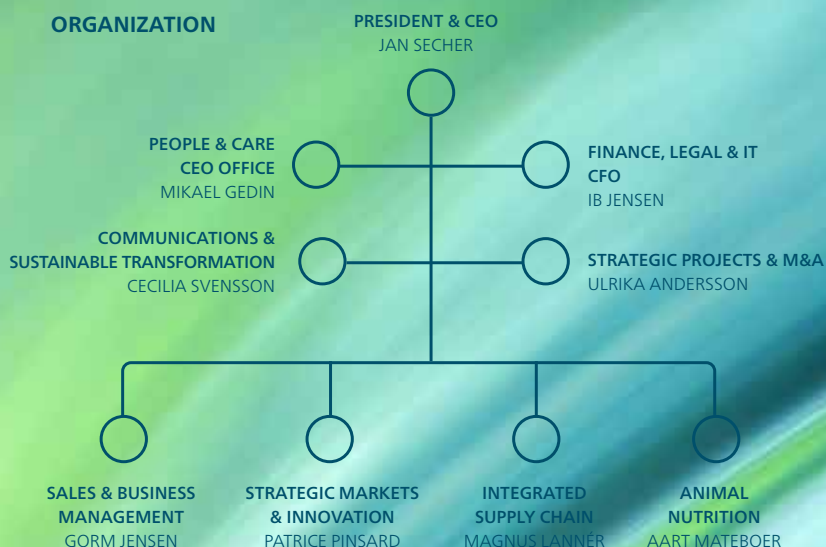
- The sustainable solutions provider for our prioritized market segments Resins & Coatings, Engineered Fluids and Animal Nutrition
- Integrated Polyols and Oxo platforms enable the efficient utilization of side streams
- Focused Innovation for our core segments, closely linked to our customers
- Strongly committed to Sustainability and our Finite Material Neutral ambition
- Globally present with production plants in Europe, Asia and North America
- Since December 2005, Perstorp has been controlled by PAI Partners, a leading European private equity company

## Global presence

Perstorp is the operator of 7 production units in Europe, Asia and North America with sales representation in all major markets and more than 50 agents.



## ORGANIZATION





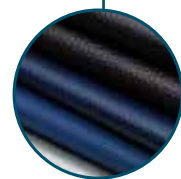
# Highlights in 2021

## Improved outlook on credit rating

Both Moody's and S&P Global Ratings have in 2021 improved their outlook on Perstorp's credit rating. The rating actions are due to improvements in Perstorp's leverage reflecting currently strong EBITDA performance and improvements in the company's liquidity profile. Moody's Investors Service ("Moody's") changed the outlook on Perstorp Holding AB rating to stable from the negative outlook given in March 2020. S&P Global Ratings announced the move of Perstorp from "negative" to "stable" outlook on strong results and deleveraging. In addition, S&P affirmed a 'B-' issuer credit rating.

## Acquisition of DMPA® from GEO strengthens specialty position within Resins & Coatings

Perstorp further emphasized its commitment as the sustainable specialty solution provider within the Resins and Coatings segment, when pursuing the acquisition of DMPA® from GEO. Bis-MPA™ and DMPA® enable a technology shift from solvent to waterborne formulations within markets such as Polyurethane dispersions, PUDs, and waterborne Alkyds and Perstorp's strategic presence in these markets will now be significantly strengthened. This acquisition will both allow further development of our offering and enable long term investments to safeguard future availability.



## Project Air received EUR 30 million from the Swedish Energy Agency to reduce carbon emissions

Project Air is an industrial concept to produce methanol from a large variety of recovered end-of-life streams and hydrogen from electrolysis. Methanol is one of the most important raw materials for the chemical industry, and up until now, only limited competitive sources of sustainable methanol exist on the market. The project is carried out by Perstorp in cooperation with partners Uniper (Germany) and Fortum (Finland), with the aim of reducing carbon emissions by up to half million tons annually. Project Air has in 2021 been allocated EUR 30 million by the Swedish Energy Agency, and is now applying for EU Innovation Fund to realize the project.

## Approval of Science Based emission reduction targets

In December 2021, Perstorp's science-based emission reduction targets in line with Paris Climate Agreement were approved by the SBTi's Target Validation Team. The targets have been set for both direct and indirect emissions (scope 1, 2 and 3 according to the GHG protocol) and are calculated with projected future expansion and growth considered. Perstorp has committed to reduce:

- Absolute Scope 1 and 2 GHG emissions by 46% by 2030 from a 2019 base year, which is in line with the global 1.5°C trajectory
- Scope 3 GHG emissions by 28% per ton sold product within the same timeframe in line with the global 2.0° trajectory

As support to reaching the CO<sub>2</sub> reduction targets, implementation of Internal Carbon Pricing (ICP) tool has been conducted as a guiding principle to support decision making and drive positive change in our business and operations. Furthermore, to support decisions on how to keep pace with the development in ESG area in the coming years, Perstorp initiated development of a Materiality Matrix, highlighting the most material ESG aspects. In addition, a gap analysis was conducted as well as a renewed alignment with the UN Sustainable Development Goals.

## Increased production capacity for 2-Ethylhexanoic Acid (2-EHA)

Perstorp will substantially expand its production capacity of 2-Ethylhexanoic Acid (2-EHA) from 2022, to meet increasing market needs. The investment and expansion are within the framework of Perstorp's existing production plants and implementation already started in 2021.

2-EHA is one of the flagship products of the Perstorp Group, which has the largest 2-EHA production capacity in the world. 2-EHA, a colorless liquid with one carboxylic group based on a C8 carbon chain, is widely used in esters for PVB film plasticizers and synthetic lubricants. It is also used in the production of metal soaps for paint driers, in automotive coolants and PVC stabilizers. Other application areas include wood preservatives, catalysts for polyurethane and pharmaceuticals.

## Launch of Emoltene™ 100 Pro; a durable DPHP plasticizer based on renewable material

Perstorp was pioneering in the PVC market with the introduction of a general-purpose plasticizer partly based on renewable raw material using a traceable mass balance concept. Emoltene™ 100 Pro is a dipropylheptyl phthalate (DPHP) designed to support sustainable sourcing of renewable and recycled raw materials and reduction of carbon dioxide emission throughout the value chain.

Facilitating uncomplicated adoption by users, Emoltene™ 100 Pro is ready to be dropped straight into existing flexible PVC formulations. Users can expect the same performance as Perstorp's existing Emoltene™ 100 plasticizer, with the added benefit of a lower carbon footprint. Emoltene™ 100 Pro will be available in two grades, with different levels of renewable content based on mass balance: the first, containing 14 percent is available now, the second, with 71 percent is expected to become available in the near future.



## Senior recruitments

Three senior recruitments were made to reinforce the Executive Leadership Team; Aart Mateboer as EVP Animal Nutrition, Patrice Pinsard as EVP Strategic Markets & Innovation and Ib Jensen as CFO.

Aart Mateboer has 30 years' broad management experience with Akzo-Nobel, Cargill and Dupont in R&D, supply chain and marketing & sales role and most recently as Vice President of Animal Nutrition at IFF – International Flavors and Fragrances. Patrice Pinsard previously had various executive positions at Solvay, COGNIS and Henkel. Ib Jensen most recently came from the position as CFO at Arxada, a carve-out of Lonza. Previous experience include CFO and executive roles within Finance and IT at companies such as Lonza, Syngenta, Danisco and LEGO.

## Intensive focus on safety has paid back

Perstorp made great progress in our health and safety efforts during 2021 and as a result, the OSHAR rate decreased to a record low level of 0.45. The gap between contractor and own employee OSHAR rate was closed on the lowest level since the measurement started, a result of dedicated work by many employees.

## Multiple production records

During 2021, several production records were hit globally, which was one of the underlying pre-requisites for the outstanding financial result of the year; yearly production records for most products at site Perstorp, several 7 days production records at site Stenungsund and additional production records in Zibo, Castellanza and Bruchhausen.

# Outstanding year leads transition to an exciting new future

This year was the best in Perstorp's history as we navigated and became accustomed to the changing market that presents significant opportunities for our business going forward.

Our sales in 2021 amounted to SEK 13,537 m, which is an increase of 47 percent compared with the previous year and EBITDA excluding non-recurring items amounted to SEK 2,513 m corresponding to an EBITDA margin of 18.6 percent. This is our highest EBITDA and EBITDA margin ever in Perstorp's modern history.

## PROACTIVELY TAKING ADVANTAGE OF OPPORTUNITIES

2020 was a difficult year where we encountered significant challenges, but we took the bold decision to not cut costs and scale back our business any more than absolutely necessary. This meant that we were ready to capitalize on the significant opportunities during the market upturn in 2021. We re-worked our strategy by drawing on learnings from 2020 to increase our focus on specialties, our three focus market segments and emphasize our journey to become the sustainable solutions provider. The new strategic direction was implemented during the first half of the year.

While we operated in a favorable environment in 2021, I would like to highlight that our proactive approach to take advantage of the market opportunities available to us was crucial to our success. This included working pro-actively with our customer excellence programs including strategic pricing and development of a customer portal for simplified customer interaction, lead generation and digital sales capabilities.

Our drive toward commercial excellence was also fundamental to our success in 2021. We were proactive on pricing and were continuously ahead of the curve in terms of cost increases and supply-demand balance changes. Pricing power in our industry is now higher up in value chain due to volatile and higher material costs, which has meant that we have had to become more strategic in our pricing. Our new pricing office was crucial here along with our new pricing processes, data and digital tools to support and drive the organization. Strategic pricing certainly improved our profitability during the year and helped us to more than compensate for major increases in raw material costs.

## UNPRECEDENTED CHALLENGES WERE WELL MANAGED

The Covid-19 pandemic continued to have significant impact in markets around the world in 2021 but despite these impacts, we made constructive improvements in our company. We managed greater absences from work as well as supply chain issues to deliver products under challenging circumstances. We dealt with raw material shortages and product availability well to serve customers in a strategic way. Our new and customer service organization was also able to work more efficiently due to improved processes compared to last year.

Despite the supply chain challenges and running at full capacity throughout the year, we had less unscheduled interruptions and stoppages in our plants for the second year in row. I would say that this is to a great extent due to the structural improvements in terms of our operational excellence programs throughout our production sites. These have included new types of production plans, increased use of production data and improved use of loading capacity and as well allocating more funds to general maintenance of our operations to make them more reliable and efficient. In addition, we continued our digital transformation as the more sophisticated use of data is helping to improve many areas of our operations.

During 2021, we hit production records in many of our sites, and the TMP production at our Perstorp site hit records both in the fourth quarter and for the full year.

## TOWARD BECOMING THE SUSTAINABLE SOLUTIONS PROVIDER

We have taken step towards creating a more sustainable business and offering, which I see as crucial to our overall long-term stability and profitability. Our sustainability and ESG performance already compares very well with other companies in our industry, but we have ambitions to further develop our sustainability leadership. I believe that Perstorp has an important role to play in the sustainability transformation of our industry and society in general.

We adhere to the global frameworks and are a proud signatory of UN Global Compact and its 10 principles, as well as supporting the UN Sustainable Development Goals.

We committed to the Science Based Targets initiative (SBTi) during the year and our science-based emission reduction targets for Scope 1, 2 and 3 that are aligned with the Paris Climate Agreement 1.5 °C scenario were approved in December 2021. We also launched new ambitious sustainability targets to integrate sustainability throughout our business and organization.

Our Pro-Environment product portfolio, which reduce CO<sub>2</sub> emissions and are based on renewable or recycled materials, continued





“We are creating a more sustainable business and offering, which I see as crucial to our overall long-term stability and profitability.”

its strong performance during 2021 and reached record levels in Q4 with +26% Y/Y. Our Pro-Environment solutions enable the sustainable transformation of various industries and end products. Pro-Environment products have enabled Perstorp’s customers to save substantial amounts of CO<sub>2</sub> in 2021 compared with standard products in 2021. Our positioning is strong and I am convinced that much of Perstorp’s future lies in Pro-Environment products, and this is an important transition for us. Our plant at Perstorp is already switching all our Polyols to entirely Pro-Environment products during 2022.

We are also transforming our operations to become more sustainable. This includes investing in sustainability improvements in our existing operations and in new plants, such as our new state-of-the-art Penta plant in New Gujarat, India, which will produce a renewable grade of Voxtar™ with up to 60 percent lower carbon footprint compared to standard Penta.

We made great progress in strengthening our health and safety culture and decreased our OSHAR rate in 2021 to a record low of 0.45. This is part of how we focus on acting responsibly in all situations, which is deeply rooted in our values and how we do business. Moreover, I see our success with health and safety as proof that when Perstorp focuses on something – we deliver.

#### DRIVING GROWTH IN OUR FOCUS SEGMENTS

We further strengthened our specialty position within resins and coatings through the acquisition of the Di-Methylolpropionic Acid (DMPA®) business from GEO. This acquisition further emphasized our commitment as the sustainable specialty solution provider within the resins and coatings segment.

In engineering fluids, our new Iso-C9 acid expanded our offering to increase our competitiveness. We see huge growth potential in engineering fluids due to the societal shift to electric vehicles and the recovery of the aviation market for example.



It’s been a challenging year for Animal Nutrition as they are one step further down in the value chain and were unable to pass on raw material costs to our customers. But our medium long-term belief is that there are significant value creation opportunities for us, with several new innovative products to be launched in the coming years.

#### THE ‘NEW NORMAL’ FAVORS PERSTORP

I firmly believe that 2021 wasn’t a one off in terms of success for Perstorp. We expect the trends of the market situation that we saw during the year to become the ‘new normal’ and will continue to shape the future. This includes a less global and more regional supply base, which suits Perstorp well as we are already an established regional player in Europe, the US and Asia.

As industry in general seeks to become more sustainable, a whole new world of opportunities is opening for Perstorp. The more sustainability commitments made by companies further down value chain, the better the market will be for us as they will require companies like Perstorp to provide the green alternatives and products to achieve their sustainability ambitions. Furthermore, the economic outlook looks brighter going forward, which will further benefit our business.

#### OUTLOOK FOR 2022 AND BEYOND

We will continue our proactive approach toward challenges such as increased costs for raw materials and energy as well as for continued supply chain issues in 2022. Our important focus areas will continue to be sustainability, health and safety, digital transformation, and expansion with our new plant in India and new application areas that include our Pro-Environment offering.

In light of Russia’s invasion of Ukraine, Perstorp has on 2 March 2022 taken the decision that the Group Companies will not do any further business with customers in Russia or Belarus. This conflict with its terrible humanitarian sufferings, provides also financial uncertainty. I believe we are well equipped to react to geopolitical externalities in the best possible way. I look forward to driving our ambitious change agenda together with our partners to continue to capitalize on the significant opportunities that are available to us in 2022 and beyond.

Malmö, April 2022  
Jan Secher

# Focused forward with a history of innovation

Founded by Wilhelm Wendt in Perstorp, in southern Sweden 140 years ago, we are still leading the way in our industry. Our founder might never have imagined the success of the modern enterprise we know as Perstorp today, a global specialty chemicals' company with products benefitting millions of people all over the world, every day.

You could compare a successful company with a great white shark. In its prime, it expands its territory, but if it dares to sit still for too long, it dies. Perstorp has a long track record of successfully reinventing itself through the years in order to remain relevant for its time.

1881

Perstorp founder Wilhelm Wendt registers his company, then named Stensmölle Kemiska Tekniska Industri. The company begins producing acetic acid, tar, charcoal and wood alcohol.

1930s

Despite a period of financial crises, Perstorp regularly introduces new plastic products. One of these, beech parquet floors, is a great success, and leads to the creation of Sweden's largest parquet factory.

1960s

The company undergoes a rapid expansion in terms of size, employees and research, and begins supplying the paint industry with polyalcohols made from formalin, which become increasingly important for the company.

2005

The focus on specialty chemicals is completed and extensive capacity investments are made in order to meet growing market demand. At the end of the year, private equity company PAI Partners acquires the Perstorp Group.

1920s

The emerging industries in Sweden become large consumers of plastic such as Perstorp's innovation Isolit (similar to bakelite). Production of laminates begins.

1940s

Perstorp opens Scandinavia's first modern plastics factory, with more than 10,000 different products – including everything from billiard balls to aerial masts.

1990s

Refocus of its core business to become a world-leading specialty chemicals company.

2006

Perstorp establishes a sales office in Shanghai for an increased focus on the rapidly expanding Asian market.



## 2011

Perstorp introduces new products to preserve animal feed and to promote the healthy growth of farm animals.

## 2015

A new production plant for Perstorp's Oxo production is inaugurated in Stenungsund.

## 2018

Owners, PAI Partners announce the transfer of their interest in Perstorp to a new fund managed by PAI Partners and backed by Landmark Partners and other co-investors. The divestment of the BioProduct business is finalized, and Perstorp increases its investment efforts in Animal Nutrition.

## 2020

This year, Perstorp, like most other businesses, has had to spend substantial time and effort to cope with the fallout from the Covid-19 pandemic. During the year, Perstorp revisited its strategic position and decided to implement a more simple organization, to be able to better capture the new challenges and opportunities arising from the changes in and acceleration of macroeconomic trends post Covid-19.

## 2013

A new production facility for Neopentyl Glycol (Neo) is inaugurated in Zibo, China, operating alongside the existing Trimethylolpropane (TMP) plant that was established in 2008.

## 2017

Perstorp adopts the bold sustainability ambition to become Finite Material Neutral. The world's first comprehensive portfolio of Pro-Environment Polyols is introduced to the market, including products that can contribute to a carbon footprint reduction of up to 80 per cent.

## 2019

Perstorp divests its Capa™ business to Ingevity, and the proceeds are used to deleverage and strengthen its balance sheet, as well as to invest in growth areas. A new capital structure through a debt refinancing agreement come into force and Perstorp is now very well positioned to achieve its long-term strategic objectives.

## 2021

Perstorp implemented the new strategic direction with a stronger focus on sustainability, specialty chemicals and three segments; Resins & Coatings, Engineered Fluids and Animal Nutrition. Financially, 2021 was a record year with a EBITDA of SEK 2.513 bn.

# The essential role of chemistry

Although the modern science of chemistry did not emerge until the 16<sup>th</sup> century, humans have engaged in chemistry for much longer than recorded history. After all – human beings along with all other beings are chemistry.

## FUNDAMENTAL TO MODERN LIFE

In modern times, chemistry has enabled us to live longer, healthier and richer lives than in previous centuries. We may not realize it, but our breakfast bread, the screen we work in front of and the fabrics in the sheets we sleep on at night would all be impossible to produce, were it not for chemistry. Both in our daily lives and in the complex processes of modern industrial plants and high-tech companies, chemistry is ever present. And so is Perstorp.

A world where humans do not engage in chemistry is inconceivable. Since chemistry is so intimately linked to progress, science and civilization, we must however make sure that we handle the power it gives us in a responsible and sustainable way.

## CHEMISTRY IS PART OF THE SOLUTION

When chemicals are discussed today, it is often in the context of their negative impact on the environment or health issues. The microplastics in the oceans, or harmful substances used in agriculture or as food additives are examples of general concerns. But while there are certain chemicals that in the wrong place become harmful, there are many more that are beneficial, and even essential for our societies and the ongoing transition toward a more sustainable planet.

Thanks to chemistry, the air and water in many European cities are cleaner today than 100 years ago. Chemistry will also play a key role in tackling climate change. This highlights a very important fact about chemistry – the solution to a chemical problem quite often requires 'better' and more sustainable chemicals.

## THOUGHTFUL CHEMISTRY

In this Annual Report, you can read about how Perstorp and our products overcome modern day challenges and how we contribute toward a more sustainable world by developing the chemistry of the future.


Thoughtful chemistry is Perstorp's pathway to creating sustainable value. Using our expertise in chemistry and engineering, we help to transform basic materials into high-value products that give our customers a competitive advantage.

## ADVANCING EVERYDAY LIFE


Perstorp's products and solutions advance everyday life almost everywhere – in the pockets, homes, offices and communities of practically every human being on the planet. Among many things we:

... make paint dry faster






... enable coating  
without solvents



... make cables  
softer and more  
durable



... improve  
energy efficiency in  
refrigerators



... support  
animal health  
and welfare

**... and we are finding ways to do all these things in more sustainable ways.**

We focus our innovation on real societal needs. Many of our products are required for a more sustainable society, with demographic changes, urbanization and the need to combat climate change.

# Global macro trends shape our business

Our business and the market segments we serve are shaped by a variety of global macro trends – some of them are more affected by the ongoing Covid-19 pandemic than others. Most of these macro trends create both challenges and opportunities for the chemical industry:



**The electrification of mobility**



**Urbanization driving the development of city structures**



**Changing food consumption patterns**



**Regionalization, with a continued high level of geopolitical tension**



**Accelerating sustainability regulations as well as customer expectations**

## THE COVID-19 MACRO CONTEXT IN PERSPECTIVE

If the world economy in 2020 was globally overshadowed by the Covid-19 pandemic, 2021 became a year characterized by a fast recovery in many markets. The IMF estimated that about \$16.5 trillion worth of fiscal stimulus was announced globally since the outbreak of the pandemic, in order to bolster the negative economic impact of Covid-19. Several of Perstorp's end market segments have recovered accordingly and in particular consumer goods spending has boomed.

The focus on climate change and the need for sustainability has increasingly come to the forefront as people think more about health and their broader relationship with nature. With respect to consumption preferences, the trend toward a stronger emphasis on experience versus ownership of physical goods continues. This supports the development of service models and a sharing economy, facilitated by technology. New regulations and governments increasingly connecting their spending to address climate change will support growth in renewable sources of energy, recycling and sustainable products.

Geopolitical tensions and conflicts are expected to continue and catch political attention, leading to a stronger emphasis on national independence and security. Major disruptions in global supply chains have led to significant shortages of key goods and components. Companies have realized the risk of having either a single supplier or suppliers that are located in the same region or country. The strive toward efficiency through longer and leaner supply chains has therefore instead become a trade-off between efficiency and resilience, leading to global trade becoming more regional.

For the chemical industry, these macro trends will redefine several markets, which may require new ways of working and even new business models. For example, the electrification of mobility, urbanization, changing food consumption patterns and regionalization, and first and foremost, climate change. The need for agility, preparedness and ability to act on and take advantage of what is happening in the outside world, rather than reacting, is more important than ever.

In light of Russia's invasion of Ukraine, Perstorp has on 2 March 2022 taken the decision that the Group Companies will not do any further business with customers in Russia or Belarus. This conflict with its terrible humanitarian sufferings, provides also financial uncertainty.



Of the current macro trends, changing demographics, urbanization and climate change are three trends that both have a profound impact on Perstorp's business but also present significant opportunities.

## Changing demographics



The global population is approaching eight billion people, with more people living healthier, richer and longer lives than ever before. Due to advances in healthcare, among other things, the average life expectancy in many industrialized countries has increased, with more countries expected to follow a similar trend as they become wealthier.

### IMPLICATIONS AND RESPONSE

A larger and more wealthy population naturally increases the demand for food and other resources. Sustainably feeding and providing resources to over eight billion people requires greater efficiency, better preservation techniques and reduced waste. This is where modern chemistry comes in.

At Perstorp, we produce additives that can improve gut health and performance for farm animals, preservatives for feed and food, and organic salt fertilizers. These products support healthier animals, higher food yields and reduced resource consumption in food production. Many of our solutions also promote resource efficiency in a wide range of other industries.

## Rapid urbanization



Over half the world's population now lives in urban areas and urbanization looks set to continue in the future. Cities facilitate interaction between people, the exchange of goods and ideas, and less need for long distance travel. However, they also place greater demands on infrastructure such as power grids and sanitation, and more careful planning and resource utilization with a focus on people's health.

### IMPLICATIONS AND RESPONSE

The challenge of delivering clean water and electricity to an urban population of millions, or even tens of millions, is significant and improved chemical products and ingredients are essential to enable urbanization. More densely populated areas are more sensitive to disturbances, such as a power fault in a major city may affect thousands of people, which highlights the importance of reliability.

Perstorp produces a number of products and ingredients that help make urban life easier and safer, in a number of areas – from environmentally friendly refrigeration and air conditioning, and biodegradable deicers to durable solvent-free coatings and phthalate-free plasticizers used in cables, flooring and other construction materials.

## Climate change and resource scarcity



The future for all life on Earth heavily depends on how climate change is managed in the coming decades. The chemical industry will play a major role in contributing to overcoming what is arguably the greatest issue of our time. It typically does this indirectly by producing chemical products that enable customers to reduce their direct emissions, but there is also a gradual shift toward renewable raw materials and value-based circularity.

### IMPLICATIONS AND RESPONSE

High-performance lubricants and biodegradable transformer fluids enable wind turbines to operate. This is just one example of the essential role the chemical industry plays in a low-carbon society.

Perstorp is also developing and producing a broad range of products based on renewable raw materials – our Pro-Environment Solutions – that reduce our own carbon footprint and to help others reduce theirs. The range of Pro-Environment products has gradually been developed and now includes more than 25 different products and grades.

# Strategy 2022–2026

In response to unprecedented challenges in the wake of Covid-19, Perstorp redefined its business strategy to become the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition market segments. Our ambition is clear – to create value and enable resilient long-term growth until 2026 and beyond.

## STRATEGY INSIGHT THROUGH MACRO ANALYSIS

The Covid-19 pandemic brought general market uncertainty and initially reduced the global demand for chemicals. The market recovered strongly in 2021, but Perstorp still took the opportunity to review its strategic position through an extensive macro analysis with global subject matter experts and several strategic 'deep dives' to redefine what kind of company we want Perstorp to be and how we get there.

## KEY MACRO TRENDS SHAPING OUR BUSINESS

Several global trends are creating challenges – but also providing significant opportunities – for our business. These include:

- The electrification of mobility
- Urbanization driving the development of city structures
- Changing food consumption patterns
- Greater regionalization with continued geopolitical tension
- Accelerating Sustainability regulations as well as customer expectations

## OUR MISSION

"We are the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets."

## OUR FINANCIAL TARGETS

Organic sales growth

>3%

EBITDA

>17%

of net sales and 2,500 MSEK

Cash conversion ratio

>80%

Average working capital

≤15%

Return on capital employed

>20%

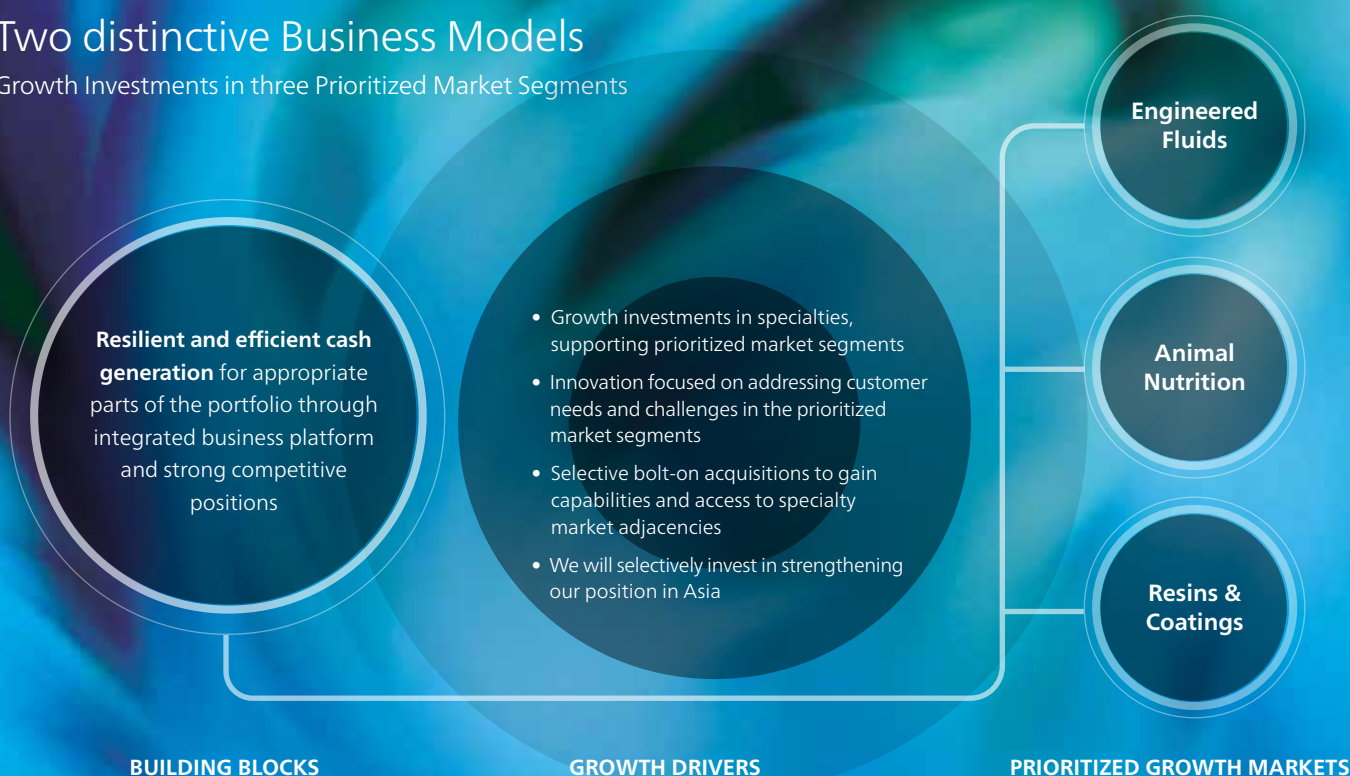


# Specialty and sustainability focused transition at the core

- Increased focus on our specialties and prioritized markets
- Sustainability at the core of our business
- Increased focus on Asia
- Investing in efficiency and availability

## Two distinctive Business Models

Growth Investments in three Prioritized Market Segments



# Increased focus on our Specialties and prioritized markets

Our current portfolio is made up of both Intermediate building blocks and specialty value add chemicals. Intermediates tend to be of larger volume with minimal variation from producer to producer, and are effected by fluctuating raw material costs and supply/demand dynamics. Specialties on the other hand are solutions that are customizable and often with unique properties, which means that they typically have low or limited competition and their price is decoupled from raw material costs.

While intermediate building blocks are still a material part of

Perstorp's business, we are accelerating the shift toward an increased share of specialty products within our three prioritized market segments, especially in niches where we see growth opportunities above average market growth. Specialty products have shown to bring greater economic stability and resilience over time, as well as more favorable opportunities to build future growth and help differentiate us in the market. They also offer our customers unique benefits and help them achieve their performance as well as sustainability ambitions.

Examples of fast growing niches for Perstorp's products:

## Resins & Coatings

- PUD
- Powder Coatings
- UV Resins

## Engineered Fluids

- Di-Electric
- Refrigeration

## Animal Nutrition

### CASE STORY:

## Acquisition of Di-Methylolpropionic Acid business

In 2021, Perstorp acquired GEO's Di-Methylolpropionic Acid (DMPA®) business. The acquisition further emphasizes Perstorp's commitment as the sustainable specialty solution provider within the Resins and Coatings segment through a leading presence in Polyurethane and Alkyds dispersions and the waterborne coating markets.

The acquisition will allow Perstorp to make further investments in innovation and additional capacities that help its customers and society in general by driving the shift toward renewable raw mate-

rials and sustainable technologies. Bis-MPA has represented a key building block in Perstorp's offering for over 20 years and enables a technological shift from solvent to waterborne formulations.

"Additives for waterborne resins and coatings technologies are a key area for future growth, and we see great potential in the market for Bis-MPA™ together with the acquired DMPA®. This acquisition will both allow further development of our offering and enable long-term investments to safeguard future availability," says Jan Secher, President and CEO of Perstorp Group.



# Becoming the sustainable solutions provider

We are committed to reducing the environmental footprint of our operations and our product by working toward our Finite Material Neutral objective and reducing our greenhouse gas emissions through our science-based reduction targets. We abide by external sustainability frameworks, which also help shape our strategy. These include the Paris Climate Agreement, the UN Sustainable Development Goals, and alignment with the EU Green Deal – including EU Chemicals strategy for Sustainability and Fit for 55.

However, we cannot do this alone and value chain collaboration is essential. We must build more sustainable value chains together with our customers, suppliers, partners and peers. According to the Perstorp Macro Study, demand for sustainability will be a key driver of the chemicals market and its investments in the many years to come, as all actors in the value chain seek more sustainable solutions to meet their growing ambitions in the area. This involves shifting from fossil-based raw materials to circular and/or bio-based, which will be critical enablers for our business and the entire value chain going forward.

Read more in the Sustainability section of this report on pages 34 to 47.



## Increased focus on Asia

Asia remains a strong driver of global growth and we will increase our focus on developing our business organically and potentially through M&A in the region. Our new strategy is targeting the growing Asian market by both making investments in our production capacity as well as in growing our share of specialty products and focusing on our prioritized market segments.

We will be focusing on innovation to address customer needs in our prioritized market segments. In addition, selected bolt-on acquisitions will be considered to gain capabilities and access to specialty market adjacencies in order to build up a substantially larger share of Specialties compared with Intermediates in our Asian markets.

### CASE STORY:

## Project Elephant

Perstorp is constructing a state-of-the-art greenfield plant in Gujarat, India, for the production of Penta, Di-Penta and Calcium Formate. The plant will strengthen Perstorp's production capabilities and will capture strong local growth by increasing the abilities to better serve both our current and new Penta customers in India, South East Asia and Japan.

Pre-Marketing activities have been kicked off, such as participation in trade shows, sampling, various customer communication, and when the Covid-19 situation allows, customer visits to the plant.



# Investing in efficiency and availability

Perstorp has a global production footprint with fundamentally efficient and flexible platforms. In order to further improve competitiveness, we will continue to make efficiency investments in our platforms to increase reliability and availability and to maximize value generation. This involves developing cost competitive, reliable and sustainable manufacturing systems where data can make us faster, safer, more stable in our production and increase output.

## Areas of strengths for Perstorp's production platforms

### ACCELERATING USE OF DATA

Use of existing data, and identifying more data sources, will open up for production stability, efficiency gains and quality improvement.

### PRODUCTION STREAM OPTIMIZATION

Ability to extract value from side streams, e.g. Formates, given superior product quality and application expertise.

### OPERATIONAL EXCELLENCE

Deployment of Operational Excellence at all production sites including standardization of working processes and efficiency improvements, with activities increasingly linked to the company's digital transformation.

### CASE STORY:

## Driving operational excellence for increased competitiveness in Stenungsund, Sweden

As part of Perstorp's global Operational Excellence program, systemic improvements were made to improve efficiency, reliability and availability of product at the company's Stenungsund site in southwest Sweden in 2021.

