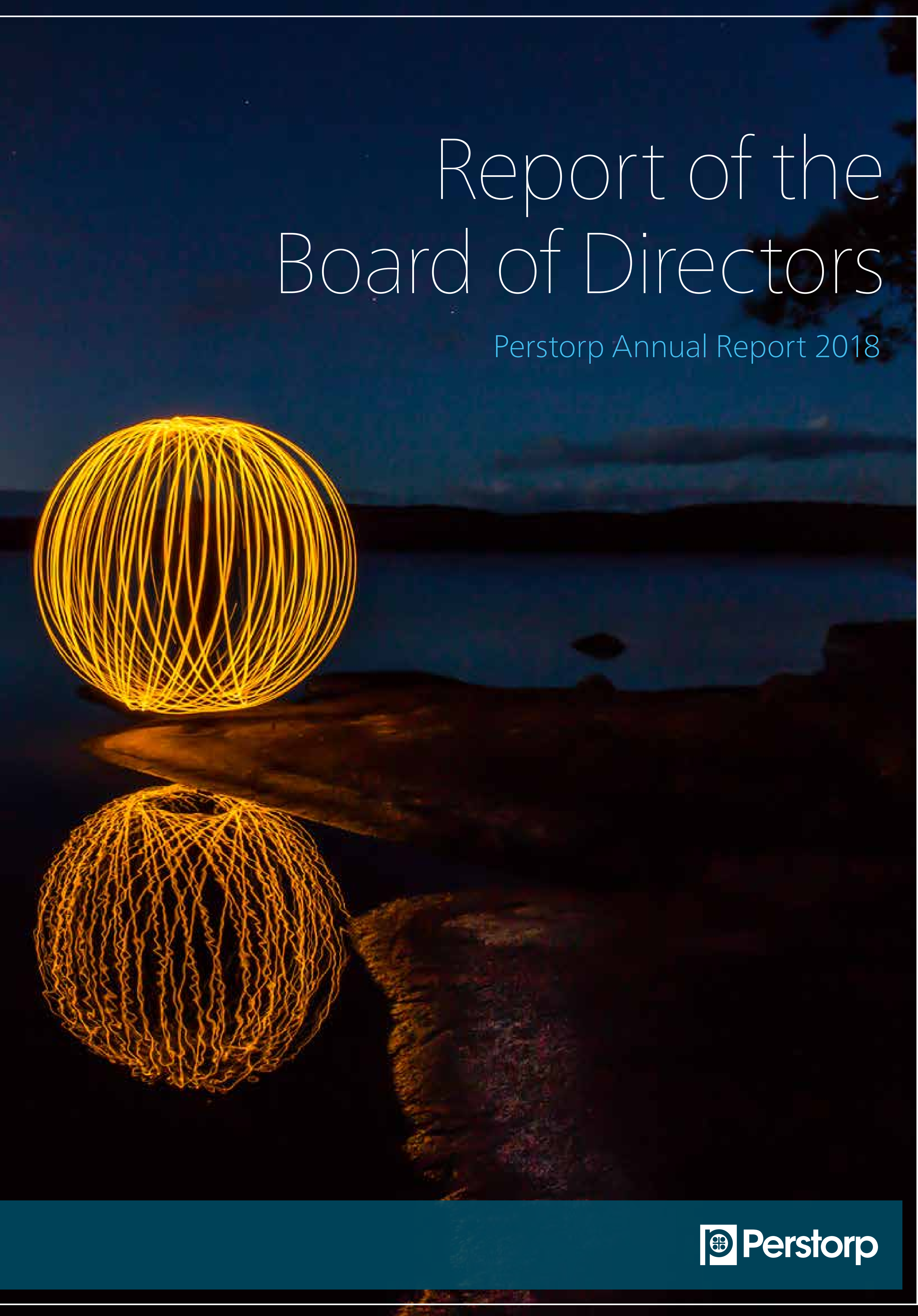

Report of the Board of Directors

Perstorp Annual Report 2018

Perstorp

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It is that magic formula of performance and caring embraced by strong leadership that will secure profitable growth.

Jan Secher
President and CEO

PERSTORP HOLDING AB (PUBL.), CORPORATE REG. NO. 556667-4205
PARENT COMPANY FOR PERSTORP

President´s comments

A year in review

We leave 2018 with the momentum of a very busy year. During 2018, we have re-positioned our portfolio after having sold the BioProduct business and the Capa™ business. These transforming actions allowed us to significantly strengthen our balance sheet and leverage our position, which will enables us to focus on driving future growth from our three platforms; Polyols, Oxo and Animal Nutrition.

2018 was also a year, when we saw a change in ownership. In September, Perstorp Holding AB was transferred to a new investment fund with our current owners, PAI Partners, backed by a new investor Landmark Partners and other co-investors. As a part of the deal, the new investors have agreed to commit EUR 130 million to Perstorp for M&A and CAPEX activities to further advance the company's growth strategy.

At the start of 2019 we introduced a new transformational program; Level Up. After the last years' development of functional excellence, a new operational model and a new organization were launched with the main objective to better address customer demands for supply, reliability and focused innovation. Together we have created a more lean and efficient company, with the aim of being even better at serving our customers' needs. With this as our springboard, our strategy remains and we have clearly defined drivers for our growth going forward.

Short after the transformational program was launched, Perstorp entered into a new financing agreement . The new capital structure will strengthen our balance sheet and further enhance our ability to generate free cash flow, fully in line with our strategic objectives. In addition, we obtained an improved credit rating from both Moody's (B2) and Standard & Poor (B).

2018 resulted in a mixed performance for our business, due to a general weakening of demand as well as internal factors. The scheduled maintenance turnaround at the Stenungsund site, together with some production disturbances in Q3 and Q4 impacted the financial result negatively. On the other hand we experienced positive exchange rate effect as a result of the weak Swedish krona. Despite the mixed performance, the year ended with a record high EBITDA, amounting to SEK 2,324* m.

Strategic direction

We use our global expertise in chemistry and engineering to transform basic materials into high value products that give our customers a competitive edge. We often innovate hand-in-hand with our customers to make better solutions, helping them improve competitiveness, create value and drive differentiation from their peers. Our chemicals improve performance and can help to reduce environmental impact. Perstorp's leading market positions drive growth and margin, backed by an almost 140-year track record and an experienced international leadership team.

The portfolio has been revisited after the sale of BioProducts and Capa™ and we will continue to optimize our portfolio of cash contributors as well as attractive growth businesses, and have reorganized our structure to compliment this focus. Proceeds have been used to deleverage the balance sheet, and allowed for continued investments in strategic niches.

A substantial part of Perstorp's R&D spend is used to find sustainable solutions. For example, we are exploring innovative ways to produce or source renewable raw materials to expand our Pro-environment Solutions and we are looking for equally innovative ways to give our products additional sustainability properties.

After having implemented a new capital structure, we now have greater flexibility to pursue new investments. However, our core strategy is to continue to grow organically – having invested on average approximately SEK 300m in capacity expansion per annum during the last years– and through bolt-on acquisitions in strategic niches. Our strategy will support volume and margin growth, backed by global macro trends, through strategic positioning in prioritized market segments.

Focused Innovation

Focused innovation is one of our core values and last year we saw a number of exciting results from our innovation capabilities. I would especially like to mention the following initiatives:

PEVALEN™

As phthalate-based plasticizers are stepwise being phased out globally, there is growing demand for phthalate-free plasticizers;

- The trend around legislation for plasticizers is clear and consistent
- China, being the world's largest PVC/plasticizer market has started phasing out specific phthalate-based plasticizers
- The total market for phthalate-free plasticizers is growing fast

Perstorp's general purpose phthalate-free plasticizer Pevalen™ has with its unique chemistry shown to have many technical properties that are better than the existing plasticizers, giving important advantages to customers.

In 2018, Innovation has worked further with the formulation of the product and can now recommend the different customer application areas the right stabilizers and additives when formulating with Pevalen™. Additionally, foamed applications, like flooring and artificial leather were accelerated to deliver result, a Food Contact application was filed (FCN) and the number of new customer qualifications met the target.

New Penta technology

The growing demand of Penta and Di-Penta requires support by the best available technology for future investments. Particularly we aim for improved flexibility and the possibility to extract more of the high value Di-Penta in our existing and future production facilities.

Important achievements in 2018 were the new synthesis developed to enable high Di-Penta yields and an increased knowledge about co-product formation and synthesis control targeting a more optimized production.

** Consolidated Group*

Sustainability

In 2017 we set the tough ambition to become Finite Material Neutral. It is an ambition that will stretch us as a company, but we are convinced that we will get there. This decision will of course over time have an impact on the way we do business and make choices within our value chains, which is also when what we do starts to have a real impact. This ambition means a lot more than operating our business in a resource-efficient way. Significant global challenges lie ahead of us with continued high expectations on the chemical industry as being part of the solution. Becoming Final Material Neutral to us means among other things to switch from fossil resources to renewable, recycled or reused, supporting a circular economy. This shift will not happen overnight and we are humble about our ambition.

As an important outcome of our sustainability work, in 2018 we started to sell the world's first portfolio of Polyols with renewable content, Pro-environment Polyols, built on the mass balance principle and certified by ISCC. The products have been well received by customers who want to build renewable value chains and as icing on the cake Perstorp received the prestigious "Best Practices Award" from Frost & Sullivan. One of my proudest moments of the year.

Sustainability though, is a lot more than the Finate Material Neutral ambition. It is about everything we do and how we do it. 2018 was the year when Sustainability became one of our corporate change programs, and also became part of the daily work among many more of our employees.

During the year, we have continued our partnership with the Hunger Project, which funds local investments to support women leading change in especially poor societies. This new way of contributing to society will become increasingly important for us in order to live up to our commitment to be a responsible corporate citizen, in areas that matter.

Care 365

Our Care 365 program is Perstorp's way of putting health and safety first in everything we do, every day, 365 days a year, and to translate that ambition into concrete actions.

And we do it because we care, not because we want to improve our statistics. Care 365 is an integral way to living our core values Responsibility – "Do right", Reliability – "Keep the promise" and Focused Innovation "Make it better".

Our performance in 2018 took a positive direction during second half of the year, when our ambition to become world class in safety resulted in a profound and sustainable improvement, with a performance that was better than target every month. Management commitment is continuously strong, as we are convinced that every injury at work is preventable, and our focus should continuously be on prevention. Real change is driven by the people, purpose and values and together with a strengthened leadership, this is how Perstorp will bring Care to the next level.

Other corporate initiatives

After extensive work by a cross-functional Digital Transformation Team, Perstorp now has an envisioned digital future, with a roadmap developed for how digital transformation can enable us to work smarter and use our existing systems and processes more efficiently. During the year, we identified our first couple of concrete ideas and projects within Operations and Supply Chain, where we will run proof of concepts and pilot projects in 2019. We also started the implementation of a new CRM system (salesforce.com) which will enable us to work in new ways, both internally as well as with our customers.

Since 2017, we are an Associated Member of Combient – a joint venture between large Swedish and Finnish companies in traditional industries – where the key question is how to secure competitiveness by being at the forefront of digitization. During the year, Combient has had an advisory role in several of our internal digitalization projects, and Perstorp has participated in their various networks.

Continuous Profitable Growth is our headline moving forward, we have set ambitious and challenging goals for ourselves including outgrowing the market and reaching a new sustainable earnings level after the divestments of Bioproducts and Capa™. Yet beyond hard numbers, we have set clear targets for further developing our Leadership and how to lead change. It boils down to this: we are building one strong culture comprising both the hard financial performance and the softer value that fuels growth. This symbiosis between performance and care is the magic formula for Perstorp.

I am very proud to lead this company, and to be the one leading the way to the next level of performance. It is in our DNA to always look for improvements, to take things to the next level, to the possible, saying: "Wow, we did it! What more can we do?" Regardless of where we work in the company, we take what we have learned and use it to drive that next competitive edge – for ourselves and our customers.

Jan Secher

President and CEO

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.

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.

For risks found that may cause harm to human health and safety, the environment or financial performance, there are defined risk levels for when these need to be escalated. 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.

During the year, Perstorp has initiated work to further develop the process around risk management, and more specifically how risk management processes can be better integrated to include different perspective that include both directly financial and non-financial risks such as sustainability related risks.

Perstorp has categorized risks into three categories, described here below:

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

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 and potential human harm.

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

RISKS	EXPOSURE	ACTIVITY
STRATEGIC RISKS		
Business development and competitive landscape	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.
Demand/customer behavior	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.
Business opportunities	The company would miss opportunities and trends in the market as a result of failing to identity 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.
OPERATIONAL RISKS		
Raw material	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 is assessed continuously Road map for raw material transition and innovation projects aimed at enabling future scale-up of supply.
Production Disruption	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.
Safety risks	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.
Governance	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.
Regulatory & compliance	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.
FINANCIAL RISKS		
Currency	Currency risk is divided in; • translation exposure – risk related to the conversion of the Group's assets and profits, and • transaction exposure – risk related to the value of the Group's cash flow	Perstorp's finance policy defines acceptable currency risk and sets guidelines and hedging methods for the management of these risks.
Interest rate	Interest-rate risk is the risk of a negative impact on the results due to a rise in market interest.	Perstorp's finance policy defines acceptable interest rate risk and sets guidelines and hedging methods for the management of these risk.
Funding & liquidity	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.	Perstorp's major funding during 2018 consisted of bonds, listed on the Channel Islands Securities Exchange, syndicated mezzanine facilities and a revolving credit facility provided by core banks. Perstorp also follows development of available funds through regular cash flow forecasts. After the balance sheet date Perstorp re-financed the capital structure. For further information see Note 37. Available funds at the end of 2018 were 1,120 MSEK.
Counterparty	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.

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 16th 2018, at which the annual report for the 2017 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 2018, the Board of Directors consists of seven members, all nominated and elected by the company owners. The individuals re-elected to the Board at the 2018 Annual General Meeting are Tore Bertilsson, Fabrice Fouletier, Jan Secher, Karin Markides, Brendan Cummins, 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 2018, eight scheduled Board meetings were held, as well as one statutory convening meeting and two extra board meetings. Minutes were kept at all meetings. On average, attendance at Board meetings for ordinary Board members was 95%. Other employees also attended meetings, either to make presentations or give specialist information 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 budget, forecasts, refinancing, divestments and financial structure were addressed during the year. 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.

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 2018, the Audit Committee consisted of the following members: Fabrice Fouletier, Claes Gard, Ragnar Hellenius and Tore Bertilsson. 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 2018, the Remuneration Committee consisted of Board members, Tore Bertilsson, Brendan Cummins, 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. The EVPs of the Business Areas along with the functions report to him. 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.

During the first quarter 2019, Perstorp announced a new organization consisting of three new Business Areas (BAs) to manage our different customers;

- BA Specialty Polyols & Solutions:
  BU Penta, BU TMP & NEO and BU Formates
- BA Advanced Chemicals:
  BU Oxo and BU Plasticizers
- BA Animal Nutrition:
  BU Feed Additives and BU Acids & Salts

Along with the functions;

- Supply Chain & Operations
- Global Procurement
- Innovation
- Communications & Sustainability
- Finance, Legal & IT
- People & Culture and CEO Office

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 Michael Bengtsson 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 2018, 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 in 2018. 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 in Sweden 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 site visits has been carried out from the central level within the Group. Work aimed at securing good internal control is a constantly ongoing process.

