One molecule can change everything

ANNUAL AND SUSTAINABILITY REPORT 2019

Perstorp

Persto

1881
Perstorp founder Wilhelm Wendt registers his company, then named Stensmölla Kemiska Tekniska Industri. The company starts to produce acetic acid, tar, charcoal and wood alcohol.

1920s
The emerging industries in Sweden become large consumers of plastic such as Perstorp's innovation Isolit (similar to bakelite). Production of laminates begins.

1930s
Despite a period of financial crises, Perstorp regularly introduces new plastic products. One of these, beech parquet floors, is a great success, and leads to the creation of Sweden's largest parquet factory.

1940s
Perstorp opens Scandinavia's first modern plastics factory, with more than 10,000 different products – including everything from billiard balls to aerial masts.

1960s
The company undergoes a rapid expansion in terms of size, employees and research, and begins supplying the paint industry with polyalcohols made from formalin, which become increasingly important for the company.

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

1990s

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

2005

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

2006

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

2011

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

2013

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

The symbol inside the P is based on the alchemist symbol for acetic acid, Perstorp's first chemical product. It was the foundation for the initial growth of the company, and you can even find a big, iconic bottle of acetic acid at the train station in Perstorp village.

Contents

2014

Perstorp's head office moves to Malmö, Sweden.

2015

A new production plant for Perstorp's Oxo product was inaugurated in Stenungsund, Sweden, the largest investment in company history.

2017

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

2018

The owners, 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. The divestment of the BioProduct business was finalized, and Perstorp started to explore new business opportunities in Animal Nutrition to improve the well-being of farm animals.

2019

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

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

With every molecule of our being.

Perstorp believes in improving everyday life – making it safer, more convenient and more environmentally sound for billions of people all over the world. As a world leading specialty chemicals company, our innovations provide essential properties for products used everywhere, every day. Our products are in everything – from your car and mobile phone to towering wind turbines and the local dairy farm. Put simply, we work to make good products even better, with a clear sustainability agenda.

Perstorp in brief

World leader in several sectors of the specialty chemicals market

- Pioneer in formalin chemistry, plastics and surface materials
- Since December 2005, Perstorp has been owned and controlled by PAI partners, a leading European private equity company
- Present in 26 countries and production plants in Europe, Asia and North America
- Sales representation in all major markets

Perstorp everywhere

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

ORGANIZATION

JAN SECHER
PRESIDENT AND CEO

MIKAEL GEDIN
PEOPLE & CULTURE AND CEO OFFICE

MAGNUS HEIMBURG
FINANCE, LEGAL & IT

CECILIA SVENSSON
COMMUNICATIONS & SUSTAINABILITY

HELENE DÉRAND
INNOVATION

ULRIKA ANDERSSON
BA SPECIALTY POLYOLS & SOLUTIONS

GORM JENSEN
BA ADVANCED CHEMICALS

ROGER MANN
BA ANIMAL NUTRITION

MAGNUS LANNÉR
SUPPLY CHAIN & OPERATIONS

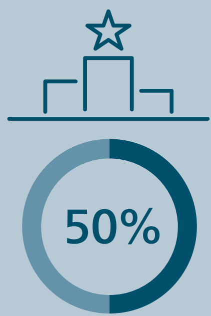
GORM JENSEN
GLOBAL PROCUREMENT

1,350
Employees worldwide

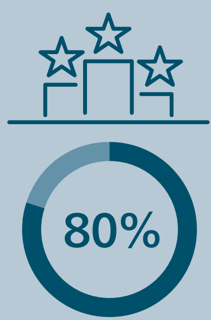
26
Countries worldwide with sales presence and represented in many more

11.6
Billion SEK Turnover

1.55
Billion SEK EBITDA excl. non-recurring items



No. 1 position of 50% of portfolio



No. 1 – 3 position of 80% of portfolio

Highlights in 2019

Divestment of the Capa™ business

The sale of the Capa business to Ingevity was completed in early 2019, which enabled Perstorp to deleverage and strengthen its balance sheet.

Debt re-financing agreement in place

Perstorp announced the refinancing of its credit facilities. Previous bonds and loans were refinanced through new credit facilities, which have provided a more flexible capital structure. Perstorp is now very well positioned to achieve its long-term strategic objectives.

Level Up

A transformational program, Level Up, was introduced in early 2019. After having developed each of our Group functions, we were ready to take the next step and launch a new operational model and a new organization. The purpose was to strengthen the cross-functional capabilities, to better address customer demands – and to improve the reliability of supply. In addition to the Level Up program, a company-wide cost mitigation program was executed with good results.

Perstorp boosts its safety performance

Perstorp's health and safety incident rate has been more than halved since 2017. As part of our Care 365 initiative, a new safety protocol for our manufacturing sites was developed with support from DuPont Sustainable Solutions. The aim was to establish a baseline for Perstorp's safety status and to develop efficient improvement strategies. The project also assessed the maturity of safety in various Perstorp functions, which led to detailed action plans.

Growing our portfolio of Pro-Environment Solutions

The Pro-Environment concept was expanded to include new product families and a new service offer to help customers to switch to products based on renewable raw materials. Three new polyol product families were added in 2019: Charmor™ Pro for intumescent coatings, Curalite™ Ox Pro for cationic UV curing and Holtac™ Pro for lead-free PVC. Significantly, sales of our Pro-Environment Solutions nearly quadrupled during the year.

Potential to produce recycled methanol

Perstorp began exploring the potential to produce recycled methanol at its facility in Stenungsund, Sweden. This ambitious feasibility study is part-funded by the Swedish Energy Agency. Methanol is one of Perstorp's major raw materials and is currently mainly produced from fossil fuels such as natural gas or coal. If successful, the project will significantly enhance Perstorp's contribution to sustainability.

Care as our fourth core value

As part of our dedication to health and safety, we decided to introduce Care as a fourth core value alongside Responsibility, Reliability and Focused Innovation. Caring is not just about statistics, it is a fundamental belief and the basis of everything we do. We strongly believe that a caring company is a more successful and profitable company.

Collaboration for animal health

Perstorp teamed up with the company Evonik to research and develop new animal nutrition products. The collaboration combines Evonik's unique gut health simulation system and probiotics products, and Perstorp's ester technology platform for efficient and safe acid application. The collaboration is set up to deliver breakthrough innovation supporting the requirements for tomorrow's animal farming.

Establishing production in India

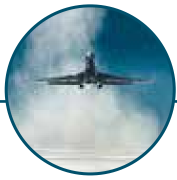
In November, Perstorp broke ground for our new Penta plant in Gujarat, India. The plant will secure the company's long-term presence in Asia. The state-of-the-art Gujarat site will produce Penta as well as renewable Penta (Voxtar™), that can reduce carbon emissions by up to 60 percent. Commercial production is planned to start in 2022.

Recent product launches

Two new grades have been added to Perstorp's **Ymer™** range. The new products present opportunities for new applications and are better for human health and the environment. Ymer can for instance be used to improve the surface feeling of leather, making it ideal for use in the synthetic leather industry where there is a strong trend away from the use of solvents.