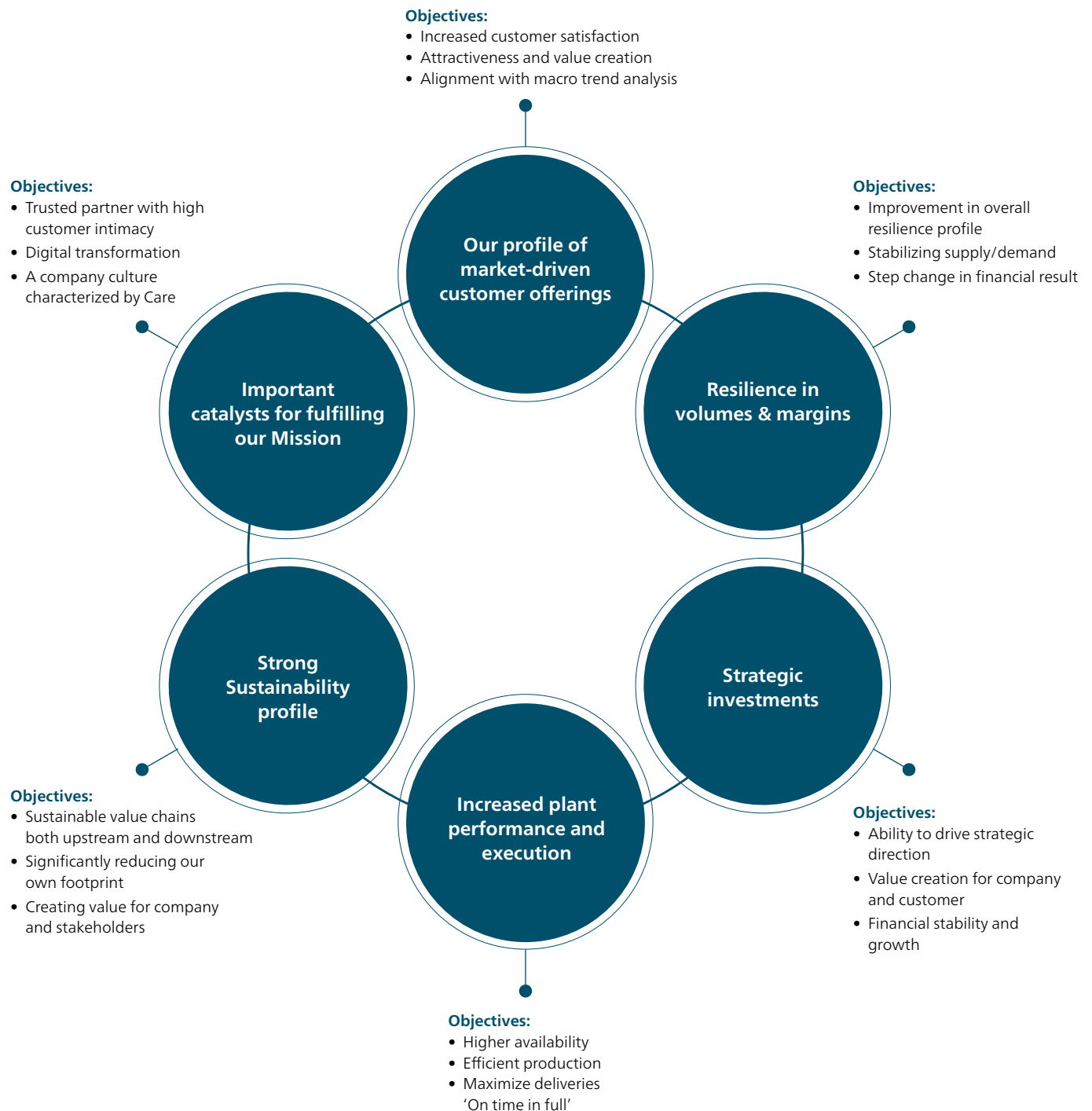
The work reduced direct variable production costs through a variety of activities and efficiency measures during the year. Better planned maintenance means that interruptions get fixed quicker and there is less downtime. Throughput time was significantly reduced, which has also freed up substantial capacity in the plant.





# The cornerstones of creating tomorrow's business

Our strategy is based on six cornerstones – each with their own objectives going forward:



# A market focused business model

With its offering to the market, Perstorp addresses essential needs in targeted growth markets and ultimately improves the quality of everyday life for many people around the globe. We are developing our current and future market segments with the objective to deliver above average market growth and profitability in the coming years. This involves evolving our business by discovering and developing business opportunities to create our next new focus segments. We are also driving business growth in strategic segments through investments in selected specialties, strategic mergers & acquisitions and focused market positioning, especially within sustainability.

Providing our customers and partners with our extensive application knowledge is essential to help improving and developing their processes. We will also continue to focus on the important touch points along our the customers' buying journey and strengthen the Perstorp brand experience in these touch points.

## DEVELOPING OUR FOCUS SEGMENTS

By 2026, we aim to have increased our share of sales from specialty products substantially, with increased customer intimacy. We will do this by:

- Developing in-depth increased segment expertise in selected strategic markets with a focus on application knowledge.
- Prioritizing projects that favor sustainable specialties in strategic segments and the Asian region.
- Developing a customer centricity model throughout the Perstorp organization and redesign the customer journey.
- Developing marketing channel expertise and effective content management to drive growth through the creation of strategic-aligned touchpoints.
- Creating an inclusive innovation model with customers, suppliers and partners.
- Creating innovative and sustainable value propositions including performances, services and marketing, fulfilling customers' current and future unmet needs in strategic markets.
- Enabling digital transformation to create new business models.
- Divesting non-core and non-sustainable activities, acquiring new portfolios and specialty companies enabling us to go into down-stream solutions.

## Innovation drives our business into the future

Our innovation is focused on exploring new opportunities and collaborating closely with the business and operations to support our customers and plants. Guided by long-term drivers, customers and legislative needs for substitution, we extend our portfolio with complementary, safe and sustainable products, applications and technologies that drive the development of our business.

We consider value chain extension into formulated products and/or services where we can make a difference. We also look to develop new strategic segments with good growth, competitive market positions and strong business performance. Perstorp has extensive collaboration with external networks that include universities, institutes and industry for exploring and developing processes, products, applications and competences.

Innovation is also important for sustainability and the development of products and sustainable manufacturing systems with a reduced footprint. This helps us to develop circular systems and replace unsustainable chemicals with sustainable alternatives. Before end of 2022, the majority of our polyols produced at our Perstorp site will be converted to Pro-Environment versions.



# Customer Excellence

Perstorp not only delivers value through its products and solutions but also through longstanding and stable customer relationships and strong market positions. We always strive to serve customers in the very best way possible, and the customer facing teams do their utmost to secure that customers get what they need.

Utilizing digital services and tools is a natural step to further advance the support and service to customers. We are now in the process of implementing a systematic and structured approach to our strategic pricing with the objective to ensure consistent margin uplift for the company through value-based differentiated pricing logic and services. This includes sales training and increasing our internal understanding of the value we bring to customers. Furthermore, we are looking into how to serve customers more efficiently and increase the convenience for how they can manage their business and interactions with Perstorp through a digital customer portal.

# Drawing on data

Digital Transformation has been defined as an important catalyst for the transformation of Perstorp that brings concrete business outcomes, such as service improvements and operational efficiency. One important focus area is to improve the way we collect and make use of data throughout the company. Our objective is to make data a valuable company asset – to enable us to better predict and draw accurate conclusions on our markets and business performance. We are already doing this in some parts of our business, but we intend to apply it to our entire business. Data accessibility and quality is also a base for driving and developing sustainability improvements.

An improved approach to data will create value for Perstorp and transform how we do business by:

- Ensuring data is trustworthy, accessible and has the right qualities.
- Promoting digital competence, tools and expertise to explore and find value.
- Making the necessary resources and processes available to ensure accessibility, quality and security.

## CASE STORY:

## Development of a digital customer portal – MyPerstorp™

Our sales and support teams spend a lot of time securing that our customers get what they need, and every issue – small or big – is attended to. With the help of increased use of digital tools, we see that some of the tasks that we serve our customers with could be done more efficiently, reducing both waiting time for the customer and administration time from Perstorp's perspective.

To serve customers more efficiently and increase the convenience for how they can manage their business and interactions with Perstorp, a new digital customer portal was developed. The portal is called MyPerstorp™ and has been tested with customers starting January 2022, with the aim of finding a solution where customers could enter a web-based customer portal for their convenience to:

- get an instant overview of the current order and shipping status
- order and re-order products in a few clicks
- adjust an order
- get instant access to essential product information

MyPerstorp will be further developed and gradually rolled out during 2022 and onwards.



# Resins & Coatings

Perstorp has almost seven decades of experience working with resins and coatings that can protect structures, increase durability and enhance both the processability and appearance of a range of surfaces for customers in various industries and end applications.

## Key drivers shaping our markets

- Improving living standards
- Resource efficiency
- Growing need for safe infrastructure
- Intensified search for sustainable chemistry

## Strengths of Perstorp's offering

- Relationships with innovators throughout the value chain
- Broad portfolio of products with low carbon footprint
- Leading market positions

## BENEFITING CUSTOMERS AND SOCIETY

Perstorp's resins and coatings help customers achieve their business goals by preserving value and maintaining functionality. For example, coatings can protect and preserve high-capital investments such as a ship or building, and make existing assets look like new, which contributes toward a more sustainable future by helping to extend their useful lifespan. Additionally, coatings are a relatively affordable way of increasing the value of an asset. Functional coatings can give surfaces new properties, such as scratch resistant wood flooring to withstand wear and tear or protective resistance and natural feel for synthetic leather.

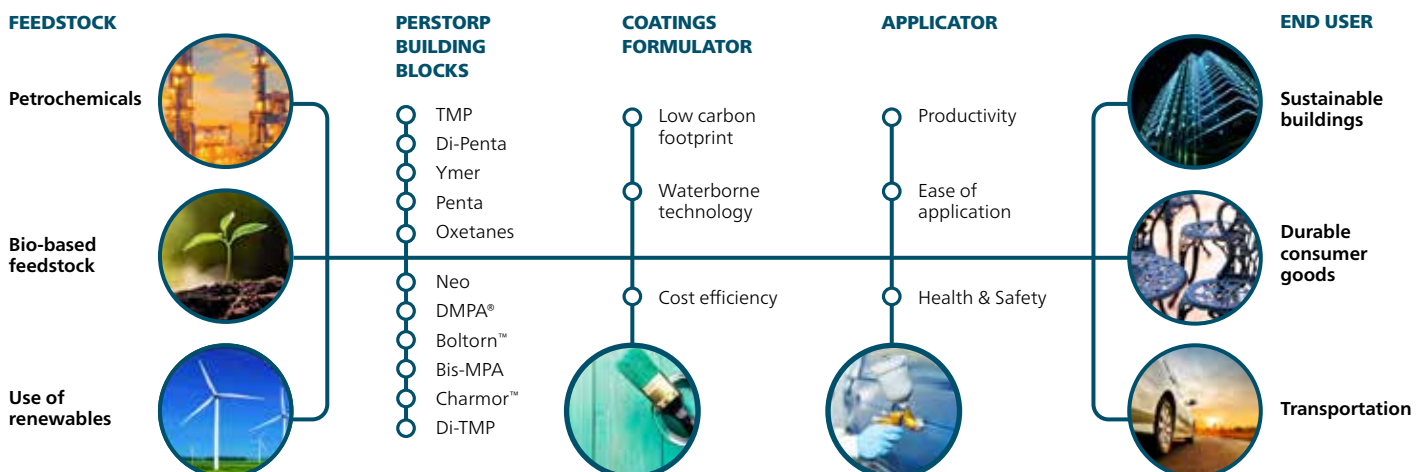
## OUR OFFERING

Our expertise, market leadership, global presence and solid portfolio of building blocks allow our customers to focus on what they do best – creating winning resin and coating formulas. We deliver products within various market segments, including waterborne and solvent borne alkyds, powder polyesters, unsaturated polyesters, liquid polyesters and UV curables. Through our ISCC certified Pro-Environment portfolio, we provide renewable alternatives for several products to ensure a significant carbon footprint reduction. The positive developments seen in the past years continues for the Passive Fire Protection segment (intumescent paints) as well as for the Radiation curing segment.

Perstorp's acquisition of GEO's Di-Methylolpropionic Acid [DMPA®] business at the end of 2021, further emphasizes the company's strategic presence in Polyurethane and Alkyds dispersions – and marks a vital step to becoming a specialty leader in various waterborne coating markets.

## Resins & Coatings value chain

Perstorp is located at a first key step of value creation, turning feedstocks into value-added building blocks for resin manufacturing.





## Our Resins & Coatings sub-segments



### Alkyds

Perstorp helps alkyd resin producers to cost-effectively meet the growing demand from consumers for improved performance, sustainability and safety – including meeting low-VOC legislation and reducing carbon footprint.



### Powder polyesters

Perstorp offers a comprehensive product portfolio for powder coating solutions for a variety of indoor and outdoor applications.



### Intumescent coatings

Our carbon donor for intumescent coating systems support fire protection for steel and wood structures, reduce time for people to evacuate safely while protecting property in the event of a fire.



### Liquid saturated polyesters

Perstorp's product portfolio and service offering for high-performance liquid polyesters significantly reduces environmental impact and customer costs.



### Liquid unsaturated polyester

Our unique portfolio, including allyl ethers, significantly improves performance, while our new drop-in renewable polyols reduce customer carbon footprint.



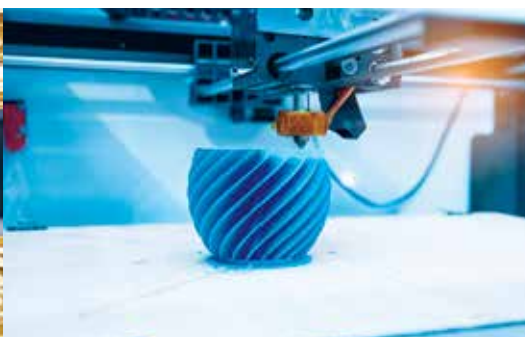
### Polyurethane dispersions (PUD)

Our PUD building block products, such as Ymer™, Bis-MPA™, DMPA® and renewable polyalcohols give resin producers the flexibility to choose the exact properties they require while promoting sustainability.



### Cationic curing

We provide the best building blocks for cationic formulation to meet the most demanding printing and coating applications on tricky surfaces with the highest demand on adhesion, low migration and final print quality.



### Radiation curing

Perstorp offers a unique portfolio of polyols and specialty building blocks to design and develop superior and customizable UV curable monomers and oligomers.



# Engineered Fluids

Perstorp is a global leader in offering building blocks for polyol ester synthetic lubricants. Our broad portfolio of carboxylic acids and polyols combined with a deep expertise allows us to deliver the most optimal solution for current and future synthetic lubricant applications.

## Key drivers shaping our markets

- Increasing performance and durability requirements
- High energy efficiency
- Substitution of mineral oils
- Environmental and fire safety concerns

## Strengths of Perstorp's offering

- Highly innovative solutions
- Broad portfolio of products to reduce green house gas emissions
- Integrated with Perstorp's efficient Oxo and Polyols supply platforms

## BENEFITING CUSTOMERS AND SOCIETY

Synthetic lubricants have many different beneficial applications in society that promote sustainability, safety and a more circular economy.

This includes more environmentally responsible polyols esters that can replace mineral oils, and lubricants that reduce the risk of fire, promote safe aviation by being resistant to both extreme heat and cold, or enable more environmentally friendly air conditioners. They can also reduce the need for oil changes and maintenance, which helps avoid leaks and optimizes the lifecycle of equipment.

Synthetic lubricants offer higher and more predictable performance properties and can be engineered to best suit specific and complex applications. The switch toward synthetic lubricants is driven by the requirements of increasingly sophisticated and complex end products as well as by legislation and environmental concern.

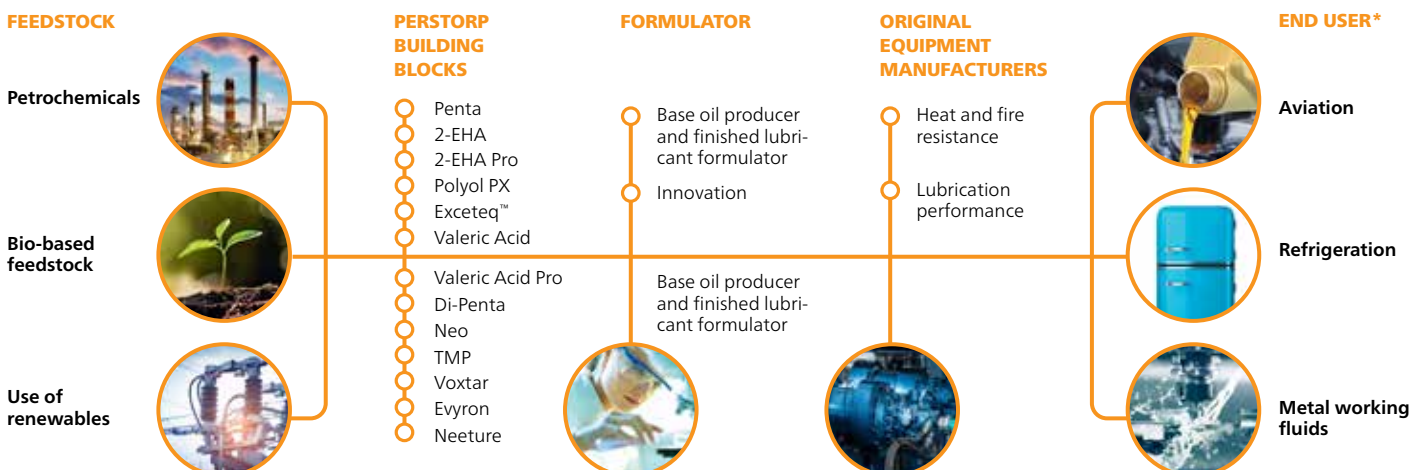
## OUR OFFERING

Perstorp is a one-stop shop for high quality materials for polyol ester base stock. We offer the broadest portfolio of polyols, alcohols and acids on the global market, which combined with our deep expertise, helps customers find the most optimal solution for their particular application. In 2021, we strengthened our dedicated team that works closely with customers and industry partners in the value chain to ensure we continue to develop the necessary optimal solutions for the future.

During the year, we have put more efforts and resources behind our Pro-Environment solutions. In accordance with our aim to be a leader in renewable products and solutions, as well as proactively nudging the industry to greener solutions, we will continue to develop and launch more sustainable products in the coming years.

## Synthetic lubricants & engineered fluids value chain

Perstorp is located at a first key step of value creation, turning feedstocks into value-added building blocks for resin manufacturing.



\* Final lubricant adds, e.g. lubrication for fuel efficiency, less maintenance due to durability, fire-safety, bio-degradability etc.

## Our Engineered Fluids sub-segments



### Refrigeration lubricants

Perstorp is the world's largest producer of raw materials for key base stock (POE) used in refrigeration lubricants, and has an unrivaled polyol portfolio combined with a strong acid portfolio, including sustainable alternatives. Supporting the sustainable transformation in the cooling industry, Perstorp is the world's largest producer of key raw materials for polyol esters.



### Aviation turbine oils

Synthetic lubricants are important to maintain reliability and safety for air traveling and smooth air freight operations, Perstorp is the largest producer of the key raw materials for high-end aviation turbine oils.



### Transformer oils and di-electric fluids

Perstorp is the world's largest producer of the key raw materials for high end polyol ester based transformer oils and di-electric fluids.



### Metalworking fluids

As a major supplier of neopolyols, Oxo alcohols, acids for synthetic esters and TMP (Trimethylol propane), Perstorp is an industry leader and offers cutting-edge sustainable alternatives. To reduce the environmental impact and offer a safer working environment.



### Automotive engine oils

Perstorp's broad portfolio of top-quality neopolyols, oxo alcohols, acids for synthetic esters (POEs) and TMP (Trimethylol propane) benefits producers of synthetic base stock for automotive engine oils.



### Hydraulic fluids

Perstorp offers top-quality neopolyols, oxo alcohols, acids for synthetic esters and TMP (Trimethylol propane) to the hydraulic fluids market.



# Animal Nutrition

Devoted to success in animal gut health and feed preservation.

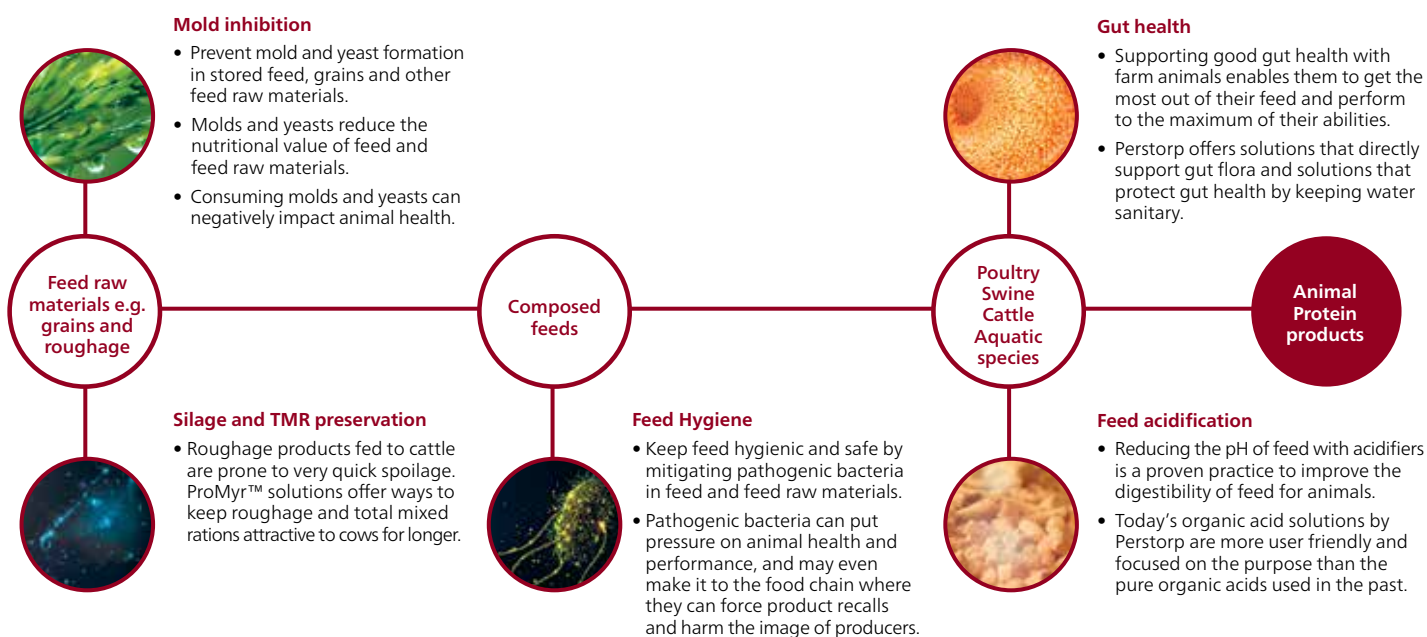
## Key drivers shaping our markets

- Growing global demand for animal protein
- Pressure to reduce the use of antibiotics
- Increasing focus on food safety
- Sustainable animal protein production
- Digitalization and automation of the industry

## Strengths of Perstorp's offering

- Dedicated global organization
- One of only a few producers of key organic acids
- Innovative and experienced specialists in animal health and nutrition
- Working in animal nutrition additives since the 1960's

## Feed to fork value chain





## PERSTORP PROVIDES SOLUTIONS TO THE ANIMAL NUTRITION INDUSTRY THAT:

Support animal gut health and improve feed utilization to meet the increasing demand for animal protein while requiring less feed ingredients and reducing the need for antibiotics.

Help to keep animals safe from feed spoiling agents such as pathogenic bacteria (e.g. Salmonella), molds and yeasts.

Provide customers with a competitive advantage and unique selling points for their feed.

Feed costs traditionally comprise up to 70% of the costs of animal production. Consequently preventing feed waste due to spoilage or contamination, and setting the animals up for successful utilization of the feed's nutrients are major keys to success. The goal is to require less feed per animal and still get better results with healthy animals. Small gains per animal can make a tremendous difference in yearly results. That is why we are so passionate at finding the best solutions for our customers and developing the answers for the challenges and customer demands of the future!

### ANIMAL NUTRITION IN 2021

The ambitious targets set for the portfolio of existing products, as well as for new products, requires large investments. The SkyTrain program has been running since 2020 with the aim of increasing the production capacity for Animal Nutrition products in Waspik, the Netherlands. The upcoming line of products is created with customer demand and customer convenience in mind, and will give Perstorp Animal Nutrition a stronger market position over time, with a first launch in early 2022.

Pioneering tributyrins solution ProPhorce™ celebrated 10 years of commercial application in 2021. ProPhorce™ SR quickly became one of the company's star products to support gut health and performance. The innovative application of the esterification process ensured odorless butyric acid that is released where it is of most benefit to the animals, which revolutionized the market. Over the course of a decade, it has become one of the means of choice, with more than 20 billion broilers treated and used in more than 50 countries worldwide. To mark the occasion, Perstorp organized a series of activities to celebrate and commemorate the product's accomplishments.



# Our culture drives performance

At Perstorp, we nurture a company culture with a strong element of Care that contributes to driving both financial performance and customer value.

## PURPOSE AND PROMISE

It is important that all our employees understand Perstorp's reason for being, and that they feel inspired in their everyday at work. Our purpose enables us to ensure that we create chemistry that advances everyday life for the better. We fulfill our purpose through our promise – to give our customers a competitive edge to advance everyday life.

We have been in business for 140 years and we have always strived to be in sync with the world around us and reinvented ourselves several times to anticipate and meet customer needs.

## OUR VISION

As the world is changing at an ever-changing pace, what is 'best' today might be acceptable tomorrow but inadequate next year. This is why it is important to have a vision to strive toward and to constantly develop as a company.

Perstorp's vision is to become the first choice for companies seeking a competitive edge from chemistry that advances everyday life. This involves focused innovation in our product portfolio and processes, as well as in how we approach and respond to our customers.

## OUR VALUES

Perstorp's values guide the way we work internally, as well as with our business partners, surrounding communities and stakeholders. We have built our company culture on our values, to create a working environment where ideas can blossom, and people can thrive.



## Care

Lead with heart

As the core of everything we do, Care is about safety, health and life, 365 days a year – for everyone, including our employees, customers, suppliers and other stakeholders.



## OUR MISSION

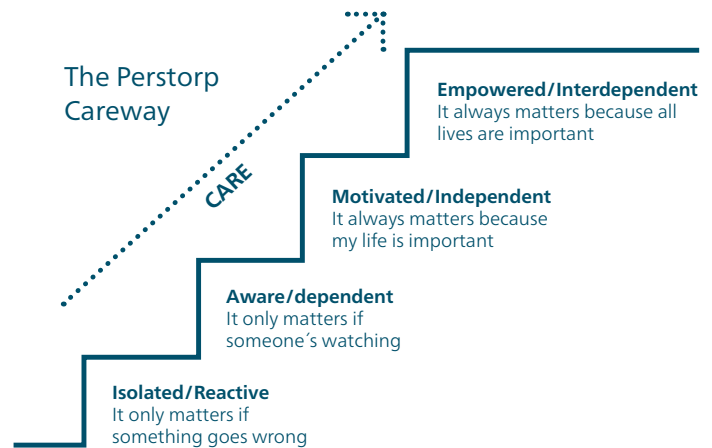
Perstorp adopted a Mission in 2021, as an outcome of a strategic review process: "We are the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets". The Mission defines what Perstorp aspires to become and is more thoroughly described in the strategy section of this report.

"We are the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets."

## CARE IN EVERYTHING WE DO

We are committed to ensuring healthy and safe workplaces – 365 days a year. Everyone in the company, regardless of position, task or location, is included in our ambition to become a caring company – in all aspects. Care is an integral part of our culture and is one of our core values.

We have created our own way of defining Care with a strong focus on leadership and how we support our employees in the ever-changing and challenging work environment – the Perstorp Careway. The Careway defines the maturity level of our organization in terms of caring behaviors, and we are working to raise the level of maturity throughout our entire company.



## Responsibility

Do right

We have a responsibility to not only follow the rules, but to do what's right by advancing everyday life through a long-term holistic approach to create value.

## Reliability

Keep the promise

We are always there for our customers, partners and colleagues, and reliably deliver on our promises and the expectations of others.

## Focused Innovation

Make it better

A focus on innovation ensures we constantly look for improvements and make things better for people and the planet – in those areas and instances where it really matters.

## CULTURE RELATES TO PERFORMANCE

Our values unify the Perstorp culture and drive our organization, actions and results. This core strength combined with an outside-in market approach truly sets us apart from our competitors. We are convinced that this fuels our vision – to be the first choice for companies seeking a competitive edge to advance everyday life.



# A place to learn, develop and make a difference

As a global team of scientists, engineers and business professionals working to drive sustainable innovation and progress in chemistry, we believe that every individual can make a significant difference. Perstorp has the ambition to be a modern and attractive employer, that empowers and offers development opportunities to enable all employees to be at their best when at work.

## WELCOME TO PERSTORP

Although we have operations in several countries, we are still considered a relatively small company – with 1,450 individuals contributing toward annual net sale of 13.5 bn SEK in 2021. This means that nobody stays anonymous at Perstorp, and everyone's performance really counts.

With sites located from Toledo in the West (US) to Zibo in the East (China) and with our roots in Perstorp, Sweden, we have a diverse workforce. Perstorp takes a proactive approach to diversity, including gender equality. We have a diversity policy, as well as targets for diversity and equal opportunity – such as 'women among new managers and senior managers' and 'non-Swedes among new senior managers'.

## WORKING AT PERSTORP

Perstorp is a global company with a long history and strong culture. We aim to empower employees by providing opportunities to develop and grow, as well as giving them the autonomy to decide what is best for our customers and our company.

Through our global presence, Perstorp's employees have the chance to work with cross-functional teams in many different ways, and thus connect with colleagues around the globe.

## COVID-19 MITIGATION AND NEW WAYS OF WORKING

Perstorp continued to closely monitor the Covid-19 situation throughout 2021, and actions were taken to avoid disruption to our business and to protect the health of our employees. The additional quality and hygiene measures implemented throughout production sites and offices during 2020 remained.

All employees that were able to work remotely from home have done so when it was stipulated by official regulations. Thereafter a hybrid-model was implemented with work partly from a Perstorp

office and partly from home, bringing together the best learnings made during the first 18 months of the pandemic. The model has been designed for performance, flexibility and a good work-life balance.

## THE IMPORTANCE OF COMMUNICATION

The Covid-19 pandemic continued to place tough demands on our teams and individuals during 2021. Many employees continued to work from home for much of the year, not being able to physically meet with colleagues. Perstorp continued to develop its communication channels, directed at both employees and managers. Major events were held digitally, such as the annual Perstorp Leadership Meeting and All Employee Meeting for the implementation of the new strategic direction. Many employees participated in internal and external communication activities to encourage networking and the sharing of experience.

## GROWING WITH PERSTORP

To realize the full potential of our employees, Perstorp offers a wide variety of training courses, leadership programs, talent management, skill development and individualized development plans. In 2021, like in 2020, the majority of these activities took place remotely via digital tools.

Every employee reviews their performance with their immediate manager in order to set and follow up targets, and to discuss their career ambitions. This is done on a regular basis through the Group-wide Performance Management & Development process (PMD).

Perstorp aims to recruit the majority of critical roles internally, including both leaders, specialists and project manager roles. To be able to fulfill this ambition, we employ a thorough annual talent management process where we identify and develop employees with a specific development potential. These employees with the willingness and ability to advance, are added to a talent pool from which we recruit for critical roles.



#### EMPLOYEE SURVEY TOOL FOR CLOSER MONITORING

A new employee survey tool was introduced in 2020, which involves conducting surveys on a monthly basis throughout the company. From 2021, we have made benchmark comparisons, and the whole concept encourages the closer monitoring of organizational performance measures.

#### ACCOUNTABILITY AND EMPOWERMENT

Perstorp is a customer-centric company, which means that we always put customers first to create substantial long-term customer value. At the same time, our work begins internally with our people, culture and leadership – to promote both accountability and empowerment.

Accountability is essential to the way we work as we take ownership for our shared future. We also want employees to be empowered to have the confidence to make the decisions needed for the best of the company.

#### TALENT, COMPETENCE AND CULTURE

Talent is essential to the success of an organization and there is intense competition for talent. New competences and jobs are emerging with the sustainability and digital transformations in society. The competitive landscape for recruiting and retaining the right future competences through talented employees is getting tighter.

To achieve real and lasting success, Perstorp must excel both in terms of competence and culture. For an organization dominated by engineers, the need for competence is obvious but our culture is equally as important. Without a culture that drives motivated and empowered employees to make the right decisions at the right time, Perstorp will not realize its full potential.

#### LEADERSHIP AT PERSTORP

In recent years, we have successfully transformed how we do business and operate our company, and the transformation continues. Our employees must be prepared and equipped accordingly, in order to take accountability and to adapt to and lead change.

Perstorp invests in leaders that can develop other leaders, our employees and the company. We offer leadership programs that provide opportunities for personal development and empower our leaders to get the best from their employees – to promote the development of our entire company.

We strive to build a high-performance culture and are very clear about expected employee and manager behavior. Perstorp's leadership behaviors are based on our values Care, Responsibility, Reliability and Focused Innovation. We encourage the following leadership behaviors connected to each of our core values:

##### CARE

- Act with integrity
- Create psychological safety

##### RESPONSIBILITY

- Proactively lead change
- Act strategically
- Drive cross-functional collaboration

##### RELIABILITY

- Provide a seamless customer experience
- Deliver results
- Make clear decisions

##### FOCUSED INNOVATION

- Promote a learning culture
- Lead and develop others

# 140 years of remarkable innovation

At Perstorp, we've spent 140 years thinking about tomorrow, constantly reinventing ourselves, finding new ways of using materials and developing smart solutions to advance everyday life in an ever-changing world.



## Humble beginnings

Our journey began in 1881 when Wilhelm Wendt built the first small-scale plant for dry distillation of beech wood in the village of Perstorp in southern Sweden. At the time, many people were doubtful of his idea to 'make money out of smoke'. Little did they know that the plant laid the basis for what 140 years later would be a global specialty chemicals company with products that benefit millions of people all over the world, every day.



## Isolit innovation drives growth

In 1917, the first isolit plastic products for electronics were developed, building on their electrically insulating properties. The radio boom in the 1920s and 1930s drove Perstorp's success in isolit products, which were also used to manufacture everything from the laminate plates for mounting electrical components, to knobs, displays and decorative speaker protectors.



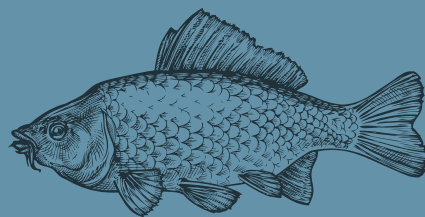
## Plastic fantastic

In the 1920s, Perstorp began to build a strong national – and later international – market position within plastics, both as a producer of molding compounds and as a manufacturer of plastic components and products for industry and consumer use. This continued to be an important part of the business for many years. One of the iconic plastic products developed was the green garbage can, which can still be found on most driveways in Sweden and was designed to help improve the collectors' working conditions.



## Largest fish farm in Scandinavia

In the 1930s, Perstorp owned the largest fish farm in Scandinavia with over 800 hectares of small lakes. Carp and other fish were shipped in tanks by train to Stockholm, Gothenburg and cities in Europe. During World War II, the fish farmed by Perstorp became an important part of Sweden's food supply, delivering 25 tons of fish a year. As new fishing techniques such as trawling were developed, fish farming became less profitable and Perstorp delivered its last carp fish in 1950.