Sustainability Report

This is the Perstorp Group's statutory sustainability report for the fiscal year 2018. It was prepared in accordance with the requirements of the Swedish Annual Accounts Act and has been approved by Perstorp Group'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.

In addition, in note 3, there is reporting on the Group's most material risks, of which some are related to these issues. Other sustainability risks, of less material character such as those related to our daily operations are used as input into Perstorp's systematic approach to sustainability.

Perstorp is a group of companies that develop, manufacture and sell specialty chemicals, which the customers transform into hundreds of products, each with its own unique set of requirements and end uses. The business engages in industrial and consumer markets through a variety of channels. The environmental, social and economic impacts arise mostly from the production facilities and the downstream markets.

Perstorp's impacts on the wellbeing and prosperity of our own employees, associated partners and the communities in which the Group's companies operate are also significant factors in measuring our success as a corporate steward. In this report, Perstorp's impacts are explored and reported in detail, consolidated from the ten production sites (operating in eight countries) which were owned in part or in total by Perstorp at the end of 2018. These sites are:

- Perstorp, Sweden
- Stenungsund, Sweden
- Nol, Sweden
- Zibo, China
- Bruchhausen, Germany
- Waspik, The Netherlands
- Castellanza, Italy
- Warrington, United Kingdom
- Toledo, United States

In 2018 Perstorp divested plants (Vercelli, Italy and Fredrikstad, Norway). All environmental data has been calculated based on the 2018 year-end structure for comparison purposes. The site in Warrington, United Kingdom was divested late 2018 but run by Perstorp until year end, and therefore the data is included.

Our sustainability governance structure

As of January 2019, the EVP Group Communications and Sustainability has a position in the Executive Leadership team and leads our corporate change program for Sustainability. Since 2018 we have a cross-functional team that drives our sustainability ambitions and builds internal processes and capacity. The team includes representatives from procurement, operations, marketing, responsible care and communications as well as those responsible for each focus area in our "Finite Material Neutral" ambition.

Perstorp has a range of group policies which cover environmental issues, occupational health and safety and other employee matters. The main policies covering these issues are the Code of Conduct, the Responsible Care Policy, the Security Policy, the Anti-Bribery Policy, the Vendor Policy, the Global Travel Policy and the General Data Protection Policy. The Perstorp Group is in the process of developing a policy covering social engagement and sponsorships.

The Perstorp Group has a management system for quality and environment, third party certified against ISO 14001:2015 and ISO 9001:2015.

ENVIRONMENTAL PERFORMANCE SUMMARY

Perstorp has a large set of indicators to measure performance in a number of areas and have a long history of collecting data from all operations. The performance on the major impacts (listed below) has remained rather flat over the past three years. The use of energy (per ton of product) increased slightly over this period, in part due to reduced production volumes in 2018. The generation of waste (per ton of product) also increased, mainly due to reduced sales of recycled product.

Summary of Impacts	2018	2017	2016
Total Energy (MWh/T product)	1.19	1.11	1.15
Water consumed (liters per kg)	2.1	1.9	2.1
Wastewater COD (kg per ton product)	3.5	3.2	3.6
Scope 1 GHG (kT)	394	383	415
Scope 2 GHG (kT)	182	163	151
Total GHG (kg/T product)	309	287	305
VOC (T)	173	168	148
NOx (T)	159	145	152
SOx (T)	5.5	8.5	8.6
Waste (kg/T product)	34.9	32.0	27.1

INVESTMENTS IN RESPONSIBLE CARE

As volumes and sales have increased over time, so have our costs related to Responsible Care (RC). The cost to properly dispose of waste has also increased over the past few years in every country where we operate. Perstorp continues to invest in the protection of the environment, our employees and other stakeholders at a consistent rate. "Other RC related costs" in the table below includes training costs and certification of local experts.

Responsible Care (RC) Costs SEK million	2018	2017	2016
Disposal hazardous waste	30	19	15
Disposal of non-hazardous waste	11	3	3
Disposal of waste water	31	29	27
Contaminated soil	0	0	0
RC fees paid	6	5	4
RC fines paid	0	0	0
Other RC related costs	3	3	3
Total RC Costs SEK million	82	59	52
% of net sales	0.5 %	0.4 %	0.5 %
Total RC investments SEK million	99	40	36
% of total investments	18.2 %	6.1 %	6.5 %

OCCUPATIONAL HEALTH AND SAFETY

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 every day, 365 days of the year. This is what Perstorp calls Care 365. Care 356 is an initiative at Perstorp which started in 2017. Looking back at undesirable levels of work-related injuries and health issues, more effort was put into the occupational health and safety work, at all levels of the business.

The work with Care 365 is company-wide addressing 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. In 2018 the focus has been on fully launching the Care 365 at all the Group's sites.

The goal is to take Perstorp Group to the top quartile of companies in its business category in terms of health and safety performance by 2020. One of the tools that has been developed accordingly is the "Perstorp Careway", a way to interpret where the company stands in its health and safety maturity based on best practice in the industry. The latest developments of the Careway Protocol is that in 2018 an additional health dimensioned was added to the previous safety dimensions.

Both the safety metrics as well as the results in the annual employee survey, show that the efforts have delivered results. Improved identification of hazards, increased employee education and an emphasis on risk reduction have led to a continued decrease in OSHA-recordable accidents. The employee survey indicates that the health focus has led to improvements also in areas related to workload and stress.

The objectives set up for the employee survey beginning of 2018 were:

1. The % of teams below 3.0 in Workload & Stress should be <15 % (30 % in 2017)
2. We shall have a positive trend in the Engagement Index

The results in the Employee Survey were:

1. 17 % of all teams scored below 3.0 in Workload % Stress
2. The score was equal (3.3) in Engagement Index 2018

On an overall level, the end 2018 survey results were improved, where the positive change in the Workload & Stress contributed the most to the improved score.

Our performance on standard Safety metrics (including our own employees and contractors):

Occupational Injuries	2018	2017	2016
Fatalities	0	0	1
Lost Time Accidents	6	8	10
Total Lost Days	103	36	137
OSHA-Recordable Accidents	9	16	22
OSHAR*	0.49	1.00	1.25

The Perstorp Group has a management system for quality and environment, third party certified against ISO 14001:2015 and ISO 9001:2015.

DIVERSITY

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. Since 2018 Perstorp has taken a more pro-active approach to diversity, including gender diversity.

A diversity policy is in place for the Group and in 2018 the following targets were set:

- 50 % of all appointed managers should be women – 29% women reached,
- 50 % of all new senior managers (members of the Perstorp Leadership Team) should be women – 33 % reached.
- 50 % of all new senior managers should be non-Swedes – 55 % reached.

ENERGY CONSUMPTION

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. The sites in Perstorp and Stenungsund are supplied with electricity from renewable sources. The experience gained from the use of alternative fuels will be a springboard for further use at other sites in the future, and is afocus of the road maps developed for the Finite Material Ambition. The continued emphasis on process efficiency has helped Perstorp keep the energy consumption relatively low.

Energy Consumption (in GWh)	2018	2017	2016
Energy Produced in-house	1,574	1,529	1,640
Renewable energy	16 %	16 %	15 %
Reclaimed from production waste	51 %	56 %	59 %
Amount delivered externally	(188)	(195)	(199)
Energy purchased as steam	509	447	378
Renewable Energy	4 %	6 %	3 %
Electricity from local grid	331	321	320
Total Energy Consumed	2,225	2,102	2,140
Total Energy (MWh/T product)	1.19	1.11	1.15

WATER

On a global scale water is not considered a finite material as such but as it is a scarce resource globally. For Perstorp it is therefore highly relevant to address it as a part of our overall Finite Material Ambition. In local contexts, access to drinking-quality water and water fit for food productions is essential to human life and societies. Therefore, the goal is to never be the cause of limitations to drinking quality water or to water intended for necessary food production and we continuously work with lowering our water footprint.

Perstorp's plants all use water to some extent: as a solvent for chemical reactions, as a carrier for products or as a heat-transfer medium. Therefore, Perstorp will increase the efforts to conserve water, and to return the water used, back to the environment following careful treatment protocols. The commitments made to the future demands as little water use as possible and prevention of water pollution through innovative re-uses of waste waters and efficient water treatment technologies.

Water Use (in millions of cubic meters)	2018	2017	2016
Surface Water	20.2	18.9	17.3
Ground Water	5.1	4.5	3.8
Rainwater	0.01	0.02	0.01
Municipal Supply	0.81	0.74	0.67
Other Sources	0.55	0.50	0.45
Total water withdrawn	26.7	24.7	22.3
Water returned unchanged	22.7	21.0	18.4
Water consumed	4.0	3.7	3.9
Water consumed (L/kg)	2.1	1.9	2.1

Wastewater	2018	2017	2016
Chemical Oxygen Demand (T)	6,586	6,057	6,685
COD (T/T product)	0.0035	0.0032	0.0036

EMISSIONS TO AIR

Perstorp has a small continuing use of Ozone Depleting Substances (ODS) in cooling systems across the organization. Those systems use 6.5 tons of coolants, with a leakage of 250 kg in 2018.

Perstorp uses certified reference values** for determining our emissions of greenhouse gases (GHG). This data has been calculated based on the 2018 year-end structure for comparison purposes.

Air Emissions	2018	2017	2016
Greenhouse gas (GHG) emissions (CO_2-e)			
Scope 1 GHG (kT)	394	383	415
Scope 2 GHG (kT)	182	163	151
Total GHG (kT)	577	546	566
GHG (kg/T product)	309	287	305
VOC (T)	173	168	148
NOx (T)	159	145	152
SOx (T)	6	9	9

** Our references for GHG emissions factors are, in descending order of priority:

- **United Kingdom Department of Energy and Climate Change** 2017 Set of Conversion Factors
- **United States Environmental Protection Agency** 2014 Standard Emission Factors
- **Ecometrica** 2011 Electricity-Specific Emission Factors for Grid Electricity

WASTE

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. We address waste firstly by trying to avoid waste generation, by focusing on quality management at all our sites. We also try to minimize waste going to a landfill, by looking into how we can better close the loops, linking our production platforms, within Perstorp and in symbiosis with other businesses. In 2019 further emphasis will be put on identifying the causes of waste being generated as well as the potential in making waste into resources, which is clearly linked to other focus areas, such as raw materials and energy.

Solid and Liquid Waste	2018	2017	2016
Hazardous Waste (T)	48,008	41,782	42,127
Recycled	1 %	1 %	2 %
Incinerated for energy recovery	82 %	89 %	87 %
Landfilled	7 %	0 %	0 %
Other disposal methods	10 %	10 %	11 %
Non-hazardous Waste (T)	17,159	19,042	8,122
Recycled	64 %	57 %	16 %
Incinerated for energy recovery	14 %	6 %	9 %
Landfilled	20 %	37 %	75 %
Other disposal methods	2 %	0 %	0 %
Total Waste (T)	65,167	60,823	50,249
Waste (T/kg product)	34.9	32.0	27.1

ETHICAL PRINCIPLES & ANTI-CORRUPTION

Our Code of Conduct forms a recipe on how to live the company values. It covers the areas of Perstorp's business principles, products & sustainability, working conditions and human rights. It has been developed to underline the principles that direct our relations with employees, business parties 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.

Perstorp's Code of Conduct is based on the company's three core values and has been developed in accordance with the OECD's guidelines for multinational enterprises, the chemical industry's Responsible Care program and the guidelines outlined in the International Labor Organization (ILO) convention. Perstorp supports the UN's Global Compact and its ten principles as well as the 17 Sustainable Development Goals. All employees must know the content of the Code of Conduct and are required to go through a web-based learning module.

Perstorp Group also has a number of more specific policies addressing e.g. anti-corruption and preventing anti-competitive behavior.

In case of any suspicions of illegal conduct or other breaches of our own ethical principles, there is a whistleblowing procedure available on our intranet. But this is seen as a last resorts, as our legal department, the HR department and each manager within the company, is also available for dialogue with our employees, should they need to raise questions regarding interpretations of our policies or wish to raise concerns.

On a quarterly basis all areas of the business are 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 2018 there were no suspected or confirmed cases of corruption, neither through the risk review nor through the whistleblowing procedures and were no other litigation issues concerning ethical conduct.

The legal department has historically held trainings of employees regarding certain policies and procedures. Starting in 2018, more specific e-learning modules are being developed, focused on different aspects of business ethics. In 2018, 62 employees have taken an extensive and interactive e-learning training on preventing bribery and corruption. Further e-learnings are in the pipe-line. This will enable 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 policies.

SUPPLIERS

To ensure security of supply is the starting point for all Perstorp's work related to the supply chain and it is addressed in an integrated way. Sustainability related risks are part of a set of a larger number of risk factors that could jeopardize security of supply. There is a risk of negative impacts on those individuals associated with work places along the supply chain and a potential negative impact on the environment as there is a risk of pollution in the supply chain. This in turn could also affect the Perstorp brand negatively.

During 2018 Perstorp has intensified the integration of sustainability in the supply chain processes, and the assessment methodologies have been updated.

Since the start of 2018, one of the Sourcing managers has a central role in the cross-functional sustainability team, where much focus has been on developing road maps for the transitions to non-fossil raw materials.

The Perstorp supply chains can be divided into two main areas, each representing different risks, impacts and challenges:

- Production related material and services
- Non-production related material and services.

Corporate policies and procurement procedures have been adopted to address supply chain risks and minimize the 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.

The 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 also requires of suppliers to assure that they are working to ensure that Perstorp's production and products are free of conflict minerals originating from the Democratic Republic of Congo or adjoining countries 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. In 2018 the travel policy was updated to also reflect the risks of modern slavery in association with business travels, so it now contains clear rules regarding activities while on business trips.

Risks in the supply chain are managed systematically. Suppliers are given a risk rating based on their location as well as on a set of additional criteria defined by Perstorp.

All suppliers of large spend and/or rated as being of 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.

During 2018 the supplier sustainability evaluation criteria was updated and a new round of surveys were sent out to the suppliers. The next steps is to assess 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.

Board of directors

Elected by the annual general meeting

TORE BERTILSSON
Member and Chairman of the Board of Directors since 2015. Born 1951.

OTHER BOARD ASSIGNMENTS
Chairman of the Board of Directors of Semcon AB, Försäkringsbolaget PRI. Pensionsgaranti and AB Ludvig Svensson. Member of the Board of Directors of INGKA Holding BV, JCE Group AB, Ovako Group AB, Salinity AB and Ågrenska AB.

JAN SECHER
President and CEO Perstorp Holding AB, Executive Vice President Business Area BioProducts. 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 MEP S.à.r.l, MEP II S.à.r.l, AS Adventure Group, Castellano, Euromedia Group, and Masaria Investments.

KARIN MARKIDES
Member of the Board of Directors since 2010. Born 1951.

OTHER BOARD ASSIGNMENTS
Professor, Chairman of the Board of Directors of the Scientific Council for Sustainable Development at the Swedish Government. Member of the Board of Directors of the Swedish Knowledge Foundation.

CLAES GARD
Member of the Board of Directors since 2009. Born 1953.

OTHER BOARD ASSIGNMENTS
Member of the Board of Directors of FTX-ventilation AB and Vasatorps Golf AB.