In time for the winter season, Perstorp launched a new sustainable de-icer, **Pergrip Run Pro**, uniquely made using ISCC certified renewable raw materials.

Perstorp introduced an innovative renewable polyol ester (non-phthalate) plasticizer, **Pevalen™ Pro.** The renewable plasticizer for close to consumer applications, will make flexible PVC an even more attractive choice of plastic, based on a significantly lower carbon footprint versus competing materials and technologies.



This was the year when we, despite economic headwinds, laid the foundation for the company's next development

MACROECONOMIC AND GEOPOLITICAL UNCERTAINTY

2019 has been a challenging year in many ways. The year was characterized by a continued and accelerated slowdown in the world economy led to a considerably weakened demand for several of our products in all three main geographies – EMEA, Americas and APAC. Several external factors combined to increase uncertainty, such as Brexit, critical elections of world leaders, extreme weather and the ongoing trade war between the US and China, which led to additional excess volumes from competitors in China being moved to Southeast Asia and Europe. Raw material prices were in general down compared to the end of 2018, and the drop in raw material prices combined with increased competition has in general pushed prices down.

BASIS FOR THE FUTURE OF PERSTORP

It has also been an exciting year, where a number of events have formed the basis for the future of Perstorp. We have re-positioned our innovation portfolio as well as the company after having closed the divestment of the Capa™ business. The proceeds from the divestment allowed us to significantly strengthen our balance sheet and leverage our position, which has enabled us to focus on driving future growth from our three platforms – Polyols, Oxo and Animal Nutrition.

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 cross-functional collaboration. Together we have created a more lean and efficient company, with the aim of being even better at serving our customers' needs. Shortly after the transformational program was launched, Perstorp entered a new refinancing agreement for our credit facilities, resulting in significantly lowering our financial costs.

DISAPPOINTING FINANCIAL RESULTS

Financial results were overall disappointing, and the decline was due to a general weakening of demand as well as internal factors such as production outages, partly off-set by a positive exchange rate effect as a result of the weak Swedish krona. The year ended with an EBITDA totaling SEK 1,554 m* compared to 1,814 m for the full year 2018 with an EBITDA margin of 13.4% (14.6%). Organic volume-based sales growth for the full year was down 3% compared to the same period last year. A cost mitigation program was implemented in Q2, which made a positive contribution to the year's end result. The program continues in 2020.

STRATEGIC DIRECTION

Our product portfolio has been revisited after the recent divestment of the BioProducts and Capa™ businesses, and we will continue to optimize both our resilient cash contributors as well as our attractive growth businesses within Polyols, Oxo and Animal Nutrition. We will continue to build on our strong market positions, intimate relationships with our customers and integrated supply networks.

> "We will continue to build on our strong market positions, intimate relationships with our customers and integrated supply networks."

In short, we will build our long-term growth through:

- Investments in specialty businesses where Perstorp has leading competitive positions
- Focused innovation to address customer needs in our core markets
- Bolt-on acquisitions to gain capabilities and access to adjacent markets

** excl. non-recurring items*

- Increase our sustainability focus to reduce our footprint and eventually become finite material neutral

Furthermore, we later in the year broke ground for our new greenfield Penta plant in India pressure on prices.

SUSTAINABLE TRANSFORMATION

We have set the ambitious objective to become Finite Material Neutral, which is an ambition that will stretch us as a company and increasingly have an impact on the way we do business, run our production plants and make choices within our value chains. Sustainability though, is a lot more than this ambition – it is about how we as a responsible company deal with matters such as anti-corruption, gender equality, governance and sustainable sourcing. 2019 was the year when Sustainability received its own seat in the Perstorp Executive Leadership Team to secure that it is truly integrated in our business, across all functions.

A substantial part of Perstorp’s innovation efforts are used to find sustainable solutions and to increase the sustainability benefits of our products. During the year, our work included expanding our Pro-Environment portfolio and also intensified the development of innovative new products for animal gut health.

In 2019, we recruited a CDO (Chief Digital Officer) to lead the company into a digital future. Digital transformation will enable us to work and produce more efficiently, and create new interfaces with our customers and even develop new business models. In the spring, the Executive Leadership Team went on an explorative tour to Silicon Valley, and new relationships were built that have now resulted in exciting pilot projects. During the year, we also started the implementation of a new CRM system (salesforce.com), which enables us to work in new ways, both internally as well as with our customers.

CARE IN OUR DNA

Care 365 has been our company-wide initiative of putting health and safety first in everything we do – every day, 365 days a year – and to translate this ambition into concrete actions. We do this because we care, not because we want to improve our statistics, even if our statistics have also improved. Care has become a foundational belief and such an integral part of how we work, that we have now decided to make it a core value alongside Responsibility, Reliability and Focused Innovation.

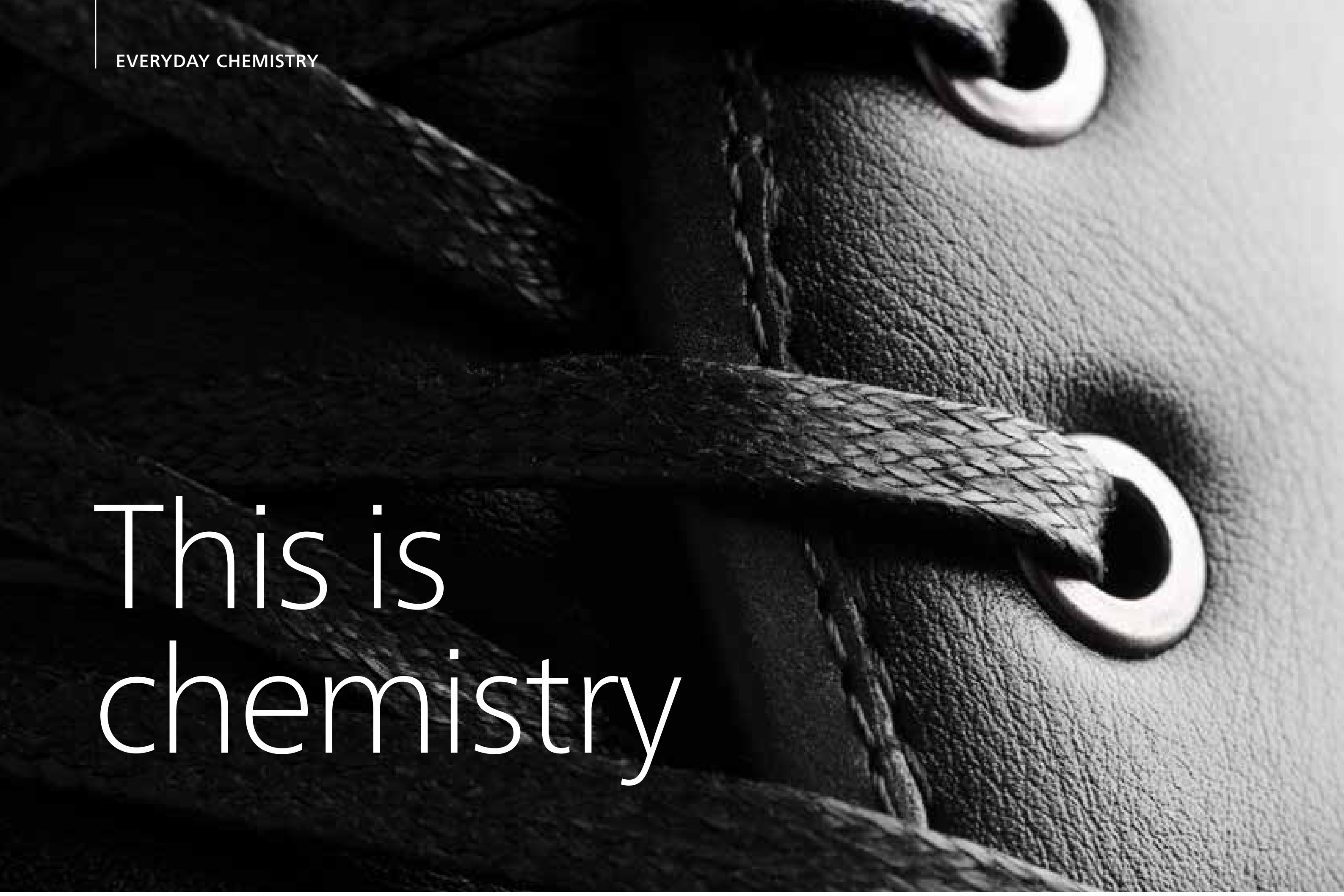
Profitable Growth continues to be our focus moving forward. We have set ambitious and challenging goals for ourselves including outperforming the market over the coming strategic cycle. On this basis we maintain our very strict cost control, drive a strong focus on sales and pricing as well as on the availability of products. Combined with a continued focus on improvement programs in many areas of the company, we will be well positioned when the market improves.