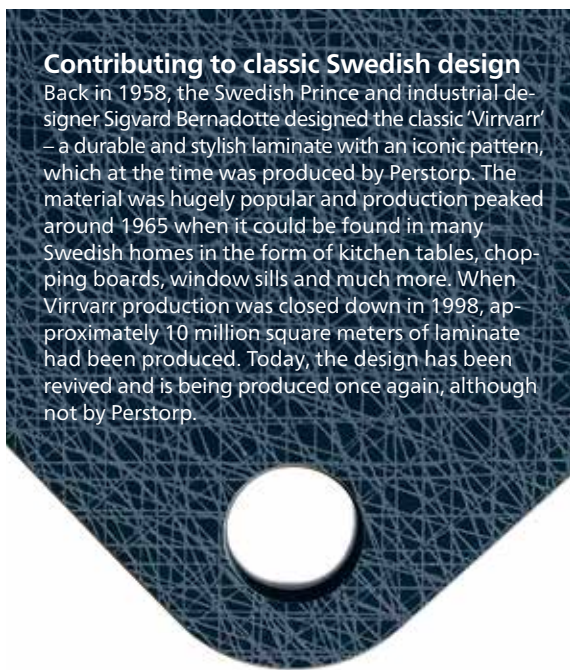
## Decorative silverisolit for royal weddings and astronauts

Wilhelmina, one of Perstorp founder Wilhelm Wendt's 12 children, became the first woman in Sweden to be granted the title of Master Silversmith. In the mid-1940s she returned to Perstorp village, where she combined her silversmith work with isolit – the first plastic product developed by Perstorp. With the name 'silverisolit', she created decorative products such as plates, bowls and serving dishes. Silverisolit became so popular, that the Swedish Royal Court ordered a product as a wedding gift for Prince Rainier III of Monaco and Grace Kelly, and NASA presented silverisolit products to its astronauts after the first moon landing in July 1969.



## Contributing to classic Swedish design

Back in 1958, the Swedish Prince and industrial designer Sigvard Bernadotte designed the classic 'Virrvarr' – a durable and stylish laminate with an iconic pattern, which at the time was produced by Perstorp. The material was hugely popular and production peaked around 1965 when it could be found in many Swedish homes in the form of kitchen tables, chopping boards, window sills and much more. When Virrvarr production was closed down in 1998, approximately 10 million square meters of laminate had been produced. Today, the design has been revived and is being produced once again, although not by Perstorp.



## The Perstorp name is born

By 1966, 'Stensmölle Kemiska Tekniska Industri' had been around for 85 years and the company was undergoing a rapid expansion in terms of size, employees and research – truly creating the foundation for modern chemistry. While evolving into a more modern corporation, the decision was taken to also modernize the name of the company. The name 'Perstorp AB' sees the light of day for the first time. With the new name, came a new logo, but did you know that the symbol inside the Perstorp 'P' is based on the alchemist's symbol for acetic acid – our first chemical product.

## Sustainability pioneer

Back in the 1980s, Perstorp became one of the first companies in Sweden to hire a Sustainability Manager and to publish a Sustainability Report. With our roots in circular thinking, even our current bold ambition to become Finite Material Neutral can be traced back to one of our very first products in the 1800s – formalin – which was produced from residual products from charcoal production. What we do matters and each step we take toward sustainability is good for everyone and the planet.

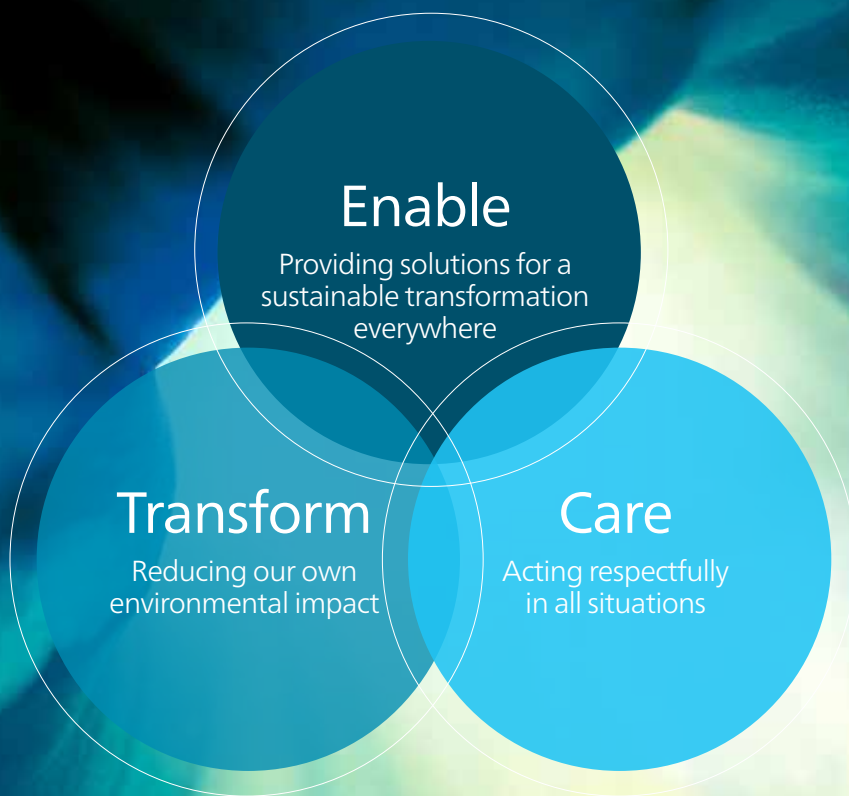


## Focused Innovation over time

Looking back over the last 140 years, we see a series of ground-breaking innovations, which have shaped the history of Perstorp – from creating formalin from charcoal in the 1800s, which led to the first plastic material in Scandinavia, to the first renewable Penta, Voxtar™, in 2010. Or even more recently, we launched Project Air – our initiative to produce sustainable methanol using residue streams and renewable raw materials for a climate-neutral chemical industry. For us, Focused Innovation is therefore much more than invention, it is finding what truly matters to people and for the planet, and making things better tomorrow than they are today.

# The sustainable solutions provider

At Perstorp, we aspire to make a significant positive impact in society by enabling sustainable solutions everywhere we are present. We drive sustainable innovation in the industry, at the same time as we continue to transform our own operations.



## Our sustainability approach

Our approach to sustainability is made up of three elements – Enable, Transform and Care. We work with all three simultaneously to ensure a holistic approach to optimize our sustainability work.

### Enable

Our products are used by and required for the sustainable transformation of many industries and end products. This gives us the opportunity to drive change within entire global value chains by supporting new sustainable solutions (read more on page 38-39).

### Transform

As the chemical industry has a large environmental footprint, the sustainability transformation in our industry will have a significant positive impact. This is our responsibility and a prerequisite for society's ability to survive and thrive in the long-term (read more on page 42-45).

### Care

We operate in an industry where accidents can have severe consequences and where our business and decisions impact many people. Therefore, health and safety is a top priority, and acting respectfully and fair with regards to people, environment and society are deeply rooted in our values and how we do business. (read more on page 46-47).

## Sustainability highlights 2021

**New science-based climate targets** – we committed to the Science Based Targets initiative (SBTi) and our science-based emission reduction targets for Scope 1, 2 and 3 that are aligned with the Paris Climate Agreement 1.5 °C scenario were approved in December 2021 (read more on page 42-43).

**New Sustainability targets** – a framework for corporate sustainability targets was developed and the first targets set (read more on page 43).

**New (eco) toxic impact targets** – aligned with the EU Chemicals Strategy for Sustainability were launched for 2030 (read more on page 43).

**Internal carbon pricing system launched** – that will drive investments toward projects that reduce CO<sub>2</sub> (read more on page 44).

## Our strategy

We have the opportunity to make a great positive impact; by driving change, transforming our production and enable new solutions that will help industries and products everywhere become more sustainable. We are fully committed to do so and to always act respectfully with regards to people, environment and society.

Our priorities are based on a sustainability materiality analysis, taking our stakeholders' perspectives as well as our company's sustainability related impact, risks and opportunities into account

(more information on our 2021 materiality analysis can be found on page 95). Our priorities are also aligned with the UN Sustainable Development Goals and the Paris climate agreement.

### ROOTED IN OUR MISSION

Being a sustainable solutions provider is part of our corporate mission. As the sustainable solutions provider we drive the sustainability transformation in society, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets.

## An evolving policy and regulatory landscape for the chemicals industry

With 96 percent\* of manufactured goods relying on chemicals, the chemical industry greatly influences, and is influenced by, the rapid developments in sustainability. The European Union is paving the way, but similar developments are also expected in the Americas and Asia. The below initiatives are expected to shape Perstorp's and the industry's future. Being part of the solution and able to influence such policy will be crucial to long-term success.

**EU Green Deal** – a coordinated set of policies and legislation aiming for decoupled economic growth and net-zero emissions in the EU by 2050. Perstorp will contribute to the ambition of achieving climate neutrality by improving our own as well as our customers' climate performance. An important theme is circular economy, where Perstorp is aligning by developing solutions that help ensure the end products where our chemicals are used can be reused or recycled. The Green Deal also includes a zero-pollution ambition for a toxic-free environment to which we are aligning and contributing.

**Fit for 55'** – covers key EU climate legislative proposals and policy initiatives. The aim is to achieve the EU Green Deal and reduce emissions by 55 percent by 2030. Perstorp has excellent opportunities to contribute, for example by working towards our Finite Material Neutral ambition and reaching our Science Based Targets for 2030, aligned with the Paris Climate Agreement 1.5 °C scenario.

**EU Chemicals strategy for sustainability** – a part of the Green Deal package, that works toward the EU zero-pollution ambition and is closely linked to REACH by prohibiting hazardous substances from consumer products. As REACH addresses the production and use of chemical substances, and their potential impacts on both human health and the environment, Perstorp has a key role to play by bringing more safe and sustainable products to the market. Our (eco) toxic impact targets are a first and important step to align our business with this ambition.

\* Cefic position paper on Chemical Strategy for Sustainability 2020.

**In 2021, we made good progress** and decreased our OSHAR rate to a record low level of 0.45.(read more on page 46).

**Revised Code of Conduct** – our code was revised in 2021 to better reflect our business practices including the addition of our core value Care (read more on page 47).

**Introduction of Pevalen™ Pro** – our new non-phthalate plasticizer is based on renewable material according to a traceable mass balance concept, with a reduced carbon footprint (read more on page 40).










**Collaboration developed more sustainable alkyd paint** – the more sustainable paint was developed as part of the Gothenburg City's fossil-free, low-climate impact buildings initiative (read more on page 41).



## Our 2030 targets

During 2021, Perstorp worked to further define the areas where we need to transform our own operations, in order to set 2030 targets to guide our sustainability ambitions. For some of the areas, targets have been set, for others this will be done during 2022.

In 2022, we will also define targets that ensure we continue to be an enabler of the sustainable transformation, as well as targets to ensure we don't stop caring for fundamental rights and responsibilities.

Target area	Indicator	Target
  	Greenhouse gases	
	Absolute emissions of CO <sub>2</sub> equivalents in scope 1&2	> -46.2%
	Emissions of CO <sub>2</sub> equivalents per ton sold products in scope 3	> -27.8%
 	Water	Fresh water consumption > To be defined during 2022
 	Waste	Generation of hazardous and non-hazardous waste > To be defined during 2022
 	Toxicity	
	Products reaching the consumer or professional market that are chemicals of concern	> 0
	New developed products that are safe and sustainable chemicals	> 100%

## Finite Material Neutral

Our long-term ambition is to become Finite Material Neutral, which is a very bold ambition. It reflects the areas where Perstorp has its greatest footprint for its operations and becoming Finite Material Neutral will involve switching to alternative resources that are abundant and/or renewable, or closing loops, and recycling or using those that are finite.

Finite materials are non-renewable resources that cannot be created or produced once the original stores are depleted, or that are used up at a faster rate than nature can replenish them.

Perstorp works with the following focus areas to become Finite Material Neutral:

**Raw materials** – switch to 100 percent renewable, recycled or reclaimed raw materials.

**Energy** – improve energy efficiency and use only renewable or recovered energy.

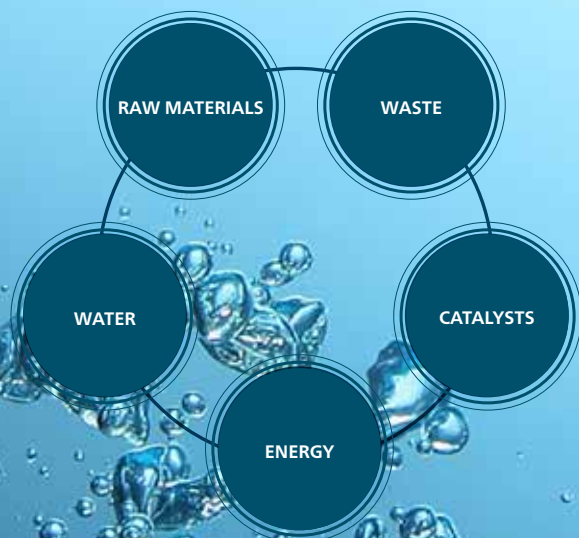
**Water** – reduce our total water footprint and ensure that we do not affect the environment or human health negatively through our water use or water effluents.

**Waste** – prevent, reduce, recycle and eliminate waste in all phases of its value chain.

**Catalysts** – reduce our use of catalysts, and only use reclaimed or recycled catalysts.

## Working toward reduced environmental impact

Our journey to become Finite Material Neutral will significantly reduce Perstorp's environmental impact as well as give our customers a competitive edge in meeting the global demand for more sustainable solutions. At Perstorp, we focus our innovation on how our products and solutions provide and/or enable more sustainable alternatives compared to the standard market offering. Innovation also involves exploring increased resource efficiency and value-based circularity.



## Contributing to the UN Sustainable Development Goals (SDGs)

Perstorp is committed to the SDGs and Agenda 2030. By providing more sustainable solutions that enable innovation in virtually all industries, the chemical industry can contribute to a more sustainable society. Our industry is critical for the global sustainability

transformation due to its ability to provide solutions that can directly support many of the SDGs.

Our business has significant potential to make a meaningful positive contribution to SDGs 3, 6, 7, 12 and 13, which is explained below.



Target 3.9

### What we do

By working actively with our production processes and products, we substantially contribute to reducing the number of deaths and illnesses from hazardous chemicals, as well as air, water and soil pollution. We have recently set new (eco) toxic impact targets on our products to ensure that our employees, customers and end-users are not negatively affected by the chemicals we use and produce. Comprehensive occupational and environmental safety measures at all production sites (and similar requirements on our suppliers) also reduce the risk both of handling hazardous chemicals and causing human harm through pollution.



Targets 6.3 and 6.4

### What we do

We proactively limit all kinds of pollution to water, from our production as well as our products. We work to increase water-use efficiency and water recycling across all production sites and ensure that our freshwater withdrawals do not interfere with the need for safe and affordable drinking water and food production. None of our sites are based in areas of water scarcity.



Targets 7.2 and 7.3

### What we do

Much of the transition to a low-carbon society relies on a major switch to renewable energy within all sectors to ensure accessible and affordable clean energy for all. Perstorp contributes to this shift by switching the energy sources at its sites to renewable alternatives, which will be accelerated in the coming years. A large proportion of our procured electricity also comes from renewable sources.

Another way to meet the future increased demand for clean energy is to improve energy efficiency, which we continuously work with in our operations. In addition, many of our products, such as synthetic lubricants and engineered fluids, are directly geared to reduce energy consumption further down the value chain.



Targets 12.2, 12.4, 12.5 and 12.6

### What we do

To ensure sustainable and responsible production, Perstorp needs to transform production processes as well as natural resources used throughout the value chain. Therefore, we have set an ambition to be finite material neutral and we proactively work to improve resource efficiency in our own operations and place requirements on our suppliers. We constantly innovate to promote resource efficiency, waste minimization and the use of renewable or recycled materials and sustainable technologies. With our targets on (eco) toxic impact we are also stepping up our management of chemicals and minimizing their adverse impacts on human health and the environment.

The products we develop shall have a lower environmental impact and be based on renewable or recycled resources. We increasingly offer products to customers that promote recyclability and circularity.



Targets 13.1 and 13.3

### What we do

As a leading chemicals company, we have a responsibility to take action on climate change. We have set comprehensive and ambitious Science Based Targets to reduce the climate impact of our operations and our value chain in line with the Paris Climate Agreement 1.5 °C scenario. We also raise customer awareness on how our products can help them to reduce their carbon footprint.

## Sustainability governance

Perstorp's Board of Directors are ultimately responsible for our financial and non-financial performance, including sustainability, which is a regular topic at Board Meetings. The strategic and operational management of sustainability is delegated to the Executive Leadership Team (ELT) and headed by the EVP Communications & Sustainable Transformation, who is a member of the ELT. In early 2021, the role of VP Sustainability was created to drive, develop and oversee Group sustainability work. A cross-functional sustainability team drives our ambitions and builds internal processes and capabilities.

Perstorp is also in the process of linking the incentive plan of each member of the Management Team to performance on relevant sustainability indicators. This will be launched in 2022.

Perstorp's main sustainability-related policies are our Code of Conduct, Sustainability Policy, Health and Safety Policy, Environmental Policy, Security Policy, Anti-Bribery Policy, Policy on Competitive Matters, Vendor Policy, Global Travel Policy and General Data Protection Policy. Our Code of Conduct was updated in 2021 (read more on page 47).

The Perstorp Group is third-party certified to the ISO 9001:2015 quality management system and the ISO 14001:2015 environmental management system. We are also a signatory of the global chemical industry's commitment Responsible Care. Perstorp is a member of the International Sustainability and Carbon Certifica-

tion (ISCC) Association and the manufacturer of Pro-Environment products that are certified to ISCC PLUS. Since 2004, Perstorp has been a signatory to the UN Global Compact, which requires us to commit and adhere to its ten principles relating to human rights, labor, the environment and anti-corruption. Finally, Perstorp annually reports to EcoVadis and last year received a Silver medal for its sustainability work.

## Innovation drives our sustainability work

Innovation is a major driver for the development of more sustainable products and processes. Perstorp is a part of various R&D collaborations with academia, SMEs, research institutes and other partners to develop more sustainable solutions. New products are developed in line with a safe and sustainable by design approach and are often based on renewable or recycled materials that enable circularity. Innovation also focuses on developing more efficient production processes that reduce our own environmental impact.

All of our current external research collaborations, including 16 consortia and over 160 partners and with a total R&D budget of over 500 MSEK, are executed in line with our sustainability strategy. This includes topics such as bio-based raw materials and de-fossilization, chemical recycling, CO<sub>2</sub>/carbon capture and utilization (CCU), process intensification (electrochemistry, heterogeneous catalysis) as well as industrial biotechnology.

# Enable

## Providing solutions for a sustainable transformation everywhere

Our products are used by and required for the sustainable transformation of many industries and end products. This gives us the opportunity to drive change within entire global value chains by supporting new sustainable solutions.

### WE ENABLE SUSTAINABLE SOLUTIONS THROUGHOUT THE VALUE CHAIN IN TWO WAYS:

#### 1 Pro-Environment solutions

By pioneering our Pro-Environment products that reduce CO<sub>2</sub> emissions throughout the value chain.

Ideally, we combine these aspects, to provide products that both contribute toward sustainability downstream and that have a lower environmental impact. An example of this is our product Pevalen™ Pro, which is a non-phthalate plasticizer made from mass balanced renewable material.

#### 2 Downstream sustainability contributions

Innovating sustainability benefits which our products can enable for products or processes of our customers and next steps in the value chains. For example enabling recyclability of the products along the value chain, improve durability of the end product, safe materials, support development of systems/processes with lower impact.

### PIONEERING PRO-ENVIRONMENT SOLUTIONS

Our Pro-Environment products range enables our customers to bring renewable based products with reduced carbon footprint to their respective end markets. The Pro-Environment product portfolio also contributes to Perstorp achieving Finite Material Neutral and aligning with the Paris agreement by driving the shift toward renewable raw materials and energy.

The criteria for a Pro-Environment product are:

- Partly or fully renewable or recycled origin
- Carbon footprint reduction
- ISCC PLUS certified
- Based on an ISCC certified mass balance concept applying chemical and physical traceability

Perstorp's expanding Pro-Environment portfolio today consist of four groups of products: Polyols, Specialty Products, Acids and Plasticizers.



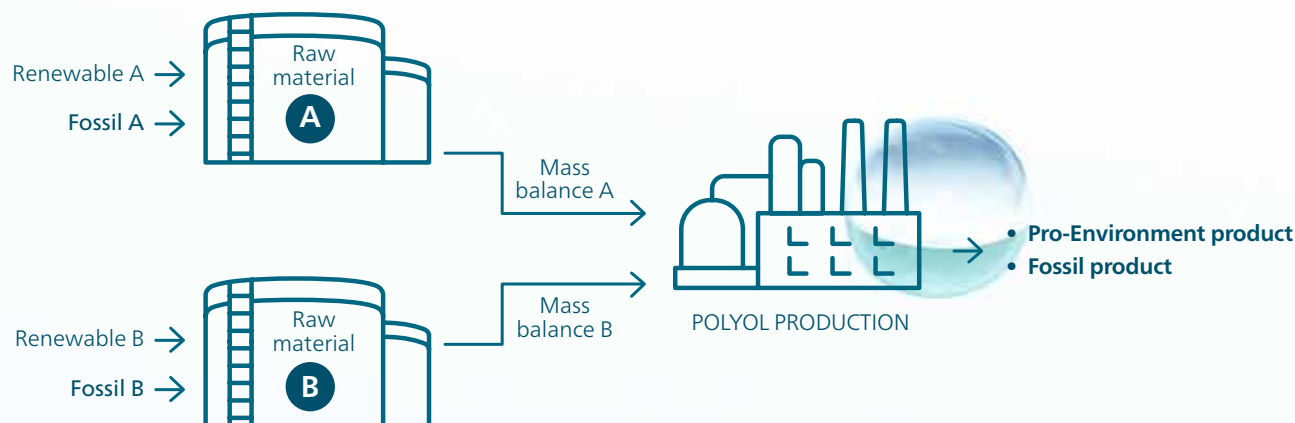
## THE MASS BALANCE CONCEPT

Today these products are produced according to a traceable mass balance concept. Mass balance involves mixing fossil and recycled or renewable materials in our existing systems and processes while keeping track of their quantities and allocating them to specific products.

We apply traceable mass balance which acknowledges the basic principles of mass balance but applies chemical and physical traceability. Applying chemical and physical traceability means that it is possible to find renewable or recycled material in the product and

that the real transition of that product is gradually taking place from fossil to fully renewable or recycled. Our mass balance is certified according to the sustainability certification ISCC PLUS (ISCC - International Sustainability & Carbon Certification).

Furthermore, our Pro-Environment products are drop-in, meaning that they are chemically identical, to the fossil-based products they can substitute. This avoids the need for customers to alter their products, equipment or processes when switching to more sustainable solutions.



Raw materials transported to the site where they are used. No transfer of credits within the company.

The raw materials can only replace their own share of the product.

The raw materials are used in the process unit where the product is being produced.

There is a possibility of finding sustainable molecules in the end-product.

## DOWNSTREAM SUSTAINABILITY CONTRIBUTION

As a remarkable 96 percent of all manufactured goods rely on chemical products, opting for sustainable building blocks can have a huge impact throughout an entire value chain. We are constantly innovating to enable more sustainable solutions that support the sustainable transformation of our customers and value chains. In

fact, all Perstorp innovation projects has to have a sustainability driver. Often we do this in close partnership with our customers or partners. The result are products that often contribute toward sustainability in many ways for our customers' and the value chains products – by for example improving durability, recyclability, substitution and material safety.



Substitution of toxic substances.



New alternative solutions for replacement of products in the value chain which are based on scarce resources.



Enable recyclability of products along the value chain.



Improved durability/prolonged life-time of end-product.



Support/enable systems with lower impact: e.g. shift from solvent borne to waterborne resins/coatings systems.



Resource efficiency improvements in the value chain (e.g. at our customer and customers customers).

# Pevalen™ Pro – same performance, lower footprint

Pevalen™ Pro is a bio-attributed plasticizer based on our mass balance concept, ready to be dropped into existing formulations with Pevalen™. It is a true non-phthalate plasticizer for flexible PVC, designed for close to consumer applications, with performance better or equal to traditional general-purpose plasticizers.

Pevalen™ Pro offers the same outstanding performance as Pevalen™, as it's the same innovative molecule. However, this is very different in the way that it is made. Every part of the engineering process has been carefully considered, and the result is a Pevalen™ molecule that relies more on renewable content, which in turn reduces the carbon footprint and environmental impact.

**“We believe that flexible PVC with Pevalen Pro is the perfect combination as it offers precisely what brand owners and consumers are looking for – a high-performance product with a significantly lower environmental footprint,” says Betty Lu, VP Oxo chemicals. “So far we can offer Pevalen™ Pro up to 36 percent of mass balanced renewable content. In 2022, we will work with our selected partners with the aim to launch our 100 percent mass balanced renewable Pevalen™ Pro.”**

## AKESTRA™ – UPCYCLED PET

Akestra™ is an example of enabling the upcycling of post-consumer recycling polyethylene terephthalate (PET) to replace virgin polystyrene (PS) and polypropylene (PP) in food packaging when heat resistance is required (hotfill food applications such as fruit purées and jams). Due to current food safety, post-consumer recycled PP or PS cannot be used in food packaging and recycled PET cannot meet the technical requirements needed. By providing heat resistance, Akestra™ can enable recycled PET to be used, which replaces virgin PS or PP.

## SUSTAINABLE BUILDING BLOCKS FOR ENGINEERED FLUIDS

Majority of Perstorp's building blocks for polyol ester base oils come in Pro-Environment grades. These provide downstream sustainability benefits, such as reducing CO<sub>2</sub> emissions. Polyol ester based synthetic lubricants can be used as high-efficiency coolants, as lubricants to reduce friction between machine parts and in the thermal management of electric vehicle batteries.






## Perstorp develops sustainable paint for Gothenburg City

Through collaboration with the paint manufacturer Gjöco, Perstorp developed a more sustainable alkyd paint for the Gothenburg City's fossil-free, low-climate impact buildings initiative. Perstorp drew on its experience of developing alkyd resins for industry, including paint companies such as Gjöco, to develop a more sustainable next-generation wood coating for outdoor applications.

Unlike typical products on the market that contain a high proportion of fossil-based materials, the paint contains an extraordinarily high proportion of non-fossil material. This is due to the use of alkyd emulsion, which is based on Perstorp's renewable polyols, Voxstar™ and Eviron™. Thorough tests by the Danish Technological Institute showed outstanding results in extreme weather condition tests for both warm and cold climates.

**"This paint is a great example of how industry can support larger sustainability initiatives such as Gothenburg's fossil-free, low-climate impact buildings initiative," says Anna Berggren, Vice President Sustainability.**



## Expanded Ymer™ range to broaden sustainability application areas

In 2021, Perstorp expanded its Ymer™ nonionic dispersing monomer range for greater sustainability with two additional grades – N90 and N180. The Ymer range now includes three different grades that allow no/low solvent Polyurethane Dispersions (PUD) and reduce the amount of harmful amines.

The N90 and N180 grades have longer and shorter ethoxylated ion chains respectively for different application areas. This has an impact on various properties for in the final formulation and enables our customers to broaden their formulation window. The grades can be used for applications such as coated textiles and coated artificial leather as well as glass-fiber sizing.

**"Ymer reduces the need to use solvents that contribute to Volatile Organic Compounds (VOCs), which has a negative impact on environment," explains Jenny Klevås Global Marketing Director at Resins & Coatings. "This enables our customers to manufacture products that are less harmful to both people and the environment."**



# Transform

## Reducing our own environmental impact

As the chemical industry has a large environmental footprint, the sustainability transformation in our industry will have a significant positive impact. This is our responsibility and a prerequisite for society's ability to survive and thrive in the long-term.



### Our environmental targets 2030

We have a holistic way of working with reducing our environmental footprint and are in the process of developing and launching 2030 targets for our four Transform focus areas – Climate, Water, Waste and (eco) toxic impact.

The chemical industry has for a long time been dependent on fossil feedstock and linear production processes, often with large environmental impact as a consequence. This means that if we are able to find new sustainable ways of producing the necessary chemical products, the impact will be extensive. Therefore, we have set ambitious targets for the areas where we can make the largest positive change. We are fully committed to significantly reduce our impact, and are turning every stone to find new ways of working to reach our corporate sustainability targets, and eventually become Finite Material Neutral.

## GREENHOUSE GAS EMISSIONS

Specialty chemicals manufacturing involves energy intensive processes and Perstorp production sites use significant amounts of energy. We therefore focus on energy efficiency and the transition to renewable energy at our sites.

In 2021, we committed to the Science Based Targets initiative (SBTi) and our science-based emission reduction targets for our scope 1, 2 and 3 emissions were approved. Our targets are aligned with the Paris climate agreement 1.5 °C scenario.

### What are Perstorp's scope 1, 2 and 3 emissions?

Scope 1 emissions – Direct emissions from production sites. Scope 2 emissions – Indirect emissions from purchased energy. Scope 3 emissions – Indirect emissions mainly related to raw materials, transport, waste and end of life of products.

## TARGETS 2030

- Scope 1 & 2 emissions – absolute CO<sub>2</sub> reduction of 46.2 percent between 2019 and 2030.
- Scope 3 emissions – CO<sub>2</sub> reduction of 27.8 percent per ton product sold between 2019 and 2030.

## WATER

Perstorp's production sites all use water to some extent – as a solvent for chemical reactions, a carrier for products, a heat-transfer medium or for cooling. Water is part of our overall Finite Material Neutral ambition and we work to reduce our water footprint through efficiency and reuse technologies.

## TARGETS 2030

- A target to reduce our freshwater consumption is being developed and will be launched in 2022.

## WASTE

Minimizing waste in all phases of production remains a priority at Perstorp and waste is one of the focus areas of our Finite Material Neutral Ambition. We strive to avoid the generation of waste by focusing on quality management at all our production sites and finding new, circular ways of using our residues. When waste cannot be avoided, we strive to divert it from disposal in landfill and incineration by recycling it or preparing it for reuse.

## TARGETS 2030

- Two different targets to reduce our hazardous and non-hazardous waste are being developed and will be launched in 2022.

## (ECO) TOXIC IMPACT

We work continuously to ensure that all the chemicals we launch on the market are safe for humans and the environment. We also want to future proof Perstorp by making sure we have safe and sustainable products that meet increasing demands from brand owners as well as adhering to the EU Chemicals Strategy for Sustainability (part of EU Green Deal). Safe chemicals in the market also enable circularity as they are easier to process and recycle. Our (eco) toxic impact targets 2030 were launched in 2021.

## TARGETS 2030

- No chemicals of concern should reach the consumer or professional market.
- Newly developed products should be safe and sustainable by design.

### What is Perstorp's (eco) toxic impact?

The (eco) toxic impact is the impact that chemicals produced by Perstorp have on human health and the environment.

(Eco) toxic is derived from both eco-toxicology and toxicology. Eco-toxicology refers to the impact chemicals have on the environment, and toxicology to the impact on humans.

### What is chemicals of concern?

At Perstorp, we use the 'chemicals of concern' concept, which is wider than substances of very high concern (SVHC). If we produce a chemical of concern, we ensure it is only used as an intermediate.

We always ensure the safe use of all the chemicals we put on the market throughout the value chain and continuously drive the development of minimizing hazards in our product portfolio. Any new intermediate products that are of concern will only be marketed if they can accelerate the sustainable transformation.



# Ways of working

## Project Air – Chemistry for climate neutrality

Project Air is an initiative to make the chemical industry climate neutral, with far-reaching benefits throughout industrial value chains. Together with partners Fortum and Uniper, Perstorp will produce 200,000 tons of sustainable methanol for chemical manufacturing using circular production methods. This will reduce carbon dioxide emissions in various value chains by up to 500,000 tons per year, corresponding to the annual emissions of around 340,000 new cars running on fossil fuel.

During 2021, Project Air made good progress. An organization was formed to drive the project in the next intensive phase and collaboration between the project partners deepened. In March, the project was allocated approximately EUR 30 million by the Swedish Energy Agency.

## Perstorp puts an internal price on carbon emissions

Perstorp took an important step towards enabling greenhouse gas emission reductions last December when it began applying Internal Carbon Pricing for Scope 1, 2 and 3. Internal Carbon Pricing is a way to future proof a company by helping to drive investments which improves sustainability and reduces CO<sub>2</sub> emissions. It is a mechanism to put an internal price on our CO<sub>2</sub> emissions and take this into account in business cases and as the guiding principle for decision making.

"Reaching our science-based targets will require big efforts, including reducing energy consumption at our production sites and shifting to renewable or recycled energy and raw materials sources," says Anna Berggren, VP Sustainability at Perstorp Group. "The investments and decisions we make today will generate emissions in the long future. Therefore, the informed decisions we make need to take this risk factor into account to support our journey towards our targets in 2030 and beyond. Internal Carbon Pricing is one very concrete way to implement sustainability aspects into our financial decision making process."






## A new investment category for Sustainability improvements

In 2021, we established a new investment category, which is dedicated to investments in projects with sustainability benefits. This includes everything from large investment projects in our processes to smaller improvements such as installing more energy efficient windows and electric vehicle charging stations. The size of this investment category was significantly increased in 2022.

This category is intended to enable investments that have sustainability benefits and will be an important driver towards our 2030 sustainability targets. Our projects in this category can also have lower ROI requirements to ensure we prioritize important sustainability-driven investments.



## Setting (eco) toxic targets

As sustainability efforts often tend to focus on CO<sub>2</sub> emissions and resource use, tangible targets for toxicity are often lacking among chemical companies. Perstorp launched two new targets to drive its work with (eco) toxicity in 2021.

The targets are aligned with the EU's zero pollution ambition in the EU Chemicals strategy for sustainability and the EU Taxonomy Regulation (objective 5 pollution prevention and control) and support the UN Sustainable Development Goals 3, 6 and 12.

"Our new (eco) toxic targets demonstrate our commitment to reducing impact on humans and the environment, and they make our position on toxicity clear to customers," says Christoffer Paulsson, Vice President Regulatory Affairs. "We will firm up on these new targets in the coming years, but they will certainly help guide us to establish more stringent testing, screening and reviewing processes for our products – both existing products and those under development."

# Care

## Acting respectfully in all situations



We operate in an industry where accidents can have severe consequences and where our business and decisions impact many people. Therefore, health and safety is a top priority, and acting respectfully and fair with regards to people, environment and society are deeply rooted in our values and how we do business.

### RESPONSIBLE BUSINESS

As a responsible business, we also have to be a responsible employer, buyer, business partner and corporate citizen, as well as operating our company in a thoughtful manner – to bring 'Thoughtful Chemistry' to the market. We believe that managing our business responsibly is the basis for long-term business success. We work continuously with sustainability with the aim of making gradual progress, which often involves working on multiple fronts – including responsible sourcing, anti-corruption and sustainability governance.

### CARE 365: EMPLOYEE HEALTH & SAFETY

We seek to constantly strengthen our health and safety culture maturity since we believe this is the foundation for a healthy and safe workplace. Perstorp made great progress in our health and safety efforts and decreased the OSHAR rate in 2021 to a record low of 0.45. The gap between contractor and own employee OSHAR rate was closed on the lowest level since the measurement started, a result of dedicated work by many employees. We have also succeeded in our ambition to reduce our contractor incident (OSHAR) rate to the same level as our own employees.

We have a comprehensive plan for the development of a strong health and safety culture and to ensure continuous development, we work with the 'Perstorp Careway', which is a model that focuses on the characteristics and behaviors of organizations with a strong health and safety culture. We measure the development of our health and safety culture throughout our company through internal assessments and our Careway development progressed according to plan in 2021.

We have adapted to the ongoing Covid-19 pandemic by often going beyond national requirements to protect the health of our employees. Additional quality and hygiene measures have been implemented at our production sites and offices, employees that

## Improving contractor safety

Perstorp has successfully improved contractor safety by working with the entire contractor lifecycle and by establishing long-term relationships with preferred contractors. The injury rate for contractors was comparable to Perstorp employees at the end of 2021.

In 2019, the injury rate for contractors was over four times higher than for employees and Perstorp set about closing this gap. A comprehensive initiative was launched to work throughout the contractor lifecycle – from procurement and induction to monitoring, coaching and evaluation.