RAGNAR HELLENIUS
Partner, PAI partners. Head of the Nordic team. Member of the Board of Directors since 2009. Born 1967.

OTHER BOARD ASSIGNMENTS
Chairman of the Board of Directors Starid Holding 3 AB and Lary 1-4 AB. Member of the Board of Directors PAI Partners SAS and ADB Safegate.

BRENDAN CUMMINS
Member of the Board of Directors since 2015. Born 1951.

OTHER BOARD ASSIGNMENTS
Member of the Board of Directors, Audit Committee and Chair of the Governance and Nominations Committee of Ashland Inc., Member of the Board of Directors, Audit Committee and Chair of the Remuneration Committee of Nanoco PLC, Member of the Board of Directors of Tom Murphy Car Sales Ltd and Gailtar Ltd., Member of Board of Directors and Chair of the Audit and Finance Committee of Respond Support CLG

Directly elected representatives

ANDERS MAGNUSSON
Technical Market Development Manager and Chairman of the Swedish PVC Forum. Member of the Board of Directors since 2010. Appointed by the Boards of PTK of Perstorp and Stenungsund. Born 1969.

PER-OLOV HORNLING
Strategic Purchaser
Member of the Board of Directors since 2017. Appointed by the Boards and PTK of Perstorp and Stenungsund. Born 1960.

GERRY ACKERT
Operating Technician and Chairman of IF Metall
Member of the Board since 2017. Appointed by the Boards of IF Metall Perstorp and Stenungsund. Born 1972.

Auditors

MICHAEL BENGTSSON
Authorized Public Accountant – PricewaterhouseCoopers. Born 1959.

OTHER AUDIT ASSIGNMENTS
Bonnier, Bure, Indutrade and SWECO.

MATS ÅKERLUND
Authorized Public Accountant – PricewaterhouseCoopers. Born 1971.

OTHER AUDIT ASSIGNMENT
Viktoria Park, Copenhagen Malmö Port, Flint Group, ESS and Catena.

Deputies
Jesper Fahlén – Deputy trade union representative. Appointed by the Boards of PTK of Perstorp and Stenungsund. Born 1975.

Erica Stålhammar – Deputy trade union representative, IF Metall: Born 1992.

TORE BERTILSSON

JAN SECHER

FABRICE FOULETIER

KARIN MARKIDES

CLAES GARD

RAGNAR HELLENIUS

BRENDAN CUMMINS

ANDERS MAGNUSSON

PER-OLOV HORNLING

GERRY ACKERT

Executive leadership team[1]

JAN SECHER
President and Chief Executive Officer
Active in the Group since 2013
Born 1957

MAGNUS HEIMBURG
Chief Financial Officer and Executive Vice President – Finance, Legal & IT
Active in the Group since 2014
Born 1967

ULRIKA ANDERSSON
Executive Vice President – Business Area Specialty Polyols & Solutions
Active in the Groupe since 1996
Join ELT January 2019
Born 1968

GORM JENSEN
Executive Vice President – Business Area Advanced Chemicals
Executive Vice President - Global Procurement
Active in the Group since 2014
Born 1962

ROGER MANN
Executive Vice President – Animal Nutrition
Active in the Group since 2018
Born 1960

MARIE GRÖNBORG
Executive Vice President - Innovation
Active in the Group since 1994
Born 1970

MAGNUS LANNÉR
Executive Vice President – Supply Chain (from January 2019) & Operations
Active in the Group since 2008
Born 1969

WOLFGANG LAURES
Executive Vice President – Supply Chain
Active in the Group since 2014.
Member of the ELT up until December 2018
Born 1969.

MIKAEL GEDIN
Executive Vice President – People & Culture and CEO Office
Active in the Group since 2009
Born 1969

CECILIA SVENSSON
Executive Vice President – Communications & Sustainability
Active in the Group since 2014
Join ELT January 2019
Born 1965

[1] During the first quarter 2019, Perstorp announced a new organization consisting of three new Business Areas (BAs) to manage our different customers; BA Specialty Polyols & Solutions, Advanced Chemicals and BA Animal Nutrition. Along with the functions; Supply Chain & Operations, Global Procurement, Innovation, Communications & Sustainability, Finance, Legal & IT, People & Culture and CEO Office.


JAN SECHER


MAGNUS HEIMBURG


ULRIKA ANDERSSON


GORM JENSEN


ROGER MANN


MARIE GRÖNBORG


MAGNUS LANNÉR


WOLFGANG LAURES


MIKAEL GEDIN


CECILIA SVENSSON

Year in review

Key Events – 2018 in brief

UPGRADED CREDIT RATING BY STANDARD & POOR

In July 2018, S&P Global Ratings announced that it has upgraded its long-term issuer credit rating for Perstorp Holding AB to B-. The upgrade reflects Perstorp's sustained EBITDA growth and deleveraging, which is a step towards increased financial flexibility and a potential to lower future cost of capital.

A NEW OWNERSHIP STRUCTURE

In September, PAI Partners announced the transfer of their interest in Perstorp from the investment fund PAI Europe IV to a new fund managed by PAI Partners and backed by Landmark Partners and other co-investors. As a part of the deal, the investors of the new fund have agreed to commit c. EUR 130 million for investment activities to further advance Perstorp's growth strategy. The major transformation of Perstorp during the last years, which has delivered strong results and increased value has now paid off, attracting new investors.

DIVESTMENT OF THE BIOPRODUCT BUSINESS

In November 2018, Perstorp announced and completed the divestment of its BioProduct business in order to streamline the portfolio. The BioProduct business was concentrated to Sweden and Norway, and hence the sale was in line with the strategy to focus on global high growth areas in the specialty chemicals market and build on the position as a global leader in the field.

LEVERAGING THE FULL BUSINESS POTENTIAL IN ANIMAL NUTRITION

In order to take full advantage of the current growth opportunities in the agricultural business, as well as exploring new business opportunities, Animal Nutrition (former Feed & Food) became a separate Business Area, and a new Executive Vice President was appointed. The future growth expectations are high, both due to macro trends but also due to a very promising innovation pipeline as well as how Perstorp is now building capabilities with both significant global recruitments and increased production and supply capacity.

INNOVATIVE STEPS TO SUPPORT CUSTOMER'S USE OF PHTHALATE FREE PLASTICIZER PEVALEN™

The trend around legislation for plasticizers is clear and consistent, and there is a growing demand for phthalate-free plasticizers, as phthalate-based plasticizers are stepwise being phased out globally. Perstorp's Pevalen™ has shown to have many technical properties that are better than the existing plasticizers, and can be used as a superior alternative in most PVC applications. During 2018, Innovation has worked intensely to be able to conclude and recommend to our customers, the right stabilizers and additives when formulating with Pevalen™. Foamed applications, e g flooring and artificial leather, are areas where interest has grown rapidly, and where Perstorp has focused its innovation resources. The number of new customer qualifications met the target and on top, a food contact application was filed.

AWARDED PRO-ENVIRONMENT POLYOLS

Perstorp's new Ambition Level for sustainability - to become Finite Material Neutral - was first presented in 2017. For Perstorp to become Finite Material Neutral means switching to alternative resources that are abundant and/or renewable, or to close the loops in order to recycle or reuse those that are finite. All Perstorp's three essential polyols are now available in renewable and partly renewable options – Voxtar™, Evyron™ and Neeture™, produced based on the mass balance concept and certified by third-party ISCC (International Sustainability & Carbon Certification). Frost & Sullivan has in 2018 rewarded Perstorp for this transformation, which is also an external confirmation of Perstorp providing employees with room and opportunity to run with ideas, making a change for the company and more importantly the world.

RELENTLESS WORK WITH CARE 365 PAYS OFF

The relentless determination for Perstorp to become world class in health and safety has started to pay off and there is now a profound and sustainable change in terms of safety. In the second half of 2018, performance was better than target every month and five out of the last twelve months had zero injuries. We are convinced that every injury at work is preventable, and our focus is continuously on prevention. A global integrated roadmap has been developed in order to take Perstorp to the next level as a safe and healthy workplace, and the work continues.

LET'S TALK CARE 365

To demonstrate focus and importance of health, safety and care all across Perstorp, on August 24, "Let's talk Care 365" was arranged in all geographical locations, sites as well as offices. All employees were invited to an event in their respective location, and there was a variety of topics on the agendas, everything from hands-on safety training to office yoga. The level of engagement was high and the conclusion was that this day will become a yearly event.

A REVITALIZED PERSTORP BRAND BUILDS BUSINESS VALUE

The traditional Perstorp Brand has undergone a major brush up, both from a visual perspective, but also from a value perspective in order to make sure that it is contemporary and reflecting the company of today – resonating with customer needs. As a tribute to the hard and delicate work with everything from how the company communicates the brand in text and image, to its long-term development, strategy and also how to legally protect it from infringement, the Perstorp Brand was nominated to the prestigious Signum Award in Sweden, in competition with well-known Swedish brands like Barnängen, Com Hem, Moderna Museet, Polarn O. Pyret and Vitamin Well.

Events after the Balance Sheet day

DIVESTMENT OF THE CAPA™ BUSINESS

In February 2019, the sale of the Capa business to Ingevity was completed. Capa has under Perstorp's leadership during the last 10 years, become a global market leader in the production and commercialization of caprolactone. The sale of Capa unlocks significant value and proceeds will be used to strengthen the balance sheet, as well as to invest in growth areas with strong future potential, such as the polyols market, the phthalate free plasticizer Pevalen™, expansion of the animal nutrition business and establishment of pro-environment products and solutions.

A NEW CAPITAL STRUCTURE THROUGH A DEBT REFINANCING AGREEMENT

In February 2019, Perstorp announced the refinancing of its existing credit facilities which will provide a more flexible capital structure. This was possible thanks to the solid track record of strong performance and in addition the sale of the Capa business. An improved credit rating was given by both Moody's (B2) and S&P (B). Perstorp has now a significantly improved position to achieve its long-term strategic objectives.

Organization

President & CEO
Jan Secher

People & Culture and CEO Office
Mikael Gedin

Finance, Legal & IT
Magnus Heimburg

Communications & Sustainability
Cecilia Svensson

Innovation
Marie Grönborg

Business Area Specialties & Solutions
Ulrika Andersson

Business Area Advanced Chemicals
Gorm Jensen

Business Area Animal Nutrition
Roger Mann

Supply Chain & Opperations
Magnus Lannér

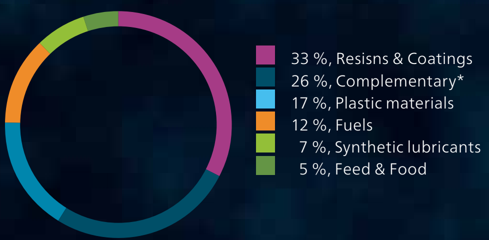
Global Procurement
Gorm Jensen

Key figures in summary, consolidated group

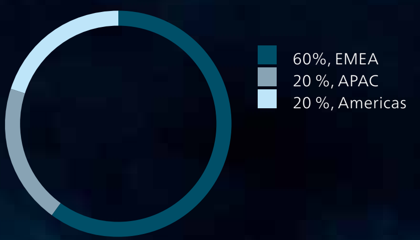
SEK m unless otherwise stated	Full year 2018	2017	2016	2015
Net sales	14,882	13,592	11,305	11,149
Operating earnings before depreciations (EBITDA)	2,191	2,701[1]	1,800	1,653
% of net sales	14.7	19.9[1]	15.9	14.8
EBITDA excluding non-recurring items	2,324	2,133	1,865	1,667
% of net sales	15.6	15.7	16.5	15.0
Operating earnings (EBIT)	1,570	1,973[1]	1,206	971
% of net sales	10.5	14.5 [1]	10.7	8.7
Free cash flow	1,450	1,275	1,370	1,127
Net debt excluding parent company loan and pension liabilities	13,103	12,056	12,964	11,196
Available funds	1,120	1,220	983	934
Leverage	5.6x	5.7x	7.0x	6.7x

[1] Including capital gain of SEK 604 m related to the divestment of Perstorp Oxo Belgium AB

NET SALES BY MARKET SEGMENTS, LAST TWELVE MONTHS

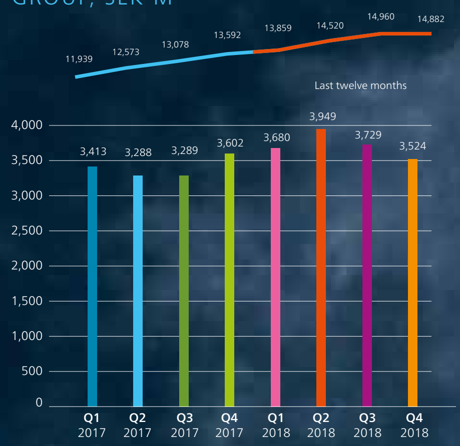


NET SALES BY GEOGRAPHY, LAST TWELVE MONTHS

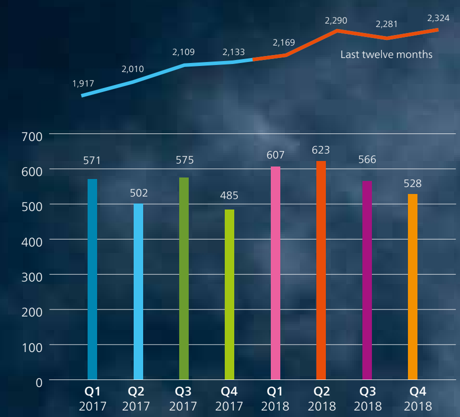


* *Subsegments; Bleaching, runway de-icer, oil drilling & completion fluids, pharmaceuticals & API, surfactants & detergents, tanning, fuels and other.*

NET SALES, CONSOLIDATED GROUP, SEK M



EBITDA EXCL. NON-RECURRING ITEMS, CONSOLIDATED GROUP, SEK M



Other

One molecule can change everything

Perstorp believes in improving everyday life – making it safer, more convenient and more environmentally sound for billions of people all over the world. As a world leading specialty chemicals company, our innovations provide essential properties for products used every day and everywhere. You'll find us all the way 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, with a clear sustainability agenda.

Founded in Sweden in 1881, Perstorp's focused innovation builds on more than 135 years of experience, representing a complete chain of solutions in organic chemistry, process technology and application development. Perstorp has approximately 1,500 employees and manufacturing units in Asia, Europe and North America. Sales in 2018 amounted to SEK 14.9 billion for the consolidated group.

Employees

The number of FTE (full time equivalents) for the total group, at the end of 2018 was 1,501, which is 54 less than at year-end 2017.

The Perstorp Board

At the end of 2018, the Board of Directors consists of seven members, all nominated and elected by the company owners. The individuals re-elected to the Board at the 2018 Annual General Meeting were Tore Bertilsson, Fabrice Fouletier, Jan Secher, Karin Markides, Brendan Cummins, Ragnar Hellenius and Claes Gard. In addition to the aforementioned individuals, the Board also includes three employee representatives.

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.

Innovation

During 2018 Perstorp continued our focus on market led Innovation for our strategic markets. Successful commercialization of several projects enabled more resources to look for new opportunities building an interesting new Innovation portfolio. Also areas outside our strategic markets are assessed if the size is attractive, if it has a fit with our technology and match market trends.