As a consequence of the Covid-19 situation, the management has temporarily installed a Crisis Management Organization (CMO) to safeguard the health and safety of our employees, secure business contingency and strive to minimize the recovery and restoration phase. As of this date, the supply of raw material, production and delivery to the customer have worked well. Due to the high uncertainty, it is still too early to estimate the financial impacts on Perstorp from Covid-19. In order to be prepared for a slowdown in demand during the remainder of 2020, a number of mitigating actions have recently been initiated, where the focus has been to secure a strong liquidity position.

We are closely following and monitoring the development of Covid-19, in order to act on the health and safety of our employees and the business contingency.

Malmö, April 2020

Jan Secher



This is chemistry

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

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

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

Thanks to chemistry, the air and water in many European cities is cleaner today than 100 years ago

PART OF THE SOLUTION

When chemicals are discussed today, it is very often in the context of their negative impact on the environment or health issues. The microplastics in the oceans or harmful substances used in agriculture or as food additives are indeed concerns. But while there are certain chemicals that in the wrong place become harmful, there are as many where they are beneficial, and even critical for our societies.

Thanks to chemistry, the air and water in many European cities is cleaner today than 100 years ago. The ozone layer is healing and as we begin to tackle the great challenge of climate change, chemistry will play a key role. This highlights a very important fact about chemistry – the solution to a chemical problem is quite often other – "better" and more sustainable – chemicals.

In this report, we aim to show you what Perstorp and our products are doing in order to overcome modern day challenges and how we aim to leverage the possibilities unlocked by the rapid and very exciting progress of chemistry in the future.

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

REACHING FURTHER TOMORROW

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

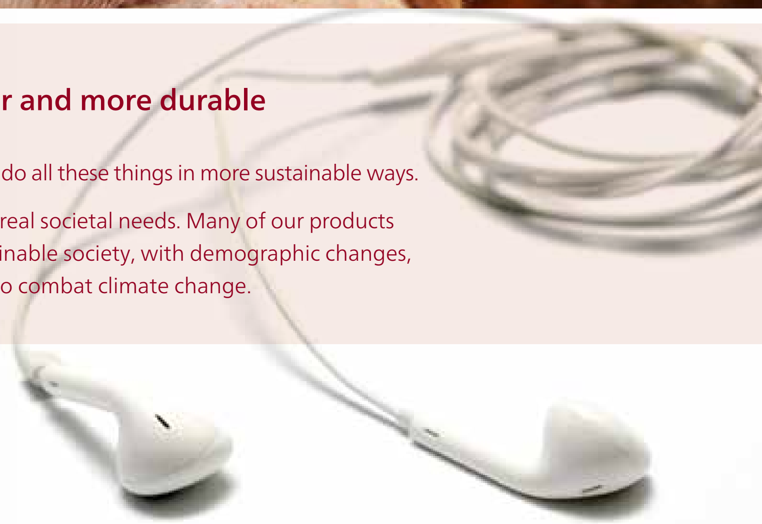
...improve energy efficiency in refrigerators

... enable coatings without solvents

... supporting animal health and welfare

... make paint dry faster

... make cables softer and more durable



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

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

Global macro trends

In a rapidly changing world, merely observing and reacting to macro trends is not enough. At Perstorp we strive to shape our business around these trends and capitalize on them to drive growth. Demographic changes, urbanization and climate change are three macro trends that we pay particular attention to as they will have a profound impact on our long-term potential for growth.

Growing and ageing population

It took humanity around 200,000 years to reach a population of one billion. 200 years later the global population is approaching eight billion people, with more people living healthier, richer and longer lives than ever before. Due to advances in health care, among other things, the average life expectancy in many industrialized countries has increased, with more countries expected to follow a similar trend.

Not only is the population getting larger, it is also getting older. Due to advances in health care, among other things, the average life expectancy in Sweden has increased by over 40 years for both men and women in the past 200 years. This trend holds true for all industrialized countries and as more and more countries become wealthier; it is all but certain that we will see the same trend globally.

IMPLICATIONS AND RESPONSE

A larger and more wealthy population naturally increases the demand for food and other resources. In order to sustainably feed and provide resources to eight billion people, food production must be much more efficient than in the past. This requires better preservation of both feed and food as enormous amounts are currently wasted, and more efficient solutions for other resources. This is where modern chemistry comes in.

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

Rapid urbanization

Today more than half the world's population lives in urban areas. The urbanization trend has continued at a steady pace over the past century and looks set to continue in the future.

As with most trends, urbanization involves both challenges and opportunities. Cities facilitate interaction between people, the exchange of goods and ideas, and less need for long distance travel. On the other hand, greater demands are placed on infrastructure such as power grids and sanitation, and less space for development requires more careful planning and resource utilization.

IMPLICATIONS AND RESPONSE

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

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

Climate change and resource scarcity

The future for all life on Earth heavily depends on how climate change is managed in the coming decades. The chemical industry, will play a major role in contributing to overcoming what is arguably the most pressing issue of our time.

From a carbon footprint perspective, it is essential that we reduce both direct and indirect emissions to address the climate issue. For example, when an engine becomes more energy efficient due to a better lubricant, the owner of the engine reduces their emissions, but the supplier of the lubricant also played a significant role. Modern climate accounting differentiates between these types of emission reductions.