Contractors are now selected based on their safety competence and previous performance. Once on site, Perstorp monitors their work and behavior against our internal safety standards, and contractors are subject to reprimands and even removal from site if they do not meet our standards. Finally, contractors are evaluated on their safety performance to assess if they can be used again in the future.

**"This process will help us to establish long-term relationships with contractors that share our high standards of health and safety," says Eva Trulsson, Vice President Responsible Care. "Our contractor relationships should be based on respect, trust and dialogue, where the dialogue works both ways as we can also learn a great deal from our partners to improve how we work with health and safety."**



can work remotely from home have done so and social distancing has been applied everywhere. We had no major outbreaks in 2021 and our efforts have been well received by our employees.

#### **MENTAL WELL-BEING AND PREVENTATIVE HEALTHCARE**

In 2021, we launched a new training for all managers regarding work environment and health and we piloted a new way of working with and following up occupational illness. This included greater focus on mental wellbeing and preventative healthcare. In addition, our performance management process has been improved to facilitate better discussions between manager and employee with regards to health.

#### **EMPLOYEE DEVELOPMENT**

We aim to empower employees by providing opportunities to develop and grow. We offer a wide variety of training courses, leadership programs, talent management, skill development and individualized development plans. In 2021, the majority of these activities took place remotely via digital tools. Every employee regularly reviews their performance with their immediate manager – to set and follow up targets, and to discuss their career ambitions.

Perstorp aims to recruit the majority of critical roles internally, including both leaders and specialists. In 2021, we restarted our Talent Management and succession process and reviewed how we can further improve our work with learning and development within the Group.

#### **DIVERSITY AND EQUALITY**

Perstorp strives to be an equal opportunity employer. We aim to be able to have at least one representative from each sex with the right competences invited to the final round of interviews. For leadership positions, we aim to have at least one “non-Swedish” applicant with the right competence invited to the final round of interviews.

In 2021, Perstorp announced it will increase the proportion of females in senior management from 25 percent to 31 percent and non-Swedes from 28 percent to 31 percent. The overall gender target for all employees is a 60/40 male/female ratio by 2025.

#### **RESPONSIBLE SOURCING**

It is essential that we co-operate and co-innovate with our value chain partners to reduce our own footprint and develop a more sustainable industry. An important part of this work is to address the risks of negative impacts or unlawful practices and in our supply chains.

Our suppliers must acknowledge our Vendor Policy, which is based on our Code of Conduct and includes human rights, labor standards, anti-corruption and environmental responsibility. All large spend and/or high-risk suppliers are systematically assessed using a self-assessment tool. Around 80 percent of Perstorp’s total spend, including our main suppliers of raw materials, is covered by this approach.

#### **ETHICAL BUSINESS PRACTICES**

Perstorp’s Code of Conduct includes our business principles related to anti-corruption, anti-competitive behavior and public policy. This overall guidance is complemented by more specific policies and procedures, such as a specific anti-bribery policy. Perstorp also expects its suppliers, distributors and other business partners with which it has close relations, to act according to our business principles.

The legal department has developed a series of e-learning modules to enable a more in-depth focus on different aspects of business

ethics, especially for those employees in positions of increased risk exposure, such as procurement and sales. 98 colleagues completed our Preventing Anti-Competitive practices e-learning training in 2021.

#### **OUR REVISED CODE OF CONDUCT**

We revised our Code of Conduct in 2021 to better reflect our developed business practices including the addition of our fourth core value – Care. The updated internal version of the Code of Conduct also provides the reader with more guidance by linking to all the related policies to the different parts of the code. In 2022, we will launch an updated e-learning, which will also be available in Hindi to reflect our developing operations in India.

#### **ANTI-CORRUPTION**

In 2021, we revised and updated our Anti-corruption Policy. This process involved conducting an anti-bribery and anti-corruption awareness questionnaire with approximately 110 colleagues in the Group. We also ran our Anti-corruption e-learning training during year, which 278 employees completed.

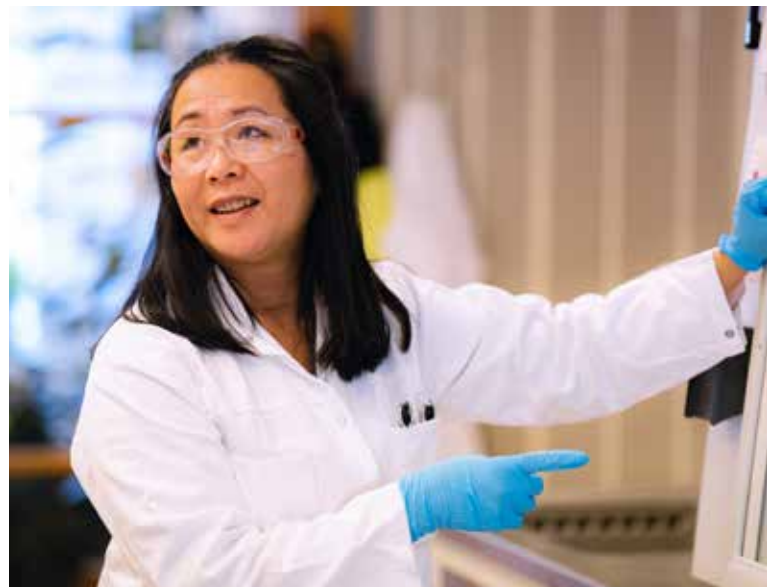
#### **SAFEGUARDING SENSITIVE INFORMATION**

In a digitalized world, we must protect our business data and handle information responsibly. We work to minimize the risk of sensitive information ending up in the wrong hands through accidental information sharing, theft, coercion, bribery etc. Perstorp has a dedicated Head of Data Privacy and Information Security at Group level to address the protection of information related to our business and personnel.

#### **WHISTLEBLOWER FUNCTION**

Employees are encouraged to correct or report non-compliance with the Perstorp Code of Conduct through our internal whistleblowing function. The function enables the anonymous reporting of any suspected misconduct. Alleged non-compliance can also be reported to an immediate manager, or to the Head of HR or Head of Legal.

During the year, a project group was established to develop a new whistleblowing function. The new function will be launched in the summer 2022 to meet new legal regulations.





# Corporate Governance Report

The Perstorp Group's core values of focused innovation, reliability and responsibility are also central to corporate governance. Corporate governance includes the continual process of controlling and improving decision-making and business strategies, defining clear areas of responsibility and identifying and evaluating opportunities and risks for the Group. The overall aim is to maintain and develop order so that the business is controlled reliably and we are well equipped to face the development challenges and changes of the future. Corporate governance within the Perstorp Group is performed through the Annual General Meeting, the Board of directors and the President in accordance with the Swedish Companies Act. The Group does not have a formal requirement to follow the Swedish code of corporate governance.

## GENERAL MEETING

The General Meeting is the forum where shareholders make certain decisions about Perstorp Holding AB and its subgroup subsidiaries. The Annual General Meeting was held on May 18th, 2021, at which the annual report for the 2020 financial year was adopted together with the proposal for distribution of profits. The Board of Directors was re-elected at the meeting.

## BOARD OF DIRECTORS

As of the end of 2021, the Board of Directors consists of six members, all nominated and elected by the company owners. The individuals re-elected to the Board at the 2021 Annual General Meeting are Tore Bertilsson, Fabrice Fouletier, Jan Secher, Karin Markides, Ragnar Hellenius and Claes Gard. In addition to the aforementioned individuals, the Board also includes three employee representatives. The Board's responsibilities are regulated by the Swedish Companies Act and the formal working procedures, which are approved by the Board once per year. These procedures outline the Board's assignments and which decisions must be taken at Board level. The working procedures also regulate the division of responsibility between the Board, its committees and the President. The Chairman leads the Board's work. The division of responsibilities among Board members does not extend beyond certain special assignments for the Chairman. During 2021, eight scheduled Board meetings were held, as well as one statutory convening meeting. Minutes were kept at all meetings. On average, attendance at Board meetings for ordinary Board members was 89%. Other employees also attended meetings, either to make presentations or give specialist informa-

tion prior to key decisions. Every month the Board received a written report presenting and analyzing the development of the Group and the earnings and financial position. Preparatory materials were sent to Board members before each Board meeting. The President was also in continuous contact with the Chairman of the Board.

The following points were addressed at each Board meeting:

- Responsible Care report, status report from the President
- Financial position and outlook
- Investment decision for projects worth more than SEK 15 m

## OTHER IMPORTANT MATTERS

In addition to these fixed agenda items, several main subjects such as the impact of Covid-19, budget, forecasts and financing and were addressed during the year. The Perstorp Group's core values of focused innovation, reliability, responsibility and Care are also central to corporate governance. Corporate governance includes the continual process of controlling and improving decision-making and business strategies, defining clear areas of responsibility and identifying and evaluating opportunities and risks for the Group. The overall aim is to maintain and develop order so that the business is controlled reliably and we are well equipped to face the development challenges and changes of the future. Corporate governance within the Perstorp Group is performed through the Annual General Meeting, the Board of directors and the President in accordance with the Swedish Companies Act. The Group does not have a formal requirement to follow the Swedish code of corporate governance.



### AUDIT COMMITTEE

The Board is served by an Audit Committee, which focuses on securing the quality of the Group's financial reporting and risk management, and the committee is therefore also close to the development of control instruments for internal control. An important activity is to follow up and assess the external audit. The committee does not have decision-making rights. Decisions shall be made by the Board. At the end of 2021, the Audit Committee consisted of the following members: Tore Bertilsson, Fabrice Fouletier, Ragnar Hellenius and Claes Gard. During the year, the committee held six ordinary meetings.

### REMUNERATION COMMITTEE

The Board is also served by a Remuneration Committee. This committee's task is to propose principles for remuneration and other employment terms for the President and senior executives. The committee also prepares the terms for global incentive schemes and makes an assessment of the schemes. The committee has certain decision-making powers. At the end of 2021, the Remuneration Committee consisted of Board members, Tore Bertilsson, Fabrice Fouletier and Ragnar Hellenius. The committee held two ordinary meetings during the year, at which minutes were taken.

### PRESIDENT & EXECUTIVE LEADERSHIP TEAM

The President of the Group, Jan Secher, is also elected by the Board as the CEO of the parent company. He exercises ongoing control of the Group. All the Executive Vice Presidents report to him; EVP Sales & Business Management, EVP Strategic Markets & Innovation, EVP Animal Nutrition, EVP Integrated Supply Chain, EVP Strategic Projects and M&A, EVP Communications & Sustainable Transformation, EVP Finance, Legal & IT and EVP People & Care and CEO Office. The President manages the business in accordance with the instructions concerning the division of responsibilities between the Board and President adopted by the Board. The work of the President and Board is assessed annually.

### EXTERNAL AUDITORS

Perstorp's auditor is elected for a term of office of one year. Auditing firm PricewaterhouseCoopers AB (PwC) is the appointed auditor of the company with Mats Åkerlund being the lead auditor. The Board's and Group Management's aim is to have a close relationship with the auditors, to the extent that they shall be kept well informed about relevant issues concerning the accounts, reporting procedures and management of the company's/Group's assets.

There is, therefore, a continuous dialogue with the auditors and they participate in at least one Board meeting per year. The auditors receive the minutes of Board meetings, documents relating to Board decisions, and the monthly financial reports for the Group. During 2021, PwC performed assignments relating to the audit in addition to regular auditing work. On all those occasions, the Group emphasized that the additional services should not compromise the independence of the audit, which was also been carefully examined by PricewaterhouseCoopers.

### INTERNAL CONTROL

For Perstorp, the concept of internal control is fundamental and involves the Group's capability of implementing an effective system for control and follow-up of the company's activities. It also involves ensuring that rules are followed, both with regard to external legislation/regulation and internal guidelines/control documents. An important part of the practical work on internal controls, furthermore, is to identify risks and ensure that they are managed efficiently. The purpose is to minimize risk exposure as far as possible in selected areas while also ensuring the opportunities are exploited as desired. The Group's organization is adapted to meet the requirements for good internal control and working methods are characterized by organizational transparency with a clear division of responsibility.

The Group's financial reporting manual, together with the business systems, are important control instruments that enable reliable consolidation and financial reporting. Group reports are produced once per month following well-established procedures, and the outcome is always presented in a report that includes extensive analysis. Work on the year-end accounts involves a number of people at Group, department and company level, and the summarized results are reported back continually to management functions and the Board. For several years, the Group has performed an extensive annual self-assessment of internal controls, with the majority of the subsidiaries assessed yearly. The purpose is to identify key control points for the various departments, analyze procedures, follow development in relation to previous activity and thus ensure that internal controls are at a good level and remain so. The continued implementation of a new ERP system in several of our companies has led to improved capabilities for performing and ensuring good internal control. The assessment has been complemented with a partly expanded verification operation by the company's auditors for certain areas. In relation to this, special follow-up and has been carried out from the central finance function within the Group. Work aimed at securing good internal control is a constantly ongoing process.



# Board of Directors 2021



## **TORE BERTILSSON**

Member and Chairman of the Board of Directors since 2015.

Born 1951.

### **OTHER BOARD ASSIGNMENTS**

Chairman of the Board of Directors of PRI Pensionsgaranti and AB Ludvig Svensson. Member of the Board of Directors of Ingka Holding B.V. (IKEA).



## **JAN SECHER**

President and CEO Perstorp Holding AB, CEO and member of the Board of Directors since 2013.

Born 1957.

### **OTHER BOARD ASSIGNMENTS**

Member of the Board of Directors of Elekta AB, IKEM and CEFIC (The European Chemical Industry Council). Chairman of the Board of Directors of Peak Management AG



## **FABRICE FOULETIER**

Partner, PAI partners

Member of the Board of Directors since 2006.

Born 1975.

### **OTHER BOARD ASSIGNMENTS**

Partner at PAI Partners SAS. Member of the Board of Directors of Yonderland Group, Euromedia Group, Areas and WFC.



## **RAGNAR HELLENIUS**

Partner, PAI partners. Head of the Nordic team. Member of the Board of Directors since 2009.

Born 1967.

### **OTHER BOARD ASSIGNMENTS**

Partner at PAI Partners SAS. Member of the Board of Directors Atos Medical AB and Lary 1-4 AB.



## **JESPER FAHLÉN**

Senior Project Manager

Born 1975.

Member of the Board since 2019. Appointed by the Boards of PTK of Perstorp and Stenungsund.



## **GERRY ACKERT**

Operating Technician and Chairman of IF Metall.

Born 1972.

Member of the Board since 2017.

Appointed by the Boards of IF Metall Perstorp and Stenungsund.



**KARIN MARKIDES**

Member of the Board of Directors since 2010.

Born 1951.

**OTHER BOARD ASSIGNMENTS**

Professor, Chairman of the Board of Directors of DTU, the Technical University of Denmark.

Member of the Board of Directors of the Swedish Knowledge Foundation, and of Einride AB.



**CLAES GARD**

Member of the Board of Directors since 2009.

Born 1953.



**HEIDI WALENIUSSEN-ENGLUND**

Quality Manager

Born 1971.

Member of the Board since 2020.

Appointed by the Boards of PTK of Perstorp and Stenungsund.

**DEPUTIES**

**SIMON FRÖJD**

Deputy trade union representative

**RONNY NILSSON**

Deputy trade union representative

**AUDITORS**

**MATS ÅKERLUND**

Authorized Public Accountant

– PricewaterhouseCoopers.

Born 1971.

**OTHER AUDIT ASSIGNMENTS**

Catena Fastigheter, Copenhagen Malmö Port and INVISIO.



# Executive Leadership Team 2021



## JAN SECHER

President and CEO.

a.i. Executive Vice President Strategic Markets & Innovation

Born: 1957.

Active in the Group since 2013.

Education and professional experience: Master of Science in Industrial Marketing and Finance from Linköping University. Previously CEO of Ferrostaal AG, Clariant and SICPA.



## IB JENSEN

CFO and Executive Vice President – Finance, Legal and IT

Born: 1963

Active in the Group since 2021

Education and professional experience: B. Com Accounting + B. Com Finance & Banking. Leadership training from Ashridge, INSEAD and IMD. Before joining Perstorp, previously CFO at Arxada, Senior Vice President Finance & IT at Lonza and various senior positions within companies such as Syngenta, Danisco and LEGO.

*Ulf Berghult, former CFO, resigned as of February 1st when he handed over to Ib Jensen.*



## GORM JENSEN

Executive Vice President of Sales & Business Management

Born: 1962.

Active in the Group since 2014.

Education and professional experience: Diploma in Economics and in International Marketing, Aalborg School of Economics. Previously, Vice President of Spolchemie, Vice President at Huntsman and several senior positions at ICI.



## ULRIKA ANDERSSON

Executive Vice President of Strategic Projects & M&A

Born: 1968.

Active in the Group since 1996.

Education and professional experience: MBA Business & Economics Stockholm School of Economics. Several senior positions within Perstorp Group, as Group Controller, Head of several Business Units and most recently as Executive Vice President Specialty Polyols & Solutions.



## PATRICE PINSARD

Executive Vice President of Strategic Markets & Innovation

Born: 1962

Active in the Group since 2021

Education and professional experience: PhD in Fine Chemicals from Université de Rennes and an MSc in Chemical Engineering from Ecole Nationale de Chimie de Rennes. Several senior positions in companies such as Solvay, Rhodia and Cognis, most recently as Global EVP Coatings, Industrial Solutions & Amines at Solvay.



## MIKAEL GEDIN

Executive Vice President People & Care and CEO office

Born: 1969.

Active in the Group since 2009.

Education and professional experience: Bachelor's degree in Business Administration (marketing) and a Bachelor's degree in Psychology, both from Lund University. Executive Diploma from Stockholm School of Economics. Executive MBA, General Management from Copenhagen Business School. Previously Executive Vice President of Human Resources and Communications, Executive Vice President of Sales and Customer Service and Executive Vice President Regions and Group Management at Perstorp, and Vice President Human Resources and Operational Excellence of ABB AB.



**AART MATEBOER**

Executive Vice President Animal Nutrition

Born: 1959

Active in the Group since 2021

Education and professional experience: Master degree in Chemistry from the Free University Amsterdam. Over 30 years' broad management experience with blue chip companies like Akzo-Nobel, Cargill and Dupont in R&D, supply chain and marketing & sales roles. Previously Vice President Animal Nutrition at IFF (formerly Danisco/Dupont).



**MAGNUS LANNÉR**

Executive Vice President Integrated Supply Chain

Born: 1969.

Active in the Group since 2008.

Education and professional experience: Master of Science in Chemical Engineering from Lund University. Previously held various positions within the Perstorp Group, including as Deputy Business Group Head, BG Coating additives and General Manager, Shandong Fufeng Perstorp Chemicals Co. Ltd. Previously CEO of Vencorex Holding.



**CECILIA SVENSSON**

Executive Vice President Communications & Sustainable Transformation

Born: 1965.

Active in the Group since 2014.

Education and professional experience: Master's in Business Administration & Economics from Lund University. Executive Diploma from Copenhagen Business School. Previously Vice President Communications at Perstorp, Vice President Marketing at Atos Medical and several senior positions in the pharmaceutical industry and at IKEA Group.



# Annual & Sustainability Report 2021

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## Perstorp in brief

### WORLD LEADER IN SELECTED SPECIALTY CHEMICALS NICHES

- The sustainable solutions provider for our prioritized market segments Resins & Coatings, Engineered Fluids and Animal Nutrition
- Integrated polyols and oxo platforms enable efficient utilization of side streams
- Focused innovation for our core segments, closely linked to our customers
- Strongly committed to sustainability and our Finite Material Neutral ambition

- Globally present with production plants in Europe, Asia and North America
- Since December 2005, Perstorp has been controlled by PAI Partners, a leading European private equity company

### GLOBAL PRESENCE

Perstorp is the operator of 7 production units in Europe, Asia and North America with sales representation in all major markets and more than 50 agents.

# Highlights in 2021

## IMPROVED OUTLOOK ON CREDIT RATING

Both Moody's and S&P Global Ratings have in 2021 improved their outlook on Perstorp's credit rating. The rating actions are due to improvements in Perstorp's leverage reflecting currently strong EBITDA performance and improvements in the company's liquidity profile. Moody's Investors Service ("Moody's") changed the outlook on Perstorp Holding AB rating to stable from the negative outlook given in March 2020. S&P Global Ratings announced the move of Perstorp from "negative" to "stable" outlook on strong results and deleveraging. In addition, S&P affirmed a 'B-' issuer credit rating.

## ACQUISITION OF DMPA® FROM GEO STRENGTHENS SPECIALTY POSITION WITHIN RESINS & COATINGS

Perstorp further emphasized its commitment as the sustainable specialty solution provider within the Resins and Coatings segment, when pursuing the acquisition of DMPA® from GEO. Bis-MPA™ and DMPA® enable a technology shift from solvent to waterborne formulations within markets such as Polyurethane dispersions, PUDs, and waterborne Alkyds and Perstorp's strategic presence in these markets will now be significantly strengthened. This acquisition will both allow further development of our offering and enable long term investments to safeguard future availability, and deliver meaningful synergies.

## PROJECT AIR RECEIVED EUR 30 MILLION FROM THE SWEDISH ENERGY AGENCY TO REDUCE CARBON EMISSIONS

Project Air is an industrial concept to produce methanol from a large variety of recovered end-of-life streams and hydrogen from electrolysis. Methanol is one of the most important raw materials for the chemical industry, and up until now, only limited competitive sources of sustainable methanol exist on the market. The project is carried out by Perstorp in cooperation with partners Uniper (Germany) and Fortum (Finland), with the aim of reducing carbon emissions by up to half million tons annually. Project Air has in 2021 been allocated EUR 30 million by the Swedish Energy Agency, and is now applying for EU Innovation Fund to realize the project.

## APPROVAL OF SCIENCE BASED EMISSION TARGETS

In December 2021, Perstorp's science-based emission reduction targets in line with Paris Climate Agreement were approved by the SB-Ti's Target Validation Team. The targets have been set for both direct and indirect emissions (scope 1, 2 and 3 according to the GHG protocol) and are calculated with projected future expansion and growth considered. Perstorp has committed to reduce:

- Absolute Scope 1 and 2 GHG emissions by 46% by 2030 from a 2019 base year, which is in line with the global 1.5°C trajectory
- Scope 3 GHG emissions by 28% per ton sold product within the same timeframe in line with the global 2.0° trajectory

As support to reaching the CO<sub>2</sub> reduction targets, implementation of Internal Carbon Pricing (ICP) tool has been conducted as a guiding principle to support decision making and drive positive change in our business and operations. Furthermore, to support decisions on how to keep pace with the development in ESG area in the coming years, Perstorp initiated development of a Materiality Matrix, highlighting the most material ESG aspects. In addition, a gap analysis was conducted as well as a renewed alignment with the UN Sustainable Development Goals.

## INCREASED PRODUCTION CAPACITY FOR 2-ETHYLHEXANOIC ACID (2-EHA)

Perstorp will substantially expand its production capacity of 2-Ethylhexanoic Acid (2-EHA) from 2022, to meet increasing market needs. The investment and expansion are within the framework of Perstorp's existing production plants and implementation already started in 2021. 2-EHA is one of the flagship products of the Perstorp Group, which has the largest 2-EHA production capacity in the world. 2-EHA, a colorless liquid with one carboxylic group based on a C8 carbon chain, is widely used in esters for PVB film plasticizers and synthetic lubricants. It is also used in the production of metal soaps for paint driers, in automotive coolants and PVC stabilizers. Other application areas include wood preservatives, catalysts for polyurethane and pharmaceuticals.

## LAUNCH OF EMOLTENE™ 100 PRO; A DURABLE DPHP PLASTICIZER BASED ON RENEWABLE MATERIAL

Perstorp was pioneering in the PVC market with the introduction of a general-purpose plasticizer partly based on renewable raw material using a traceable mass balance concept. Emoltene™ 100 Pro is a dipropylheptyl phthalate (DPHP) designed to support sustainable sourcing of renewable and recycled raw materials and reduction of carbon dioxide emission throughout the value chain. Facilitating uncomplicated adoption by users, Emoltene™ 100 Pro is ready to be dropped straight into existing flexible PVC formulations. Users can expect the same performance as Perstorp's existing Emoltene™ 100 plasticizer, with the added benefit of a lower carbon footprint. Emoltene™ 100 Pro will be available in two grades, with different levels of renewable content based on mass balance: the first, containing 14 percent is available now, the second, with 71 percent is expected to become available in the near future.

## SENIOR RECRUITMENTS

Three senior recruitments were made to reinforce the Executive Leadership Team; Aart Mateboer as EVP Animal Nutrition, Patrice Pinsard as EVP Strategic Markets & Innovation and Ib Jensen as CFO. Aart Mateboer has 30 years' broad management experience with Akzo-Nobel, Cargill and Dupont in R&D, supply chain and marketing & sales role and most recently as Vice President of Animal Nutrition at IFF – International Flavors and Fragrances. Patrice Pinsard most recently came from the position as President at Adhoc Valu SAS and previously had various executive positions at Solvay, COGNIS and Henkel. Ib Jensen most recently came from the position as CFO at Arxada, a carve-out of Lonza. Previous experience include CFO and executive roles within Finance and IT at companies such as Lonza, Syngenta, Danisco and LEGO.

## INTENSIVE FOCUS ON SAFETY HAS PAID BACK

Perstorp made great progress in our health and safety efforts during 2021 and as a result, the OSHA rate decreased to a record low of 0.45. The gap between contractor and own employee OSHA rate was closed on the lowest level since the measurement started, a result of dedicated work by many employees.

## MULTIPLE PRODUCTION RECORDS

During 2021, several production records were hit globally, which was one of the underlying pre-requisites for the outstanding financial result of the year; yearly production records for most products at site Perstorp, several 7 days production records at site Stenungsund and additional production records in Zibo, Castellanza and Bruchhausen.

# Risk management

The objective of the Perstorp Group's risk management process is to proactively identify, evaluate and manage risks as early as possible in order to achieve both operational and strategic goals.

## MANAGING RISKS

Risks are assessed and managed at many different levels and locations within the Perstorp Group and for different purposes.

Corporate Finance has the global responsibility for the assessment of the Group's financial risks. For details see Note 3.

On Group level, based on identified risk areas the internal control program addresses risks of financial misstatements as well as risk associated with business ethics.

Perstorp has, at Group level, an established data protection governance model, addressing cyber security, information security and privacy risks. It is a vital part of the Group's Information Security Management System.

On site level a combination of results of insurance audits performed by a third party and our own systematic risk assessments, are reported to Group level to ensure relevant levels of mitigation. In relation to third party product certifications, specific risk assessments are required, e.g. for our ISCC certifications of our pro-environment product range and for products required to meet food and animal feed standards.

Covering all our sites and offices, we perform overall as well as project based risk assessments concerning occupational health and safety, as a part of our Care 365 program. Risk assessments in relation to daily operations, projects, implementation of new technology and services are also performed throughout both the sites and offices.

The most material risks are reported to the Board. Action plans to reduce and control those risks are developed, assigned and reviewed during the year. The results of risk assessments are also used as input to strategic processes and budget processes.

## STRATEGIC RISKS

Strategic risks are those that could have a negative impact or threat the Group's ability to develop in line with previously set strategies covering up to a five year timeframe.

## OPERATIONAL RISKS

The operational risks are those that may have a direct impact on the Group's daily business up to a one year time horizon. This includes production related operations and supporting functions.

## FINANCIAL RISKS

Financial risks address exposure within the Group's financial operations and other risks that may have a direct financial impact such as through fines, and other forms of directly financial litigation.

## RISK EVALUATION

The Perstorp risk evaluation is based on a number of dimensions including financial, reputational, compliance, operational consequences, customers and market share, potential environmental harm, potential human harm and missed opportunities to make valuable contribution in the market.

The risks are evaluated in terms of likelihood within the strategic planning period, the effectiveness of current mitigation efforts and the possible consequences.

## Strategic risks

Risks	Exposure	Activity
<b>Business development and competitive landscape</b>	Negative variances related to investments, acquisitions or divestments and/or changes in technology or competitive environment.	Perstorp's strategic processes and routines safeguard that strategies are followed and investment criteria are met.
<b>Demand/customer behavior</b>	Economic/geopolitical issues may change customer behavior resulting in reduced demand for our products in certain markets and specific segments. And changes in customer product preferences may also occur.	Perstorp's broad customer base makes the Group more resilient to demand reductions. In addition, Perstorp follows the supply/demand changes in the market as key indicators for own capacity planning.
<b>Business opportunities</b>	The company would miss opportunities and trends in the market as a result of failing to identify or capture them in the market at the right time.	Perstorp's Innovation function has a solid process in place to pick up trends and needs in the market at an early stage through a broad interface and network and bring them to the strategic process for proper resource allocation.
<b>Climate change</b>	Rising temperatures, sea levels, fresh water scarcity and the occurrence of extreme weather events are posing risks to our production facilities, as well as many of our customers'.	The group works to lower our carbon footprint and thereby contribute to a less severe climate change. At the same time, we perform site and issue specific risk analyses and regularly invest in new machinery and technology to increase the resilience of our sites and products.



## Operational risks

Risks	Exposure	Activity
<b>Raw material</b>	Eroded margins and/or production disturbance related to volatility in pricing and/or availability of critical raw material. Availability and pricing in finding alternative, non-fossil raw materials.	Perstorp's purchasing policy requires multiple supplies of critical raw materials alternatively to sign long-term agreements. Hedging options and passthrough of raw material price increases via raw material price formulas is assessed continuously. Road map for raw material transition and innovation projects aimed at enabling future scale-up of supply.
<b>Production Disruption</b>	There are various risks that could lead to major interruptions, such as technical issues, fires, environmental accidents and other accidents with serious personal injuries as a consequence. Disturbances and interruptions at Perstorp's plants may result in loss of earnings if deliveries are delayed.	The Group has business contingency plans in place. Furthermore, as part of the Care 365 program, all Perstorp sites work systematically with safety issues, occupational safety issues and environmental issues to prevent any accidents.
<b>Safety risks</b>	Chemical production plants include processes with high temperatures, high pressure and requires careful handling of raw materials as well as finished products. This does pose risks for those working at sites, the societies surrounding them and the customers when handling the products, if handled incorrectly.	Design and construction of our facilities as well as our operating procedures are based on extensive and in-depth risk level assessment and hazard analysis. We prioritize based on risk levels. We report major risks and mitigations to authorities based on Seveso legislation. The Group has invested, and continues to invest further, in the Care 365 program and the Responsible Care program, thus addressing risks related to human harm in our daily operations and in relation to the product users.
<b>Governance</b>	The risk of decisions being taken on the wrong grounds or based on inaccurate information.	Perstorp's governance model and policies safeguards compliance with external and internal rules and regulation.
<b>Regulatory &amp; compliance</b>	Legal risk is the risk of a negative impact on the Group's result or reputation arising from litigation, arbitration, disputes, claims or participation in legal proceedings. Increased operational cost and/or changes in competitive landscape due to changes in laws and regulations Risks of individuals not complying with regulations and/or the Group's Code of Conduct.	Perstorp has routines and process to proactively develop best practice production, meeting regulatory environmental and occupational health and safety requirements. Employees are made aware of legal requirements and our Code of Conduct, through information and training. Perstorp's legal policy provides the framework and procedures for handling potential disputes.
<b>IT &amp; cybersecurity</b>	The risk of deficiency to or loss of availability, confidentiality and integrity of information assets caused by factors such as technical failures or deficiencies, environmental factors, unintentional activities performed by internal personnel due to lack of competence or awareness, or intentional actions caused by disgruntled employees or external individuals or organizations.	Perstorp has implemented both technical, administrative and organizational measures to prevent and remediate negative impact to the availability, confidentiality and integrity of the IT-environment. The measures are decided through risk assessments and mitigation is based on evaluation of functionality, security, complexity and compliance with rules and regulations set in relation to costs and benefits. Measures include technical measures, supporting processes, policies and guidelines combined with awareness training.
<b>People</b>	Risk of not being able to recruit, develop and retain competent and committed employees.	Perstorp works continuously with succession planning, has zero tolerance for discrimination and harassment, and has a high focus on offering competitive terms of employment, healthy and safe work environment and work/life balance. Perstorp's own Gymnasium in Perstorp is an important recruitment base for the local site.

## Financial risks

Risks	Exposure	Activity
<b>Currency</b>	Currency risk is divided in; <ul style="list-style-type: none"> <li>• translation exposure – risk related to the conversion of the Group's assets and profits, and</li> <li>• transaction exposure – risk related to the value of the Group's cash flow.</li> </ul>	Perstorp's Treasury policy defines acceptable currency risk and sets guidelines and hedging methods for the management of these risks.
<b>Interest rate</b>	Interest-rate risk is the risk of a negative impact on the results due to a rise in market interest.	Perstorp's Treasury policy defines acceptable interest rate risk and sets guidelines and hedging methods for the management of these risks.
<b>Funding &amp; liquidity</b>	Funding risk is the risk that the Group will not have access to sufficient funding, or that the funding or re-financing of existing loans becomes difficult or too costly.	The Group's financing consists of a Term Loan B and a revolving credit facility, the latter committed by Bank of America, Merrill Lynch, Goldman Sachs Bank USA, DNB, SEB, Standard Chartered Bank and Nordea. Perstorp also follows development of available funds through regular cash flow forecasts. Available funds at the end of 2021 were SEK 2,488 m. In addition the Group has another revolving credit facility of SEK 600 m.
<b>Counterparty</b>	Counterparty risk is the risk of counter-parties failing to meet obligations in accordance with agreed terms.	Perstorp has a comprehensive credit policy aiming to prevent credit losses and optimize tied-up capital.

## The environment

Production within the Perstorp Group affects the external environment through emissions to air, soil and water, and through the generation of waste and noise. From a global perspective, the most significant environmental factors are the consumption of raw materials and energy; emissions of greenhouse gases and volatile organic substances; and consumption of and contamination of water. Each unit in the Group submits an annual environment report to be approved by the inspection authorities, and this data is aggregated by the corporation for global reporting. The largest production sites in the Group are located in Sweden and these are requiring environmental permits.

## Sustainability

The Perstorp Group's statutory sustainability report for the fiscal year 2021, in accordance with the requirements of the Swedish Annual Accounts Act, is available on page 94-101. It includes our reporting on environmental issues, employee and social matters, human rights and anti-corruption. It has been approved by Perstorp Group's Board of Directors.

## Innovation

Innovation plays a key role in transforming Perstorp to a specialty company with stronger focus on selected strategic markets. During 2021, Innovation and Business Development have been integrated forming a sharper Innovation front-end, making Perstorp an even more relevant Innovation partner for customers. Integrated business and innovation teams for "Resins & Coatings" and for "Engineered Fluids" were created to implement this new direction of testing and exploring. In "Animal Nutrition" the innovation team was fully integrated in the business to ensure that the last years of research came to the best benefit to our customers.

Sustainability continues to be a key driver, both by sourcing sustainable raw material for existing products, but also developing new products to improve the sustainability benefits in end-use. Our basic research with many academic partners is very important, and in 2021 Perstorp took it one step further. Some of these activities were also tested in business development. One example is using food waste to make Acids. Another example is to be part of the value chain to substitute solvent with water in production of artificial leather.

Innovation for the market segment "Resins & Coatings" is focused to two sub-segments, Radiation Curing (Radcure) and Waterborne Coatings. It is very important to increase the renewable content in Radcure products for some markets like wood coatings, which is driven by leading global furniture brands. In 2021, we moved from inhouse testing to test our concepts at coating customers and end users. In Radcure we also invested in Cationic Curing to make this technology more attractive to customers.