Further assessing new product opportunities from natural resources is one of the major routes for innovation. One example is new sugar based chemistry to meet demand from the Coating and resin market with the potential of opening up a new product line. Another example is using biogas technology to make competitive products for several of our key market segments

Formates are an important product family for Perstorp. Over time we have re-vitalized that product portfolio several times with new applications that has added value and stability over financial cycles. Fertitlizers is the latest development. Potassium formate as the Potassium source have many advantage over traditional fertilizers. Especially in hot and dry climates where Perstorp's solution prohibit damaging increased salt concentration in soil. Our solutions are already used in California and South Europe with great potential in South America. The potential is big driven by more intense agriculture and climate changes. The product has been tested on potato and on vegetables like tomato, cucumber and salad. All with excellent result. Tests in high volume applications, like soy and wheat, are on-going.

Research on animal health and nutrition was accelerated to support the launch of valerins pioneered by Perstorp. Developing of new research partners in academia and among customer is part of the strategy to bring this faster to the market benefiting animal health and well-being. Two examples are our collaboration with University of Utrecht to develop basic understanding on performance from research on animal cell level and our research in University of Arkansas to confirm the improvement in nutrition. A pre-study in aqua species was also done showing promising data for shrimps.

The development of Pevalen was finalized by a study qualifying an extensive number of stabilizers that works well with Pevalen to minimize the risk of degradation that could result in un-pleasant odor. Customers that has embraced performance in plasticized PVC and confirm it to be an excellent alternative to standard phthalate plasticizers. Focus is now turning to use our lab capabilities and long experience to help customers to develop their optimal formulations.

Competence and Innovation capabilities in synthetic lubricant was added. A better understanding of the value chain from chemicals to end customer use has already been gained. Early development of a couple of new products has started.

Process development on the Penta technology continued to support the expansion of new Penta capacity and increasing the level of valuable co-products. New processes to have higher yields of Di-Penta and CaFo was developed. Both products have high demands from our markets with above GDP growth.

Proposed treatment of unappropriated earnings

	SEK
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:	
Retained earnings	841,808,798
Net result for the year	4,077,167,824
be distributed as follows:	
To be retained in the business	4,918,976,622

Net sales and earnings

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2018	2017
Continuing operations			
Net sales	**9**	**12,436**	**11,128**
Cost of goods sold	6,7,8,21	–10,404	–9,038
Gross earnings		**2,032**	**2,090**
Selling and marketing costs	6,7,8	–429	–425
Administrative costs	6,7,8,33	–310	–321
Research and development costs	6,7,8	–99	–90
Other operating income and expenses	10,11	–12	–5
Result from participations in associated companies	12	3	4
Operating earnings/loss (EBIT)	**10,23,27**	**1,185**	**1,253**
Net financial items	22	–1,870	–1,345
Group contribution		–	–223
Earnings/loss before tax		**–685**	**–315**
Tax	24	730	3
Net earnings/loss for the year		**45**	**–312**
Discontinued operation	36		
Net sales	9	2,446	2,464
Operating earnings/loss (EBIT)		385	720
Earnings/loss before tax		205	835
Tax	24	–26	–13
Net earnings/loss for the year		**179**	**822**
Group total			
Net sales		14,882	13,592
Operating earnings/loss (EBIT)		1,570	1,973
Earnings/loss before tax		–480	520
Tax		704	–10
Net earnings/loss for the year		**224**	**510**
of which, attributable to non controlling interest	15	39	65
Earnings/loss per share, SEK		4,47	10,19
Consolidated Group			
Operating earnings before depreciation (EBITDA)		**2,191**	**2,701**
EBITDA adjusted for non-recurring items		**2,324**	**2,133**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2018	2017
Net result for the period		**224**	**510**
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plan	23	–5	–5
Items that may be subsequently reclassified to profit or loss			
Currency translation effects		–49	109
Other comprehensive income net after tax		**–54**	**104**
Total comprehensive income for the year		**170**	**614**
Attributable to:			
Owners of the parent		124	553
Non controlling interests	16	46	61
Total		**170**	**614**

Net sales for the consolidated group amounted to SEK 14,882 m during the period January to December 2018, an increase of SEK 1,290 m or 9 % compared to the same period last year. Volumes decreased 4 % compared to the same period last year and was negatively affected by the scheduled maintenance turnaround in Stenungsund and somewhat weaker demand at the end of the year. Excluding BioProducts, organic volume based sales growth was -2 %. Adjusted for the scheduled maintenance turnaround in Stenungsund the organic volume-based sales growth was about 1 %.

Sales prices were approximately 8 % higher than last year following both higher raw material prices and improved pricing. Average FX-rates for the period were higher than 2017, which resulted in positive FX-effects on sales, of approximately 5 %.

EBITDA excluding non-recurring items, for the consolidated troup amounted to SEK 2,324 m (2,133), corresponding to an EBITDA margin of 15.6 % (15,7 %). The increase in earnings vs last year of SEK 191 m was attributable to positive currency effects and strengthened unit margins for some product lines partly offset by higher raw material prices and negative impact from the scheduled maintenance turnaround in Stenungsund. Depreciation and amortization amounted to SEK 621 m, including an impairment of approximately SEK 57 m related to fixed assets in Perstorp Polialcoli S.r.l., Italy.

Depreciation and amortization for the corresponding period 2017 amounted to SEK 727 m including an impairment of approximately SEK 160 m related to fixed assets in Perstorp Bioproducts AB.

EBIT for the consolidated group amounted to SEK 1,570 m compared to SEK 1,973 m for the corresponding period 2017 including a capital gain of SEK 604 m for the divestment of Perstorp Oxo Belgium AB.

Net financial expenses, for the consolidated group including exchange rate effects on net debt of SEK -504 m (226), amounted to SEK 2,050 m compared to SEK 1,454 m for the corresponding period in 2017. The deviation mainly relates to a weakening of the SEK against the USD and EUR during 2018, compared to a strengthening of the SEK primarily against the USD during, 2017. This was to some extent counterbalanced by a lower interest rate following the refinancing of the floating rate notes at the end of 2017. Tax amounted to SEK 704 m (-10), where change in deferred tax due to the new tax rules in Sweden has positively affected the result with SEK 788 m. The net result amounted to SEK 224 m (510).

Financial position

Perstorps financial accounts are based on the going concern principle. The management and the Board of Directors consequently monitoring 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 10.5-11.0 % after tax and a terminal growth rate of 2 %.

At the end of 2017, Perstorp Holding AB (publ.) refinanced the floating rate senior secured notes and increased the amount from EUR 200 m to EUR 250 m, with lower interest rate. The loan agreements includes covenants which are tested quarterly. These covenants have not been breached.

Following the company's positive development and the sale of the Bioproduct and Capa™ business, Perstorp, together with its shareholders, assessed the refinancing of the capital structure. Perstorp issued redemption notices for all outstanding bonds and notes issued by Prague CE S.A.R.L during the first quarter 2019. The redemption is financed by the proceeds of the Capa™ sale as well as new credit facilities committed by Bank of America Merrill Lynch, Goldman Sachs Bank USA , DND, SEB, Standard Charted Bank, and Nordea.

Free cash flow

Free Cash flow for the total Group amounted to SEK 1,450 m (1,275) for the period. The improved earnings was to some extent counterbalanced by less favorable development of working capital and higher investment during 2018 compared to 2017. Cash flow from investment activities was on the same level as the corresponding period 2017 and amounted to SEK 660 m (651). Utilization of the factoring program as of December 31, 2018 amounted to EUR 114 m (114).

Free cash flow analysis

	Total Group Full Year	
SEK m	**2018**	**2017**
EBITDA excluding non-recurring items	2,324	2,133
Change in Working Capital	–214	–207
Maintenance capex	–457	–306
Free Cash flow before strategic capex	1,654	1,620
% EBITDA excluding non-recurring items	71	76
Strategic Capex	–204	–345
Free cash flow	1,450	1,275
% EBITDA excluding non-recurring items	62	60

Available funds & net debt

The Group's available funds, unrestricted cash and unutilized credit facilities, were SEK 1,120 (1,220) m at the end of the December 2018. Net debt, excluding shareholder loan and pension liability increased with SEK 1,047 m during the year, mainly related to a weaker SEK, primarily against the USD and EUR. Leverage was 5.6x (5.7x) at the end of 2018.

Equity

At the end of December 2018 equity for the parent company, Perstorp Holding AB, amounts to SEK 4,919 m (817), including a conversion of shareholder loan to equity, amounting to SEK 25 m. Consolidated equity, including non controlling interest, for the Perstorp Group amounts to SEK –2,250 m (–2,383).

CONSOLIDATED BALANCE SHEET

SEK m	Note	Dec. 31, 2018	Dec. 31, 2017
ASSETS			
Non current assets			
Tangible fixed assets	6	4,502	4,981
Intangible fixed assets	7	4,381	4,835
Deferred tax assets	24	895	207
Participations in associated companies	13	72	68
Other participations	14	208	247
Direct pension, endowment insurance		110	114
Other interest-bearing, long-term receivables	17,22	1	0
Other interest-free, long term receivables	17	3	7
Total non current assets		**10,172**	**10,459**
Current assets			
Inventories	21	1,620	1,434
Accounts receivable	19	863	1,004
Operating receivables, associated companies		0	0
Tax receivable		55	36
Other operating receivables	19	288	256
Other current financial receivables	22	0	0
Cash & cash equivalents	20	565	621
Total		**3,391**	**3,351**
Assets held for sale	36	1,320	–
Total current assets		**4,711**	**3,351**
Total assets		**14,883**	**13,810**
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital (50 000 000 shares, par value of SEK 0.01 each)		0	0
Other capital contributions		6,609	6,584
Reserves		–603	–547
Retained earnings		–8,384	–8,564
Equity attributable to owners of the parent		**–2,378**	**–2,527**
Non controlling interests	16	128	144
Total equity		**–2,250**	**–2,383**
Non current liabilities			
Deferred tax liabilities	24	710	783
Direct pension	23	136	141
Pensions liability, others	22,23	403	418
Long term liabilities, Parent Company	22	–	22
Long-term interest-bearing liabilities [1]	22	13,435	12,363
Other liabilities, provisions	25	65	68
Total non current liabilities		**14,749**	**13,795**
Current liabilities			
Accounts payable	26	968	1,074
Tax liabilities		9	60
Other operating liabilities	26	1,073	1,094
Accrued interest expense		127	143
Other financial liabilities	22	20	27
Liabilities held for sale	36	187	–
Total current liabilities		**2,384**	**2,398**
Total equity and liabilities		**14,883**	**13,810**

[1] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -213 (-287) 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
Opening balance, January 1, 2017	**0**	**6,584**	**–659**	**–9,005**	**–3,080**	**89**	**–2,991**
Net Result for the period	–	–	–	446	446	64	510
Other comprehensive income	–	–	112	–5	107	-3	104
Transaction with owners, recognised directly in equity	–	–	–	–	–	–6	–6
Closing balance, December 31, 2017	**0**	**6,584**	**–547**	**–8,564**	**–2,527**	**144**	**–2,383**
Opening balance, January 1, 2018	**0**	**6,584**	**–547**	**–8,564**	**–2,527**	**144**	**–2,383**
Net Result for the period	–	–	–	185	185	39	224
Other comprehensive income	–	–	–56	–5	–61	7	–54
Transaction with owners, recognised directly in equity	–	25	–	–	25	-62	–37
Closing balance, December 31, 2018	**0**	**6,609**	**–603**	**–8,384**	**–2,378**	**128**	**–2,250**

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

CONSOLIDATED CASH FLOW STATEMENT

SEK m	Note	2018	2017
Operating activities			
Operating earnings		1,185	1,253
Adjustments:			
Depreciation and write-down		511	445
Other		–55	–28
Operating activities in discontinued operations		509	399
Interest received and other financial items		7	6
Interest paid and other financial items		–1,091	–1,176
Income tax paid		–90	–103
Interest and taxes paid in discontinued operations		–152	–143
Cash flow from operating activities before change in working capital		**824**	**653**
Change in working capital			
Increase (–) Decrease (+) in inventories		–377	–159
Increase (–) Decrease (+) in current receivables [1]		–102	–216
Increase (+) Decrease (–) in current liabilities		168	247
Change in working capital in discontinued operations		97	–79
Cash flow from operating activities		**610**	**446**
Investing activities			
Acquisition of net assets, subsidiaries		–28	–105
Investment in other participations		–3	–
Acquisition of tangible and intangible fixed assets		–512	–474
Sale of net assets, subsidiaries		28	722
Sales of shares in other participations		–	290
Sale of tangible and intangible fixed assets		1	–
Change in financial assets, external		0	0
Discontinuing operations		–120	–72
Cash flow from investing activities		**–634**	**361**
Financing activities			
Dividend paid to non-controlling interests in subsidiaries		–35	–6
New loans external		–	2,484
Amortization of loans, external		–	–3,012
Change in credit utilization [2]		–7	–80
Cash flow from financing activities		**–42**	**–614**
Change in cash & liquid funds, incl short-term investments		**–66**	**193**
Cash and cash equivalents in the operning balance, incl. short-term investments		621	434
Translation difference in cash and cash equivalents		10	–6
Cash & liquid funds, end of period	**20**	**565**	**621**

[1] Including trade receivables financing program
[2] Including payment of bank fees, SEK – (13) m relating to refinancing

The Parent Company year-end accounts

INCOME STATEMENT PARENT COMPANY

SEK m	Note	2018	2017
Net sales		**71**	**59**
Gross earnings		**71**	**59**
Administration costs		–172	–181
Other operating income and expenses	11	–28	–15
Operating earnings (EBIT)	23, 27	**–129**	**–137**
Group contribution recieved		4,260	182
Earnings from participations in Group companies [1]		1,100	16
Net financial items	22	–1,238	–839
Earnings /loss before tax		**3,993**	**–778**
Tax	24	84	0
Net earnings/loss for the year [2]		**4,077**	**–778**

[1] Comprises of dividend from subsidiaries of SEK 1,100 (-) m and reversal of previous years write down of shares in subsidiaries of SEK - (16) m.
[2] Comprehensive income equals Net earnings/loss for the year.

BALANCE SHEET, PARENT COMPANY

SEK m	Note	Dec. 31, 2018	Dec. 31, 2017
ASSETS			
Non current assets			
Tangible fixed assets	6	1	2
Intangible fixed assets	7	1	2
Deferred tax assets	24	84	–
Shares in group companies	18	7,731	7,731
Long-term receivables, Group companies	22	9,878	6,822
Other participations	14	206	247
Direct pension, endowment insurance		104	108
Total non-current assets		**18,005**	**14,912**
Current assets			
Operating receivables, Group companies		10	12
Tax receivables		4	3
Other operating receivables	19	10	8
Financial receivables, Group companies	22	1,649	586
Total		**1,673**	**609**
Cash and cash equivalents	20	23	0
Total current assets		**1,696**	**609**
Total assets		**19,701**	**15,521**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (50.000.000 shares, par value of SEK 0,01 each)		0	0
Retained earnings		842	1,595
Net earnings/loss for the year		4,077	–778
Total shareholders´equity		**4,919**	**817**
Non current liabilities			
Direct pension		129	134
Long-term liabilities, Parent company	22	–	22
Long-term interest bearing liabilities [1)]	22	13,235	12,163
Total non current liabilities		**13,364**	**12,319**
Current liabilities			
Accounts payable	26	13	21
Other operating liabilities, Group companies		1	1
Other operating liabilities	26	51	69
Accrued interest expense		126	142
Financial liabilities, Group companies	22	1,227	2,152
Total current liabilities		**1,418**	**2,385**
Total equity and liabilities		**19,701**	**15,521**

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -213 (-287) m.