IMPLICATIONS AND RESPONSE

If a coal plant is closed and replaced by wind turbines, there has been a direct reduction of CO_2. But the wind turbines cannot operate without several factors being in place, such as high-performance lubricants for engines and turbines or bio-degradable transformer fluids, which both contain Perstorp products. In addition, Perstorp delivers building blocks for paint that prolong paint intervals due to abrasion.

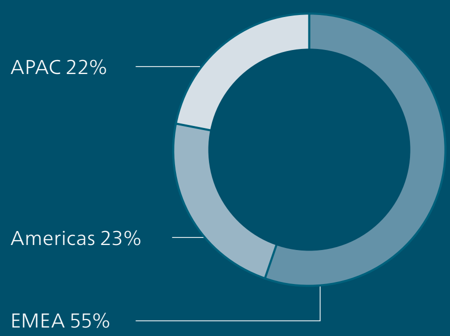
Perstorp produces and develops a broad range of products based on renewable raw materials – our Pro-Environment Solutions – that reduce our own carbon footprint and to help others reduce theirs.

Giving customers a competitive edge

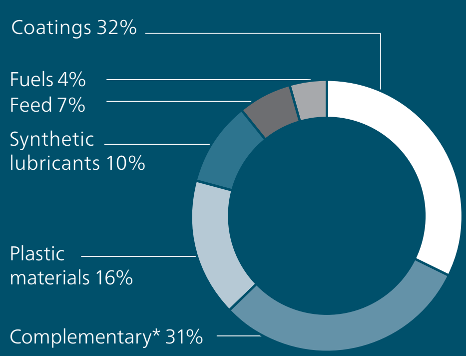
Perstorp is a leading specialty chemicals company, and we have learnt that it's the little things that often make the biggest difference. Using nature's tiniest building blocks, our products and solutions can help advance everyday life – making it safer, more convenient and more environmentally sound for billions of people all around the world.

We love to cooperate with our customers to identify where our products, solutions, knowledge and services can create the most value. Together with our customers, we help translate their current and future needs into valuable business opportunities by combining our innovation expertise with theirs. Together we will significantly enhance the outcome – leading to more competitive portfolios for both of us.

NET SALES BY GEOGRAPHY, 2019



NET SALES BY MARKET SEGMENTS, 2019



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

Americas
The United States is the largest national chemical producer globally and hence a very important market for Perstorp. Perstorp has sales representation in both North America, as well as in Middle and South America.

EMEA
The chemical industry is one of the most important industry sectors in Europe and more than half of Perstorp's sales in 2019 went to EMEA, where Perstorp also has five production sites, Perstorp and Stenungsund in Sweden, Bruchhausen in Germany, Waspik in the Netherlands and Castellanza in Italy.

APAC
APAC is a growing market for chemicals, where Perstorp started up its first sales office in Shanghai in 2006. In 2008, a new TMP production plant was ready in Zibo and in 2013, the first tonnes of Neo were produced.

Resins & Coatings

– let us solve your toughest resins & coatings challenge

Key drivers shaping our markets

- Improving living standards
- Resource efficiency
- Growing need for safe infrastructure
- Environmental benefits

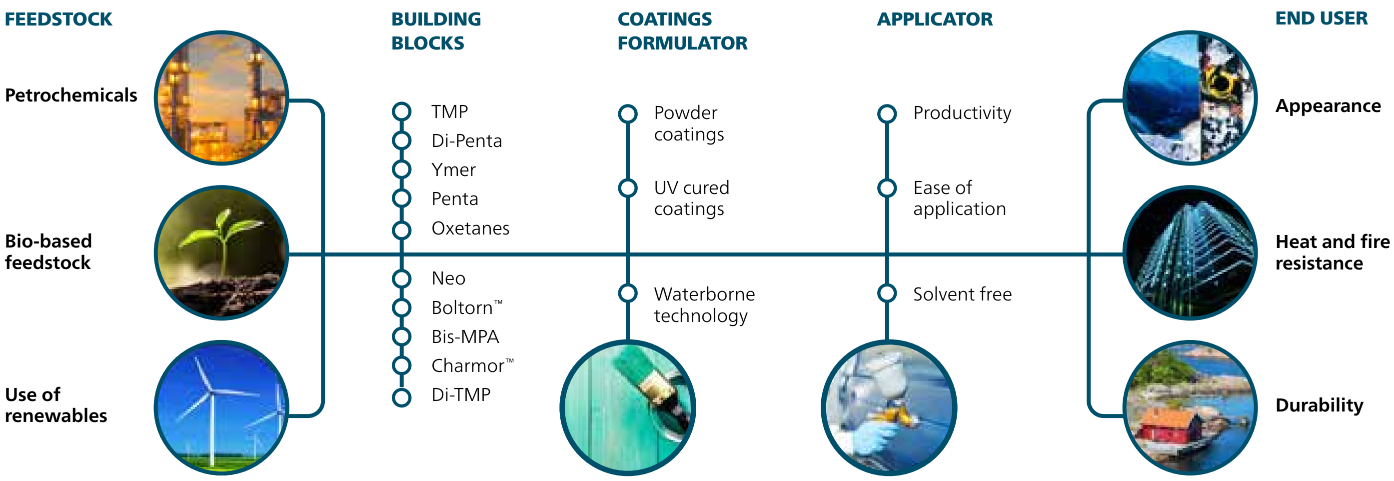
Strengths of Perstorp's offering

- Relationships with innovators throughout the value chain
- Broad solution portfolio
- Leading market positions

Perstorp's Resins & Coatings technology should be seen as a resource to help our customers achieve their business goals. We are a 'resins & coatings native' with an industry presence stretching back over almost seven decades. Along the way, we have acquired the skills, knowledge, people and technology that can add real value to our customers' businesses. Our market leadership, global presence and solid portfolio of building blocks allow our customers to focus on what they do best – creating winning resin and coating formulas.

We deliver products within various market segments, including water-borne and solvent-borne alkyds, powder polyesters, unsaturated polyesters, liquid polyesters and UV curables. Through our Pro-Environment portfolio, we provide renewable alternatives for several products to ensure a significant carbon footprint reduction. Whether you require essential building blocks, high performance specialty products or expertise, our people and portfolio are ready to solve your toughest challenges.