In Waterborne Coatings, the focus has been on launching new grades of Ymer™ for more robust waterborne Polyurethanes and to explore additives for coatings. The first customer contacts have confirmed a strong interest for safer preservatives and biocides, and the performance of our products has been further improved.

Innovation for "Engineered Fluids" has expanded, both into looking

at new Acids, but also to explore Polyol Esters. The integrated innovation and business team has resulted in a rich portfolio of new ideas, and we expect several of them to be turned into development projects during 2022.

New potential strategic markets are also explored, where Akestra™ substituting polystyrene in PET based food packaging is the leading example. Other potential markets like crop science and personal care are also considered and innovation activities are an essential part in the exploration of to what the degree these markets will be worth investing in.

## Future development

Perstorp's financial accounts are based on the going concern principle. The management and the Board of Directors continuously monitor the going concern. This principle includes a number of estimates and judgments about the future.

Perstorp supports firmly all sanctions put in place by the EU, other countries and international organizations in the wake of the military invasion of Ukraine in early 2022, and are using them as principles for actions and decision making. As a consequence, Perstorp has decided to cancel all of its orders and deliveries to customers in Russia. Perstorp continuously monitors the situation and collaborates with banks and other relevant parties, to secure that all aspects of our business – financially, legally and ethically – are conducted in line with what the situation requires.

In early 2020 the spread of the virus Covid-19 became classified as a pandemic by the World Health Organization and has since resulted in restrictions and actions from national, regional and local authorities within the different markets Perstorp are active in. Since the outbreak of Covid-19, Perstorp has continued to monitor the situation closely and actions have been taken to avoid business disruptions as well as to protect employee health. All relevant legislation and guidance have been and is still followed locally. Additional quality and hygiene measures have been implemented at all our production sites and offices, employees that can work remotely from home must do so and social distancing is applied everywhere. In addition, during a critical phase in 2020, firm actions were implemented to manage non-critical spend, capex and working capital in order to protect cashflow.

Management continues to closely follow and monitor the development of the conflict in Ukraine and Covid-19, as well as the health and safety of our employees and the business contingency.

## Proposed treatment of unappropriated earnings

The Board of Directors and President propose that the funds available for distribution by the Annual General Meeting, as shown in the Parent Company's balance sheet, namely:

	SEK
Retained earnings	3,240,583,209
<b>Net result for the year</b>	<b>-176,026,090</b>
be distributed as follows:	
To be retained in the business	3,064,557,119

# CONSOLIDATED YEAR-END ACCOUNTS

## Net sales and earnings

### CONTINUING OPERATIONS

The trends seen in 2021 was characterized by strong underlying demand across all three regions, EMEA, APAC and Americas. The tight availability in many business sectors resulted in supply chain disruptions. The world economy was in general doing well, but was somewhat overshadowed by clear signs of inflation and geopolitical tensions.

The positive momentum for Perstorp continued during the year with the highest EBITDA and EBITDA margin ever in our history. Favorable market dynamics for both Intermediates and Specialties were driving performance across regions, combined with a proactive customer outreach and strategic pricing. High demand and unplanned outages among other producers lead to continued tight supply and demand balance, which forced Perstorp to keep or impose allocation for most products.

Net sales during the period January to December amounted to SEK 13,537 m (9,194), an increase of SEK 4,343 m or 47%. The Swedish krona strengthened against both the USD and the EUR during 2021 resulting in negative FX effects on sales of approximately 4%. Excluding FX effects, organic growth were 51% higher than last year, whereof 40% increase of sales prices and 11% increase in volumes.

Despite the increase in variable costs we have been successful to defend and improve our margins by increasing our sales prices.

Fixed costs were for the full year increased by SEK 286 m following the increased business activities.

EBITDA excluding non-recurring items amounted to SEK 2,513 m (1,128), with an EBITDA margin of 18.6% (12.3). The increase in earnings compared to last year was SEK 1,385 m.

Depreciation and amortization amounted to SEK 537 m (565) and EBIT amounted to SEK 1,928 m (503) for the year.

Net financial expenses, including FX effects on net debt, amounted to SEK 664 m compared to SEK 360 m for the corresponding period in 2020. The deviation is mainly explained by the change of FX effects on net debt.

Tax amounted to SEK -285 (-79) m driven by the strong result in 2021 compared to 2020, mainly related to the Swedish entities. Net result amounted to SEK 979 (64) m.

## Consolidated income statement

SEK m	Note	2021	2020
<b>Continuing operations</b>			
<b>Net sales</b>	<b>9</b>	<b>13,537</b>	<b>9,194</b>
Cost of goods sold	6,7,8,21	-10,626	-7,852
<b>Gross earnings</b>		<b>2,911</b>	<b>1,342</b>
Selling and marketing costs	6,7,8	-428	-368
Administrative costs	6,7,8,33	-424	-321
Research and development costs	6,7,8	-89	-88
Other operating income and expenses	10,11	-46	-66
Result from participations in associated companies	12	4	4
<b>Operating earnings (EBIT)</b>	<b>10,23,27</b>	<b>1,928</b>	<b>503</b>
Net financial items	22	-664	-360
<b>Earnings before tax</b>		<b>1,264</b>	<b>143</b>
Tax	24	-285	-79
<b>Net earnings for the year</b>		<b>979</b>	<b>64</b>
of which, attributable to owners of the parent		926	51
of which, attributable to non controlling interest	15	53	13
Earnings per share before and after dilution, SEK		19.58	1.27
<b>Operating earnings before depreciation (EBITDA)</b>		<b>2,465</b>	<b>1,068</b>
<b>EBITDA adjusted for non-recurring items</b>		<b>2,513</b>	<b>1,128</b>



## Consolidated statement of comprehensive income

SEK m	Note	2021	2020
<b>Net result for the period</b>		<b>979</b>	<b>64</b>
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plan	23	14	22
Items that may be subsequently reclassified to profit or loss			
Currency translation effects		-84	146
<b>Other comprehensive income net after tax</b>		<b>-70</b>	<b>168</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>909</b>	<b>232</b>
<b>Attributable to:</b>			
Owners of the parent		836	227
Non controlling interests	16	73	5
<b>Total</b>		<b>909</b>	<b>232</b>

## Financial position

Perstorp's financial accounts are based on the going concern principle. The management and the Board of Directors consequently monitor the going concern. This principle includes a number of estimates and judgments about the future, please see note 4 for further information.

The company performs an annual impairment test for goodwill as well as shares in group companies. Assumptions are based on the business plan with a discount interest rate of 9.2-10.5 % after tax and a terminal growth rate of 2%.

### FREE CASH FLOW

Free Cash flow was strong for the full year 2021 amounted to SEK 1,537 m (823). The increased EBITDA was to some extent offset by the change in working capital and higher capex.

The change in working capital compared to 2020 is mainly explained by a higher inventory due to increased raw material prices and logistic constraints, in combination with higher accounts receivable coming from the increased sales. The latter has to a large extent been offset by higher accounts payable and other current liabilities.

## Free cash flow analysis

SEK m	2021	2020
EBITDA excluding non-recurring items	2,513	1,128
Change in Working Capital <sup>1)</sup>	-216	187
Maintenance capex	-324	-244
<b>Free Cash flow before strategic capex</b>	<b>1,973</b>	<b>1,071</b>
% EBITDA excluding non-recurring items	79	95
Strategic Capex	-437	-248
<b>Free cash flow</b>	<b>1,537</b>	<b>823</b>
% EBITDA excluding non-recurring items	61	73

<sup>1)</sup> Excluding currency transaction effects and provisions.

## AVAILABLE FUNDS & NET DEBT

The Group's available funds, liquid funds and unutilized credit facilities, were SEK 2,488 m (2,037) at the end of the period. In the fourth quarter 2020, Perstorp Group was granted a liquidity enhancing Revolving Credit Facility of SEK 600 m, backed by the Swedish Export Credit Agency (EKN).

Reported leverage was 3.0x (6.8x) at the end of 2021 and utilization of the factoring program at December 31, 2021 amounted to EUR 117 m (78).

SEK m	2021	2020
<b>Net debt, opening balance</b>	<b>-8,110</b>	<b>-8,993</b>
Free cash flow	1,537	823
Cash impact from non-recurring items	-48	-60
Financial items	-517	-439
Paid tax	-71	-56
Acquisitions	-360	–
<b>Net Cash Flow</b>	<b>541</b>	<b>268</b>
Exchange rate effects and other	-328	649
Change in lease liabilities, IFRS 16	-45	-61
Change in pension liability	20	27
<b>Net debt, closing balance</b>	<b>-7,922</b>	<b>-8,110</b>
Of which:		
Pension liability, net	-418	-437
Lease liability, IFRS 16	-106	-109
Net debt excl. pension and lease liability	-7,398	-7,564

SEK m	Dec 31, 2021	Dec 31, 2020
Available funds	2,488	2,037
Reported leverage <sup>1)</sup>	3.0x	6.8x

<sup>1)</sup> Reported net debt excluding pension liabilities/reported EBITDA excluding non-recurring items.

# Consolidated balance sheet

SEK m	Note	Dec. 31, 2021	Dec. 31, 2020
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible fixed assets	6	5,136	4,662
Intangible fixed assets	7	4,551	4,233
Deferred tax assets	24	644	765
Participations in associated companies	13	83	79
Other participations	14	141	71
Direct pension, endowment insurance	22, 23	200	156
Pension assets, other	22, 23	24	31
Other interest-bearing, long-term receivables	17, 22	1	1
Other interest-free, long term receivables	17	4	6
<b>Total non current assets</b>		<b>10,784</b>	<b>10,004</b>
<b>Current assets</b>			
Inventories	21	1,969	1,091
Accounts receivable	19	1,274	633
Operating receivables, associated companies		0	0
Tax receivable		45	64
Other operating receivables	19	571	409
Other current financial receivables	22	5	5
Cash & cash equivalents	20	1,197	575
<b>Total current assets</b>		<b>5,061</b>	<b>2,777</b>
<b>TOTAL ASSETS</b>		<b>15,845</b>	<b>12,781</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital (50,000,000 shares, par value of SEK 0.01 each)		0	0
Other capital contributions		6,609	6,609
Reserves		-544	-440
Retained earnings		-3,973	-4,913
<b>Equity attributable to owners of the parent</b>		<b>2,092</b>	<b>1,256</b>
Non controlling interests	16	198	125
<b>Total equity</b>		<b>2,290</b>	<b>1,381</b>
<b>Non current liabilities</b>			
Deferred tax liabilities	24	827	729
Direct pension	23	249	194
Pensions liability, others	22, 23	442	468
Long-term interest-bearing liabilities <sup>1)</sup>	22	8,409	7,944
Long-term lease liabilities	8, 22	58	62
Other liabilities, provisions	25	148	58
<b>Total non current liabilities</b>		<b>10,133</b>	<b>9,455</b>
<b>Current liabilities</b>			
Accounts payable	26	972	575
Tax liabilities		17	12
Other operating liabilities	26	2,205	1,161
Accrued interest expense		112	105
Short-term lease liabilities	8, 22	48	47
Other financial liabilities	22	68	45
<b>Total current liabilities</b>		<b>3,422</b>	<b>1,945</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,845</b>	<b>12,781</b>

<sup>1)</sup> The amount includes expenses for loan financing in connection with Perstorp Holding AB's refinancing of senior debt. The amount was SEK -124 (-157) m.



## Consolidated statement of changes in equity

### EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

SEK m	Share capital	Other capital contributions	Other reserves	Retained earnings	Total	Non controlling interest	Total equity
<b>Opening balance, January 1, 2020</b>	<b>0</b>	<b>6,609</b>	<b>-594</b>	<b>-4,986</b>	<b>1,029</b>	<b>129</b>	<b>1,158</b>
Net Result for the period	–	–	–	51	51	13	64
Other comprehensive income	–	–	154	22	176	-8	168
Dividend	–	–	–	–	–	-9	-9
<b>Closing balance, December 31, 2020</b>	<b>0</b>	<b>6,609</b>	<b>-440</b>	<b>-4,913</b>	<b>1,256</b>	<b>125</b>	<b>1,381</b>
<b>Opening balance, January 1, 2021</b>	<b>0</b>	<b>6,609</b>	<b>-440</b>	<b>-4,913</b>	<b>1,256</b>	<b>125</b>	<b>1,381</b>
Net Result for the period	–	–	–	926	926	53	979
Other comprehensive income	–	–	-104	14	-90	20	-70
<b>Closing balance, December 31, 2021</b>	<b>0</b>	<b>6,609</b>	<b>-544</b>	<b>-3,973</b>	<b>2,092</b>	<b>198</b>	<b>2,290</b>

Dividend to shareholders' is limited, subject to customary restrictions under debt agreements.

## Consolidated cash flow statement

SEK m	Note	2021	2020
<b>Operating activities</b>			
Operating earnings		1,928	503
Adjustments:			
Depreciation and write-down		537	565
Other		89	38
Interest received and other financial items		2	2
Interest paid and other financial items		-519	-439
Income tax paid		-71	-56
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL</b>		<b>1,966</b>	<b>613</b>
<b>Change in working capital</b>			
Increase (–) Decrease (+) in inventories		-835	300
Increase (–) Decrease (+) in current receivables <sup>1)</sup>		-748	-70
Increase (+) Decrease (–) in current liabilities		1,367	-43
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>1,750</b>	<b>800</b>
<b>Investing activities</b>			
Acquisitions	35	-360	–
Acquisition of tangible and intangible fixed assets	6, 7	-761	-492
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-1,121</b>	<b>-492</b>
<b>Financing activities</b>			
Dividend paid to non-controlling interests in subsidiaries		–	-9
Amortization of loans, external		-34	-35
Change in credit utilization		5	-124
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-29</b>	<b>-168</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS, INCL SHORT-TERM INVESTMENTS</b>		<b>600</b>	<b>140</b>
Cash and cash equivalents in the opening balance, incl. short-term investments		575	453
Translation difference in cash and cash equivalents		22	-18
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	20	<b>1,197</b>	<b>575</b>

<sup>1)</sup> Including trade receivables financing program

# THE PARENT COMPANY YEAR-END ACCOUNTS

## Income statement, parent company

SEK m	Note	2021	2020
<b>Net sales</b>		<b>104</b>	<b>83</b>
Cost of goods sold		-19	-19
<b>Gross earnings</b>		<b>85</b>	<b>64</b>
Administration costs		-216	-165
Other operating income and expenses	11	-22	-20
<b>Operating earnings (EBIT)</b>	<b>23, 27</b>	<b>-153</b>	<b>-121</b>
Group contribution		290	-170
Net financial items	22	-312	-49
<b>Earnings/loss before tax</b>		<b>-175</b>	<b>-340</b>
Tax	24	-1	16
<b>NET EARNINGS/LOSS FOR THE YEAR <sup>1)</sup></b>		<b>-176</b>	<b>-324</b>

<sup>1)</sup> Comprehensive income equals Net earnings/loss for the year.

## Balance sheet, parent company

SEK m	Note	Dec. 31, 2021	Dec. 31, 2020
<b>ASSETS</b>			
<b>Non current assets</b>			
Tangible fixed assets	6	0	0
Intangible fixed assets	7	0	0
Deferred tax assets	24	194	194
Shares in Group companies	18	7,731	7,731
Long-term receivables, Group companies	22	5,415	5,163
Other participations	14	141	71
Direct pension, endowment insurance		196	154
<b>Total non-current assets</b>		<b>13,677</b>	<b>13,313</b>
<b>Current assets</b>			
Operating receivables, Group companies		19	25
Tax receivables		5	5
Other operating receivables	19	10	16
Financial receivables, Group companies	22	851	79
<b>Total</b>		<b>885</b>	<b>125</b>
Cash and cash equivalents	20	0	0
<b>Total current assets</b>		<b>885</b>	<b>125</b>
<b>TOTAL ASSETS</b>		<b>14,562</b>	<b>13,438</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital (50 000 000 shares, par value of SEK 0.01 each)		0	0
Retained earnings		3,241	3,565
Net earnings/loss for the year		-176	-324
<b>Total shareholders' equity</b>		<b>3,065</b>	<b>3,241</b>
<b>Non current liabilities</b>			
Direct pension		243	191
Long-term interest bearing liabilities <sup>1)</sup>	22	8,386	7,966
<b>Total non current liabilities</b>		<b>8,629</b>	<b>8,157</b>
<b>Current liabilities</b>			
Accounts payable	26	12	14
Other operating liabilities, Group companies		2	2
Other operating liabilities	26	110	63
Accrued interest expense		105	103
Financial liabilities, Group companies	22	2,604	1,826
Short-term interest bearing liabilities	22	35	32
<b>Total current liabilities</b>		<b>2,868</b>	<b>2,040</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,562</b>	<b>13,438</b>

<sup>1)</sup> The amount includes expenses for loan financing in connection with Perstorp Holding AB's refinancing of senior debt. The amount was SEK -106 (-133) m.



## Shareholders' equity, parent company

SEK m	Share capital	Retained earnings	Net earnings/loss for the year	Total shareholder's equity
<b>Opening balance shareholders' equity, January 1, 2020</b>	<b>0</b>	<b>4,919</b>	<b>-1,354</b>	<b>3,565</b>
Transfer of preceding year's results	–	-1,354	1,354	0
Net earnings/loss for the year	–	–	-324	-324
<b>Closing balance shareholders' equity, December 31, 2020</b>	<b>0</b>	<b>3,565</b>	<b>-324</b>	<b>3,241</b>
<b>Opening balance shareholders' equity, January 1, 2021</b>	<b>0</b>	<b>3,565</b>	<b>-324</b>	<b>3,241</b>
Transfer of preceding year's results	–	-324	324	0
Net earnings/loss for the year	–	–	-176	-176
<b>Closing balance shareholders' equity, December 31, 2021</b>	<b>0</b>	<b>3,241</b>	<b>-176</b>	<b>3,065</b>

## Cash flow statement, parent company

SEK m	Note	2021	2020
<b>Operating activities</b>			
Operating earnings		-153	-121
Interest received		313	362
Interest paid		-492	-458
Group contribution received		-170	37
Income tax, paid		–	–
Adjustment, depreciation		0	1
Adjustment, change in provisions		10	1
<b>Cash flow from operating activities before change in working capital</b>		<b>-492</b>	<b>-178</b>
<b>Change in working capital</b>			
Increase (–) Decrease (+) in current receivables		11	-16
Increase (+) Decrease (–) in current liabilities		46	26
<b>Cash flow from operating activities</b>		<b>-435</b>	<b>-168</b>
<b>Investing activities</b>			
Changes in financial receivables, Group companies		469	303
<b>Cash flow from investing activities</b>		<b>469</b>	<b>303</b>
<b>Financing activities</b>			
Amortization of loans, external		-34	-35
Change in credit utilization <sup>1)</sup>		–	-100
<b>Cash flow from financing activities</b>		<b>-34</b>	<b>-135</b>
Change in liquid funds, incl. short-term investments		0	0
Liquid funds opening balance, incl. short term investments		0	0
<b>Liquid funds, end of period</b>		<b>0</b>	<b>0</b>

<sup>1)</sup> Including payment of bank fees SEK – (-) m relating to refinancing

## Notes definitions

### CAPITAL RATIOS

#### Average capital

Based on monthly balances during the year.

#### Operating capital

Represents the sum of intangible fixed assets, tangible fixed assets, participations in associated companies and working capital.

#### Return on operating capital

Is calculated as operating earnings (EBIT) for the last twelve month, adjusted for depreciations and amortization of initial purchase price allocation, divided by average operating capital, adjusted for tangible and intangible fixed asset of the initial purchase price allocation.

#### Gross earnings

Is the difference between net sales and cost of goods sold and production costs, being variable distribution cost, fixed and variable production costs, freight and commission costs.

#### Organic growth

Is the change in net sales between periods excluding foreign exchange effects and the impact of acquisitions.

#### EBITDA

Represents the Group's operating earnings (EBIT) before depreciation and amortization.

#### EBITDA (excluding non-recurring items)

Represents reported EBITDA as adjusted to exclude restructuring costs, capital gains/losses on divestment of companies and disposal of fixed assets and other non-recurring income and cost.

#### EBIT

Calculated as the Group's reported operating earnings.

#### Free cash flow

Calculated as EBITDA (excluding non-recurring items) less investments and change in working capital, excluding exchange rate effects and provisions.

#### Cash conversion

Free cash flow divided by EBITDA (excluding non-recurring items).

#### Available funds

The sum of liquid funds and unutilized credit facilities.

#### Net debt

Interest-bearing liabilities, including provision for pensions, less financial interest-bearing receivables. Activated costs for arranging financing are excluded from Net debt.

#### Reported leverage

Reported net debt excluding pension liabilities/Reported EBITDA excluding non-recurring items.

## Notes

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## NOTE 1. GENERAL INFORMATION

Perstorp is an international specialty chemicals Group and a global leader in high growth niches. The Group has around 1,430 employees and manufacturing facilities in Europe, North America and Asia. The Perstorp Group is controlled by the European private equity company PAI Partners.

The Group was formed at the end of 2005. PAI partners control the Group through Luxembourg-based Financière Forêt S.à r.l., corp. reg. no. R.C.S. Luxembourg: B 111,888, which owns 100 % of Perstorp Holding AB. The Parent Company is a limited liability company that is registered and has its Head Office in Malmö, Sweden. The address to the head office is Neptunigatan 1, 201 25 Malmö, Sweden. The Board approved this report for publication, on April 20th, 2022.

The Consolidated Income Statement and Balance Sheet and the parent company's Income Statement and Balance Sheet will be subject to adoption at the Annual General Meeting (AGM) on May 18, 2022.

## NOTE 2. SUMMARY OF MAJOR ACCOUNTING PRINCIPLES

The principal accounting principles applied in the preparation of these consolidated accounts are stated below. The principles are unchanged compared with all years of comparison unless otherwise stated.

### 2.1 BASIS OF PREPARATIONS

#### Group

The consolidated accounts for Perstorp Holding AB have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation concerning Supplementary Accounting Rules for Group's (RFR 1) and International Financial Reporting Standards (IFRS) and IFRIC interpretations as approved by the European Commission. The consolidated accounts have been prepared in accordance with historical cost method, apart from matters applying to financial assets at fair value through profit and loss and financial assets and liabilities (including derivative instruments) that are fair valued via the income statement.

Preparing financial reports in accordance with IFRS requires the use of a number of important accounting estimates. In addition, management must make certain judgments when applying the company's accounting principles. The areas subject to a high degree of judgment and that are complex, or those areas in which assumptions or estimates have been made that are of material importance to the consolidated accounts and are presented in Note 4.

#### Parent Company

The Parent Company's financial reports are produced in accordance with the Annual Accounts Act and recommendations from the Swedish Financial Reporting Board concerning Reporting for legal entities (RFR 2). The starting point for RFR 2 is that the Parent Company shall implement all of the EU-approved standards and interpretations as far as possible within the framework of the Annual Accounts Act, the Swedish law safeguarding pension commitments and with consideration for the relationship between accounting and taxation. The main differences between the Group's and Parent Company's accounting principles are as follows:

#### Subsidiaries

Shares in subsidiaries are reported at the time of acquisition at acquisition value/fair value. Impairment tests of reported balance sheet values are carried out in accordance with chapter 2.10. Transaction costs shall be accounted for as part of the acquisition value and is therefore capitalized under the "Group company holdings". Furthermore, because the Parent Company does not report financial instrument in accordance with IFRS 9 they shall not account for a contingent consideration at fair value, as stated in IFRS 3. Instead the Parent Company accounts for a contingent consideration as part of the acquisition value only if it is likely that the consideration will be paid. The contingent consideration is accounted as a liabilities/provision and any future re-evaluation is accounted for as a change in acquisition value under the "Group company holdings".

#### Group contribution & shareholders' contribution

In accordance with the Swedish Financial Reporting Board RFR 2, the Parent Company reports received Group contributions from subsidiaries as dividends and reports them in the income statement. Shareholder contributions are reported directly under the shareholders' equity of the receiver and are capitalized under the "Group company holdings" of the provider to the extent that impairment is not required.

#### Pensions

The Parent Company reports pension commitments in accordance with the Swedish law safeguarding pension commitments. Adjustments are made to the accounts at Group level in accordance with IAS 19.

## 2.2 CONSOLIDATED ACCOUNTING

### Subsidiaries

Subsidiaries are all companies in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated accounts from the date on which the Group gains this decisive influence. Subsidiaries are excluded from the consolidated accounts from the date on which the decisive influence ceases. The Group uses the acquisition method. The cost of an acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The cost of an acquisition includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The contingent consideration is normally accounted for as a liabilities/provision and a re-evaluation is accounted for in the income statement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non controlling interest in the acquirer's either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. The surplus, which consists of the difference between the acquisition value and the fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities, is reported as goodwill. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the income statement.

All intra-Group transactions, balance sheet items and unrealized gains and losses on transactions between Group companies are eliminated in the consolidated accounts.

The accounting principles for subsidiaries have been changed, where necessary, to guarantee the consistent and appropriate application of Group principles. When the Group ceases to have control of a subsidiary it recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost. The change in the carrying amount is recognized in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the income statement.

### Associated companies

Associated companies are companies over which the Group exercises a significant influence, which generally applies to shareholdings corresponding to 20 to 50 % of the voting rights.

Holdings in associated companies are accounted for using the equity method and are initially valued at acquisition value, including any goodwill identified on acquisition. The Group's share of associated company earnings arising after acquisition is reported after tax in the Group's operating earnings. Classification in the income statement is the consequence of the company conducting operations in line with the rest of the Group. Accumulated changes following the acquisition are reported as changes in the book value of the holding. When the Group's share of an associated company's losses amounts to or exceeds its holding in the associated company, including any unsecured receivables, the Group does not report further losses unless it has assumed obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated in relation to the Group's holding in the associated company. Unrealized losses are also eliminated, unless the transaction is evidence of there being an impairment requirement for the transferred asset. The accounting principles for associated companies have been changed to guarantee the consistent and appropriate application of Group principles.

When the Group ceases to have a significant influence over an associate it shall account for the investment in accordance with IFRS 9 from that date, provided the associated does not become a subsidiary. On the loss of the controlling influence the investment is measured at its fair value. The change in the carrying amount is recognized in the income statement.

### Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Perstorp has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any



long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### Non-controlling interest

The share of net assets belonging to the non-controlling interest is reported as a separate item in consolidated shareholders' equity. In the consolidated income statement the non-controlling interest is included in reported earnings. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## 2.3 CURRENCY TRANSLATION

#### Functional currency & reporting currency

Items included in the financial reports of the various Group units are valued in the currency used in the economic environment in which each company mainly operates (functional currency). In the consolidated accounts, SEK is used, which is the Parent Company's functional currency and the Group's reporting currency.

#### Transactions & balance sheet items

Transactions in foreign currencies are translated into the functional currency according to the exchange rates applicable on the transaction date or the date when the items are re-assessed. Exchange-rate gains and losses arising through the payment of such transactions and on the translation of monetary assets and liabilities in foreign currencies at the exchange rate applicable on the closing date are reported in the income statement under "Other income and expenses" when the underlying receivable/liability is operational; otherwise in net financial items. The exception is where transactions represent hedges meeting the requirements for hedge accounting of cash flows or net investments, where gains and losses are reported in other comprehensive income in the consolidated statement of comprehensive income.

#### Group companies

The earnings and financial position of all Group companies are established in each company's functional currency (none of which is classified as a high-inflation currency). In the consolidated accounts these amounts are then translated into the Group's reporting currency (SEK) in accordance with the following:

- assets and liabilities for each balance sheet are translated at the exchange rate applying on the balance-sheet date
- income and costs for each income statement are translated at the average exchange rate for each year, and
- all exchange-rate differences that arise are reported as a separate item in consolidated shareholders' equity in the consolidated statement of comprehensive income.

On consolidation, exchange-rate differences arising as a consequence of the translation of net investments in foreign operations, borrowing and other currency instruments identified as hedges for such investments are allocated to shareholders' equity in the consolidated statement of comprehensive income. On the divestment of foreign operations, accumulated exchange-rate differences reported under shareholders' equity in the consolidated statement of comprehensive income, are reclassified as part of the capital gain/loss in the income statement. Goodwill and adjustments of fair value arising from the acquisition of foreign operations are treated as assets and liabilities associated with such operations and are translated at the exchange rate applying on the balance-sheet date.

## 2.4 REVENUE RECOGNITION

#### Sales of goods

The revenue standard, IFRS 15, establishes a five step model of recognizing revenue from customer contracts. It requires revenue to be recognized when control of goods and services are transferred to the customer. The five step model consist of;

##### *Identify contracts with customers*

A contract is an agreement between two or more parties that creates enforceable rights and obligations.

##### *Identify the separate performance obligation*

A contract with a customer contains a promise to transfer goods or service to the customer.

##### *Determine the transaction price of the contract*

The transaction price is the amount of consideration to which a company expects to be entitled in exchange for transferring goods or services to a customer, excluding VAT, discounts and returns. When such components are identified Perstorp determines if a portion of the revenue and any related cost should be deferred to a later period.

##### *Allocate the transaction price to each of the separate performance obligations*

Once the transaction price has been determined, it is to be allocated to the distinct performance obligations that have been identified.

##### *Recognise the revenue as each performance obligation is satisfied*

Revenue is recognized when a company has satisfied a performance obligation, which is when the control of the goods or services has been transferred to the customer.

The effects of this change for Perstorp Group have been identified in a project and there is no material effect or deviations compared to previous standards. The majority of Perstorp's revenues consist of sales of products that are recognised as revenue at a point in time. The sale is recognised as revenue when control of the products has been transferred to the customer. This is usually when the risk and reward criteria are passed to the customer. The Group has a variety of delivery terms and these impact when control of the products is passed to the customer.

#### Interest income

Interest income is recognized as revenue distributed over the contract term using the effective interest method.

#### Received dividends

Dividends are reported as revenue when the right to receive the dividend is judged to be certain.

## 2.5 INCOME TAXES

Reported income taxes in the income statement include current tax, adjustment of prior-year current tax and changes in deferred tax. Tax is reported directly in shareholders' equity if the tax is attributable to transactions that are reported directly in shareholders' equity.

Calculation of income tax and assessment of all current and deferred tax liabilities and receivables are made in accordance with each Group company's national tax regulations and tax rates that have been decided or that with a great degree of certainty will be determined and apply when the tax is to be paid. It can be added that the Group management team regularly assesses claims made in tax assessments concerning situations where applicable tax rules are subject to interpretation. When interpretations change and when it is considered to be appropriate, allocations are adjusted to the amount that will probably be paid to the tax authority.

Deferred tax is calculated in accordance with the balance sheet method on the basis of all material temporary differences between the book values and taxable values of assets and liabilities. Deferred tax assets pertaining to unutilized tax loss carry-forwards are only reported when it is likely that it will be possible to realize the loss carry-forwards within the foreseeable future.

Deferred tax assets/liabilities are offset when there is a legal right to offset the asset or liability in question and when deferred tax assets/liabilities relate to taxes debited by the same tax authority. In this context there shall also be an intention to settle the item through a new payment.

## 2.6 INTANGIBLE FIXED ASSETS

Goodwill comprises the amount by which the acquisition value exceeds the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of Group companies is reported as an intangible asset.

Goodwill is tested annually in order to identify impairment requirements.

When conducting tests to identify possible impairment requirements, goodwill is divided among cash-generating units and each unit is tested individually. The reported value of goodwill comprises therefore the acquisition value less accumulated impairments. Impairment of goodwill is not recovered. Trademarks, patents and licenses that apply to separately acquired assets from external parties are reported initially at acquisition value. Trademarks, patents and licenses acquired through acquisition of a business are reported initially at their fair value on the day of acquisition. Trademarks, patents and licences that have a determinable period of utilization are assessed individually and depreciated linearly based on this, normally over 5–30 years. Assets with unlimited utilization periods are not normally subject to depreciation.

For the Group, assets with an indeterminate life length within this category refer to the trademark Perstorp, which in connection with the allocation of acquisition values in 2006, were judged to have an unlimited life, based on the company's 140 year history and the continuous renewal process. Annual testing of possible impairment requirements is performed for assets in this category.

Technological know-how was identified as a balance sheet item in connection with the allocation of acquisition values in 2006 and its acquisition value has linear depreciation to divide the costs over the assessed utilization period of 30 years. Testing of possible impairment requirements is performed annually. Customer relations: In connection with the allocation of acquisition values in 2006, a value was identified that reflects the future value generation related to core customers. The acquisition value has a linear depreciation in order to divide the cost over the lifespan of the relations which is expected to be 30 years and 10 years respectively. Annual testing of impairment requirements is performed through the analysis of future value generation in respect of sales to core customers, adjusted for the values already recognized in the form of trademarks and technological know-how.

Research costs are expensed directly when they arise, while expenses relating to the development of new products/processes are capitalized as intangible assets if they fulfill the following criteria: the expenses must be identifiable in a reliable way, the management team intends to complete production of the asset and use/ sell it, there must be external preconditions for using/selling the asset, and it must be highly probable that the asset will generate future financial benefits. Unless all criteria are met, the cost is reported directly. Costs that have previously been expensed may not subsequently be reported as assets. The amortization of capitalized development costs is linear and starts when the product starts to be produced commercially or the process starts to be used for commercial production. The amortization period must not exceed five years. Tests are performed annually to see if there is an impairment requirement.

Software: acquired software licenses are capitalized on the basis of the costs that have arisen for acquiring and deploying the software. Costs for the development and maintenance of software are normally expensed when they arise. If the particular software is unique, controlled by the Group and will probably generate economic benefits that exceed the costs for more than one year, the software is reported as an intangible asset. Personnel expenses for software development and a reasonable portion of attributable indirect costs are included. Costs for capitalized software licenses and software development are amortized over their estimated useful life, which may not exceed three years. All capitalized assets in this category are subject to an annual test concerning utilization period and impairment requirement.

## 2.7 TANGIBLE FIXED ASSETS

Tangible fixed assets are reported at their acquisition value less accumulated depreciation according to plan and in certain cases less impairment. The acquisition value includes expenses that can be directly attributable to the acquisition of an asset.

This also includes borrowing costs attributable to acquisitions of fixed assets that take a significant amount of time to complete for use. Additional expenses are added to the asset's reported value or reported as a separate asset, depending on which is appropriate, but only if it is probable that the future economic benefits associated with the asset accrue to the Group and the asset's acquisition value can be measured reliably. Reported value for replaced parts is deducted from capitalized value. All other forms of expenses for repairs and maintenance are reported as costs in the income statement during the period they arise.

Straight-line depreciation is applied based on the asset's acquisition value and estimated useful life. When the assets' depreciable amount is established the residual value of the asset is also considered as appropriate. The following depreciation periods are used:

Buildings	20–50 years
Land improvements	10–35 years
Machinery and equipment	10–30 years
Computers, tools and cars	max. 5 years

Land and construction in progress are not depreciated.

The residual value and useful life of assets are impairment tested regularly or when external or internal circumstances dictate such impairment testing, and are adjusted as necessary. An asset's book value is immediately impaired to its recoverable amount if the asset's book value exceeds its estimated recoverable amount. See chapter 2.10. Gains and losses on divestment are determined by comparing the sales proceeds and the book value and are reported in the income statement under the heading Other operating income and expenses.

## 2.8 LEASING

The Group mainly leases property, machinery, vehicles, IT-equipment and storage tanks.