CASH FLOW STATEMENT PARENT COMPANY

SEK m	2018	2017
Operating activities		
Operating earnings	–129	-137
Interest received	734	664
Interest paid	–1,211	–1,294
Dividend from group company	1,100	–
Group contribution received	182	–
Income tax, paid	0	–
Adjustment, depreciation	2	3
Adjustment, change in provisions	–1	1
Cash flow from operating activities before change in working capital	**677**	**–763**
Change in working capital		
Increase (–) Decrease (+) in current receivables	0	2
Increase (+) Decrease (–) in current liabilities	–27	–63
Cash flow from operating activities	**650**	**–824**
Investing activities		
Sale of financial fixed assets	–	290
Changes in financial receivables, group companies	–627	1,145
Acquisition of tangible assets	–	–
Cash flow from investing activities	**–627**	**1,435**
Financing activities		
New loans external	–	2,484
Amortization of loans, external	–	–3,012
Change in credit utilization [1]	–	–146
Cash flow from financing activities	**0**	**–674**
Change in liquid funds, incl. short-term investments	23	–63
Liquid funds opening balance, incl. short term investments	0	63
Liquid funds, end of period	**23**	**0**

[1] Including payment of bank fees SEK - (13) m relating to refinancing

SHAREHOLDERS' EQUITY PARENT COMPANY

SEK m	Share capital	Retained earnings	Net earnings/loss for the year	Total shareholder's equity
Opening balance shareholders´equity, January 1, 2017	**0**	**1,411**	**184**	**1,595**
Transfer of preceding year´s results	–	184	–184	0
Net earnings/loss for the year	–	–	–778	–778
Closing balance shareholders´equity, December 31, 2017	**0**	**1,595**	**-778**	**817**
Opening balance shareholders´equity, January 1, 2018	**0**	**1,595**	**-778**	**817**
Transfer of preceding year´s results	–	–778	778	0
Net earnings/loss for the year	–	–	4,077	4,077
Shareholder´s contribution	–	25	–	25
Closing balance shareholders´equity, December 31, 2018	**0**	**842**	**4,077**	**4,919**

Notes

Definitions

CAPITAL RATIOS

AVERAGE CAPITAL
Based on monthly balances during the year.

CAPITAL EMPLOYED
Total assets less interest-free liabilities.

EBITDA
Represents the Group's operating earnings (or loss) (EBIT) before depreciation and amortization.EBITDA (adjusted for 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 (loss).

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

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

LEVERAGE
Net debt excluding parent company loan and pension liabilities/EBITDA excluding non-recurring items.

Notes

NOTE 1. GENERAL INFORMATION

Perstorp is an international specialty chemicals group and a global leader in high growth niches. The Group has around 1,500 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 acquisition balance sheet for the Group was completed as of 2006. 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 30, 2019.

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 10, 2019.

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. (IFRS has been applied by the Group since 2005). The consolidated accounts have been prepared in accordance with the acquisition value method, apart from matters applying to financial assets held for sale 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, 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. This value remains until impairment is carried out. Impairment tests of reported balance sheet values are carried out in accordance with chapter 2.10. The change in IFRS 3 regarding transaction cost shall not apply for the Parent Company´s financial reporting. Transaction cost 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 IAS 39 they shall not account for a contingent consideration at fair value, as stated in IFRS 3. Instead the Parent Company account 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.

Leasing

For the Parent Company, all leasing agreements are reported according to the rules for operational leasing.

Changes in accounting policies

The new standards and interpretations below, came into effect as of January 1, 2018. Perstorp has chosen the forward looking method has been applied. The implementation of IFRS 9 and IFRS 15 had no material effect on the Group's or segments' financial reporting.

IFRS 9 'Financial instruments' concerns the classification, valuation and reporting of financial assets and liabilities. IFRS 9 replaced IAS 39 and the main changes relate to classification and measurement of financial instruments, hedge accounting and provisions for expected credit losses.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

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 compromises 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 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 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 income statement.

Associated companies

Associated companies are companies over which the Group exercises a controlling 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 in places to guarantee the consistent and appropriate application of Group principles.

When the Group ceases to have a controlling 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 it´s fair value. The change in the carrying amount is recognized in 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.

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.

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.

Saleable financial assets
Saleable financial assets are non-derivative assets where the assets are identified as saleable or not classified in any other category. They are reported as noncurrent assets if management doesn't intend to dispose of the asset within 12 months after the end of the reporting period. Acquisitions of saleable financial assets are valued on the trade date at the acquisition value. Changes to the fair value of securities are classified as saleable financial assets and reported in other comprehensive income. Investments with no listed market price on an active market and whose fair value cannot be reliably ascertained must be valued at the acquisition cost.

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 in the income statement are reported under shareholders' equity in the consolidated statement of comprehensive income as part of the capital gain/loss. 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
IFRS 15 Revenue from Contracts with Customers, the new IFRS for revenue recognition, has been endorsed by the EU and took effect on 1 January 2018. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts.

The revenue standard, IFRS 15, establishes a new 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. No adjustments of opening balances for 2018 have been made. The majority of Petstorp'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 Perstorp, which in connection with the allocation of acquisition values in 2006, were judged to have an unlimited life, based on the company's 135 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. A value for intangible assets was established relating to customer relations in connection with the acquisition of the UK business in 2008. The acquisition value has 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 (these were previously charged directly). 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 is party to leasing agreements whereby the Group as leaseholder to all extents and purposes profits from the economic benefits relating to the leased object while also bearing the economic risks. These agreements are recognized as financial leasing. At the start of the leasing period the leasing object is reported as a fixed asset in the balance sheet at the lower of the fair value and the current value of the contracted minimum leasing fees. On the liability side, the estimated value of the commitment is offset against future cash flow based upon the leasing agreement.

A division is made between short-term and long-term borrowing depending on the due date for payment. Upon settlement the paid sum is divided between amortization of debt and the financial costs. The interest part of the financial cost is reported in the income statement over the leasing period, so that each period includes an amount that corresponds to a fixed interest rate for the reported debt during the period. Capitalized fixed assets in financial leasing agreements are depreciated according to the same principles used for other assets. Some of the Group's leasing contracts pertain to vehicles and computers, which have been reported as operational leasing.

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. Financial instruments are initially measured at fair value and, subsequently, at fair value or accumulated amortized cost, depending on their classification. 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.

From January 1, 2018, the Group applies the policy of recognizing a loss allowance for financial assets and receivables classified at amortized cost.

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. The Group's debt instruments are classified at amortized cost.

Derivatives: classified at fair value through profit and loss except if they are classified as hedging instruments in cash-flow hedges or hedges of net investments in foreign operations when the effective portion of the hedge is then recognized in "Other comprehensive income."

Classification of financial instruments – financial liabilities

Debt instruments: 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 except if they are classified as hedging instruments in cash-flow hedges or hedges of net investments in foreign operations when the effective portion of the hedge is then recognized in "Other comprehensive income."

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.

Expected credit losses reflect the present value of all deficits in cash flows attributable to payment cancellations. Expected credit losses reflect an unbiased and probability-weighted amount that considers range of possible outcomes based on reasonable and supportable forward-looking information.

A simplified approach is applied to accounts receivable. Under this approach, a loss allowance is recognized using a provision matrix.

The financial assets are recognized in the balance sheet at amortized cost, meaning 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. For other financial instruments with no specified market value, the fair value is deemed to correspond to the carrying amount.

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.

Comparative year 2017 - Classification and measurement of financial instruments in accordance with IAS39.

Financial instruments for the 2017 comparative year are recognized by applying IAS39. In its balance sheet, the Group reports financial instruments that comprise loans, other financial receivables, accounts receivable, liquid funds, borrowings, accounts payable and derivatives. Instruments are included in the accounts at the time when the Group becomes a party to them in accordance with contracted terms. In the same way the instrument is removed when the asset and its benefits/risks are no longer attributable to the Group, nor controlled by it, or when an undertaking is completed or ended in any other way. Assessment is initially made at fair value and thereafter at fair value or accrued acquisition value depending on the classification of the instrument. An assessment of the need for impairment is made frequently, see 2.10.

Financial instruments are offset and reported at net value in the balance sheets only when there is a legal right to offset between the amounts and there is an intention to settle the amounts with a net sum, or alternatively to realize the asset and settle the liability at the same time.

Financial instruments assessed at fair value via the income statement

This category includes financial assets/liabilities held for trading plus derivative instruments not identified as hedge instruments. Assessment at fair value via the income statement occurs at both the time of acquisition and at regular assessments thereafter.

Loans & accounts receivable

Loans and accounts receivable are reported initially at fair value. Thereafter, loans are reported at accrued acquisition value using the effective interest method. Accounts receivable are normally reported at their original fair value when the effect of discounting is considered to be marginal. When an assessment is made by the Group that a receivable will not be paid, and there is objective evidence for this, a reservation is made. See further under point 2.10.

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.

Accounts payable

Accounts payable are undertakings to pay for goods/services acquired in the ongoing business and are reported at fair value.

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-contribution 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 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 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are assessed at fair value and are reported in the balance sheet on the contract date. The Group uses currency forwards and swaps to hedge intra-Group borrowings in different currencies. No interest-rate swaps are currently used. Changes in fair value are directly reported as financial items in the income statement since Perstorp is not applying the exception rules on hedge accounting.

2.15 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.

2.16 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 16 Leases comes into effect on 1 January 2019. This Standard regulates the recognition of leases and will replace IAS 17 "Leases" and the associated IFRIC 4, SIC-15 and SIC-27 interpretation statements. The Standard requires that assets and liabilities related to all lease arrangements are recognized in the Balance Sheet with certain exceptions. Recognition is based on the view that the lessee is entitled to use an asset for a specific period of time, and has a simultaneous obligation to pay for that right.

Work on analyzing and evaluating the effects of adoption of the new Standard on the Group's financial reporting has been performed and the Group has identified over 200 arrangements at the year end 2018. Contracts governing rights of use with a shorter term than 12 months or with acquisition costs of less than USD 5,000 are not included. A marginal lending rate has been set by region.

Perstorp Group separate 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 incremental borrowing rates used for discounting lease payments are based on the same principals as borrowings within the Group, cost of funds for long-term or short-term borrowing, plus an additional credit spread to reflect the slightly weaker creditworthiness of the borrower compared to the consolidated Perstorp Group.

Perstorp Group will apply IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the 1st of January 2019, the so called modified retrospective approach. This means that no comparative figures will be recalculated and the full effect of the Standard will be restated in the opening balances for 2019.

For essentially all of its leases, Perstorp Group has decided to measure the opening balance of the right-of-use assets as if IFRS16 has been applied since the commencement date, but discounted using the incremental borrowing rate at the 1st of January 2019. For portfolios including leases with reasonably similar characteristics, the same discount rate has been used for all leases included in a portfolio. A right-of-use asset and a lease liability need not be measured for leases for which the lease term ends within 12 months of the date of initial application. Therefore, no assets or liabilities have been measured for leases with an end date during 2019. Initial direct costs have been excluded from the measurement of the right-of-use assets at the date of initial application.

Hindsight have been used, such as in determining the lease term if the contract contains options to extend or terminate the lease. This practical expedient means that Perstorp Group been able to solely use information that existed at around the implementation when it comes to determining the lease term.

The Group estimates that adoption of the new Standard affect Assets by SEK 101 m, and liabilities will increase by SEK 108 m. Equity will decrease by SEK 7 m. The Group's expectation is that IFRS 16 will have a somewhat positive effect on EBITDA.

NOTE 3. RISK MANAGEMENT

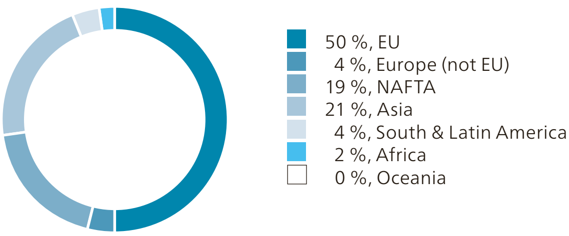
3.1 FINANCIAL RISK FACTORS

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.

NET SALES PER GEOGRAPHIC MARKET, %



The Group's currency transaction exposure for 2018 is to some extent naturally hedged through the interest payments on the EUR and USD denominated bonds.

SWAPS AND FX FORWARDS

SEK m	Market value	Nominal amount
Internal lending		
EUR	0	–16
USD	–	–
Other	–1	–86
Liquidity purposes		
EUR	–1	–368
USD	1	405
Other	–3	400
FX Forward		
EUR	0	16

EXPOSURE PER CURRENCY, FORECAST FOR 2019[1)]

	Net sales	Operating costs	EBITDA	Financial payments[2)]	Net	Translated to SEK m[3)]
USD	453	–349	104	–39	65	583
EUR	654	–453	201	–32	169	1,737

[1)] Forward-looking statements are not guarantees of future performance.
[2)] Based on new capital structure (implemented February 28, 2019)
[3)] Currency rate on closing day.

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.

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	478	–7,774	–7,296
USD	–1,259	–5,673	–6,932
GBP	450	–	450
SEK	–2,812	13,447	10,635
Other currencies	766	–	766
Total	**–2,377**	**0**	**–2,377**

At the end of 2018 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 and in GBP due to the acquisition of the caprolactones business not being financed through loans in GBP. 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 136 million and affect the financial net.

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 2018	0–1 years	1–2 years	2–5 years	> 5 years
Borrowings				
Amortization (incl. Future PIK-interest)	–17		–14,279	
Interest	–1,297	–1,329	–1,339	
Derivative instruments				
Interest swaps	–			
Currency swaps outgoing	–469			
Currency swaps ingoing	805			
Currency swaps net amount	336			
Accounts Payable & Other Liabilities	–2,093			

Financing risk

Financing risk refers to the risk that refinancing of due loans becomes more difficult or expensive. The Group's principal financing consists of corporate bonds listed on the Channel Islands Securities Exchange since November 2016, a mezzanine facility and a Revolving Credit Facility. The maturity structure of this financing is presented in note 22b. Loan agreements are linked to Financial Covenants that include key indicators for net debt in relation to EBITDA and EBITDA in relation to interest payments. The parent loan of approximately MEUR 2 was converted into equity in 2018.

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, 2018. Main part of the external financing, 59%, is issued to a fixed interest rate. The remaining part is issued with a floor interest rate that is higher than the current EUR base rate level. The current market situation with negative EUR base rates therefore gives a low 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 gains for short term currency swaps amounts to zero.

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 863 (1,004) m. 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 10 (9) 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.

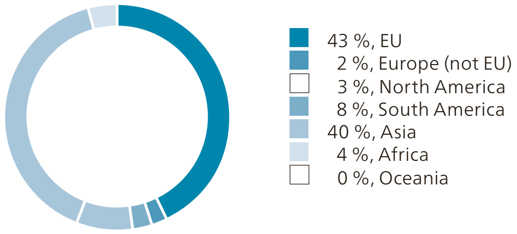
The Group's sales and thus also its accounts receivable are divided among a large number of customers spread across a wide geographic area. This limits the concentration of credit risk exposure. See diagram below.