Resins and coatings value chain



Plastic Materials

– partner in developing next generation plastics solutions

Key drivers shaping our markets

- Consumer health and safety concerns
- Environmental concern driving the need for fossil free alternatives and recyclable solutions
- Urbanization and improved living standards

Strengths of Perstorp's offering

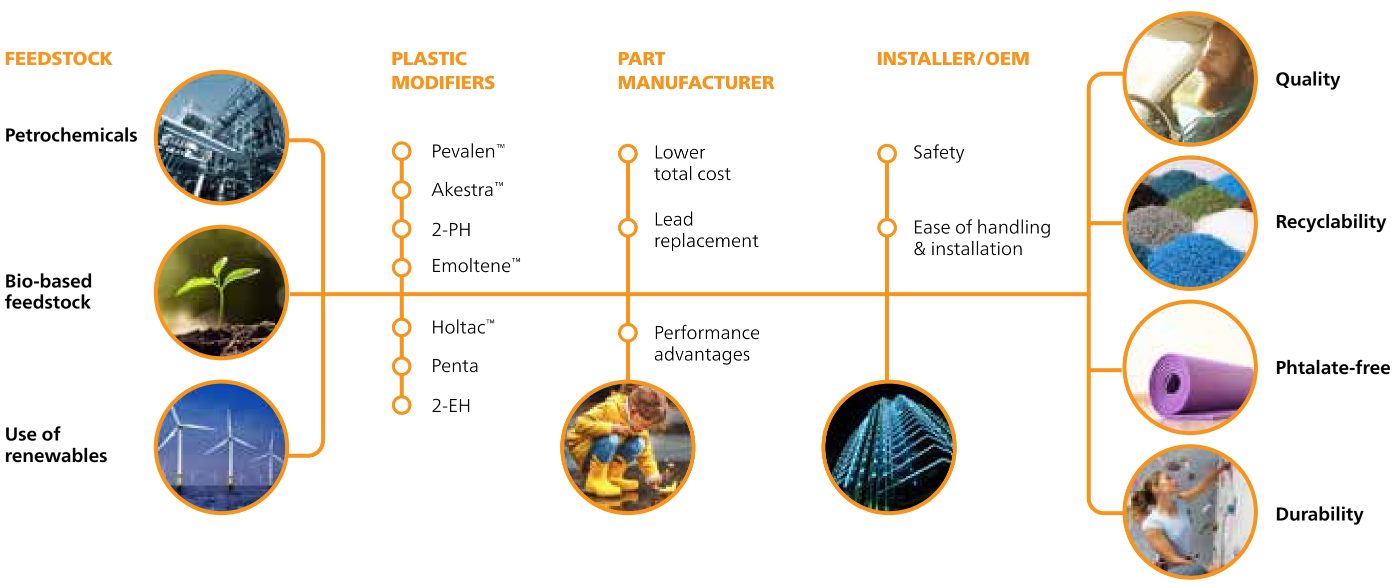
- Highly innovative solutions
- Connected with innovative brand owners further down the value chain
- Integrated with Perstorp's efficient supply platform
- Durable and sustainable product solutions

Perstorp provides focused and innovative chemistry for plastic materials with a special focus on the next generation of plasticizers. We provide leading solutions in the plastic material areas that we focus on, and have a proven record of innovation related to helping compounders and converters to produce safer, more sustainable high performance plastics.

Perstorp is a fully integrated leader in general plasticizers, and a brand leader in intumescent systems for fire resistant plastics. With our R&D, technical resources and production set-up we are the perfect partner to help develop the next generation of plastics.

Our sustainable, safe and innovative solutions include Charmor™ for intumescent fire-resistant plastics as well as one of our latest innovations, Pevalen™ – a versatile, non-phthalate plasticizer that is now also available as a renewable version. We recently launched Akestra™, a new heat resistant plastic that is ideal for catering and safe food packaging with its crystal-clear look & brand appeal. Perstorp is also a major supplier of 2-EHA and n-Bal for PVB film used in safety glass.

Plastic materials value chain



Synthetic Lubricants & Engineered Fluids

– let's build better business together

Key drivers shaping our markets

- Growth in high-tech applications
- Engine fuel efficiency
- Substitution of mineral oils
- Environmental and fire safety concerns

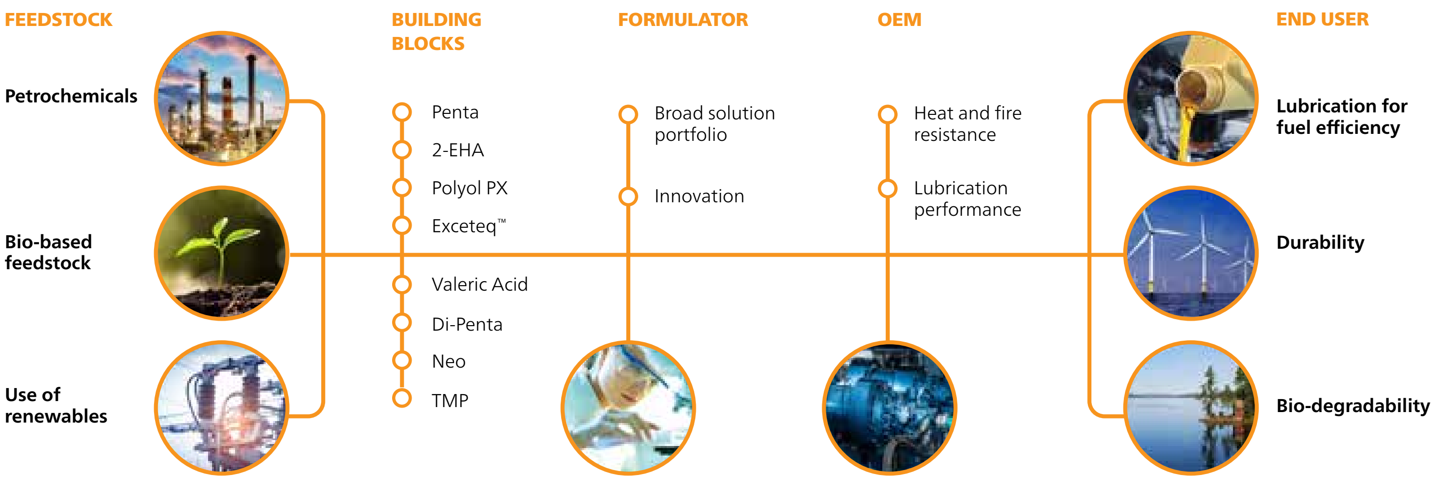
Strengths of Perstorp's offering

- Highly innovative solutions
- Environmental benefits
- Integrated with Perstorp's efficient Oxo and Polyols supply platforms

Synthetic esters are increasingly becoming the go-to choice in several industries when it comes to composing engineered fluids. They offer higher and more predictable performance properties, and can better be engineered to fit specific and complex applications. Results include longer service intervals, reduced energy consumption and a significant contribution in the transformation to refrigerants with lower environmental impact. The switch toward synthetic esters is driven by the requirements of increasingly sophisticated and complex end products as well as by legislation and environmental concern.

Perstorp is a one-stop shop for high quality materials for polyol ester base stock. However, beyond products, we are forging performance-driven partnerships with an increasing number of customers, focusing on how to manage the total cost of their operation. Logistics, innovation and sustainability are all areas where we can help our customers get ahead. The end result is minimal downtime, cost-effective production and a competitive product portfolio for our customers.