Contracts may contain both lease and non-lease components. Perstorp Group separates the non-lease components from the lease components related to rental of premises, leased cars and IT equipment. For rental of storage tanks these payments include non-lease components as they are not possible to separate from lease payments. The Group acts as a lessee, which means that the leasing contracts are reported as right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable lease payment dependent on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- uses a build-up approach that starts with a third-party interest rate adjusted for credit risk for leases held by the Group

Right-of-use assets are measured at cost comprising the following:

- the initial amount of the lease liability, and
- payments made on or before the point in time when the leased asset is made available to the lessee

Each lease payment is allocated between amortization of the lease liability and a finance cost. The finance cost is allocated over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is subsequently depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

### Options to extend or terminate leases

Options to extend or terminate leases are included in the Group's lease contracts for offices. These terms are used to maximize operational flexibility in terms of managing contracts. Options to extend or terminate leases are included in the asset and the liability where it is reasonably certain they will be exercised. In the majority of the non-cancellable lease contracts for offices, the period has been set as the lease term. For the leases ending in 2021 it has been assessed that these contracts will with reasonable certainty be extended with one period.

### Leasing – Parent Company

The parent company has elected not to apply IFRS 16 Leases, but to apply RFR 2 instead. As a result, no right-of-use assets or lease liabilities are recognized in the balance sheet. The lease payments are instead recognized as an expense over the lease term on a straight-line basis.

## 2.9 FINANCIAL INSTRUMENTS

A financial asset or liability is initially recognized in the balance sheet when the company becomes a party to the contractual conditions of the instrument. A financial asset is derecognized from the balance sheet when all benefits and risks associated with ownership have been transferred. A financial liability is derecognized from the balance sheet when the obligations of the contract have been met, or otherwise extinguished. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. All financial derivatives are measured at fair value. The purchase and sale of financial assets is recognized on the transaction date, which is the date the Group undertakes to purchase or sell the asset.

Some measurements are conducted according to the effective interest method. The effective interest rate is the rate that, on discounting of all future anticipated cash flows over the expected term, results in the initially recognized value of the financial asset or the financial liability.

### Classification of financial instruments – financial assets

Debt instruments: classification of financial assets that are debt instruments is based on the Group's business model for the management of the asset and the characteristics of the asset's contractual cash flows.

Instruments are classified at:

- amortized cost
- fair value through other comprehensive income, or
- fair value through profit and loss

Financial assets classified at amortized cost are initially measured at fair value plus transaction costs. Accounts receivable are initially recognized at the invoice amount. After initial recognition, the assets are measured according to the effective interest method. Assets classified at amortized cost are held under the business model of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are covered by a reserve for expected credit losses (loss allowance).

The Group does not have any assets classified at fair value through other comprehensive income. Fair value through profit and loss is all other debt instruments that are not measured at amortized cost or fair value through other comprehensive income. Financial instruments in this category are initially measured at fair value. Changes in the fair value are recognized in profit and loss.

**Derivatives:** classified at fair value through profit and loss.

#### Other participations

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified as non-current asset if expected to be settled beyond 12 months, otherwise they are classified as current assets.

#### Classification of financial instruments – financial liabilities

**Other financial liabilities:** classified at amortized cost except for derivatives. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost according to the effective interest method.

**Derivatives:** classified at fair value through profit and loss.

#### Loss allowance for expected credit losses

The Group's financial assets and receivables, except for those classified at fair value through profit and loss, are subject to impairment for expected credit losses.

Impairment for credit losses under IFRS 9 includes forward-looking factors and a loss allowance is established when there is exposure to credit risk, already in connection with initial recognition.

A simplified expected credit loss model for accounts receivables are used, under which the loss allowance is measured at an amount equal to lifetime expected credit losses.

The financial assets are recognized in the balance sheet at the net of the gross amount and the loss allowance. Changes in the loss allowance are recognized in profit or loss in EBIT for accounts receivable and as financial expenses or income for other provisions. The Group's credit exposure is presented in Note 3 and in Note 22.

#### Calculation of fair value

The fair value of unlisted financial instruments, or if the market of a certain financial asset is not active, the value is determined by applying a present value calculation that relies on several factors, such as profit/loss, business plan, financial forecast and market data to reflect the market conditions on the closing date.

#### Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are measured at the exchange rate prevailing on the closing date. Exchange rate differences on operating receivables and operating liabilities are reported at "Other operating income and expenses", while exchange rate differences on financial receivables and liabilities are classified as financial items. See also Note 2.3 for translation of foreign currencies.

#### Offsetting of financial instruments

Financial assets and liabilities are offset and recognized at net amount in the balance sheet only when a legal right exists to offset the recognized amount and there is an intention to settle the amount net, or simultaneously realize the asset and settle the liability. This legal right may not be dependent on future events and it must be legally binding for the company and the counterparty in the normal business operations and also in the event of payment cancellation, insolvency or bankruptcy.

#### Cash & cash equivalents

Cash and cash equivalents include cash and bank balances and other short-term investments maturing within three months and that can easily be converted into cash.

#### Borrowings

Borrowings are reported initially at fair value, net after transaction costs. Other borrowing expenses are also reported in the income statement based on the period to which they relate including borrowing costs attributed over a period. For classification reasons, borrowings are reported as short-term liabilities to the extent that the Group does not have a unconditional right to defer payment of the liabilities for at least 12 months after the closing date. Other borrowings are reported analogously as long-term liabilities.

#### Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take an substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2.10 IMPAIRMENT

Tangible and intangible assets with an indeterminate useful life are not depreciated/amortized but are subject to annual testing of impairment requirements. Tangible and intangible assets with a determined useful life are assessed for a reduction in value whenever events or changes in conditions indicate that the book value may not be recoverable. Impairment is recognized in the amount by which the asset's or cash-generating unit's book value exceeds its recoverable value, which in the current situation means the higher of the utilization value or fair value with deductions for sales costs. In connection with the test an assessment is made as to whether there has been a change in the recovered value for an individual asset/cash-generating unit and if the previous impairment can be recovered fully or partly. Impairment is never recovered for goodwill. A test for an impairment requirement is performed for financial assets at the end of the report period. Impairment is performed as soon as there is objective evidence that events have taken place which indicate that estimated future cash flows from an asset will be lower than the reported balance sheet total. The impairment amount is calculated as the difference between the asset's reported value and assessed future cash flow (current value is calculated for instruments classified as fixed assets). If there are observable market prices for the instrument, the impairment calculation is based on this fair value. In connection with the test an assessment is also made if events have occurred, and objective evidence is available, which mean that a previously carried out impairment shall be returned fully or partly.

## 2.11 INVENTORIES

Inventories are reported on the closing date at the lower of acquisition value and net realizable value. The acquisition value is determined using a method mainly based on weighted average prices. The acquisition value of finished products and work in progress consists of raw materials, direct payroll expenses, other direct costs and attributable indirect manufacturing costs (based on normal manufacturing capacity). Borrowing costs are not included; there are no inventories for which IAS 23 is applicable. The net realizable value is the estimated selling price based on continuing operations, less applicable variable selling costs.

## 2.12 EMPLOYEE BENEFITS

#### Pensions

The Group has both defined-contribution and defined-benefit pension plans. The characteristic of a defined-contribution pension plan is that the Group pays a fixed contribution to a separate legal entity. After the premium is paid the Group has no legal or informal obligations to pay additional fees if the counter party does not have sufficient assets to pay benefits to employee relating to the employee's service in earlier years. There are therefore no provisions in the consolidated balance sheet or among contingent liabilities for this category of pension. Defined-benefit pension plans are not determined by contributions; they are instead a commitment for the Group and are thus balanced as a provision. The commitment comprises an amount for the pension benefit an employee shall receive upon retirement, which is assessed with reference to age, years of service, future salary increase and inflation. The pension plans are normally financed through payments to insurance companies or funds managed by asset managers in accordance with periodical actuarial calculations.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The Group's payments for defined-contribution pension plans are reported as a cost during the period when the employee performed the services to which the contributions pertain. For defined-benefit plans, the interest effect and return on plan assets attributable to the plan are reported in net financial items, while other costs are included in operating profit.

#### Remuneration for redundancy

Remuneration is paid for redundancy when an employee's employment is terminated before normal retirement or when the employee accepts voluntary redundancy in exchange for remuneration. The Group reports severance pay when a formal plan is presented or an offer is made and an obligation or legal undertaking is created.



## Other remuneration & bonus plans

Other short-term remuneration to employee's is reported as a cost when an employee has performed a service in exchange for remuneration. Reservations for bonuses are reported continually as a liability and cost in accordance with predicted outcome and the economic impact of the agreement.

## 2.13 PROVISIONS

Provisions are reported when the Group has an existing legal or informal obligation as a result of the occurrence of an event for which it is probable that an outflow of resources will be required to settle the obligation and for which the amount can be reasonably estimated. Provisions for restructuring are primarily reported for severance pay and other costs affecting cash flow that arise in connection with restructuring of the Group's activities.

## 2.14 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal Groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

## NOTE 3. RISK MANAGEMENT

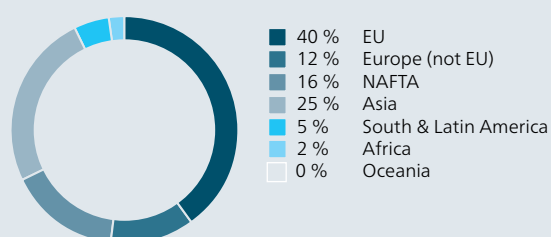
### 3.1 FINANCIAL RISK FACTORS

The Groups treasury policy governs the financial risks the Group is prepared to take and sets guidelines for how these risks should be managed. Corporate Finance has global responsibility for the Group's financing activities.

#### Currency risk

The currency risk is the risk that the Group's earnings and net assets will be adversely affected by fluctuations in exchange rates. The Group has considerable flows, earnings and assets in foreign currency, primarily in EUR and USD. Both sales and raw material purchase is primarily USD or EUR based, whereas a large portion of costs is in SEK, mainly as a result of the fact that more than half of the Group's employees are based at Swedish sites. The Group's currency transaction exposure for 2021 is to some extent naturally hedged through the interest payments on the EUR and USD denominated loans.

#### NET SALES PER GEOGRAPHIC MARKET, %



#### SWAPS

SEK m	Market value	Nominal amount
<b>Internal lending</b>		
EUR	-3	-159
JPY	0	-16
<b>Liquidity purposes</b>		
EUR	1	555

## NON DELIVERABLE FORWARDS

SEK m	Market value	Nominal amount
INR	0	85

## EXPOSURE PER CURRENCY, FORECAST FOR 2022<sup>1)</sup>

	Net sales	Operating costs	EBITDA	Financial payments	Net	Translated to SEK m <sup>2)</sup>
USD	650	-493	157	-19	138	1,248
EUR	875	-576	299	-29	270	2,763

<sup>1)</sup> Forward-looking statements are not guarantees of future performance.

<sup>2)</sup> Currency rate on closing day.

## NET ASSETS PER CURRENCY, BEFORE & AFTER LOANS IN FOREIGN CURRENCY

SEK m	Net assets per currency, before loans in foreign currency	Loans in foreign currency, Swedish companies	Exposed net assets
EUR	422	-5,166	-4,744
USD	204	-3,361	-3,157
GBP	-3	-	-3
SEK	487	8,527	9,014
Other currencies	982	-	982
<b>Total</b>	<b>2,092</b>	<b>0</b>	<b>2,092</b>

At the end of 2021 there was positive exposure in SEK concerning net assets per currency. This is because a large part of the intangible assets that existed when PAI partners acquired Perstorp was in SEK. Exposure of net assets in EUR and USD are correspondingly negative because the Group has raised loans in both those currencies to a greater extent than that which corresponds to assets. The translation affect if SEK is changing by 1% against the USD/EUR, will be approximately SEK 85 million and affect the financial net.

#### Liquidity risk

The liquidity risk is monitored through rolling cash flow forecasts which gives early warning signals and enables correspondingly early corrective measures to safeguard that the Group has sufficient liquid assets and unutilized credit facilities to meet current payments.

## LIABILITIES, INTEREST RATES & FINANCIAL INSTRUMENTS, PER DUE DATE

The table below shows the market value of the Group's financial liabilities and derivative instruments with their due dates. The amounts shown are the agreed, undiscounted amounts.

As of 31 December 2021	0-1 years	1-2 years	2-5 years	> 5 years
<b>Borrowings</b>				
Amortization	-68	-44	-8,486	-3
Interest	-413	-411	-987	0
<b>Derivative instruments</b>				
Non-deliverable forward	85	-	-	-
Currency swaps outgoing	-175	-	-	-
Currency swaps ingoing	555	-	-	-
<b>Currency swaps net amount</b>	<b>380</b>	-	-	-
Accounts Payable & Other Liabilities	-3,052	-	-	-

## Financing risk

Financing risk refers to the risk that refinancing of due loans becomes more difficult or expensive.

The Group's financing consists of Institutional Term Loans a Revolving Credit Facility and a separate liquidity enhancing Revolving Credit Facility of SEK 600 m, backed by the Swedish Export Credit Agency (EKN). The Institutional Term Loans and Revolving Credit Facility maturities in 2026 and 2025 respectively and the EKN backed Revolving Credit Facility matures in 2023, with a one year extension option. The maturity structure is presented in note 22b. Loan agreements are linked to a Financial Covenant that include net debt in relation to EBITDA.

## INTEREST-RATE RISK

Interest risk refers to the risk of a negative impact on earnings due to a rise in market interest rates. Note 22, table C, shows the interest rate and fixed period per currency as per December 31, 2021. All external financing, are issued with floating interest rate. Financing is issued with a base rate floor that is higher than the current EUR base rate level. The current market situation with negative EUR base rates therefore gives a lower sensitivity to changes in interest rates.

## COUNTERPARTY RISK/CUSTOMER SENSITIVITY

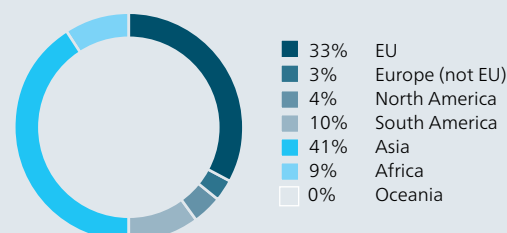
Counterparty risk relates to the credit risk that may arise when a counterpart cannot fulfil its commitments and thus causes a financial loss to the Group. Limits for financial counterparts are regulated in the Group's treasury policy and stipulates that bilateral credit facilities shall be provided by financial institutions with a minimum A3 rating from Moody's or A- from Standard & Poor's which is regularly monitored. For financial counterparts, the exposure at year-end, defined here as unrealized losses for short term currency swaps amounts to -2 m.

In addition there is a group credit policy. The purpose of this policy is to establish standard procedures to minimize credit losses. The credit policy sets a framework for approving credit, defines who has responsibility and how deliveries may be approved in the event of limits being exceeded or customers having overdue payments. Internal guidelines also include procedures for monitoring outstanding receivables before and after the maturity date depending on materiality and the individual customer's risk profile.

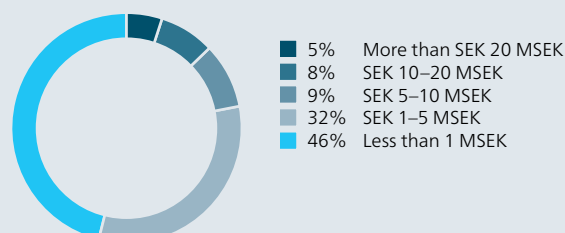
The Group's outstanding customer receivables on the closing date amounted to SEK 1,274 (633) m. The increase is mainly due to increased Sales. The amounts reported are those that are expected to be repaid by customers based on an individual assessment of outstanding receivables and thereby including a reserve for expected/stated customer losses amounting to SEK 26(7) m. Account receivables that are overdue are closely monitored in order to not increase the exposure. If a bilateral agreement cannot be reached with the customer it is sent for external credit collection and as a last step also to court. The latter processes tend to take long time and therefore the Group applies a prudent policy when to write off a receivable.

To highlight the credit quality of receivables that has either fallen due for payment or have been written down, a maturity analysis is presented below (see note 19 for a maturity analysis of all accounts receivable). The book value of accounts receivable is equal to the fair value since the effect of discounting is not material. It should also be noted that it is not uncommon for a receivable to be settled shortly after the due date, which affects the maturity interval by 1–10 days.

## CONCENTRATION RISK OF ACCOUNTS RECEIVABLE DIVIDED BY GEOGRAPHIC REGION, %



## CONCENTRATION RISK OF ACCOUNTS RECEIVABLE BASED ON SIZE OF CUSTOMER, %



Dec 31, 2021	Current	1–30 days past due	31–60 days past due	61–90 days past due	91–180 days past due	>180 days past due	Total
<b>Loss Allowance</b>							
Expected loss rate, %	1.4	4.5	8.0	16.0	31.9	100	1.9
Gross carrying amount – accounts receivable	1,277	33	-1	-3	-2	-4	1,300
Loss Allowance	-18	-3	0	0	0	-5	-26
Carrying value	1,259	30	-1	-3	-2	-9	1,274

Dec 31, 2020	Current	1–30 days past due	31–60 days past due	61–90 days past due	91–180 days past due	>180 days past due	Total
<b>Loss Allowance</b>							
Expected loss rate, %	0.2	1.5	8.0	16.0	31.9	64.0	0.8
Gross carrying amount – accounts receivable	602	32	7	1	-1	-1	640
Loss Allowance	-1	-1	-1	0	0	-4	-7
Carrying value	601	31	6	1	-1	-5	633

The Perstorp group applies the simplified approach to measure lifetime expected credit losses.. Historical information is used regarding credit loss experience to forecast future credit losses. In addition, current and forward looking information is used to reflect current and future conditions. The effects following IFRS 9 is presented above.

The Group's sales and thus also its accounts receivable are divided among a large number of customers spread across a wide geographic area. This limits the concentration of credit risk exposure. See diagram above.

The distribution of customers based on the size of accounts receivable at the end of the period is presented in diagram above.

The segment with amounts exceeding SEK 20 m refers to 2 (1) individual customers, the segment between SEK 10-20 m refers to 8(2) individual customers. The category of customers owing the Group less than SEK 1 m on the closing date corresponds to around 83 (88)% of all counter parties.

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 10 (10) m. Of these, SEK 0 (0) m is attributable to receivables that have fallen due for payment. Of receivables that have fallen due and which are associated with a limited credit risk due to pledged securities, SEK 0 (0) m are over 30 days due.

## 3.2 OPERATIONAL RISK FACTOR

### Access to raw materials

Most of the Group's raw materials are based on oil or natural gas. Many of the Group's products are both sold externally and further processed internally. To safeguard supplies of raw materials and spread risks, the Group's purchasing policy requires that supplies of critical raw materials are made by more than one suppliers where possible. Supplies are secured through long-term delivery agreements.

Perstorp operates on the global chemicals market with suppliers who meet the highest environmental and safety requirements, but as far as possible Perstorp also aims to minimize transport by buying on local markets.

Supplies of raw materials to Perstorp's site in Stenungsund – the largest site for the group both in terms of volume and in spend – is primarily done via pipelines directly from nearby Producers, a setup which eliminates storage costs and minimizes freight costs but also entail a risk of being closely tied to these suppliers. Perstorp manages this risk through a terminal agreement that gives Perstorp the right to use the supplier's infrastructure for raw materials supplied by other producers.

The prices of crude oil and natural gas fluctuate constantly. To provide stability in the shorter perspective, Perstorp purchases raw materials using pricing formulas based on quarterly or monthly prices on each market where the raw material is used. The latest development in 2022 primarily due to Russia's war on Ukraine indicates that fixed pricing for key raw material will move to shorter pricing cycles, i.e. quarterly to monthly and monthly to weekly although nothing is yet confirmed.

Opportunities for hedging raw material prices are assessed continually. To make this a possible alternative, Group policy requires a very strong correlation between the raw material price and the Group's own selling price. At end of 2021 no raw material prices were hedged. In the historic perspective, the Group has been very successful in passing on increases in raw material prices along the customer chain.

Perstorp closely monitor the need of electricity. In accordance with the Group's policy the electricity usage in Sweden is secured up to four years in a range of 0-75%. This is done by a preferred supplier that owns and sell a physical product with a mix of secured and spot to Perstorp.

### PRODUCTION DISRUPTIONS

Disruptions at Perstorp's plants may lead to a loss of earnings in the short term if the Group cannot deliver agreed volumes to customers and in the long term if this leads to alternative products taking over for the same application. Regular technical inspections are performed at production sites to minimize these risks.

Perstorp has a global function whose job is to ensure that, in case of sudden and unexpected events, the Group has comprehensive insurance coverage while also supporting work aimed at minimizing risks. Through a global insurance program involving different international insurance companies the Group can capitalize on its competitive advantage in negotiating insurance terms and costs.

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## NOTE 4. SIGNIFICANT ESTIMATES & JUDGMENTS MADE FOR ACCOUNTING PURPOSE

Perstorp's financial accounts are based on the going-concern principle. To a certain extent, the financial statements are based on estimates and judgments about the future trend. In turn, these judgments are based on historical experience and different assumptions that are considered to be reasonable in current circumstances. Reported values may have another actual outcome if other assumptions are made or circumstances change. The following particular areas can be distinguished where estimates and judgments are of importance to the amounts entered in the accounts and differences can have a significant effect on the Group's earnings and financial position.

**Impairment testing of goodwill and trademarks:** In accordance with the accounting principle described in point 2.10, impairment testing is currently performed annually through analysis of individual assets'/cash-generating units' recovery value. The Group tests goodwill for any impairment on an annual basis or whenever events or objective circumstances indicate that the fair value of acquisition-related goodwill may have decreased. To determine whether the value of goodwill has decreased, the cash-generating unit to which the goodwill is attributable must be valued and this is done by discounting the future cash flow. In applying this method, the Company relies on several factors, such as profit/loss, business plans, financial forecasts and market data. For further information see note 7.

**Valuation of shares in subsidiaries:** Impairment testing is performed annually through analysis of the value of shares in subsidiaries, in each owning companies, taken into account discounted future cash flow based on the latest business plan. For further details, see note 7.

**Other participations:** In accordance with the accounting principle other participations is valued at fair value. To determine the fair value the Company relies on several factors, such as profit/loss, business plans, financial forecasts and market data. For further details, see note 14.

**Valuation of tax-loss carry-forwards:** The valuation of tax-loss carry-forwards is based on an assessment that it will be possible to utilize these carry-forwards in the foreseeable future. Assessments are based on, among other matters, an assumption about future business opportunities and earnings capability. The outcome is often dependent on tax rules that are current or likely to come into effect. Tax-loss carry-forwards have been assigned values in, primarily, the Group's companies in Sweden, Germany and Holland. For booked values see Note 24.

**Pension benefits:** The current value of the Group's future pension commitments regarding defined-benefit pension plans is based on a number of assumptions in connection with the actuarial estimate. Changes in these assumptions may affect the reported value of the pension commitment. For further details, see chapter 2.12 and note 23.

**Available funds:** The future estimated available fund includes a number of estimates and judgments based on the long term business plan. Perstorp is constantly monitoring the available funds to secure that available funds are on a satisfied level for the coming periods.

**Environmental liabilities:** The Group's ongoing activities are reflected in how any possible environmental damage is assessed. The Group complies with decisions by public authorities and conducts measures both proactively to prevent environmental impact and reactively in the event that environmental disturbances arise.

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## NOTE 5. SEGMENT INFORMATION

To a very great extent, Perstorp's operations are integrated since the same product can often be manufactured in several units/countries and also by being intermediates in the next product. The same product can often be used for a wide spectrum of applications. Therefore, there is not always a natural basis for dividing Perstorp's business into different segments. At present there is no formal requirement for non-listed companies to follow IFRS 8. This factor, together with the lack of a natural basis for dividing segments in accordance with IFRS 8 means that the Group has chosen to exclude this information.



## NOTE 6. TANGIBLE FIXED ASSETS <sup>1,2)</sup>

Group	Land		Buildings & land improvements		Plant & machinery		Equipment, tools, fixtures & fittings		Work in progress incl. advance payments		Right of use assets		Total	
SEK m	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Acquisition value</b>														
Opening balance	199	210	1,461	1,474	7,437	7,404	549	517	634	552	159	134	10,439	10,291
Investments	–	–	31	1	8	22	82	3	538	362	27	62	686	450
Acquisition of business/subsidiary	–	–	–	–	23	–	–	–	–	–	–	–	23	–
Divestments and disposals	–	–	–	–	-26	-13	-1	0	–	–	-14	-34	-41	-47
Reclassifications	8	–	9	9	140	204	4	41	-60	-255	–	–	101	-1
Modifications/change of leasing contract	–	–	–	–	–	–	–	–	–	–	19	–	19	–
Translation effects	5	-11	24	-23	136	-180	7	-12	29	-25	2	-3	203	-254
<b>Closing balance</b>	<b>212</b>	<b>199</b>	<b>1,525</b>	<b>1,461</b>	<b>7,718</b>	<b>7,437</b>	<b>641</b>	<b>549</b>	<b>1,141</b>	<b>634</b>	<b>193</b>	<b>159</b>	<b>11,430</b>	<b>10,439</b>
<b>Accumulated depreciation according to plan</b>														
Opening balance	–	–	-694	-652	-4,425	-4,268	-384	-341	–	–	-51	-37	-5,554	-5,298
Depreciation	–	–	-45	-54	-247	-270	-51	-52	–	–	-50	-48	-393	-424
Divestments and disposals	–	–	–	–	24	7	1	–	–	–	14	33	39	40
Reclassifications	–	–	-1	–	-56	3	–	-2	–	–	–	–	-57	1
Translation effects	–	–	-13	12	-78	103	-5	11	–	–	-2	1	-98	127
<b>Closing balance</b>	<b>–</b>	<b>–</b>	<b>-753</b>	<b>-694</b>	<b>-4,782</b>	<b>-4,425</b>	<b>-439</b>	<b>-384</b>	<b>–</b>	<b>–</b>	<b>-89</b>	<b>-51</b>	<b>-6,063</b>	<b>-5,554</b>
<b>Write-downs</b>														
Opening balance	-7	-8	-19	-19	-180	-182	-2	-2	-15	-15	–	–	-222	-226
Write-downs during the year	–	–	–	–	–	–	–	–	-8	–	–	–	-8	–
Translation effects	–	1	–	0	–	2	–	–	–	–	–	–	–	4
<b>Closing balance</b>	<b>-7</b>	<b>-7</b>	<b>-19</b>	<b>-19</b>	<b>-180</b>	<b>-180</b>	<b>-2</b>	<b>-2</b>	<b>-23</b>	<b>-15</b>	<b>–</b>	<b>–</b>	<b>-231</b>	<b>-222</b>
<b>Closing book value</b>	<b>205</b>	<b>192</b>	<b>753</b>	<b>748</b>	<b>2,756</b>	<b>2,832</b>	<b>200</b>	<b>163</b>	<b>1,118</b>	<b>619</b>	<b>104</b>	<b>108</b>	<b>5,136</b>	<b>4,662</b>

<sup>1)</sup> The Group's tangible fixed assets were assessed in 2006 in connection with an acquisition analysis. The assessment was based on replacement cost, remaining life and the difference in operating costs between newly acquired plants and existing ones. The re-assessment, after deductions for deferred tax, was credited to Other reserves under Shareholders' equity.

<sup>2)</sup> Buildings and land with a value of SEK 28 (52) m are used as collateral for bank loans.

Depreciation per function	2021	2020
Cost of goods sold	370	399
Selling Cost	9	10
Administration	8	10
R & D	6	5
<b>Total</b>	<b>393</b>	<b>424</b>

Parent company	Tangible fixed assets	
	2021	2020
Opening balance	0	0
Investments	0	0
Depreciation	0	0
<b>Closing balance</b>	<b>0</b>	<b>0</b>

Impairment and the result effects of scrapping are included in Other operating expenses.

## NOTE 7. INTANGIBLE FIXED ASSETS

Group SEK m	Goodwill		Trademarks		Patents, licenses & similar rights		Know-how		Customer relations		Development costs		Reach		Other <sup>1)</sup>		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Acquisition value</b>																		
Opening balance	2,207	2,294	1,184	1,184	24	22	1,212	1,220	807	838	326	313	93	73	124	73	5,977	6,017
Investments	–	–	–	–	3	0	1	0	–	–	13	14	16	20	57	54	90	88
Acquisition of business/ subsidiary	175	–	16	–	–	–	–	–	147	–	–	–	–	–	–	–	338	–
Reclassifications	–	–	–	–	3	2	–	-5	–	–	41	–	–	–	-90	-1	-46	-4
Translation effects	58	-87	–	–	1	–	1	-3	23	-31	0	-1	–	–	4	-2	87	-124
<b>Closing balance</b>	<b>2,440</b>	<b>2,207</b>	<b>1,200</b>	<b>1,184</b>	<b>31</b>	<b>24</b>	<b>1,214</b>	<b>1,212</b>	<b>977</b>	<b>807</b>	<b>380</b>	<b>326</b>	<b>109</b>	<b>93</b>	<b>95</b>	<b>124</b>	<b>6,446</b>	<b>5,977</b>
<b>Accumulated depreciation according to plan</b>																		
Opening balance	0	0	-5	-5	-21	-20	-618	-581	-432	-394	-162	-128	-23	-19	-8	-8	-1,269	-1,155
Depreciation	–	–	–	–	-1	-1	-39	-39	-54	-55	-35	-35	-5	-4	-1	-1	-135	-135
Reclassifications	–	–	–	–	-3	-1	-1	–	–	–	3	–	-1	–	–	–	-2	-1
Translation effects	–	–	–	–	–	1	-1	2	-14	17	–	1	–	–	-1	1	-16	22
<b>Closing balance</b>	<b>0</b>	<b>0</b>	<b>-5</b>	<b>-5</b>	<b>-25</b>	<b>-21</b>	<b>-659</b>	<b>-618</b>	<b>-500</b>	<b>-432</b>	<b>-194</b>	<b>-162</b>	<b>-29</b>	<b>-23</b>	<b>-10</b>	<b>-8</b>	<b>1,422</b>	<b>-1,269</b>
<b>Write-downs</b>																		
Opening balance	-462	-462	0	0	0	0	-9	-14	0	0	-3	-3	-1	-1	0	0	-475	-480
Reclassifications	–	–	–	–	–	–	1	5	–	–	–	–	1	–	–	–	2	5
<b>Closing balance</b>	<b>-462</b>	<b>-462</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8</b>	<b>-9</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>-3</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-473</b>	<b>-475</b>
<b>Closing book value</b>	<b>1,978</b>	<b>1,745</b>	<b>1,195</b>	<b>1,179</b>	<b>6</b>	<b>3</b>	<b>547</b>	<b>585</b>	<b>477</b>	<b>375</b>	<b>183</b>	<b>161</b>	<b>80</b>	<b>69</b>	<b>85</b>	<b>116</b>	<b>4,551</b>	<b>4,233</b>

<sup>1)</sup> Other intangible assets refer to tenancy rights, development costs, advance payments for intangible assets and non-compete agreements in connection with acquisitions.

Depreciation per function	2021	2020
Cost of goods sold	58	59
Selling Cost	50	52
R & D	0	1
Administration	27	23
<b>Total</b>	<b>135</b>	<b>135</b>

Know-how and customer relations are depreciated linearly. The remaining average life length is 14 (15) and 12 (12) years respectively. For further details concerning accounting principles for intangible assets, see note 2.6.

### Impairment testing

Goodwill and other assets are tested for impairment annually or more frequently if there are indications of a decline in value. During the first quarter 2021, Perstorp announced and implemented an updated strategic direction, which aims to improve resilience and balance its product mix were defined the cash-generating units (CGU) was updated to reflect the updated strategy. The defined CGU is specified below.

Allocation of Goodwill & Operating capital to the CGU's have been performed based on relative values and original PPA. The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on internal budget and strategic plan over the next five years. The assessments of management are based on both historical experience and current information relating to the market trend. Following the forecast period, the cash flows were extrapolated using an assumed rate of growth of 2% (2). When calculating the present value of future cash flows for the group, a weighted average cost of capital (WACC) of 9.2% (9.5) for CGU Polyols, Oxo & Plasticizer, Formates, Feed Products and for Animal Nutrition 10.5% (10.5) after tax was applied.

The impairment test supports the book values.

A sensitivity analysis shows that an increase in the WACC with 0.5 % after tax, wouldn't lead to a need for impairment for any of the cash-generating units.

### Assets not depreciated – goodwill & trademarks from acquisition

Goodwill and the trademarks assigned a value in connection with the acquisition allocation following the acquisition of the Group at the end of 2005 (Perstorp) have been adjudged to have an unlimited life. A summary of the allocation per cash-generating unit, for goodwill and trademarks, is presented below.

2021 (SEK m)	Goodwill	Trademarks	Total
Polyols	919	511	1,430
Oxo & Plasticizer	847	566	1,412
Formates	159	106	265
Feed products	18	12	30
Animal Nutrition	36	0	36
<b>Total</b>	<b>1,978</b>	<b>1,195</b>	<b>3,173</b>

2020 (SEK m)	Goodwill	Trademarks	Total
Specialty Polyols & Solutions	988	495	1,483
Advanced Chemicals	600	568	1,168
Animal Nutrition	157	116	273
<b>Total</b>	<b>1,745</b>	<b>1,179</b>	<b>2,924</b>

### PARENT COMPANY

	Other	
Acquisition value	2021	2020
Opening balance	0	1
Investments	–	–
Depreciation	0	-1
<b>Closing balance</b>	<b>0</b>	<b>0</b>

## NOTE 8. LEASING

### RIGHT-OF-USE-ASSETS, 2021

Group	Buildings	Vehicles	Machinery	Other	Total
<b>Acquisition</b>					
Opening balance	58	35	62	5	160
Additions	26	13	7	0	46
Terminations	-5	-8	-1	0	-14
Translation differences	1	0	0	0	1
<b>Closing balance</b>	<b>80</b>	<b>40</b>	<b>68</b>	<b>5</b>	<b>193</b>
<b>Accumulated depreciations</b>					
Opening balance	-25	-13	-12	-2	-52
Terminations	5	8	0	0	13
Depreciations for the year	-19	-12	-17	-1	-49
Translation differences	-1	0	0	0	-1
<b>Closing balance</b>	<b>-40</b>	<b>-17</b>	<b>-29</b>	<b>-3</b>	<b>-89</b>
<b>Net carrying value</b>	<b>40</b>	<b>23</b>	<b>39</b>	<b>2</b>	<b>104</b>

### RIGHT-OF-USE-ASSETS, 2020

Group	Buildings	Vehicles	Machinery	Other	Total
<b>Acquisition</b>					
Opening balance	52	25	52	5	134
Additions	22	17	22	1	62
Terminations	-14	-6	-12	-1	-33
Translation differences	-2	-1	0	0	-3
<b>Closing balance</b>	<b>58</b>	<b>35</b>	<b>62</b>	<b>5</b>	<b>160</b>
<b>Accumulated depreciations</b>					
Opening balance	-18	-8	-10	-1	-37
Terminations	13	5	12	1	31
Depreciations for the year	-21	-10	-15	-2	-48
Translation differences	1	0	1	0	2
<b>Closing balance</b>	<b>-25</b>	<b>-13</b>	<b>-12</b>	<b>-2</b>	<b>-52</b>
<b>Net carrying value</b>	<b>33</b>	<b>22</b>	<b>50</b>	<b>3</b>	<b>108</b>

### AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

Group	2021	2020
Depreciations for the year	-50	-48
Interest expenses related to lease liabilities	-6	-7
Expenses for low value assets	-7	-9
Expenses for short-term leases	-7	-4
<b>Total amounts recognized in income statement</b>	<b>-70</b>	<b>-68</b>
<b>Total cashflow for leases during the year</b>	<b>-69</b>	<b>-68</b>

### LEASE LIABILITIES BY MATURITY

Group	2021	2020
Due:		
0-1 year	49	49
1-2 year	34	34
2-5 year	27	30
>5 years	6	1
<b>Total</b>	<b>116</b>	<b>114</b>

## NOTE 9. NET SALES

Group		
Net sales by type of income (SEK m)	2021	2020
Goods	13,364	9,039
Services	173	155
<b>Total</b>	<b>13,537</b>	<b>9,194</b>

Group		
Net sales by geographic region (SEK m)	2021	2020
EU and rest of Europe	7,028	4,920
North and South America	2,850	1,984
Asia	3,310	2,051
Africa	316	216
Oceania	33	23
<b>Total</b>	<b>13,537</b>	<b>9,194</b>

The Parent Company reported net external sales of SEK 0 (5) m in 2021.