The distribution of customers based on the size of accounts receivable at the end of the period is presented in diagram below. The segment with amounts exceeding SEK 20 m refers to 1 (1) individual customers,the segment between SEK 10-20 m refers to 3 (13) individual customers. The category of customers owing the Group less than SEK 1 m on the closing date corresponds to around 89 (83)% of all counter parties.

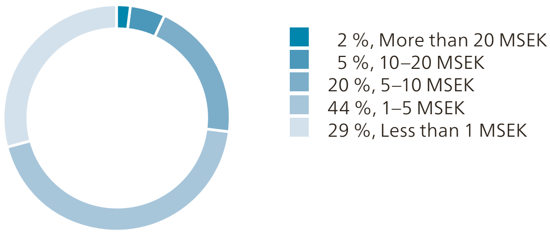
Time analysis on accounts receivable	Dec 31, 2017
Accounts receivable neither due nor reserved	908
Accounts receivable due, but not reserved	
1–10 days	87
11–30 days	13
31–60 days	6
61–90 days	–2
91–180 days	2
180 days or more	–10
Accounts receivable linked to reservation	9
Gross total	**1,013**
Reservations	–9
Net total	**1,004**

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 5 (14) 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.

CONCENTRATION RISK OF ACCOUNTS RECEIVABLE DIVIDED BY GEOGRAPHIC REGION, %



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



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 in Sweden in terms of volumes – 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.

Dec 31, 2018	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
Loss Allowance							
Expected loss rate, %	0.2	2.9	8.0	71.6	32.0	89.7	1.1
Gross carrying amount – accounts receivable	824	46	10	0	2	–9	873
Loss Allowance	–2	–2	–1	0	–2	–3	–10
Carrying value	822	44	9	0	0	–12	863

The impact of the new IFRS 9 standard, which applies from January the 1st 2018, is related to impairment and the new expected credit loss model. The Perstorp group applies the simplified approach to measure lifetime expected credit losses. Compared with the former applied incurred loss model, the new requirements imply an earlier recognition of 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 for 2018 is presented above.

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 2018 almost 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.

On the electricity market there is a possibility to secure prices for longer periods. 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 unforeseen events, the Group has complete insurance coverage while also supporting work aimed at minimizing risks. Through a global insurance program involving different international insurance companies the Group can capitalize for competitive advantage in insurance terms and cost.

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 UK. 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.

NOTE 5. SEGMENT INFORMATION

Perstorp report its financial performance based on the two reportable segments Specialties & Solutions and Advanced Chemicals & Derivatives.

Each business group is divided further into business units that are identified by the key chemical products produced. Advanced Chemicals & Derivaties consists of the business units Penta, Oxo, TMP & Neo, Formates .

Specialties & Solutions consists of the business units, Feed & Food and Specialty Polyols.

On November 30th, 2018 Perstorp divested the Bioproducts business. On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th 2019. The two divested businesses are reported as discontinued operations in the income statement. In addition, the Caprolactones business is reported as assets and liabilities held for sale in the balance sheet.

SEK m	2018	2017
Net Sales		
Specialties & Solutions	2,489	2,275
Advanced Chemicals & Derivatives	9,681	8,599
Internal sales		
Specialties & Solutions	–25	–9
Advanced Chemicals & Derivatives	–114	–83
Other/eliminations	405	346
Continuing operations	**12,436**	**11,128**
Divested units	2,960	2,899
Eliminations	–514	–435
Discontinued operations	**2,446**	**2,464**
Total Group	**14,882**	**13,592**
EBITDA		
Specialties & Solutions	394	238
Advanced Chemicals & Derivatives	1,410	1,520
Other/eliminations	–108	–60
Continuing operations	**1,696**	**1,698**
Discontinued operations	495	1,003
Total Group	**2,191**	**2,701**
Non allocated items		
Depreciation, Amortization and write down	–621	–728
Operating earnings (EBIT)	**1,570**	**1,973**
Financial income and expenses	–2,050	–1,453
Earnings/loss before tax	**–480**	**520**
Tax	704	–10
Net result	**224**	**510**
EBITDA excluding non-recurring items		
Specialties & Solutions	398	238
Advanced Chemicals & Derivatives	1,424	1,525
Other/eliminations	-8	–29
Continuing operations	**1,814**	**1,734**
Discontinued operations	510	399
Total Group	**2,324**	**2,133**

The group is domiciled in Sweden. The result of its revenue from external customers in Sweden is 10 % (12 %), and the total of revenue from external customers from other countries is 90 % (88 %)

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

ASSETS AND LIABILITIES BY OPERATING SEGMENT, TOTAL GROUP

	Advanced Chemicals & Derivaties		Specialties & Solution		BioProducts		Other		Total Group	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Goodwill	1,591	1,521	508	501	–	–	–	–	2,099	2,022
Other intangible assets	2,365	2,403	356	409	–	–	–	0	2,721	2,813
Tangible assets	3,869	3,685	810	798	–	18	494	480	5,173	4,981
Shares in associated comp	72	68	0	–	–	–	–	–	72	68
Working capital, net	575	352	187	104	–	80	27	11	789	546
Deferred tax liabilities	–630	–666	–70	–74	–	–	–	–	–700	–740
Operating Capital	**7,842**	**7,363**	**1,791**	**1,738**	**–**	**98**	**521**	**490**	**10,154**	**9,690**

NOTE 6. TANGIBLE FIXED ASSETS [1,2]

Group	Land		Buildings & land improvments		Plant & machinery		Equipment, tools, fixtures & fittings		Work in progress incl. advance payments		Total	
SEK m	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Acquisition value												
Opening balance	186	195	1,453	1,422	7,833	7,302	335	333	399	462	10,206	9,714
Investments	26	–	5	12	42	29	108	1	396	474	577	516
Acquisition of subsidiary	–	–	–	12	–	100	–	–	–	–	0	112
Divestments of subsidiary	–	–12	–23	–27	–79	16	–	–6	–4	–	–106	–29
Divestments and disposals	–	–	–	–	–7	–39	–1	–6	–1	–6	-9	–51
Reclassifications	–	1	10	38	192	477	13	6	–199	–522	16	0
Translation effects	7	2	19	–4	147	–52	11	7	4	–9	188	–56
Assets held for sale	–13	–	–62	–	–988	–	0	–	–175	–	–1,238	0
Closing balance	**206**	**186**	**1,402**	**1,453**	**7,140**	**7,833**	**466**	**335**	**420**	**399**	**9,634**	**10,206**
Accumulated depreciation according to plan												
Opening balance	0	0	–559	–527	–4,189	–3,859	–265	–261	0	0	–5,013	–4,647
Depreciation	–	–	–54	–54	–332	–355	–15	–11	–	–	–401	–420
Divestments of subsidiary	–	–	2	21	21	–38	–	–	–	–	23	–17
Divestments and disposals	–	–	–	–	4	38	–	12	–	–	4	50
Reclassifications	–	–	–	–	–	–	2	1	–	–	2	1
Translation effects	0	0	–8	1	–81	25	–10	–6	–	–	–99	20
Assets held for sale	–	–	23	–	544	–	0	–	–	–	567	0
Closing balance	**0**	**0**	**–596**	**–559**	**–4,033**	**–4,189**	**–288**	**–265**	**0**	**0**	**–4,917**	**–5,013**
Write-downs												
Opening balance	–7	–7	–19	–5	–180	–47	–2	1	-4	–3	–212	–61
Reversal of previous year	–	–	–		–	–	3	–	–	–	3	0
Write-downs during the year	–	–	–	–14	–55	–134	–	–2	–	–1	–55	–151
Divestments of subsidiary	–	–	–		55	1	–	–	–	–	55	1
Divestments and disposals	–	–	–		–	–	–	–	–	–	0	0
Reclassifications	–	–	–		–	–	–3	–1	–	–	–3	–1
Translation effects	–1	–	0		–2	–	–	–	–	–	–3	0
Assets held for sale	–	–	–		–	–	–	–	–	–	0	0
Closing balance	**–8**	**–7**	**–19**	**–19**	**–182**	**–180**	**–2**	**–2**	**–4**	**–4**	**–215**	**–212**
Closing book value	**198**	**179**	**787**	**875**	**2,925**	**3,464**	**176**	**68**	**416**	**395**	**4,502**	**4,981**

[1] 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.
[2] Buildings and land with a value of SEK 1,593 (1,487) m are used as collateral for bank loans, whereof 670 (607) m relates to assets held for sale.

Depreciation per function	2018	2017
Cost of goods sold	331	332
Selling Cost	1	1
Administration	3	2
R & D	3	3
Continuing operations	**338**	**338**
Discontinued operations	63	82
Total	**401**	**420**

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

Parent company	Tangible fixed assets	
	2018	2017
Opening balance	2	4
Investments	–	0
Depreciation	–1	–2
Closing balance	**1**	**2**

NOTE 7. INTANGIBLE FIXED ASSETS

Group	Goodwill		Trademarks		Patents, licenses & similar rights		Know–how		Customer relations		Development costs		Reach		Other 1)		Total	
SEK m	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Acquisition value																		
Opening balance	2,484	2,496	1,363	1,363	207	207	1,216	1,216	1,554	1,500	229	220	65	63	312	306	7,430	7,371
Investments	–	–	–	–	–	–	–	–	–	–	5	–	6	7	35	23	46	30
Acquisition of subsidiary	–	2	–	–	–	–	–	–	–	74	–	–	–	3	–		0	79
Divestment of subsidiary	–	–	–	–	–6	–	–	–	–488	–	–	–3	–4	–9	–2	–3	–500	–15
Divestments and disposals	–	–	–	–	–	–	–	–	2	–	–	–	–		–		2	0
Reclassifications	–2	–	–	–	–6	–	–	–	–	–	–	12	–		–5	–12	–13	0
Translation effects	79	–14	–	0	–	0	3	0	30	–20	–	0	–	1	5	–2	117	–35
Assets held for sale	–297	–	–179	–	–179	–	–	–	–290	–	–	–	–10		–252		–1,207	0
Closing balance	**2,264**	**2,484**	**1,184**	**1,363**	**16**	**207**	**1,219**	**1,216**	**808**	**1,554**	**234**	**229**	**57**	**65**	**93**	**312**	**5,875**	**7,430**
Accumulated depreciation according to plan																		
Opening balance	0	0	–94	–85	–139	-126	–500	–461	–911	–862	-73	–48	–14	–12	–252	–255	–1,983	–1,849
Depreciation	–	–	–9	–9	–13	-13	–39	–39	–73	–58	-25	–25	–3	–3	-1	–1	–163	–148
Divestment of subsidiary	–	–		–	2	–		–	359	–		–	–	1	–	3	361	4
Divestments and disposals	–	–		–		–		–		–		–	–	–	–	–	0	0
Reclassifications	–	–		–	6	–		–	14	–		–	–	–	–	–	20	0
Translation effects	–	–		–	1	–	-2	0	–15	9		0	–	–	–6	1	–22	10
Assets held for sale	–	–	98	–	130	–		–	288	–		–	2	–	252	–	770	0
Closing balance	**0**	**0**	**–5**	**–94**	**–13**	**–139**	**–541**	**–500**	**–338**	**–911**	**-98**	**–73**	**-15**	**–14**	**–7**	**–252**	**–1,017**	**–1,983**
Write-downs																		
Opening balance	–462	–462	0	0	–4	0	–13	–13	–130	–130	0	0	–1	0	–2	–2	–612	–607
Write-downs during the year	–	–	–	–	–	–4	–	–	–	–	–	–3	–	–1	–	–	0	–8
Divestment of subsidiary	–	–	–	–	–	–	–	–	130	–	–	–	–	–	2	–	132	0
Divestments and disposals	–	–	–	–	4	–	–	–	–	–	–	3	–	–	–	–	4	3
Reclassification	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	0
Translation effects	–	–	–	–	–	–	–1	0	–	–	–	–	–	–	–	–	–1	0
Closing balance	**–462**	**–462**	**0**	**0**	**0**	**–4**	**–14**	**–13**	**0**	**–130**	**0**	**0**	**–1**	**–1**	**0**	**–2**	**–477**	**–612**
Closing book value	**1,802**	**2,022**	**1,179**	**1,269**	**3**	**64**	**664**	**703**	**470**	**513**	**136**	**156**	**41**	**50**	**86**	**58**	**4,381**	**4,835**

1) 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	**2018**	2017
Cost of goods sold	53	52
Selling Cost	51	37
R & D	0	1
Administration	12	13
Continuing operations	**116**	**103**
Discontinued operations	47	45
Total	**163**	**148**

Know-how and customer relations are depreciated linearly. The remaining average life length is 17 (18) and 13 (13) 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. This testing is based on defined cash-generating units (CGU) and comprise of Polyols, Oxo, Caprolactones, Food & Feed, and other business. On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th 2019 and are reported as assets and liabilities held for sale in the balance sheet.

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 total group, a weighted average cost of capital (WACC) of 10,5 % (11.0) after tax was applied to CGU Polyols and Oxo, while 11.0 % (11) after tax was applied to CGU Feed & Food .

The calculations indicated no need for impairment in any of the CGU's .

A sensitivity analysis shows that an increase in the WACC with 1 % 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. Goodwill and trademarks for the acquired caprolactones business were added in 2008. A summary of the allocation per cash-generating unit, for goodwill and trademarks, is presented below.

2018 (SEK m)	Goodwill	Trademarks	Total
Polyols	737	495	1,232
Oxo	854	568	1,422
Food & Feed	211	116	327
Continuing operations	**1,802**	**1,179**	**2,981**
Assets held for sale	297	81	378
Total	**2,099**	**1,260**	**3,359**

2017 (SEK m)	Goodwill	Trademarks	Total
Polyols	662	495	1,157
Oxo	858	567	1,425
Caprolactones business	291	91	382
Food & Feed	211	116	327
Total	**2,022**	**1,269**	**3,291**

Parent company

	Other	
Acquisition value	**2018**	2017
Opening balance	2	4
Investments	–	–
Depreciation	–1	–2
Closing balance	**1**	**2**

NOTE 8. LEASING

SEK m

Financial leasing agreements

Future minimum leasing fees	Group 2018	Group 2017
Due:		
Year 1	0	0
Year 2–5	0	0
Year 6–	0	0
Total continuing operations	**0**	**0**
Discontinued operations	0	0
Total	**0**	**0**

Operational leasing agreements:

The operational leasing agreements that exist are attributable to activities in Sweden. Future payment commitments for these contracts are as follows:

Future minimum leasing fees	Group 2018	Group 2017
Due:		
Year 1	31	25
Year 2–5	42	38
Year 6–	4	4
Total continuing operations	**77**	**67**
Discontinued operations	3	4
Total	**80**	**71**

Operational leasing costs during the period	2018	2017
Minimum leasing fees	45	38
Variable charges	2	2
Total continuing operations	**47**	**40**
Discontinued operations	3	3
Total	**50**	**43**

NOTE 9. NET SALES

SEK m Net sales by type of income	Group 2018	Group 2017
Goods	12,289	11,042
Services	147	86
Total continuing operations	**12,436**	**11,128**
Discontinued operations	2,446	2,464
Total	**14,882**	**13,592**

Net sales by geographic region	Group 2018	Group 2017
EU and rest of Europe	6,754	5,830
North and South America	2,805	2,671
Asia	2,662	2,427
Africa	188	176
Oceania	27	24
Total continuing operations	**12,436**	**11,128**
Discontinued operations	2,446	2,464
Total	**14,882**	**13,592**

The Parent Company did not report any net external sales in 2018 or 2017.