Synthetic lubricants & engineered fluids value chain



Animal Nutrition

– devoted to sustainably feeding a growing population

Key drivers shaping our markets

- Growing population and wealth
- Increasing focus on food safety
- Sustainable animal protein production
- Digitalization and automation of the industry

Strengths of Perstorp's offering

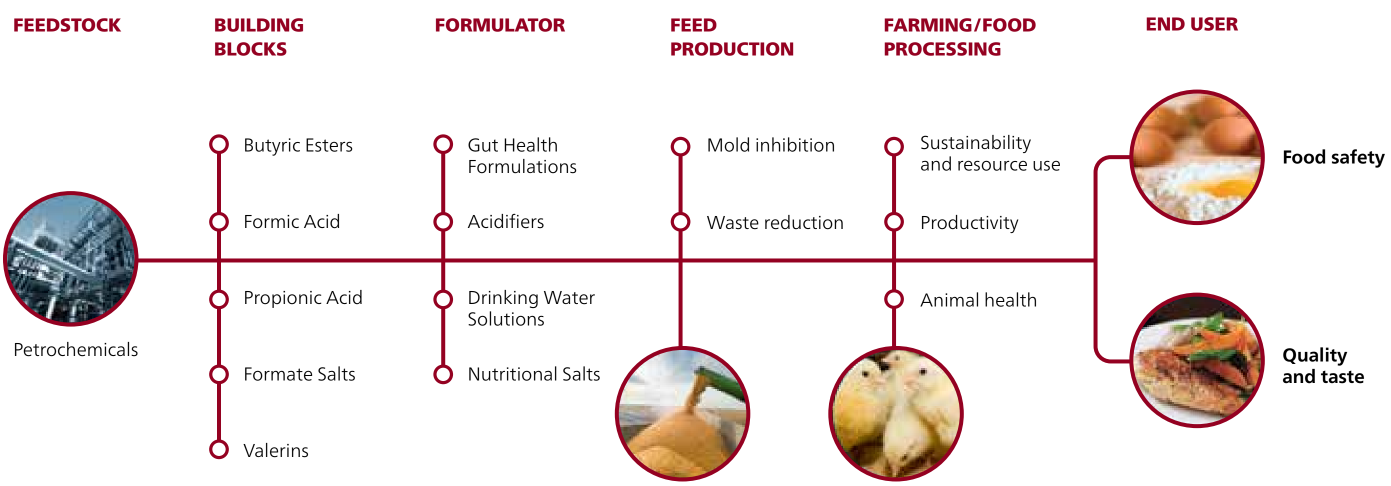
- Chemical and biological expertise
- Integration in key building blocks
- Experienced organization with global reach

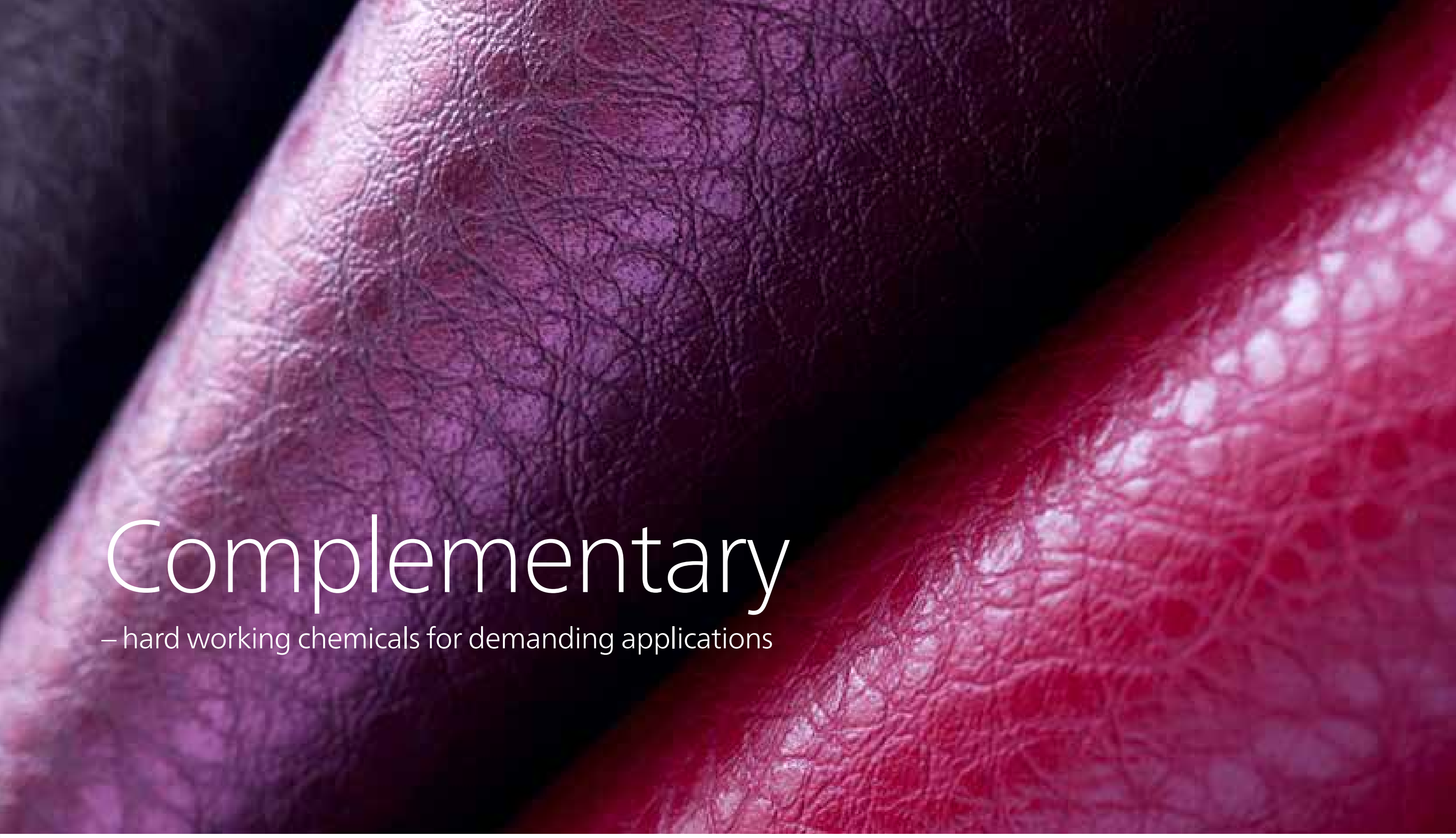
Feed plays a vital role in all animal production systems. It can be as high as 70% of all costs related to farm management. That is why we are so passionate about helping our customers to optimize their feed and feed raw materials. Perstorp has almost 60 years of experience from developing innovative solutions for the agricultural industries. Solutions that:

- improve gut health and performance
- acidify feed and help animals to cope with heat stress
- help to keep feed nutritious and safe from enteros, mycotoxins, molds and yeasts

R&D is in the Perstorp DNA, and we were the first to introduce esters of organic acids for improved gut health and performance, and for mold inhibition in grains, feed and feed raw materials. Our latest innovation is ProPhorce™ Valerins. This solution consists of esters of valeric acid, molecules so new that we are the first to test them for any agricultural purposes.

Animal nutrition value chain





Complementary

– hard working chemicals for demanding applications

Specialty chemicals are used in most industrial segments and sub segments. Some of the key sub segments that are supplied by Perstorp's unique specialty and building block chemical portfolio include:

Bleaching – Sodium Formate used in production of Sodium Hydrosulphite an important bleaching agent

Oil drilling and completions fluids – Products used in the production of sustainable drilling fluids suitable for high temperature and high-pressure drilling

Runway de-icers – Formates are used to produce a sustainable choice of de-icers for runways and roads

Surfactants and detergents – Raw material to produce detergent stabilizers and surfactants

Tanning – Products used in various stages of the tanning process to clean, soften and create superior finishes

Our culture drives performance

We know that there is a clear correlation between corporate culture and financial performance. Perstorp works to nurture a culture that drives customer value and company success, always with an element of care.