## NOTE 10. BREAKDOWN OF COSTS

Group		
Costs divided by type (SEK m)	2021	2020
Raw materials, goods for sale, energy, transport and packaging costs	-8,886	-6,185
Other external costs	-698	-609
Employee remunerations (note 27)	-1,455	-1,276
Depreciation (note 6 and 7)	-528	-559
Other operating income & expenses (note 11)	-46	-66
Earnings from participations in associated companies	4	4
<b>Total</b>	<b>-11,609</b>	<b>-8,691</b>



**NOTE 11. OTHER OPERATING INCOME & COSTS**

	Group		Parent company	
SEK m	2021	2020	2021	2020
Insurance remuneration	9	34	–	–
Operations-related exchange rate differences	11	-30	–	–
Restructuring costs	-11	-14	-1	-1
Write downs, disposal (note 6,7)	-10	-6	–	–
Other	-45	-50	-19	-19
<b>Total</b>	<b>-46</b>	<b>-66</b>	<b>-20</b>	<b>-20</b>

**NOTE 12. EARNINGS FROM PARTICIPATIONS IN ASSOCIATED COMPANIES & JOINT VENTURES**

SEK m	2021	2020
PetroPort Holding AB, Sweden	4	4
<b>Total</b>	<b>4</b>	<b>4</b>

The companies' sales amounted to a total of SEK 87 (89) m in 2021 and earnings after tax was SEK 8 (8) m.

**NOTE 13. PARTICIPATIONS IN ASSOCIATED COMPANIES & JOINT VENTURES**

SEK m	Share of capital/ voting rights, %	Group's share of shareholders' equity	Book value, Group
PetroPort Holding AB, Sweden	50/50	83	83
Industrins Räddningstjänst i Stenungsund AB	25/25	0	0
<b>Total</b>		<b>83</b>	<b>83</b>

SEK m	2021	2020
Opening book value	79	75
Earnings from participations	4	4
<b>Closing book value</b>	<b>83</b>	<b>79</b>

The assets of associated companies amounted to SEK 268 (274) m at the end of 2021 and liabilities amounted to SEK 101 (116) m.

**NOTE 14. OTHER PARTICIPATIONS**

	Group		Parent company	
SEK m	Book value Dec. 31, 2021	Book value Dec. 31, 2020	Book value Dec. 31, 2021	Book value Dec. 31, 2020
Opening book value	71	148	71	148
Revaluation	70	-77	70	-77
<b>Closing book value</b>	<b>141</b>	<b>71</b>	<b>141</b>	<b>71</b>

Other participations consists of Parent Company shareholding in Vencorex Holding France SAS 9.2 (9.2) %.

**NOTE 15. NON CONTROLLING INTERESTS' SHARE IN NET PROFIT/LOSS FOR THE YEAR**

SEK m	2021	2020
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	53	13
<b>Total</b>	<b>53</b>	<b>13</b>

**NOTE 16. NON CONTROLLING INTERESTS**

SEK m	Book value Dec. 31, 2021	Book value Dec. 31, 2020
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	198	125
<b>Total</b>	<b>198</b>	<b>125</b>

SEK m	2021	2020
Opening book value	125	129
Translation effects	20	-8
Change in the period	53	13
Dividend	–	-9
<b>Closing book value</b>	<b>198</b>	<b>125</b>

Perstorp's share in Shandong Fufeng Perstorp Chemicals Co.,Ltd at the end of the year is 68.3 (68.3) %.

**NOTE 17. OTHER LONG-TERM RECEIVABLES**

SEK m	Dec. 31, 2021	Dec. 31, 2020
<b>Interest-bearing long-term receivables</b>		
Other receivables	1	1
<b>Total</b>	<b>1</b>	<b>1</b>
<b>Interest-free long-term receivables</b>		
Other receivables	4	6
<b>Total</b>	<b>4</b>	<b>6</b>

## NOTE 18. PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2021 Holding, %	2020 Holding, %	2021 Book value	2020 Book value
<b>Perstorp Financial Services AB</b>	<b>556762-4563</b>	<b>Perstorp, Sweden</b>	<b>100%</b>	<b>100%</b>	<b>7,712</b>	<b>7,712</b>
Perstorp Services AB	559036-9574	Perstorp, Sweden				
Perstorp AB	556024-6513	Perstorp, Sweden				
Perstorp Quimica do Brasil Ltda	NIRE 35.218.522.982	Brazil				
Perstorp Sales France SA	442650768 R.C.S. Nanterre	France				
Perstorp SpA	171 467	Italy				
Perstorp Japan Co Ltd	9-0100-0105-3962	Japan				
Perstorp (Shanghai) Chemical Trading Co.,Ltd	91310000681008322R	China				
Shandong Fufeng Perstorp Chemical Co. Ltd	782323786	China				
Perstorp Chemicals Asia PTE Ltd	199905508W	Singapore				
Perstorp Iberica SL	B65592503	Spain				
Perstorp Services UK Ltd	11632438	UK				
Perstorp Fastighets AB	556571-3798	Sweden				
Perstorp Oxo AB	556041-0895	Sweden				
Perstorp Formulas AB	559178-6297	Sweden				
Perstorp Specialty Chemicals AB	556247-6290	Sweden				
Perstorp Specialty Fluids AB	559160-9309	Sweden				
Perstorp Holding (U.S.) Inc.	26-3020217, Delaware	USA				
Perstorp Polyols Inc.	34-1386676, Delaware	USA				
Perstorp Industries India Private Ltd	U24299MH2017FTC294152	India				
Perstorp India Private Ltd	U24304MH2020FTC337650	India				
Perstorp Equipment S.r.l.	4320860168	Italy				
Driveadd GmbH <sup>1)</sup>	HRB 148860, Hamburg	Germany				
Perstorp Holding B.V.	34089250	Netherlands				
Perstorp Specialty Chemicals BV	23091252	Netherlands				
Perstorp Specialty Chemicals Holding BV	23092336	Netherlands				
Perstorp Waspik BV	18116759	Netherlands				
Perstorp Chemicals India Private Ltd	04-32032	India				
Perstorp Chemicals Korea Co. Ltd	230111-0095660	South Korea				
<b>Perstorp Holding GmbH</b>	<b>HRB 7465, Arnsberg</b>	<b>Germany</b>	<b>6%</b>	<b>6%</b>	<b>19</b>	<b>19</b>
Perstorp Chemicals GmbH	HRB 1900, Arnsberg	Germany				
Perstorp Service GmbH	HRB 6542, Arnsberg	Germany				
<b>Total book value in Parent Company</b>					<b>7,731</b>	<b>7,731</b>

<sup>1)</sup> Company was merged into Perstorp Holding GmbH during 2021.

All companies are wholly-owned by the Group except for Shandong Fufeng Perstorp Chemical Co. Ltd, for which the ownership is 68.3 (68,3) %.

SEK m	2021	2020
Opening book value	7,731	7,731
Changes during the period	–	–
<b>Closing book value</b>	<b>7,731</b>	<b>7,731</b>

## NOTE 19. ACCOUNTS RECEIVABLE & OTHER OPERATING RECEIVABLES

SEK m	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable, gross	1,300	640
Bad debt provision	-26	-7
<b>Accounts receivable, net</b>	<b>1,274</b>	<b>633</b>
<b>Other operating receivables</b>		
Value added tax	87	59
Emissions credits	206	103
Receivables from suppliers	12	8
Other current receivables	75	61
Prepaid insurance premiums	26	14
Other prepaid costs and deferred income	165	164
<b>Total other operating receivables</b>	<b>571</b>	<b>409</b>

The parent company other receivables totaling SEK 10 (16) m, and account receivables amounting to SEK 0 (0).

Analysis of accounts receivable	Dec. 31, 2021	Dec. 31, 2020
Not due	1,277	603
<b>Due:</b>		
1-10 days	26	25
11-30 days	7	6
31-60 days	-1	7
61-90 days	-3	1
91-180 days	-2	-1
180 days or more	-4	-1
<b>Accounts receivable, gross</b>	<b>1,300</b>	<b>640</b>
Reservation for bad debts	-26	-7
<b>Accounts receivable, net</b>	<b>1,274</b>	<b>633</b>
Proportion of accounts receivable due	1.8%	5.8%
Proportion of accounts receivable due over 60 days	-0.7%	-0.2%
Reservation in relation to total accounts receivable	2.0%	1.1%

For more details about the credit risk in outstanding receivable, and effect of applying the expected credit losses model following the adoption of IFRS 9, see the section on Counterparty risk in note 3.1.

Perstorp has an off-balance, non recourse, long-term trade receivables programme. Trade receivables, for which substantially all risks and rewards have been transferred are de-recognized and excluded from the reported figures. This programme includes the legal entities in Sweden, Germany, The Netherlands and US.

Allocation for bad debts	2021	2020
Allocation, opening balance	-7	-9
Recovered predicted customer losses	0	0
Established customer losses	0	0
Reservation for predicted customer losses	-19	1
Exchange rate effects and other	0	1
<b>Allocations at year-end</b>	<b>-26</b>	<b>-7</b>

## NOTE 20. CASH & CASH EQUIVALENTS

	Group		Parent company	
SEK m	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Unrestricted cash	880	448	–	–
Restricted cash <sup>1)</sup>	317	127	–	–
<b>Total</b>	<b>1,197</b>	<b>575</b>	<b>–</b>	<b>–</b>

<sup>1)</sup> Cash in Perstorp accounts in countries where international movement of funds are restricted in short term.

## NOTE 21. INVENTORIES

SEK m	Dec. 31, 2021	Dec. 31, 2020
Raw material and consumables	639	499
Products in progress	39	24
Finished goods and goods for resale	1,305	589
Work in progress on behalf of others	1	1
Obsolescence reserve	-15	-22
<b>Total</b>	<b>1,969</b>	<b>1,091</b>

SEK m	2021	2020
Obsolescence reserve opening balance	22	6
Provision utilized during the year	-10	–
Allocation for the year	3	16
Translation effects	0	0
<b>Obsolescence reserve closing balance</b>	<b>15</b>	<b>22</b>

Of the total value of inventories, SEK 0 (0) m is assessed at net sales value. During the assessment of net sales price, impairment that affects earnings (Cost of goods sold) amounts to SEK 0 (0) m. The net value of the year's allocations/provisions utilized during the year affects earnings for the year.



## NOTE 22. BORROWINGS & FINANCIAL COSTS

### A. SPECIFICATION NET DEBT

SEK m	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Senior secured notes/loans <sup>1)</sup>	8,612	8,226	8,612	8,226
Revolving credit facility	–	–	–	–
Inter-company financial liabilities	–	–	2,604	1,826
Other financial liabilities	-11	-81	-85	-94
<b>Financial liabilities, excl.pension liabilities and lease liabilities</b>	<b>8,601</b>	<b>8,145</b>	<b>11,131</b>	<b>9,958</b>
Interest-bearing pension liabilities, net	418	437	–	–
Lease liabilities	106	109	–	–
<b>Total interest-bearing debt</b>	<b>9,125</b>	<b>8,691</b>	<b>11,131</b>	<b>9,958</b>
Cash and cash equivalents	-1,197	-575	–	–
Inter-company financial receivables	–	–	-6,266	-5,241
Other interest-bearing receivables, long- and short-term	-6	-6	–	–
<b>Interest-bearing assets</b>	<b>-1,203</b>	<b>-581</b>	<b>-6,266</b>	<b>-5,241</b>
<b>Net debt including pension liabilities and lease liabilities</b>	<b>7,922</b>	<b>8,110</b>	<b>4,865</b>	<b>4,717</b>

<sup>1)</sup> Senior secured loans recorded at a discount at the time of issuance. The difference between the issue price and par value amounts to SEK -85 (-94) m by the closing date and recognized over the vesting period. This item is included in other financial liabilities.

The Net debt includes secured loans (secured notes and other borrowing against collateral). See note 29 for further information.

### B. MATURITY STRUCTURE

SEK m	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Between 1 and 2 years	44	32	35	32
Between 2 and 3 years	44	32	35	32
Between 3 and 4 years	44	32	35	32
Between 4 and 5 years	8,398	32	8,387	32
More than 5 years	3	7,972	–	7,972
<b>Long-term borrowing, excl.pension liabilities and lease liabilities</b>	<b>8,533</b>	<b>8,100</b>	<b>8,492</b>	<b>8,100</b>
Short-term borrowing, 0-1 year	68	45	35	32
Inter-company financial liabilities	–	–	2,124	1,826
<b>Financial liabilities, excl.pension liabilities and lease liabilities</b>	<b>8,601</b>	<b>8,145</b>	<b>10,651</b>	<b>9,958</b>

The related financing agreements include quarterly key indicator (covenant) linked to net debt in relation to EBITDA. The key indicator has not been breached.

### C. CURRENCY COMPOSITION, INTEREST RATES & DURATION

	Local currency	SEK m	Average interest rate on balance sheet date, %	Actual duration days
EUR	509	5,212	4.7%	1,508
USD	372	3,361	4.9%	1,520
Other currencies	–	28	4.6%	109
<b>Financial liabilities, excl.pension liabilities and lease liabilities</b>		<b>8,601</b>	<b>4.7%</b>	

#### D. UNUTILIZED CREDITS

Available funds at the end of the year amount to SEK 2,488 (2,037) m where the Group's available credit limits amounts to SEK 1,608 (1,589) m.

#### E. FINANCIAL INCOME & COSTS

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Interest income	1	1	–	–
Interest income, Group companies	–	–	314	353
<b>Total financial income</b>	<b>1</b>	<b>1</b>	<b>314</b>	<b>353</b>
Notes and loans	-444	-502	-436	-498
Periodised borrowing costs	-33	-27	-27	-27
Pension costs, interest	-6	-7	–	–
Leasing, interest	-4	-5	–	–
Currency gains and losses from financing measures, net	-161	296	-155	281
Interest costs, Group companies	–	–	-84	-73
Amounts capitalized on qualifying assets	2	1	–	–
Trade receivables financing cost	-64	-25	–	–
Other financial costs	45	-92	76	-85
<b>Total financial costs</b>	<b>-665</b>	<b>-361</b>	<b>-626</b>	<b>-402</b>
<b>Total</b>	<b>-664</b>	<b>-360</b>	<b>-312</b>	<b>-49</b>

#### F. MARKET VALUATION OF FINANCIAL INSTRUMENTS

Interest terms for the external loans are based on an underlying official market rate plus an interest margin.

The market value for forward currency contracts was calculated using the rates on the closing date. All outstanding financial derivative instruments were held for hedging purposes. All recognized derivatives are classified under level 2 of the value hierarchy.

The reported amount, after possible impairment, for accounts receivable and accounts payable, is expected to correspond to the fair value because these are current items.

Internal loans are subject to customary restrictions under debt agreements.

#### NOTE 23. PENSION OBLIGATION & COSTS

The group has both defined contribution and defined-benefit pension plans. During the year costs for these plans, had an accumulative effect on earnings of SEK 284 (238) m, of which SEK 259 (211) m is attributable to defined-contribution plans and SEK 25 (27) m to defined-benefit plans. Pension costs attributable to non comparable items of SEK 7 (4) m are included in the accumulated amount. The distribution of costs in the income statement are as follows:

##### A. PENSION COSTS IN THE INCOME STATEMENT

SEK m	2021	2020
Cost of sold goods	152	128
Sales and marketing costs	39	25
Administrative costs	67	63
Research and development costs	15	15
Non comparable items	7	4
Net financial items	4	3
<b>Total</b>	<b>284</b>	<b>238</b>

##### Defined-contribution pension plans

There are defined-contribution pension plans in most of the countries in which the Group is active. In the Swedish units, these mainly consist of state pension contributions and negotiated pensions for blue-collar workers. In the United States, such plans are called 401K and in Germany they are called Staatliche Rente und Pensionskasse, etc. The costs that are capitalized during the year attributable to defined-contribution pensions plans can be classified as follows:

##### B. PENSION COSTS, DEFINED CONTRIBUTION PLANS

SEK m	2021	2020
State pension plans	88	74
Other defined-contribution pension plans	97	72
ITP, insured through Alecta	75	65
<b>Total</b>	<b>259</b>	<b>211</b>

Most of the Group's Swedish companies have secured their obligations for old-age and family pensions via pension insurance with Alecta. In accordance with the statement by the Swedish Financial Accounting Standards Council, UFR10, this is a defined-benefit plan that covers several employers. For the 2021 and 2020 financial years the Group did not have access to information that enabled it to report this plan as a defined-benefit pension plan, so it is therefore reported as a defined-contribution pension plan. The surplus at Alecta may be divided between the plan provider or the insured. At year-end 2021, Alecta's surplus in the form of its collective funding ratio amounted to 172 % (148). The collective funding ratio equals the market value of Alecta's assets, in percentage of the insurance obligations as computed in accordance with Alecta's actuarial calculation assumptions; this does not comply with IAS 19.

##### Defined-benefit pension plans

There are defined-benefit pension plans in most of the companies and countries in which the Group is active. The main provisions for defined benefit pension plans pertain to the Pension Registration Institute (PRI) and Pensionszulage (Germany), pension plans for employees in certain currently divested units and specific pension insurance plans for senior executives in various countries. In the table below, the defined-benefit pension obligations are specified, divided into funded and unfunded pension plans.

## C. PROVISIONS FOR PENSIONS, DEFINED BENEFIT PLANS

SEK m	Dec. 31, 2021	Dec. 31, 2020
<b>Unfunded pension plans</b>		
Defined-benefit obligations	170	183
<b>Total</b>	<b>170</b>	<b>183</b>
<b>Funded or partly funded pension plans</b>		
Defined-benefit obligations	729	687
Salary taxes	23	26
Fair value of plan assets	-504	-459
<b>Total</b>	<b>248</b>	<b>254</b>
<b>Net Value</b>	<b>418</b>	<b>437</b>

The plan assets presented here relate primarily to Group companies in the US, 100 (100)%, of which 87 (77)% are invested in debt securities, 10 (20)% in equity securities and cash and equivalents 3 (3)%. The expected return is assumed to be 2.5 (3.1)%. The actual return on plan assets in 2021 was SEK -11 (49) m.

In addition to the above, so-called direct pensions are included under assets with 200 (156) m and liabilities with SEK 249 (194) m including salary tax. The asset is capital insurance, with assets and liabilities reported separately at gross amounts. Healthcare insurance is not included in pension commitments.

Development during the year for the Group's commitments, plan assets and unrecognized actuarial profit/loss is presented below:

## D. CHANGES DURING THE YEAR IN COMMITMENTS, PLAN ASSETS, UNREALIZED ACTUARIAL GAINS & LOSSES & PAST SERVICE COSTS

	2021			2020		
SEK m	Defined-benefit plans, unfunded plans	Defined-benefit plans, funded or partly funded	Plan assets	Defined-benefit plans, unfunded plans	Defined-benefit plans, funded or partly funded	Plan assets
<b>Opening balance</b>	<b>183</b>	<b>713</b>	<b>-459</b>	<b>185</b>	<b>741</b>	<b>-459</b>
Costs for current year service	4	17	–	4	18	–
Expected return on plan assets	–	–	10	–	–	-49
Interest expense	2	14	-12	2	18	-14
Fees from employer	–	–	–	–	-7	-12
Disbursement	-4	-16	16	-5	-14	12
Actuarial profit/loss	-17	-11	–	4	20	–
Translation effects	2	43	-48	-7	-63	63
<b>Closing balance</b>	<b>170</b>	<b>752</b>	<b>-504</b>	<b>183</b>	<b>713</b>	<b>-459</b>

## E. NET PENSION PROVISIONS, CHANGES DURING THE YEAR

SEK m	2021	2020
<b>Opening balance</b>	<b>437</b>	<b>467</b>
Pension costs during the year	25	27
Disbursements during the year	-24	-23
Gains/losses from change in assumptions	-20	-28
Translation effects	0	-6
<b>Closing balance, provision for pensions, net</b>	<b>418</b>	<b>437</b>

Amounts reported in the income statement are as follows concerning defined benefit pension plans:

## F. PENSION COSTS, DEFINED-BENEFIT PLANS

SEK m	2021	2020
Costs for current year service	21	22
Interest expense	4	5
Gains/losses on a curtailment or settlement	0	0
<b>Total pension costs, defined-benefit plans</b>	<b>25</b>	<b>27</b>

## G. KEY ACTUARIAL ASSUMPTIONS

SEK m	2021	2020
Discount rate, %	2.2	1.8
Future salary increases, %	2.8	2.8
Anticipated return on plan assets, %	2.7	3.8
Anticipated average remaining employment term, year	14.5	14.8

The principal actuarial assumptions, weighted in accordance with closing amounts for the various pension obligation/plan assessed, are specified in the table above:

## H. PARENT COMPANY

The parent company reports a pension expense of SEK 43 (28) m, which is solely based on defined-contribution plans as there were no benefit-based pension plans at the end of the two most recent financial years. For classification reasons, the entire amount is reported as administration costs in the income statement, with the exception of SEK 6 (1) m of the cost attributable to non-recurring items which is included in Other income and expenses.



## NOTE 24. CURRENT & DEFERRED INCOME TAXES

### A. INCOME TAXES IN THE INCOME STATEMENT

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Current tax	-84	-29	–	–
Deferred tax	-201	-51	-1	16
<b>Total</b>	<b>-285</b>	<b>-80</b>	<b>-1</b>	<b>16</b>

The tax on pretax earnings differs as follows from the theoretical amount that would have arisen from applying a weighted average tax rate for the earnings in the consolidated companies:

Tax costs SEK m	Group		Parent Company	
	2021	2020	2021	2020
<b>Pretax earnings</b>	<b>1,264</b>	<b>143</b>	<b>-175</b>	<b>-340</b>
Tax computed on basis of national tax rates applying in each particular country	-272	-33	36	73
Non-taxable revenues	17	57	15	–
Non-tax-deductible costs	-11	-80	-51	-68
Tax loss carry-forwards for which no deferred tax asset has been recognized	-11	-40	-12	–
Tax not related to current year's profit/loss	-5	14	11	11
Impact of change in tax rate on deferred tax	–	-3	–	–
Other tax expenses	-3	5	–	–
<b>Tax cost</b>	<b>-285</b>	<b>-80</b>	<b>-1</b>	<b>16</b>

The effective tax rate for 2021 is estimated to be 21.5% (23.1).

### B. DEFERRED TAX, NET CHANGE

SEK m	Group		Parent Company	
	2021	2020	2021	2020
Opening balance, net deferred tax	36	77	194	178
Exchange-rate differences	-11	15	–	–
Tax recognized in the income statement	-201	-51	-1	16
Tax recognized in shareholders' equity	-7	-5	–	–
<b>Closing balance</b>	<b>-183</b>	<b>36</b>	<b>194</b>	<b>194</b>

### C. DEFERRED TAX ASSETS, SPECIFICATION

SEK m	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Loss carry-forward	512	643	144	155
Provisions	107	105	50	39
Other receivables	25	17	–	–
<b>Total</b>	<b>644</b>	<b>765</b>	<b>194</b>	<b>194</b>

#### D. DEFERRED TAX LIABILITY, SPECIFICATION

SEK m	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Tangible fixed assets	162	138	–	–
Intangible fixed assets	439	452	–	–
Untaxed reserves	190	105	–	–
Other	36	34	–	–
<b>Total</b>	<b>827</b>	<b>729</b>	<b>–</b>	<b>–</b>

#### E. TAX LOSS CARRY-FORWARDS

The value of unutilized tax loss carry-forwards is capitalized in cases where it is expected that the carry-forwards will be utilized in the foreseeable future. Tax loss carry-forwards mainly relates to the groups subsidiary in Sweden, The Netherlands and US. In addition, there are unutilized tax loss carry-forwards totaling SEK 419 (387) m that have not been assigned any value, since it is considered that these will not be utilized in the foreseeable future.

In addition, there is interest expenses carried forward for the Group subsidiaries in Sweden of SEK 1,002 (951) m, for the Group subsidiaries in the US of SEK 1,092 (982) m and for the Group subsidiaries in The Netherlands of SEK 94 (62) m. No deferred tax asset was recognized for the interest expenses carried forward. The majority of the Swedish interest expenses carried forward will fall due year 2025.

#### NOTE 25. OTHER LIABILITIES, PROVISIONS

SEK m	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Provision for environmental measures	51	46	–	–
Provision for divested operations	4	–	–	–
Earn out	27	7	–	–
Other provisions	66	5	–	–
<b>Other liabilities, provisions</b>	<b>148</b>	<b>58</b>	<b>–</b>	<b>–</b>

#### NOTE 26. ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

SEK m	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
<b>Accounts payable</b>	<b>972</b>	<b>575</b>	<b>12</b>	<b>14</b>
<b>Other operating liabilities</b>				
Value added tax	29	10	2	2
Advance payments	9	3	–	–
Payroll tax	21	30	2	2
Other operating liabilities	508	257	24	16
Accrued wages, salaries and social security costs	395	238	66	32
Allocation for restructuring costs	4	2	–	–
Accrued costs goods and services	893	421	–	–
Other accrued costs and prepaid income	346	200	16	11
<b>Total</b>	<b>2,205</b>	<b>1,161</b>	<b>110</b>	<b>63</b>

## NOTE 27. EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

### AVERAGE NUMBER OF EMPLOYEES

Country	2021		2020	
	Total employees	of which men	Total employees	of which men
Sweden				
Parent company	31	15	35	17
Subsidiaries	789	538	784	538
France	3	2	2	1
Italy	27	21	28	21
The Netherlands	57	44	53	42
Spain	2	2	3	3
Poland	3	2	3	2
Slovakia	1	1	1	1
Germany	122	105	120	105
<b>Total EU</b>	<b>1,035</b>	<b>730</b>	<b>1,029</b>	<b>730</b>
Turkey	3	0	3	–
UK	3	2	4	3
<b>Total non-EU Europe</b>	<b>6</b>	<b>2</b>	<b>7</b>	<b>3</b>
Brazil	10	5	9	5
Mexico	1	1	–	–
USA	116	98	117	100
<b>Total North &amp; South America</b>	<b>127</b>	<b>104</b>	<b>126</b>	<b>105</b>
India	41	26	38	25
Japan	9	3	7	2
China	155	105	154	106
Singapore	6	3	6	3
Dubai	1	0	1	–
Taiwan	3	2	–	–
South Korea	5	2	5	2
<b>Total Asia</b>	<b>220</b>	<b>141</b>	<b>211</b>	<b>138</b>
Egypt	1	1	1	1
<b>Total Africa</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total average no. of employees</b>	<b>1,389</b>	<b>978</b>	<b>1,374</b>	<b>977</b>
Proportion of men,%		70.4		71.1

### WAGES, SALARIES & OTHER REMUNERATION, BY COUNTRY

SEK m	2021		2020	
	Board and CEO	Other employees	Board and CEO	Other employees
Sweden				
Parent company	25	45	15	38
Subsidiaries	4	547	3	482
France	0	2	0	2
Italy	0	17	0	15
The Netherlands	0	46	0	39
Spain	0	3	0	4
Poland	0	2	0	2
Slovakia	0	1	0	1
Germany	0	96	0	90
<b>Total EU</b>	<b>29</b>	<b>759</b>	<b>18</b>	<b>673</b>
Turkey	0	3	0	2
UK	0	9	0	8
<b>Total non-EU Europe</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>10</b>
Brazil	0	3	0	3
Mexico	0	2	0	0
USA	0	109	0	104
<b>Total North &amp; South America</b>	<b>0</b>	<b>114</b>	<b>0</b>	<b>107</b>
India	2	9	0	5
Japan	0	5	0	6
China	0	46	0	41
Singapore	0	9	0	8
Dubai	0	1	0	1
South Korea	2	2	1	2
<b>Total Asia</b>	<b>4</b>	<b>72</b>	<b>1</b>	<b>63</b>
Egypt	0	1	0	1
<b>Total Africa</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>33</b>	<b>958</b>	<b>19</b>	<b>854</b>
of which discontinued operations			–	–



## REMUNERATION TO EMPLOYEES

SEK m	Group		Parent Company <sup>1)</sup>	
	2021	2020	2021	2020
Salaries and other remuneration	991	873	70	53
Pension – defined contribution (note 23)	259	211	43	28
Pension – defined-benefit (note 23)	25	27	0	0
Social fees	180	165	15	11
<b>Total</b>	<b>1,455</b>	<b>1,276</b>	<b>128</b>	<b>92</b>

<sup>1)</sup> Cost reported in accordance with IFRS.

## REMUNERATION TO THE GROUP'S BOARD OF DIRECTORS & MANAGEMENT

SEK thousands	Board fee	Salary	Bonus & other remuneration	Pension costs <sup>1)</sup>	Total
Chairman of the Board	950	–	–	97	1,047
Other Members of the Board	1,660	–	–	175	1,835
President	–	9,078	13,749	14,316	37,143
Other members of Group management	–	23,473	17,812	14,114	55,399
<b>Total</b>	<b>2,610</b>	<b>32,551</b>	<b>31,561</b>	<b>28,702</b>	<b>95,424</b>

<sup>1)</sup> All pension costs refer to defined-contribution plans.

Other members of Group management comprised of 8 (8) persons during the year.

### Principles

Members of the Board receive director fees in accordance with resolutions passed at the Annual General Meeting. Employee representatives do not receive director fees.

Remuneration to the President and other members of Group management comprises basic salary, variable remuneration, company car and pensions. The President is also entitled to a bonus corresponding to a maximum of 225 % of his fixed salary. Other members of Group management are covered by a bonus system that provides a maximum of 75% (75) of their basic salary. The variable remuneration is based on the Group's earnings trend and cash flow. In addition, bonuses can be paid out on the fulfillment of certain strategic projects, after approval from the Remuneration Committee.

### Pension & employment termination

A defined contribution (DC) pension plan, in addition to the traditional Swedish ITP pension, has been taken out for the President corresponding to 15% of his basic salary. In addition, a more beneficial ITP pension plan has been signed with premiums equivalent to 10% of basic salary in the range of 20-30 times the basic insurance amount and 25% of basic salary above 30 times the basic insurance amount.

According to a special undertaking, the employment contract can be terminated by both the company and the President as of age 60. The period of employment termination notice is 18 months if notice is served by the company and six months if it is served by the President. If the company terminates the President's employment, the President will also receive severance pay corresponding to 18 monthly salaries. If organizational changes or other changes initiated by the owners results in significant limitations on the President's responsibility or authority, the President is entitled under certain circumstances to terminate his employment and be subject to the same employment termination terms as those that would have applied if the company had terminated his employment.

Other members of Group Management are covered by an agreement regarding DC pension plan, the aim of which is to enable the executives concerned to retire at age 60. The period of employment-termination notice for other members of Group Management is six months. If the company terminates the employment of a member of Group Management, the sum total of salary during the period of notice, severance pay and corresponding benefits will be paid for 12 months.

## NOTE 28. CONTINGENT LIABILITIES

SEK m	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Guarantees	268	252	268	252
Guarantees and other contingent liabilities for subsidiaries	13	14	765	764
<b>Total</b>	<b>281</b>	<b>266</b>	<b>1,033</b>	<b>1,016</b>

These contingent liabilities are not expected to result in any material liabilities.

## NOTE 29. ASSETS PLEDGED

SEK m	Group		Parent Company	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Property mortgages	28	52	–	–
Chattel mortgages	1,358	1,221	–	–
Shares in subsidiaries	6,919 <sup>1)</sup>	5,980 <sup>1)</sup>	7,731	7,731
Liquid funds	0	0	–	–
Internal financial assets (loan)	–	–	5,415	5,162
Endowment insurances	200	157	196	154
<b>Total</b>	<b>8,505</b>	<b>7,410</b>	<b>13,342</b>	<b>13,047</b>

<sup>1)</sup> Net assets for Perstorp Financial Services AB, including its subsidiaries.

Endowment insurance relates to pension commitments, see note 23.

## NOTE 30. FUTURE UNDERTAKINGS

At the end of the year the Group had no material undertakings that had not been included in the accounts.

## NOTE 31. TRANSACTIONS WITH RELATED PARTIES

Perstorp Holding AB is 100 % owned by the Luxembourg-based Financière Forêt S.à r.l., which is controlled by the private equity company PAI partners.

Within the framework of an incentive program, PAI partners offered senior Group executives an opportunity to become shareholders in the Parent Company Financière Forêt S.à r.l. and a total of around 50 manager and others key personnel

participate, with contributions amounting to around EUR 5 million. Shares and options were priced on normal commercial terms.

The receivables and liabilities in relation to associated companies are reported in the balance sheet. Remuneration to the Group's Board of Directors and Management is reported in Note 27.

## NOTE 32. PROPORTION OF BOARD MEMBERS & SENIOR EXECUTIVES WHO ARE WOMEN

	2021			2020		
	Total	of whom, women	%	Total	of whom, women	%
Board members	103	16	16%	103	17	17%
Other senior executives	116	29	25%	118	30	25%

The Board members category comprises ordinary members of the boards of all companies within the Group. The same person may be counted several times if he or she is a member of the board of more than one company.

The other senior executives category comprises the Group's executive management team, management teams within each business area and department, and the management teams of the major companies.

### NOTE 33. AUDITORS' FEES

SEK m	Group		Parent Company	
	2021	2020	2021	2020
<b>PricewaterhouseCoopers</b>				
Audit assignments	7	7	3	2
Tax consultancy	1	1	–	–
Other	2	2	1	2
<b>Total</b>	<b>10</b>	<b>10</b>	<b>4</b>	<b>4</b>
<b>Other auditing firms</b>				
Audit assignments	1	2	–	–
Tax consultancy	6	2	4	1
Other	2	1	2	0
<b>Sum</b>	<b>9</b>	<b>5</b>	<b>6</b>	<b>1</b>

Audit assignments comprise verification of the annual report and accounts and the administration of the Board and President, other assignments that are required to be performed by the company's auditors and advice or other support arising from observations made during verification or performance of other duties. All other work is referred to as "Other" and mainly refers to consultation on accounting activities.

### NOTE 34. CURRENCY EXCHANGE RATES

Currency	Year-end exchange rates		Average exchange rates	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
BRL	1.586	1.572	1.590	1.817
CNY	1.419	1.254	1.331	1.333
EUR	10.227	10.038	10.145	10.487
GBP	12.179	11.087	11.802	11.798
INR	0.122	0.112	0.116	0.125
JPY	0.078	0.079	0.078	0.086
KRW	0.008	0.008	0.007	0.008
NOK	1.025	0.955	0.998	0.979
SGD	6.681	6.179	6.384	6.668
USD	9.044	8.189	8.581	9.204

### NOTE 35. ACQUISITION

On December 30 2021, Perstorp acquired GEO's Di-Methylolpropionic Acid DMPA® business, further emphasizing its commitment as the sustainable specialty solution provider within the resins and coatings segment. This acquisition further accentuates the company's strategic presence in Polyurethane and Alkyds dispersions – a vital step to becoming a specialty leader in various waterborne coating markets. The acquisition improves Perstorp's position within the Di-Methylolpropionic acid platform, allowing further investments into innovation and additional capacities over time. Perstorp's strategy is to support its customers and wider society by driving the shift towards renewable raw materials and sustainable technologies. This acquisition serves both of these dimensions.