NOTE 10. BREAKDOWN OF COSTS

SEK m Costs divided by type	Group 2018	Group 2017
Raw materials, goods for sale, energy, transport and packaging costs	–8,829	–7,483
Other external costs	–644	–622
Employee remunerations (note 27) excl.restructuring costs	–1,315	–1,328
Depreciation (note 6 and 7)	–454	–441
Other operating income & expenses (note 11)	–12	–5
Earnings from participations in associated companies	3	4
Total continuing operation	**–11,251**	**–9,875**
Discontinued operations	–2,061	–1,744
Total	**–13,312**	**–11,619**

NOTE 11. OTHER OPERATING INCOME & COSTS

	Group		Parent Company	
SEK m	2018	2017	2018	2017
Insurance remuneration	20	0	–	–
Operations-related exchange rate differences	26	–39	–	–
Restructuring costs	–34	–14	–	–1
Write downs,disposal (note 6,7)	–57	–4	–	–
Other	33	52	–28	–14
Total continuing operations	**–12**	**–5**	**–28**	**–15**
Discontinued operations	–104	348	–	–
Total	**–116**	**343**	**–28**	**–15**

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

SEK m	2018	2017
PetroPort Holding AB, Sweden	3	4
Total	**3**	**4**

The companies´sales amounted to a total of SEK 83 (78) m in 2018 and earnings after tax was SEK 7 (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	72	72
Total		**72**	**72**

SEK m	2018	2017
Opening book value	68	64
Earnings from participations	3	4
Rounding	1	-
Closing book value	**72**	**68**

The assets of associated companies amounted to SEK 271 (279) m at the end of 2018 and liabilities amounted to SEK 127 (142) m.

NOTE 14. OTHER PARTICIPATIONS

	Group		Parent Company	
SEK m	**Book value Dec. 31, 2018**	**Book value Dec. 31, 2017**	**Book value Dec. 31, 2018**	**Book value Dec. 31, 2017**
Opening book value	247	475	247	475
New shares	3	–	–	–
Sale of shares	–	–239	–	–239
Revaluation	–42	11	–41	11
Closing book value	**208**	**247**	**206**	**247**

Other participations consists of Parent Company shareholding in Vencorex Holding France SAS 9.2 (9.2) % and group holding in Adesso BioProducts AB 10 (-) %.

During the end of Q2 2017 the earn-out from the divestment of Perstorps 34 % shares in Vencorex in 2014, was settled. The earn-out amounted to approximately EUR 30 m. At the same time, Perstop's ownership in Vencorex Holdings SAS was reduced from 15 % to 9 %.

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

MSEK	2018	2017
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	40	65
Elogio AM B.V.	–1	–
Total	**39**	**65**

NOTE 16. NON CONTROLLING INTERESTS

SEK m	Book value Dec. 31, 2018	Book value Dec. 31, 2017
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	127	144
Elogio AM B.V.	1	–
Total	**128**	**144**

SEK m	2018	2017
Opening book value	144	89
Translation effects	7	–4
Change in the period	39	65
Contribution from non controlling interests	2	–
Dividend	–64	–6
Closing book value	**128**	**144**

Perstorp´s share in Shandong Fufeng Perstorp Chemicals Co.,Ltd at the end of the year is 68.3 (68.3) %. Perstorp´s share in Elogio AM BV at the end of the year is 51.0 (-) %

NOTE 17. OTHER LONG-TERM RECEIVABLES

SEK m	Dec 31, 2018	Dec 31, 2017
Interest-bearing long-term receivables		
Other receivables	1	0
Total	**1**	**0**
Interest-free long-term receivables		
Other receivables	3	7
Total	**3**	**7**

NOTE 18. PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2018 Holding, %	2017 Holding, %	2018 Book value	2017 Book value
Perstorp Financial Services AB	**556762-4563**	**Perstorp, Sweden**	**100**	**100**	**7,712**	**7,712**
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	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 UK Ltd	02715398	UK				
Elogio AM B.V. [2]	72069813	Netherlands				
Perstorp Services UK Ltd [2]	11632438	UK				
Perstorp BioProducts AB [1]	556728-5779	Sweden				
Perstorp BioProducts AS [1]	815643062	Norway				
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 [2]	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 Polialcoli S.r.l. [1]	04188090163	Italy				
Perstorp Equipment S.r.l. [2]	4320860168	Italy				
Driveadd GmbH	HRB 148860, Hamburg	Germany				
Perstorp Holding B.V.	34089250	s-Hertogenbosch, 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				
Perstorp Specialty Chemicals Holding BV	**HRB 7465, Arnsberg**	**Arnsberg, Germany**	**6 %**	**6 %**	**19**	**19**
Perstorp Waspik BV	HRB 1900, Arnsberg	Germany				
Perstorp Chemicals India Private Ltd	HRB 6542, Arnsberg	Germany				
Total book value in Parent Company					**7,731**	**7,731**

[1] Company was sold during 2018.
[2] Company was acquired during 2018.

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) %. and for Elogio AM B.V. for which the owndership is 51% (-).

SEK m	2018	2017
Opening book value	7,731	7,731
Reversal write down shares in group companies	–	–
Closing book value	**7,731**	**7,731**

NOTE 19. ACCOUNTS RECEIVABLE & OTHER OPERATING RECEIVABLES

	Group	
SEK m	**Dec. 31, 2018**	**Dec. 31, 2017**
Accounts receivable, gross	873	1,013
Bad debt provision	–10	–9
Accounts receivable, net	**863**	**1,004**
Other operating receivables		
Value added tax	46	51
Emissions credits	30	25
Receivables from suppliers	24	20
Other current receivables	76	23
Prepaid insurance premiums	10	4
Other prepaid costs and deferred income	102	133
Total other operating receivables	**288**	**256**

The parent company other recievables totaling SEK 10 (8) m, and accounts receivables amounting to SEK 0 (0).

Analysis of accounts receivable	**Dec.31, 2018**	**Dec.31, 2017**
Not due	824	908
Due:		
1-10 days	29	87
11-30 days	17	13
31-60 days	10	7
61-90 days	0	–1
91-180 days	2	2
180 days or more	-9	–3
Accounts receivable, gross	**873**	**1,013**
Reservation for bad debts	-10	-9
Accounts receivable, net	**863**	**1,004**
Proportion of accounts receivable due	5,6 %	10,4 %
Proportion of accounts receivable due over 60 days	–0,8 %	–0,2 %
Reservation in relation to total accounts receivable	1,1 %	0,9 %

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.

During the second quarter 2014, Perstorp implemented an off-balance, non recourse, long-term trade receivables program. Trade receivables, for which substantially all risks and rewards have been transferred are de-recognized and excluded from the reported figures. This program was expanded during first six months of 2015, to also include legal entities in US, Germany and UK

Allocation for bad debts	**2018**	**2017**
Allocation, opening balance	–9	–15
Recovered predicted customer losses	1	1
Established customer losses	3	3
Reservation for predicted customer losses	–5	0
Exchange rate effects and other	0	2
Allocations at year-end	**–10**	**–9**

NOTE 20. CASH & CASH EQUIVALENTS

	Group		Parent Company	
SEK m	**Dec. 31, 2018**	**Dec. 31, 2017**	**Dec. 31, 2018**	**Dec. 31, 2017**
Unrestricted cash	357	457	–	–
Restricted cash [1]	208	164	23	0
Total	**565**	**621**	**23**	**0**

[1] Cash in Perstorp accounts in countries where international movement of funds are restricted and cash held in escrowed accounts as collateral for different business activities.

NOTE 21. INVENTORIES

	Group	
SEK m	**Dec. 31, 2018**	**Dec. 31, 2017**
Raw material and consumables	490	448
Products in progress	24	21
Finished goods and goods for resale	1,097	969
Work in progress on behalf of others	6	1
Advance payment to suppliers	8	10
Impairment reserve	–5	–15
Total	**1,620**	**1,434**

	2018	**2017**
Impairment reserve opening balance	15	7
Provision utilized during the year	–4	–
Allocation for the year	2	8
Translation effects	–	–
Assets held for sale	–8	–
Impairment reserve closing balance	**5**	**15**

Of the total value of inventories, SEK 16 (22) m is assesed at net sales value. During the assessment of net sales price, impairment that affects earnings (Cost of goods sold) amounts to SEK 2 (2) 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

	Group		Parent Company	
SEK m	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Senior secured notes/loans	6,885	6,519	6,885	6,519
Second lien secured notes/loans [1]	3,768	3,458	3,768	3,458
Mezzanine loans	2,936	2,641	2,936	2,641
Revolver	200	200	0	0
Inter-company financial liabilities	0	0	1,224	1,851
Other financial liabilities, excluding loans from Parent Company [1]	–124	–141	–141	–168
Financial liabilities, excl. Shareholder loans and pension liabilities	**13,665**	**12,677**	**14,672**	**14,301**
Interest-bearing pension liabilities, net	403	418	0	0
Loan from Parent Company	–	22	0	22
Total interest-bearing debt	**14,068**	**13,117**	**14,672**	**14,323**
Cash and cash equivalents	–565	–621	–23	0
Inter-company financial receivables	–	0	–11,525	–7,107
Other interest-bearing receivables, long- and short-term	2	0	–	–
Interest-bearing assets	**–563**	**–621**	**–11,548**	**–7,107**
Net debt including pension liabilities and shareholder loan	**13,505**	**12,496**	**3,124**	**7,216**

[1] Second Lien recorded at a discount at the time of listing. The difference between the issue price and par value amounts to -68 (-83) million 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

	Group		Parent Company	
SEK m	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Between 1 and 2 years	–	–	–	–
Between 2 and 3 years	11,079	–	10,879	–
Between 3 and 4 years	2,569	10,188	2,569	9,988
Between 4 and 5 years	–	2,462	–	2,462
More than 5 years	–	–	–	–
Long-term borrowing, excl. Shareholder loans & pension liabilities	**13,648**	**12,650**	**13,448**	**12,450**
Short-term borrowing, 0-1 year	17	27	–	–
Inter-company financial liabilities	–	–	1,224	1,851
Financial liabilities, excl. Shareholder loans & pension liabilities	**13,665**	**12,677**	**14,672**	**14,301**

The related financing agreements include quarterly key indicators (covenants) linked to net debt in relation to EBITDA and EBITDA in relation to interest payments. These key indicators has not been breached.

C. CURRENCY COMPOSITION, INTEREST RATES & DURATION

	Local currency	SEK m	Average interest rate on balance sheet date, %	Actual duration days
SEK	200	200	3.8 %	821
EUR	757	7,777	9.0 %	1,124
USD	633	5,675	10.1 %	972
Other currencies	–	13	5.1 %	21
Financial liabilities, excl. shareholder loans & pension liabilities		**13,665**	**9.4 %**	

At the end of the year 59 % of the loans had a fixed rate of interest. There was no hedge contracts at the end of 2018

D. UNUTILIZED CREDITS

Available funds at the end of the year amount to SEK 1,120 m (1,220) where the Group's available credit limits amounts to SEK 763 m (763).

E. FINANCIAL INCOME & COSTS

	Group		Parent Company	
SEK m	2018	2017	2018	2017
Interest income	9	5	-	0
Interest income from discontinued operations	128	132	-	-
Interest income, Group companies	-	-	741	681
Total financial income	**137**	**137**	**741**	**681**
Notes and loans	–1,330	–1,379	–1,314	–1,356
Loans from Parent Company	–2	–2	–2	–2
Periodised borrowing costs	–75	–175	–75	–175
Pension costs, interest	–8	–9	–	–
Currency gains and losses from financing measures, net	–462	190	–431	118
Interest costs, against discontinued operations	–3	–1	–	–
Interest costs, group companies	–	–	–97	–85
Trade receivables financing cost	–60	–60	–	–
Other financial costs	–67	–46	–60	–20
Total financial costs	**–2,007**	**–1,482**	**–1,979**	**–1,520**
Net financial items continuing operations	**–1,870**	**–1,345**	**–1,238**	**–839**
Discontinued operations	–180	–109	–	–
Total	**–2,050**	**–1,454**	**–1,238**	**–839**

F. MARKET VALUATION OF FINANCIAL INSTRUMENTS

Interest terms for around 59 % of the external loans are based on fixed rates that apply throughout the loan period.

For the remaining 41 % of external loans, interest terms 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, including Discontinued operations had an accumulative effect on earnings of SEK 267 (265) m, of which SEK 238 (228) is attributable to defined-contribution plans ans SEK 29 (38) m to defined-benefit plans. Pension costs attributable to non comparable items of SEK 25 (4) 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	2018	2017
Cost of sold goods	133	120
Sales and marketing overheads	28	50
Administrative costs	50	57
Research and development costs	14	14
Non comparable items	25	4
Net financial items	4	9
Continuing operations	**254**	**254**
Discontinued operations	13	11
Total	**267**	**265**

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	2018	2017
State pension plans	77	85
Other defined-contribution pension plans	79	59
ITP, insured through Alecta	70	73
Continuing operations	**226**	**217**
Discontinued operations	12	11
Total	**238**	**228**

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 a statement by the Swedish Financial Accounting Standards Council, UFR3, this is a de.ned-bene.t plan that covers several employers. For the 2018 and 2017 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 2018, Alecta's surplus in the form of its collective funding ratio amounted to 142 % (159). 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, 2018	Dec. 31, 2017
Unfunded pension plans		
Defined-benefit obligations	155	152
Continuing operations	**155**	**152**
Funded or partly funded pension plans		
Defined-benefit obligations	588	623
Salary taxes	21	18
Fair value of plan assets	–361	–375
Total	**248**	**266**
Net Value	**403**	**418**

Commitments are divided as follows by region:	Dec. 31, 2018	Dec. 31, 2017
Sweden	247	231
Germany	148	140
Other EU	5	25
USA	0	20
Other countries	3	2
Net liability concerning defined-benefit pension plans	**403**	**418**

The plan assets presented here relate primarily to Group companies in the US, 99 (99) %, of which 70 (53) % are invested in debt securities and 27 (35) % in equity securities. The expected return is assumed to be 3.5 (4.0) % , which is based on historic returns. The actual return on plan assets in 2018 was SEK 34 (-22) m.