PURPOSE AND PROMISE

It is important that everyone understands the company's reason for existing, and feel inspired when they go to work. For us at Perstorp, we exist through our purpose to lead the change toward chemistry that advances everyday life for the better. We fulfil this purpose through our promise to...

... give our customers a competitive edge to advance everyday life.

If we lived in a static world, delivering on our purpose and promise would be easy. We have been in business for 139 years and throughout all these years, we have always strived at being in sync with the world around us and re-invented ourselves to foresee and meet customer needs.

VISION

Our world is far from static as it changes at an ever-increasing pace. This means that what is 'best' today might be acceptable tomorrow but inadequate next year. This is why it is important to have a vision to strive toward and to constantly develop as a company.

We envision Perstorp becoming...

... the first choice for companies seeking a competitive edge from chemistry that advances everyday life.

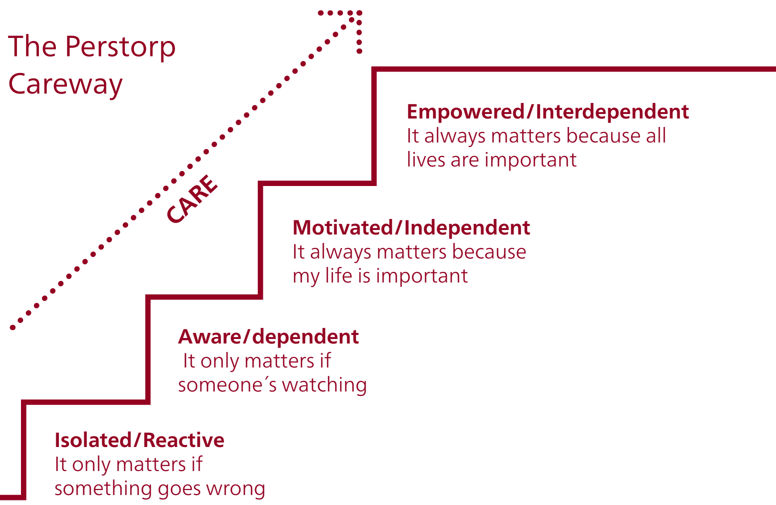
This involves focused innovation in our product portfolio and processes, as well as in how we approach and respond to our customers.

CARE IN EVERYTHING WE DO

We are committed to becoming a healthy and safe workplace, and recently increased our focus on these areas. Health and safety are blind to work/life boundaries and are ultimately about life 365 days a year. Everyone in the company, regardless of position, task or location, was included in our Care 365 initiative a couple of years ago. We have since realized that Care is such an integral part of our culture that we decided to adopt it as one of our core values.

We have created a new way of defining Care with a strong focus on leadership and how we support our employees in the ever changing and challenging work environment – the Perstorp Careway. The Careway defines the maturity level of our organization in terms of behavior, and we are on our way to move the entire company to increased maturity.

The Perstorp Careway



VALUES

Our values are part of our DNA. They guide the way we work internally, as well as with our business partners, surrounding communities and stakeholders. We have built our company culture on our core values, to create a working environment where ideas can blossom and people can thrive.

Care

Lead with heart

Care is a foundational belief and emotional driver. Caring is not about statistics, it is at the core of everything we do. It is about safety, health and life, 365 days a year. For everyone to come to work and go home again healthy and safe – for Perstorp, for all, for the loved ones at home as well as for customers, suppliers and other stakeholders.

Responsibility

Do right

Doing right goes beyond following rules. It can be about challenging the status quo and creating new rules because it is the right thing to do. We think beyond immediate gains, always with a holistic approach to creating value. We do not let our products go once they are delivered. We continue to take responsibility to advance everyday life.

Reliability

Keep the promise

Reliability means being there when our customers, partners and colleagues need us. It is also about being honest with ourselves and others about expectations and how we best meet those. It is about anticipating all the variables so we know we can deliver. And it is about treating everyone with consideration and respect, from delivering high-quality products to returning an email or phone call, we will keep the promise.

Focused Innovation

Make it better

It is in our DNA to constantly look for improvements and better solutions, small and big. Focused Innovation is much more than invention, it is finding what truly matters for people and the planet and making it better. Focused means that we channel our strengths where they make the biggest impact for our customers, and by extension, for everyone touched by their products. Making smart products even smarter, we relentlessly pursue that edge to make things better tomorrow than they are today.

CULTURE RELATES TO PERFORMANCE

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

Care

Advancing everyday life for the better

Perstorp advances everyday life – our products and solutions are found in the pockets, homes, offices and communities of practically every person on the planet. Additionally, many of our products are essential for a more sustainable society, with growing populations and smarter cities.

CREATING VALUE THROUGH THOUGHTFUL CHEMISTRY

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

For us, innovation is not only about creating something entirely new. Instead we focus on which customer needs Perstorp can meet using current production capabilities. We make the most of our assets to create the greatest possible customer value.

More specifically, we develop our existing technology and production platforms toward new needs and opportunities. We work methodically with operational excellence to increase efficiency, debottleneck and secure supply.

Thoughtful chemistry generally means thinking ahead and doing the right things, in the right ways, for the right reasons.

SUSTAINABLE BUSINESS MODEL

Perstorp's strength lies in the unique properties and functions of our solutions, as well as in how we develop and produce them. We remain successful by being:

Focused. Perstorp is built around core platforms for polyols, oxo and animal nutrition. By continually sparking off new ideas that can feedback into our core platforms, we strengthen the competitiveness of our customers and that of Perstorp. Working this way ensures we have a strong financial position.

Big player in defined niches. We focus on niches with above average GDP growth that match our core competencies and where we can achieve a leading position.

80%

Perstorp has a top three market position for 80 percent of its product portfolio.

Resilient. Perstorp seeks to maintain a broad customer offering to ensure market needs are met and resilience through economic cycles.

Forward-thinking. We follow and assume leadership within emerging trends, stay close to our customers, and identify needs that can be met with existing and new Perstorp products.

STRATEGIC DIRECTION

Perstorp's value creation stems from a solid base: we generate resilient cash flows through an integrated business platform and strong competitive positions.

Our competitive strategy entails selecting market niches that match our deep knowledge in polyol, oxo and ester chemistries, and where we can gain a leading position. Perstorp is the leading supplier in 50 percent of our product portfolio and top three in 80 percent of the portfolio.

We direct our efforts toward high-growth specialty chemical markets with a need for innovative, sustainable solutions. We focus on:

- Resins and coatings
- Plastic materials
- Animal nutrition
- Engineered fluids

GROWTH DRIVERS

We focus on markets driven by macro trends with above GDP growth an we approach growth in three ways. Firstly, we grow organically by focusing our innovation on addressing customer needs. Secondly, we invest in specialty business capabilities where Perstorp has leading competitive positions. Thirdly, we selectively make bolt-on acquisitions to gain capabilities and access to adjacent markets.