Preliminary Purchase Price allocation, SEK m	Market value
Goodwill	175
Trade name	16
Customer relations	146
<b>Total Intangible assets</b>	<b>337</b>
<b>Tangible assets</b>	<b>23</b>
<b>Total acquired assets</b>	<b>360</b>
Paid	-313
Earn out	-47
<b>Total purchase price</b>	<b>-360</b>
Transaction cost reported as non recurring items	4

### NOTE 36. KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

Perstorp supports firmly all sanctions put in place by the EU, other countries and international organizations in the wake of the military invasion of Ukraine in early 2022, and are using them as principles for actions and decision making. As a consequence, Perstorp has decided to cancel all of its orders and deliveries to customers in Russia. Perstorp continuously monitors the situation and collaborates with banks and other relevant parties, to secure that all aspects of our business – financially, legally and ethically – are conducted in line with what the situation requires.

Ib Jensen has been appointed new CFO at Perstorp Holding AB as of February 1st 2022 replacing Ulf Berghult. Ib is a senior executive with a solid background, and most recently he comes from the position as CFO at Arxada, a carve-out of Lonza.

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



## Key figures in summary, consolidated group

SEK m unless otherwise stated	Full year				
	2021	2020	2019	2018	2017
Net sales	13,537	9,194	11,754	14,882	13,592
Operating earnings before depreciations (EBITDA)	2,465	1,068	6,193 <sup>1)</sup>	2,191	2,701 <sup>2)</sup>
% of net sales	18.2	11.6	52.7 <sup>1)</sup>	14.7	19.9 <sup>2)</sup>
EBITDA excluding non-recurring items	2,513	1,128	1,635	2,324	2,133
% of net sales	18.6	12.3	13.9	15.6	15.7
Operating earnings (EBIT)	1,928	503	5,646 <sup>1)</sup>	1,570	1,973 <sup>2)</sup>
% of net sales	14.2	5.5	48.0 <sup>1)</sup>	10.5	14.5 <sup>2)</sup>
Free cash flow	1,537	823	1,081 <sup>3)</sup>	1,450	1,275
Net debt excluding parent company loan and pension liabilities	7,503	7,673	8,526	13,103	12,056
Available funds	2,488	2,037	1,248	1,120	1,220
Reported leverage	3.0x	6.8x	5.5x	5.6x	5.7x

<sup>1)</sup> Including capital gain of SEK 4.691 m related to the divestment of Perstorp UK Ltd.

<sup>2)</sup> Including capital gain of SEK 604 m related to the divestment of Perstorp Oxo Belgium AB.

<sup>3)</sup> Continuing operations.

One molecule can  
change everything

Perstorp, April 19, 2022

Tore Bertilsson  
Chairman

Jan Secher  
President & Chief Executive Officer

Fabrice Fouletier

Claes Gard

Karin Markides

Ragnar Hellenius

Gerry Ackert  
(elected by employees)

Jesper Fahlén  
(elected by employees)

Heidi Waleniussen-Englund  
(elected by employees)

Our audit report was submitted April 20, 2022

PricewaterhouseCoopers AB

Mats Åkerlund  
Authorized Public Accountant  
Lead auditor

Åsa Markefors  
Authorized Public Accountant

# Auditor's report

To the general meeting of the shareholders of Perstorp Holding AB, corporate identity number 556667-4205

## Report on the annual accounts and consolidated accounts

### OPINIONS

We have audited the annual accounts and consolidated accounts of Perstorp Holding AB for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 1-54 in this document. In the document published on the website, translated to English, the annual report and the consolidated accounts are included on pages 54-91.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 58-65. The document published on the website, translated to English, containing the annual report and the consolidated accounts on pages 54-91 also contains other information on pages 1-53 and 94 -104. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). This description is part of the auditor's report.



## Report on other legal and regulatory requirements

### OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Perstorp Holding AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

Malmö 20 April 2022

PricewaterhouseCoopers AB

Mats Åkerlund

Authorized Public Accountant  
Partner in charge

Åsa Markefors

Authorized Public Accountant

# Sustainability

This is the Perstorp Group's statutory sustainability report for the fiscal year 2021, and also serves as Perstorp's Communication on Progress to the UN Global Compact. It was prepared in accordance with the requirements of the Annual Swedish Accounts Act and has been approved by Perstorp's Board of Directors. It includes our reporting on environmental issues, employee and social matters, human rights and anti-corruption. This report covers all subsidiaries of the Perstorp Group, unless otherwise stated. More information on Perstorp's sustainability ambition and efforts may be found on page 34-47. In addition, on page 56-57, the Group's most material risks are reported, of which some are related to sustainability. Further sustainability risks are covered on the following pages.

Perstorp has an important role in the value chain of specialty chemicals. The company produces specialty chemicals and intermediates with focus on the markets for Resins & Coatings, Engineered Fluids and Animal Nutrition. From research and development to a final product that is produced at one of our production sites, Perstorp supplies customers in a wide range of industries. Perstorp's raw materials are sourced by the company's procurement department. Perstorp has sales representation in all major markets, and further support from sales agents. In this report, we disclose information on relevant sustainability topics throughout our operations. Environmental data covers all seven production sites (operating in six countries) which were owned in part or in total by Perstorp at the end of 2021.

These sites are:

- Perstorp, Sweden
- Stenungsund, Sweden
- Zibo, China
- Bruchhausen, Germany
- Waspik, The Netherlands
- Castellanza, Italy
- Toledo, United States

## GOVERNANCE

Perstorp's Board of Directors are ultimately responsible for our financial and non-financial performance, including sustainability, which is a regular topic at Board Meetings. The strategic and operational management of sustainability is delegated to the Executive Leadership Team (ELT) and headed by the EVP Communications & Sustainable Transformation, who is a member of the ELT. In early 2021, the role of VP Sustainability was created to drive, develop and oversee Group sustainability work. A cross-functional sustainability team drives our ambitions and builds internal processes and capabilities.

Perstorp's main sustainability-related policies are our Code of Conduct, Sustainability Policy, Health and Safety Policy, Environmental Policy Security Policy, Anti-Bribery Policy, Policy on Competitive Matters, Vendor Policy, Global Travel Policy and General Data Protection Policy. Our Code of Conduct was updated in 2021.

The Perstorp Group is third-party certified to the ISO 9001:2015 quality management system and the ISO 14001:2015 environmental management system, and apply the precautionary principle. We are also a signatory of the global chemical industry's commitment Responsible Care. Perstorp is a member of the International Sustainability and Carbon Certification (ISCC) Association and the manufacturer of Pro-Environment products that are certified to ISCC PLUS. Since 2004, Perstorp has been a signatory to the UN Global Compact, which requires us to commit and adhere to its ten principles relating to human rights, labor, the environment and anti-corruption. Finally, Perstorp annually reports to EcoVadis and last year received a Silver medal for its sustainability work.

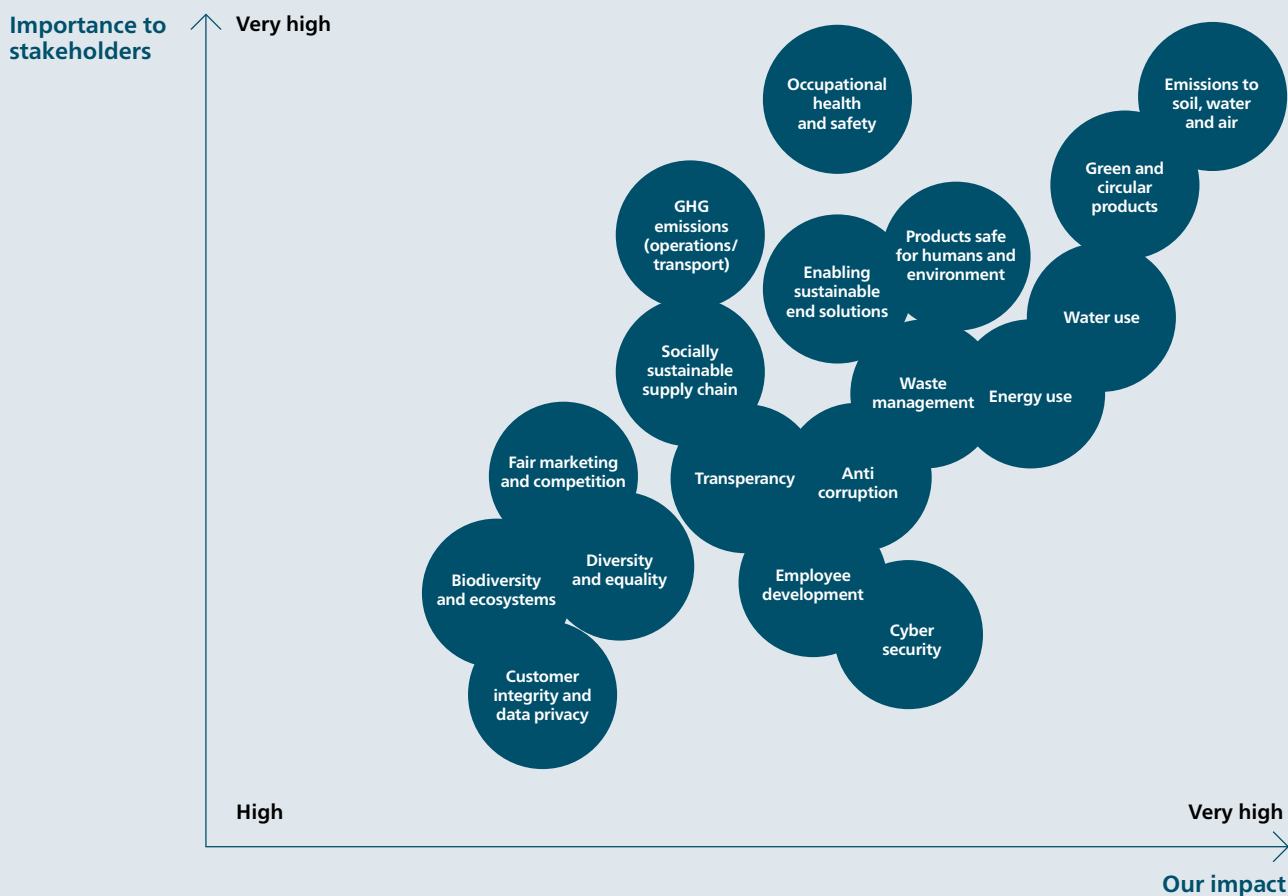
## MATERIALITY ANALYSIS

Perstorp's materiality analysis, conducted in 2021, serves as a foundation for our sustainability work and as a guide when setting goals and developing internal processes. The analysis was based on a double materiality perspective, considering aspects material to the environment and society as well as aspects material to Perstorp in terms of sustainability risks and opportunities.

An important part of the analysis was a comprehensive stakeholder dialogue, collecting input from all Perstorp key stakeholders: employees, customers, investors and lenders, suppliers, peers and partners, legislators and authorities, municipalities and communities, and industry organizations. This was supplemented by an impact analysis of Perstorp's operations and value chain and a review of relevant international frameworks such as the UN Sustainable Development Goals, Global Compact and the SASB (Sustainability Accounting Standards Board) Materiality Map.

The materiality analysis has identified 18 sustainability topics as material. The analysis confirms our longstanding priorities of working with occupational and process safety as well as the environmental and climate impact generated throughout our value chain. It also highlights a need to continuously improve our efforts ensuring high ethical standards and proactive supply chain management.

## PERSTORP'S MOST MATERIAL SUSTAINABILITY TOPICS



### AIMING FORWARD

Looking into 2022 and beyond, Perstorp has set a steady course that requires the whole organization to step up on where and how we work with sustainability. On group level, we will continue to strengthen our governance processes in order to ensure clear ownership of all relevant sustainability topics and provide the internal prerequisites needed to reach our 2030 targets. For water and waste, these targets will be set during the year. As reaching our environmental targets requires considerable changes in our production processes and inputs used, 2022-2023 will also be used for developing concrete and realistic transition roadmaps for each site and relevant global functions, such as procurement.

While our long-term plans are being developed, 2022 will also be a year of implementing already decided projects. We will continue realizing Project AIR, a groundbreaking facility for green methanol production based on CCU technology. At site Perstorp, one of our biggest sites, we will transition to use more renewable raw material in the polyol production, an important step to broadening our offering of ISCC PLUS certified Pro-Environment products. Our new routines for Internal Carbon Pricing will be used as guiding principle for our investment projects.

Furthermore, in 2022 we will advance our work with (eco) toxic environment and assess all our chemicals against our new targets and definitions. During the year we will also assess our practices re-

garding sustainability in the supply chain and the potential need for improved measures. Internally, our processes to support and strengthen our employees will continue, for example through exploring and evaluating flexible work environments post covid-19 that ensure effective work and improved work-life balance. Intensified work with diversity and equality is another priority, as is to continue our successful systematic Occupational Health and Safety work.

### EMPLOYEES

Perstorp is a global company reliant on dedicated employees at sites and offices around the world. In order to be responsive and flexible, we strive to decentralize our human resources management to local circumstances and regulations, but always based on our core values and code of conduct. We have also global routines for recruitment, onboarding, talent management, appraisals and career development, and remuneration.

With sites located from Toledo in the West, to Zibo in the East and with the company roots in Perstorp, Sweden, there is naturally diversity among the employees. English is the corporate language, making positions attractive for people of diverse backgrounds. A diversity policy is in place for the Group and our overall gender target for all employees is a 60/40 male/female ratio by 2025. Each year we perform a gender pay gap analysis.

Despite the pandemic, we have during 2021 continued to offer and develop a range of trainings on e.g. leadership, equality, health and safety, change management and coaching. Some have been conducted on-site while others have been digital, through our improved e-learning platform. In addition, our performance management process has been improved during the year to facilitate better discussions between manager and employee with regards to health.

Employee experience and satisfaction is measured with monthly Pulse surveys consisting of 9-10 questions, complemented with a more extensive survey once a year. This contributes to a continuous improvement dialogue within the teams. The Pulse surveys consists of three questions related to productivity where employees are asked for their view on clarity, value and efficiency. Three are related to well-being, work load, community and enthusiasm. All of these can be benchmarked with other companies. We have also added questions on collaboration within team, with other functions and empowerment as these are focus areas for Perstorp. Since the outbreak of covid-19, a question related to Perstorp's way of handling the pandemic is also included. Performance in 2021 has been high and participation has been at or above 80% for each and every pulse survey which is a great sign of the value it is adding to the team dialogue.

Rate of female employees	2019	2020	2021
All employees	30%	31.3 %	33.6%
Management	24.9%	23.4 %	25.2%
Senior management	25.8%	21.7%	28.8%

	2019	2020	2021
Turnover	9.8%	7.7%	7.5%
Sickness absence rate	3.0 %	2.8 %	2.9 %

## OCCUPATIONAL HEALTH AND SAFETY & PROCESS SAFETY

Perstorp is committed to safe production processes and to provide a healthy and safe work environment for all employees and contractors. As a foundation lies our commitment to Responsible Care, the global chemical industry's program for safe management of chemicals throughout their life cycle, and our Health and Safety Policy.

This is supplemented by a number of topic specific minimum requirements, as well as site specific routines and guidelines. Risk assessments to fulfill internal and external environment and OHS requirements are carried out and followed up at all our sites. Since June 2021, Perstorp is also recording Process Safety Events (PSEs) according to the ICCA definition.

To prioritize the health and safety of oneself and fellow workers is what is expected of all employees at Perstorp Group and this is something all employees need to think about 365 days a year. This is what Perstorp calls Care 365. The work with Care 365 is driven company-wide and it addresses culture, leadership and employee engagement in health and safety. It places emphasis on visible leadership from top management, a sense of urgency when it comes to incidents and accidents, clear standards and compliance management.

One of the main tools to ensure continuous development is the 'Perstorp Careway'. The Careway is a model that points clearly and specifically at success by focusing on the characteristics and behaviors of organizations with a strong health and safety culture. It is a way to mature in terms of health and safety practices and move upward along a maturity scale. Every year, regular Careway assessments are conducted at sites and offices, in order to monitor performance and identify health and safety gaps at all functions. Based on the results of the assessments, action plans are developed from team levels and up to corporate level.

In our work with safety in 2021,, we have defined a framework for a global continuous improvement (CI) program for the integrated supply chain (ISC) part of our business with the goal to ensure long-term sustainable Careway development. One of the major projects during 2021 was the roll out of a Health and Safety leadership training program aimed at all leaders within ISC, including a train-the-trainer model and a sustain plan. We have also piloted a process for the systematic learning from occupational illness for a limited part of the organization. This process will be rolled out throughout the entire organization in 2022.

During 2021, our efforts have paid off, with reduced number of accidents for employees as well as contractors, resulting in an OSHA recordable rate of 0.45 compared to our target of 0.8.

Occupational Injuries	Employees			Contractors			Combined		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Fatalities	0	0	0	0	0	0	0	0	0
Number of Lost Time Accidents	5	10	4	5	3	0	10	13	4
Total Lost Days	19	150	143	57	130	0	76	280	143
Number of OSHA-Recordable Accidents*	7	13	6	6	4	1	13	17	7
OSHA**	0.49	0.96	0.44	2.3	2.0	0.50	0.78	1.1	0.45

\* Occupational accidents resulting in fatality, lost time accident, restricted work or medical treatment as defined by the Occupational Safety & Health Administration (OSHA) under the United States Department of Labor

\*\* number of injuries x 200 000 / number of hours worked



Process Safety Events (PSEs)		Jun – Dec 2021
Number		51
Rate		5.6

A PSE is an event based on loss of containment of a chemical or a substance from a chemical process or a process-related fire/explosion that results in a recordable injury, moderate cost, evacuation or in itself considered to be highly hazardous based on released amount and classification.

\* number of incidents x 200 000 / number of hours worked

## CUSTOMERS' AND DOWNSTREAM USERS' SAFETY

We work continuously to ensure that all the chemicals we offer are safe for their intended use for humans and the environment. This is closely managed through our product stewardship processes. During 2021 we have also set new (eco) toxic impact targets. According to these targets, by 2030 no chemicals of concern should reach the consumer or professional market and all newly developed products should be safe and sustainable by design. Efforts are ongoing to assess all our chemicals against the new 'chemicals of concern' concept.

Perstorp complies with the EU REACH regulation and all our relevant substances are registered at the European Chemical Association (ECHA). All our products are accompanied with appropriate safety data sheets that provide detailed information about the product and how to use the product safely throughout the value chain. For those of our current products that have a hazard classification further communication is provided. Throughout our operations, we have processes in place to assess and document risks related to customer health and safety and we proactively interact with customers regarding the potential health and safety risks from product use. During 2021, Perstorp had zero product recalls.

## GREENHOUSE GASES

Perstorp measures and reports emission of greenhouse gases (GHG) in scope 1, 2 and 3 according to the GHG Protocol. Our efforts to reduce these emissions is guided by our environmental policy and our Finite Material Neutral ambition which we during 2021 formalized in ambitious Science Based Targets for all three scopes until 2030. During the year, the organization started the extensive process to develop site specific transition roadmaps towards the 2030 corporate targets. A work that, along with the implementation of concrete projects such as Project Air (read more on page 44 [CL1]), will continue during 2022.

Scope 1 emissions are direct GHG emissions that occur from sources that are owned or controlled by Perstorp, including emissions from combustion of fuels for electricity, heat, or steam and emissions from physical or chemical processing.

Scope 2 emissions are indirect GHG emissions from the generation of purchased electricity and steam consumed by Perstorp.

Scope 3 emissions are indirect emissions from purchased goods and services, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, and end of life treatment of sold products.

Perstorp's GHG targets, approved by the Science Based Targets initiative (SBTi) are aligned with the 1.5C Paris climate agreement and translates to a reduction of absolute scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year. The target boundary includes biogenic emissions and removals from bioenergy feedstocks. We also commit to reduce scope 3 GHG emissions from purchased goods and services, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, and end of life treatment of sold products 27.8% per ton sold product within the same timeframe.

Greenhouse gas emissions (GHG)	Absolute kT			In relation to volume sold T/T		
	2019	2020	2021	2019	2020	2021
Scope 1	314	273	321	0.32	0.30	0.31
Scope 2	142	142	149	0.15	0.16	0.15
Scope 3	3,030	2,798	3,002	3.1	3.1	2.9
<b>Total</b>	<b>3,486</b>	<b>3,213</b>	<b>3,471</b>	<b>3.6</b>	<b>3.5</b>	<b>3.4</b>

\* Occupational accidents resulting in fatality, lost time accident, restricted work or medical treatment as defined by the Occupational Safety & Health Administration (OSHA) under the United States Department of Labor

\*\* number of injuries x 200 000 / number of hours worked

References for GHG calculations and emission factors:

### Scope 1

- Emissions from fuel combustion and chemical processes: Calculated based on the actual carbon content of the substances
- Fugitive emissions: Global warming potential from IPCC Fifth assessment Report (AR5)

### Scope 2

- Electricity: Calculated through market-based method using emission factors from suppliers when available, or else using residual mix factors (European sites: European
- Residual Mixes 2019, Association of Issuing Bodies, Toledo site: EPA eGrid summary, Zibo site: national value from Ecoinvent)
- Steam: Calculated based on the actual carbon content of the substances

### Scope 3

- Category 1: Emissions calculated for raw materials, utilities and tolled products. Emissions calculated using supplier GHG data if available, otherwise own calculations using supplier data and best matching database e.g. Ecoinvent LCA:s or data from Ecoinvent LCA:s.
- Category 3: Average data method for Upstream emissions from purchased fuels and electricity, transmission and distribution losses, generation of purchased electricity sold to customers.
- Category 4: Emission from inbound transportations and outbound transportations including transports between own production sites. Distance based method, online maps or calculations and emission factors from Ecoinvent.
- Category 5: Waste generated in all production sites and treated externally, including both waste and waste water. Waste-type-specific method using emission factors for waste types and waste treatment methods.
- Category 12: Emission calculated based on that all carbon in the products is turned into CO<sub>2</sub> at the end of life.

## OTHER EMISSIONS TO AIR

Releases to air of raw materials, reaction intermediates, products and by-products are often associated with our production activities. These releases, whether accidental or planned, are catalogued, monitored, recorded and, as required, reported to local authorities according to our environmental policy and supplemental local routines. All air emissions shall be handled in such a fashion as to

minimize the risk of fire or explosion, and to eliminate the possibility of condensation and subsequent contamination of rivers, streams, soil and groundwater. Air emissions which cannot be captured through improved containment shall be incinerated, and those which cannot be incinerated shall always be the subject of legal permits. Perstorp's ambition is to continuously evaluate and reduce our emissions of air pollutants.

Non-GHG emissions	Absolute (T)			In relation to volume sold (kg/T)		
	2019	2020	2021	2019	2020	2021
VOC	151	121	120	0.15	0.13	0.12
NOx	195	151	168	0.20	0.17	0.16
SOx	7	8	3	0.077	0.084	0.0034

Perstorp has a small continuing use of Ozone Depleting Substances (ODS) in cooling systems across the organization.

Ozone Depleting Substances	Absolute (kg)			In relation to volume sold (kg/kT)		
	2019	2020	2021	2019	2020	2021
In use	4,506	4,393	4,688	4.6	4.8	4.6
Leakage	238	390	531	0.24	0.43	0.52

## ENERGY

Specialty chemicals manufacturing is an energy intensive process. Perstorp uses significant amounts of energy at each of its plants, and therefore continues to focus on efficiency as well as transition to renewable energy at the production sites. This is a prerequisite in order to reach our GHG Science Based Targets for 2030. Energy management is guided by our environmental policy and the 2030 transition roadmaps that are being developed for each site.

The sites in Perstorp and Stenungsund are supplied with electricity from hydropower, a renewable source. Since long ago, most of our sites have also in part switched energy source to e.g. use energy

reclaimed from production waste, and plans for further transition exist. Four of our seven sites have their own boilers and are equipped with waste heat recovery systems and/or a combined heat and power (CHP) unit. And for the sites where our production processes involves exothermic reactions, the energy generated is recovered and used to produce steam in order to improve energy efficiency. Also other projects have been, and are, carried out at various sites in order to continue improve energy efficiency. The experience gained from all these activities will be a springboard for further actions and to reach our 2030 targets and the Finite Material Neutral ambition.

Energy Consumption	Absolute (GWh)			In relation to volume sold (MWh/T)		
	2019	2020	2021	2019	2020	2021
Renewable	447	437	425	0.46	0.48	0.42
Exothermic*	489	460	535	0.50	0.51	0.52
Fossil	794	791	729	0.81	0.87	0.71
Reclaimed from production waste	452	387	441	0.46	0.43	0.43
Standard electricity mix from regional grid	54	53	55	0.055	0.058	0.054
<b>Total</b>	<b>2,236</b>	<b>2,128</b>	<b>2,185</b>	<b>2.3</b>	<b>2.3</b>	<b>2.1</b>
– Whereof steam	1,945	1,830	1,854	2.0	2.0	1.8
– Whereof electricity	291	298	332	0.30	0.33	0.32

\* At our sites in Perstorp, Stenungsund and Toledo some of our production processes are exothermic reactions which generate energy. This energy is recovered and used to produce steam for the production at the site.

Energy Production	Absolute (GWh)		
	2019	2020	2021
Renewable	243	232	201
Exothermic*	625	592	680
Fossil	524	514	452
Reclaimed from production waste	460	390	445
<b>Total</b>	<b>1,852</b>	<b>1,729</b>	<b>1,778</b>
– Whereof used internally	1,658	1,551	1,588
– Whereof delivered externally (provided as electricity, district heating and steam)	193	178	190

\* At our sites in Perstorp, Stenungsund and Toledo some of our production processes are exothermic reactions which generate energy. This energy is recovered and used to produce steam for the production at the site.

## WATER

Perstorp's production processes all use water to some extent: as a solvent for chemical reactions, as a carrier for products, as a heat-transfer medium or for cooling. As access to drinking-quality water and water fit for food production is scarce in many parts of the world, Perstorp address water as a part of our overall Finite Material Neutral ambition, even though it is not a finite material as such. Our ambition is to continuously work to lower the total water footprint of our products and a 2030 corporate target on water consumption will be set during 2022.

Our work with water use as well as emissions to water is guided by our environmental policy as well as site specific routines and guidelines. In order to consume as little water as possible, we make use of highly efficient equipment and technology, and have implemented innovative methods for reusing water. Additional water reuse projects are ongoing at our sites.

To prevent contamination of soil, surface water and groundwater, each site identifies, documents and monitors the effluents arising out of its activities. Effluents are routed to wastewater treatment, using methods and procedures prescribed by local law and approved by relevant authorities. Perstorp also works proactively at several levels of production to limit polluted wastewater by reusing chemicals (e.g. solvents) and water within the production, by reducing the amount of waste water and/or its pollutants leaving the production unit, by removing substances difficult to biodegrade from the waste water at source, by pretreatment when necessary before sending the waste water to biological treatment and by securing adapted and relevant biological treatment before releasing the treated waste water to receiving waters. To reduce the volume of waste sent to disposal, we also use measures to reduce the generation of sludge or use it for energy recovery in our production units.

Water Use (in millions of cubic meters)	Absolute (millions of cubic meters)			In relation to volume sold (L/kg)		
	2019	2020	2021	2019	2020	2021
Surface Water	21.5	22.4	22.5	22	25	22
Ground Water	1.09	0.94	0.96	1.1	1.0	0.94
Rainwater	0.48	0.44	0.52	0.49	0.49	0.51
Municipal Supply	0.65	0.65	0.89	0.67	0.72	0.87
Other Sources*	0.88	0.79	0.92	0.90	0.87	0.90
<b>Total water withdrawn</b>	<b>24.6</b>	<b>25.2</b>	<b>25.7</b>	<b>25</b>	<b>28</b>	<b>25</b>
Water returned unchanged	20.3	21.3	21.2	21	23	21
Total water consumed	4.34	3.95	4.51	4.4	4.3	4.4

\* Mainly water imported as steam

Wastewater	Absolute (kg)			In relation to volume sold (kg/kT)		
	2019	2020	2021	2019	2020	2021
Discharge from own treatment	1.5	0.9	1.1	1.5	1.0	1.0
Discharge to 3rd party treatment	1.1	1.2	1.2	1.1	1.3	1.2
<b>Total wastewater discharged</b>	<b>2.6</b>	<b>2.1</b>	<b>2.3</b>	<b>2.6</b>	<b>2.3</b>	<b>2.3</b>

Wastewater	Absolute (T)			In relation to volume sold (kg/T)		
	2019	2020	2021	2019	2020	2021
Chemical Oxygen Demand	10,136	10,921	10,822	10	12	11

## WASTE

Circular product flows and minimization of waste in all phases of production remains a priority at Perstorp, and waste is one of the focus areas of the Finite Material Neutral Ambition. During 2022, we are to set new, concrete 2030 targets of reducing waste directed to disposal. The day-to-day waste management is governed by our environmental policy and local routines, and stipulates that all wastes shall be stored in a secure way and disposed of using methods and procedures prescribed by local law.

To avoid the generation of waste, we strive to ensure that by-products from our own operations can be reused as input somewhere else. In another internal production process or sold as a product, such as our polyol residues. Naturally, we also put great emphasis on quality management at all our sites to minimize output that cannot be sold. If waste is generated, it shall only be directed to disposal if there are no reasonable means of recycling it.

Waste	Absolute (T)			In relation to volume sold (kg/T)		
	2019	2020	2021	2019	2020	2021
<b>Hazardous waste</b>						
Diverted from disposal (recycled)	676	671	705	0.69	0.74	0.69
Directed to disposal:						
– Incineration with energy recovery	54,816	50,677	62,349	56	56	61
– Incineration without energy recovery	N/D	N/D	48	N/D	N/D	0.05
– Landfill	5,513	4,911	4,922	5.7	5.4	4.8
– Other disposal methods*	3,037	2,796	1,930	3.1	3.1	1.9
<b>Total hazardous waste</b>	<b>64,042</b>	<b>59,055</b>	<b>69,954</b>	<b>66</b>	65	68
<b>Non-hazardous waste</b>						
Diverted from disposal (recycled)	615	627	622	0.63	0.69	0.61
Directed to disposal:						
– Incineration with energy recovery	2,193	1,964	3,971	2.2	2.2	3.9
– Incineration without energy recovery	0	0	0	0	0	0
– Landfill	2,851	1,618	1,718	2.9	1.8	1.7
– Other disposal methods*	237	11	215	0.24	0.012	0.21
<b>Total non-hazardous waste</b>	<b>5,895</b>	<b>4,220</b>	<b>6,527</b>	<b>6.0</b>	4.6	6.4
<b>Total waste generated</b>	<b>69,938</b>	<b>63,275</b>	<b>76,481</b>	<b>72</b>	70	75
Whereof diverted from disposal	1,291	1,298	1,327	1.3	1.4	1.3
Whereof directed to disposal	68,647	61,977	75,154	70	68	74

\*Includes destruction of contaminated water and treatment of contaminated soil and sludge.

The figures for 2019 and 2020 have been recalculated to reflect our updated waste definitions that has been introduced to ensure all waste generated is measured and reported.



## ETHICAL PRINCIPLES & ANTI-CORRUPTION

Our Code of Conduct forms a recipe on how to live the company values. It is based on the company's four core values and has been developed in accordance with the UN's Global Compact, OECD's guidelines for multinational enterprises, the chemical industry's Responsible Care program and ILO's eight fundamental Conventions on basic principles and rights at work. The Code has been developed to underline the principles that direct our relations with employees, business partners and other parties. It applies to all employees within Perstorp Group and members of the Board of Directors. Perstorp also expects its suppliers, distributors and other business partners with which it has close relations, to act according to these principles. All employees must know the content of the Code of Conduct and are required to go through a web-based learning module.

In case of any suspicions of misconduct or other breaches of our Code of conduct, there is a whistleblowing procedure available on our intranet. The function enables the anonymous reporting of any suspected misconduct without risk of retaliation. Alleged non-compliance can also be reported to an immediate manager, or to the Head of HR or Head of Legal.

Perstorp Group has a number of more specific policies addressing e.g. anti-corruption and preventing anti-competitive behavior. On a quarterly basis all areas of the business are also responsible to report into the Legal Risk Review, which is regulated by our Legal Policy. Any litigation, disputes or claims related to legal or regulatory violations that are material to the Group must then be reported. Any investigation by an authority (e.g. police, anti-trust authority) must also be reported. In 2021 there were no suspected or confirmed cases of corruption and no other litigation issues concerning ethical conduct.

Every year, the legal department holds trainings of employees regarding certain policies and procedures. New e-learning modules are continuously being developed, focusing on different aspects of business ethics and compliance. The use of e-learning enables us to better track the implementation of trainings, and also systematically ensure that such trainings are repeated in appropriate intervals, or in case of any updates of relevant legislation, regulations or policies. Several trainings are mandatory for relevant employees to take at regular intervals. During 2021 278 employees were trained on preventing bribery and corruption and 98 on preventing anti-competitive practices.

## SUSTAINABLE SOURCING

The Perstorp procurement can be divided into two main areas, each representing different risks, impacts and challenges:

- Product related material, energy, transport and services.
- Non-product related material and services.

Corporate policies and procurement procedures have been adopted to address procurement risks, such as risks related to human rights and other upstream social and environmental impacts. The policies and procedures include a Vendor Policy, a Modern Slavery Statement and a systematic work to manage information about the suppliers and track and assess their performance.

Our Code of Conduct is the overarching tool to communicating expectations to the suppliers to address sustainability issues including human rights, labor standards, corruption and environmental impacts. Furthermore, through the Vendor policy, the Perstorp Group more specifically requires of its suppliers to act in accordance with international principles in relation to issues such as child labor, bonded labor, occupational health and safety and freedom of association in the workplace.

The Vendor Policy further requires of suppliers to ensure that Perstorp's production and products are free of conflict minerals in accordance with the US Securities Exchange Commission Rule of Conflict Minerals. The issued Modern Slavery Statement summarizes how the company works, and will continue to work, to prevent any occurrences of modern slavery, in our own businesses and in our supply chain.

To assess supply chain risk, suppliers are given a risk rating based on their location as well as on a set of additional criteria defined by Perstorp. Suppliers of large spend or with specifically high risk are systematically assessed using a supplier evaluation tool. The tool consists of questions, addressing issues such as environmental management, human rights, labor standards and anti-corruption. The procedure also requires suppliers to acknowledge and sign the vendor policy. 80 % of our spend is covered by this systematic approach. We are also assessing the need to follow-up the suppliers' self-evaluations, e.g. through audits. Perstorp's companies conduct audits of their suppliers already as of today, but then mainly focusing on management systems for quality and environment.

# The auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders of Perstorp Holding AB, corporate identity number 556667-4205

## ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 on pages 58-65 in the annual report published on the website, translated into English and that it has been prepared in accordance with the Annual Accounts Act. The document published on the website, translated to English, containing the statutory sustainability report on pages 94-101.

## THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

## OPINION

A statutory sustainability report has been prepared.

Malmö, April 20, 2022

Mats Åkerlund  
Authorized Public Accountant  
Lead auditor

Åsa Markefors  
Authorized Public Accountant

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# One molecule can change everything

We are the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets. Perstorp believes in improving everyday life – making it safer, more convenient, more fun and more environmentally sound for billions of people all over the world. 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 140 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 European private equity company PAI partners.

For more information, visit [perstorp.com](http://perstorp.com)