In addition to the above, so-called direct pensions are included under assets with 110 (114) m and liabilities with SEK 136 (141) 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

	2018			2017		
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
Opening balance	**152**	**641**	**–375**	**160**	**641**	**–360**
Costs for current year service	4	17	–	4	24	–
Expected return on plan assets	–	–	24	–	–	–33
Interest expense	3	20	–14	3	20	–13
Settlement payments	–	–51	50		0	–
Fees from employer	–	–6	–26		–6	–31
Disbursement	–5	–15	12	–8	–24	11
Actuarial profit/loss	–5	–13	0	–11	41	0
Acquisition	–	–	–	–	20	–
Divestment	–	–21	–	–	–42	17
Translation effects	6	37	–32	4	–33	34
Closing balance	**155**	**609**	**–361**	**152**	**641**	**–375**

E. NET PENSION PROVISIONS, CHANGES DURING THE YEAR

SEK m	2018	2017
Opening balance	418	441
Pension costs during the year	29	37
Disbursements during the year	–40	–56
Gains/losses from change in assumptions	6	3
Acquisition	–	20
Divestment	–21	–25
Translation effects	11	–2
Closing balance, provision for pensions, net	**403**	**418**

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

F. PENSION COSTS, DEFINED-BENEFIT PLANS

SEK m	2018	2017
Costs for current year service	21	28
Expected return on plan assets	–	–
Interest expense	8	9
Gains/losses on a curtailment or settlement	0	–
Total pension costs, defined-benefit plans	**29**	**37**

G. KEY ACTUARIAL ASSUMPTIONS

	2018	2017
Discount rate, %	2.2	2.3
Future salary increases, %	3.0	2.1
Anticipated return on plan assets, %	3.8	3.8
Anticipated average remaining employment term, year	13.9	14.8

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

H. PARENT COMPANY

The parent company reports a pension expense of SEK 42 (27) 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 19 (0) 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

	Group		Parent Company	
SEK m	2018	2017	2018	2017
Current tax	–41	–106	0	–
Deferred tax	745	96	84	–
Total	**704**	**–10**	**84**	**–**

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 cost	Group		Parent Company	
	2018	2017	2018	2017
Pretax earnings	**–480**	**520**	**3,993**	**–778**
Tax computed on basis of national tax rates applying in each particular country	97	–102	–878	171
Non-taxable revenues	26	110	242	19
Non-tax-deductible costs	–120	–66	–27	–16
Re-measurement of deferred tax	-31	46	–	–
Tax loss carry-forwards for which deferred tax asset has been recognized	787	–	752	–
Tax loss carry-forwards for which no deferred tax asset has been recognized	–52	–34	–	–174
Tax cost not related to current year's profit/loss	0	–2	–	–
Impact of change in tax rate on deferred tax	2	38	–5	–
Other tax expenses	–5	0	–	–
Tax cost	**704**	**–10**	**84**	**0**

The effective tax rate for 2018 is estimated to be 20 % (22).

B. DEFERRED INCOME TAX, NET CHANGE

	Group		Parent Company	
SEK m	2018	2017	2018	2017
Opening balance, net deferred tax liability	–576	–637	–	–
Divestment	9	–9	–	–
Acqusition	–	–33	–	–
Exchange-rate differences	–7	8	–	–
Assets/Liabilites held for sale	15	–	–	–
Tax recognized in the income statement (table A)	745	96	84	–
Tax recognized in shareholders' equity	–1	–1	–	–
Closing balance	**185**	**–576**	**84**	**–**

C. DEFERRED TAX ASSETS, SPECIFICATION

	Group		Parent Company	
SEK m	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Loss carry-forward	818	127	84	–
Provisions	50	55	–	–
Other receivables	27	25	–	–
Total	**895**	**207**	**84**	**–**

D. DEFERRED TAX LIABILITY, SPECIFICATION

	Group		Parent Company	
SEK m	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Tangible fixed assets	182	211	–	–
Intangible fixed assets	504	554	–	–
Other receivable	24	18	–	–
Total	**710**	**783**	**–**	**–**

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, Holland and Germany. In addition, there are unutilized tax loss carry-forwards totaling SEK 351 (3,453) m that have not been assigned any value, since it is considered that these will not be utilized in the foreseeable future.

EFFECTS OF CHANGED TAX RULES IN SWEDEN

The proposal for new tax rules in Sweden was adopted on the 14th of June 2018. The new rules will enter into force from the 1st of January 2019. The areas that affects the accounting and reporting in this report are the change in the corporate tax rate and the general interest rate deduction rules. A change in the tax rate affects the valuation of deferred tax assets and deferred tax liabilities, while the interest-rate limitation rules can have an effect on the companies' ability to report deferred tax assets related to tax losses carry forward.

NOTE 25. OTHER LIABILITIES, PROVISIONS

	Group		Parent Company	
SEK m	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Provision for environmental measures	30	30	–	–
Other provisons	35	38	–	–
Other liabilities, provisions	**65**	**68**	**–**	**–**

NOTE 26. ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

	Group		Parent Company	
SEK m	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Accounts payable	**968**	**1,074**	**13**	**21**
Other operating liabilities				
Value added tax	7	34	–	–
Advance payments	3	3	–	–
Payroll tax	26	25	2	2
Other operating liabilities	188	189	19	5
Accrued wages, salaries and social security costs	200	314	25	48
Allocation for restructuring costs	7	12	–	–
Other accrued costs and prepaid income	642	517	5	14
Total	**1,073**	**1,094**	**51**	**69**

NOTE 27. EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

AVERAGE NUMBER OF EMPLOYEES

Country	2018 Total employees	2018 of which men	2017 Total employees	2017 of which men
Sweden				
Parent company	31	15	30	16
Subsidiaries	851	580	824	533
Belgium	1	1	1	1
France	3	2	2	2
Italy	31	23	103	91
The Netherlands	40	32	44	35
Spain	3	2	3	2
Poland	2	1	2	1
UK	88	76	83	75
Slovakia	0	0	1	1
Ireland	1	1	0	0
Germany	122	108	120	107
Total EU	**1,173**	**841**	**1,213**	**864**
Turkey	3	0	3	0
Norway	17	15	16	16
Russia	4	2	3	1
Total non-EU Europe	**24**	**17**	**22**	**17**
Brazil	11	5	9	4
Argentina	1	1	1	1
USA	122	106	120	100
Total North & South America	**134**	**112**	**130**	**105**
India	24	17	21	15
Japan	10	3	9	3
China	145	100	141	99
Singapore	7	1	6	1
Dubai	3	1	2	0
Taiwan	0	0	0	0
South Korea	6	3	5	2
Total Asia	**195**	**125**	**184**	**120**
Total average no. of employees	**1,526**	**1,095**	**1,549**	**1,106**
of which discontinued operations	108	92	101	91
Proportion of men,%		71,8		71,4

WAGES, SALARIES & OTHER REMUNERATION, BY COUNTRY

SEK m	2018 Board and CEO	2018 Other employees	2017 Board and CEO	2017 Other employees
Sweden				
Parent company	18	33	34	37
Subsidiaries	5	516	5	521
Belgium	0	1	0	2
France	0	3	0	2
Italy	0	45	0	26
The Netherlands	0	32	0	29
Spain	0	4	0	2
Poland	0	2	0	2
UK	3	50	3	47
Ireland	0	1	0	0
Germany	0	84	0	86
Total EU	**26**	**771**	**42**	**754**
Turkey	0	2	0	2
Norway	0	11	0	12
Russia	0	1	0	1
Total non-EU Europe	0	**14**	0	**15**
Brazil	0	4	0	4
Argentina	0	1	0	1
USA	0	100	0	100
Total North & South America	**0**	**105**	**0**	**105**
India	2	4	2	4
Japan	0	6	0	5
China	0	32	0	26
Singapore	0	5	0	4
Dubai	0	3	0	2
South Korea	1	3	0	2
Total Asia	**3**	**53**	**2**	**43**
Total	**29**	**943**	**44**	**917**
of which discontinued operations	5	62	5	60

REMUNERATION TO EMPLOYEES

SEK m	Group 2018	Group 2017	Parent Company [1] 2018	Parent Company [1] 2017	Of which discontinued operations 2018	Of which discontinued operations 2017
Salaries and other remuneration	972	961	51	71	67	65
Pension – defined contribution (note 23)	238	228	42	27	13	12
Pension – defined-benefit (note 23)	29	38	0	0	0	0
Social fees	170	186	11	15	9	8
Total	**1,409**	**1,413**	**104**	**113**	**89**	**85**

[1] 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 [1]	Total
Chairman of the Board	461	554	–	91	1,106
Other Members of the Board	170	1,894	–	239	2,303
President	–	8,249	6,775	22,321	37,345
Other members of Group management	–	17,261	10,119	23,456	50,836
Total	**631**	**27,958**	**16,894**	**46,107**	**91,590**

[1] All pension costs refer to defined-contribution plans.

Other members of group management comprised of 7 (6) 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 150 % of his fixed salary. Other members of Group management are covered by a bonus system that provides a maximum of 50% (50) 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

	Group		Parent Company	
SEK m	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Guarantees	206	200	206	200
Guarantees and other contingent liabilities for subsidiaries	33	28	379	363
Total	**239**	**228**	**585**	**563**

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

NOTE 29. ASSETS PLEDGED

	Group		Parent Company	
SEK m	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Property mortgages	1,593	1,487	–	–
Chattel mortgages	1,514	1,431	–	–
Shares in subsidiaries	0 [1]	3,874 [1]	7,731	7,731
Other participations	206	247	206	247
Liquid funds	23	0	23	0
Internal financial assets (loan)	–	–	7,154	6,822
Investments, receivables, inventories	523	503	–	–
Endowment insurances	106	111	104	108
Total	**3,965**	**7,653**	**15,218**	**14,908**

[1] Net assets for Perstorp Financial Services AB, including it´s subsidiaries

Endowment insurance relates to pension commitments, see note 22.

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 4 million. Shares and options were priced on normal commercial terms.

Perstorp Holding AB has SEK – (22) m borrowed from the Parent Company.

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

	2018			2017		
	Total	of whom, women	%	Total	of whom, women	%
Board members	114	11	10 %	120	9	8 %
Other senior executives	104	25	24 %	114	31	27 %

The numbers exclude BioProducts and Perstorp UK.
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

	Group		Parent Company	
SEK m	2018	2017	2018	2017
PricewaterhouseCoopers				
Audit assignments	6	6	2	2
Tax consultancy	1	0	–	–
Other	5	3	3	2
Total [1]	**12**	**9**	**5**	**4**
[1] Of which discontinued operations	1	1	–	–
Other auditing firms				
Audit assignments	1	1	–	–
Tax consultancy	2	1		
Other	3	14	3	13
Sum [1]	**6**	**16**	**3**	**13**
[1] Of which discontinued operations	1	1	–	–

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, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
BRL	2.316	2.485	2.391	2.679
CNY	1.307	1.264	1.314	1.263
EUR	10.275	9.850	10.257	9.633
GBP	11.348	11.105	11.593	10.990
INR	0.128	0.129	0.127	0.131
JPY	0.081	0.073	0.079	0.076
KRW	0.008	0.008	0.008	0.007
NOK	1.025	1.001	1.069	1.033
SGD	6.561	6.156	6.440	6.181
USD	8.971	8.232	8.692	8.538

NOTE 35. ACQUISITION

At the end of the third quarter 2017, Perstorp acquired the Neo, TMP and TMPDE as well as the associated Formate businesses from Polioli SP, located in Italy. Theop-erational result due to the acquisition is included in the consolidated accounts from October 2017.

	Market Value	
Purchase price allocation SEK m	**2018**	**2017**
Intangible asset	–	62
Targible assets	–	113
Other Current assets	–	7
Deferred tax liabilities	–	–28
Post-employ benefits	–	–20
Current liabilities	–	–5
Total	**–**	**129**

NOTE 36. DIVESTMENT

On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th 2019, the net proceeds from the transaction was approximately EUR 579 m. The capital gain amounts to approximately SEK 4,6 billion. At year end 2018 the assets and liabilities are classified as assets and liabilities held for sale in the balance sheet. In the income statement this is classified as discontinued operations.

In November 2018, Perstorp announced and completed the divestment of its BioProduct business in order to streamline the portfolio. The BioProduct business was concentrated to Sweden and Norway. In the income statement this is classified as discontinued operations.

In the end of Q1 2017 Perstorp divested its facility in Gent Belgium, Perstorp Belgium (Perstorp Oxo Belgium AB) to Synthomer (Synthomer plc). The total consideration for the sale is €78 million (subject to certain adjustments). The divestment is in line with Perstorp's strategy to focus on and expand its core chemicals activities. The capital gain amounts to SEK 604 m and is reported as Discontinued operations.

SEK m	2018	2017
Discontinued operations		
Net sales	2,446	2,464
Operating earnings/loss (EBIT)	385	720
Earnings/loss before tax	205	835
Tax	–26	–13
Net earnings/loss for the year	**179**	**822**

SEK m	2018	2017
Assets held for sale		
Tangible fixed assets	672	–
Intangible fixed assets	439	–
Deferred tax asset	41	–
Inventories	86	–
Accounts receivable	54	–
Other operating receivables	28	–
Cash and cash equivalens	0	–
Total	**1,320**	**–**
Liabilities held for sale		
Deferred tax liability	56	–
Accounts payable	65	–
Other operating liabilities	66	–
Total	**187**	**–**

NOTE 37. KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the balance sheet date but before the publication of this report Perstorp announced a new organization. As a consequence and during the first quarter 2019 there will be three new Business Areas (BAs) to manage our different customer categories and maintain strong customer intimacy:

- BA Specialty Polyols & Solutions: BU Penta, BU TMP & NEO and BU Formates
- BA Advanced Chemicals: BU Oxo and BU Plasticizers
- BA Animal Nutrition: BU Feed Additives and BU Acids & Salts

On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th 2019, the net proceeds from the transaction was approximately EUR 579 m. The capital gain amounts to approximately SEK 4,6 billion.

Following the company's positive development and the sale of the Bioproduct and Caprolactone business, Perstorp, together with its shareholders, assessed the refinancing of the capital structure. Perstorp issued redemption notices for all outstanding bonds and notes issued by Prague CE S.A.R.L during the first quarter 2019. The redemption is financed by the proceeds of the Caprolactone sale as well as new credit facilities, with lower interests, committed by Bank of America Merrill Lynch, Goldman Sachs Bank USA, DNB, SEB , Standard Charted Bank and Nordea.

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

Proposed treatment of unappropriated earnings

	SEK
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:	
Retained earnings	841,808,798
Net result for the year	4,077,167,824
be distributed as follows:	
To be retained in the business	4,918,976,622

Perstorp, April 11, 2019

Tore Bertilsson
Chairman

Jan Secher
President & Chief Executive Officer

Fabrice Fouletier

Brendan Cummins

Claes Gard

Karin Markides

Ragnar Hellenius

Gerry Ackert
(elected by employees)

Per-Olov Hornling
(elected by employees)

Anders Magnusson
(elected by employees)

Our audit report was submitted April 30, 2019

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Lead auditor

Mats Åkerlund
Authorized Public Accountant

Auditor's report

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Perstorp Holding AB (publ.) for the year 2018 except for the statutory sustainability report on pages 10-13.

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 2018 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 2018 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. Our opinions do not cover the statutory sustainability report on pages 10-13. 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 4-5, 8-9 and 14-17. The other information comprises of President's Comments, Corporate Governance Report, Board of Directors and Executive Leadership team (but does not include the annual accounts, consolidated accounts and our auditor's report thereon). 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 Director's 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/revisornsansvar. 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 Director's and the Managing Director of Perstorp Holding AB (publ.) for the year 2018 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 Director's 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 Director's 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' 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. This description is part of the auditor's report.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 10-13, and that it is prepared in accordance with the Annual Accounts Act.

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.

A statutory sustainability report has been prepared.

Stockholm, April 30, 2019

PricewaterhouseCoopers AB

MICHAEL BENGTSSON
Authorized Public Accountant

MATS ÅKERLUND
Authorized Public Accountant

One molecule can change everything

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

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

For more information, visit perstorp.com

Perstorp