Four distinct factors help drive Perstorp's profitable growth:

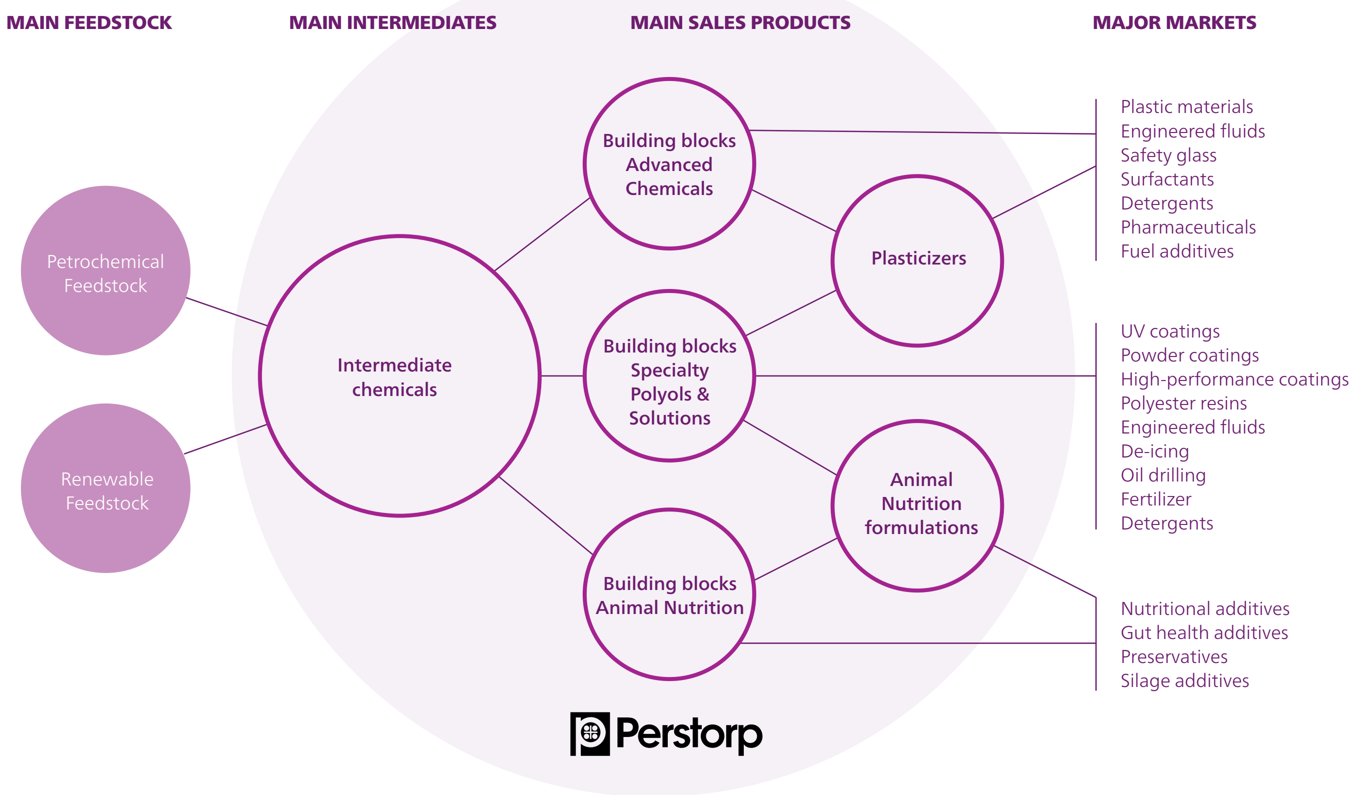
Care. At Perstorp, employees can perform at their full potential in healthy and safe environments. We never compromise on health and safety to increase business performance. The capability to advance health and safety is an entrance ticket to becoming a manager, and Perstorp strives to serve as a role model for other companies.

Customer centricity. Perstorp is often situated early on in our value chains and our products make a substantial difference to a wide range of application areas and markets. It is therefore essential that we begin with end uses in mind and maintain close ties with customers and other partners closer to end-users. We have business processes to fit different customer requirements, and we focus development on selected market segments, ready to transform new customer needs into new business opportunities.

Product and market leadership. We build and defend our leading global market positions and look for new development opportunities along the value chain. Innovation based on products and processes is primarily made at the intersection between customer needs and technology, and we continuously explore and develop more sustainable products and solutions with a circular approach.

Leverage integrated business platforms. A great deal of our competitive power comes from optimizing our technology platforms. Our operational excellence projects will further expand capacity by de-bottlenecking production, increasing safety, efficiency and reliability, as well as ensuring product availability.

OPERATIONAL STRENGTH THROUGH AN INTEGRATED PRODUCTION NETWORK



A place to learn, develop and make a difference

With our Swedish roots, we are a global team of scientists, engineers and business professionals with a track record of almost 140 years in pursuing sustainable innovation and progress in chemistry. We believe that every individual and action can make significant difference.

WELCOME TO PERSTORP

Although we have operations in many countries, we are still considered a relatively small company – with 1,350 individuals contributing toward annual net sales of around SEK 11.6 bn. This means that nobody stays anonymous and at Perstorp, every person's performance really counts.

With sites located from Toledo in the West (US), to Zibo in the East (China) and with our roots in Perstorp, Sweden, we have a diverse workforce. Perstorp takes a pro-active approach to diversity, including gender equality.

Perstorp has a diversity policy, as well as targets for diversity and equal opportunity: women among new managers and senior managers as well as non-Swedes among new senior managers.

WORKING AT PERSTORP

Perstorp is a global company with a strong history and culture. We aim to empower employees to be able to decide and act on what is best for our customers and our company.

We offer plenty of room to challenge, learn and grow. Thanks to our global presence, employees have the chance to work with cross-functional teams and connect with people around the globe.

GROWING WITH PERSTORP

To realize the full potential of our employees, we offer a wide variety of training courses, leadership programs, talent management, skills development and individualized development plans. Every employee reviews their performance with their immediate manager – to set and follow up targets, and discuss career ambitions. This is done on a regular basis through our Group-wide Performance Management & Development process (PMD).

Perstorp aims to recruit a majority of critical roles (leadership, specialists and project managers) internally. To be able to fulfill this ambition, we employ a thorough annual talent management process where we identify and develop employees. Employees with the willingness and ability to advance are added to a talent pool from which we recruit for critical roles.

ACCOUNTABILITY AND EMPOWERMENT

Perstorp is a customer-centric company, which means that we constantly put customers first to generate substantial long-term customer value. At the same time, our work begins internally with our people, culture and leadership. Accountability and empowerment are essential in the way we work. Accountability is about taking ownership for our shared future with action today. We also want employees to be empowered to have the courage and confidence to make the decisions needed for the best of the company. We nurture an organization where we see every mistake as a learning opportunity.

COMPETENCE AND CULTURE

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

LEADERSHIP AT PERSTORP

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

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

Perstorp strives at building a culture of high performance and is very clear about expected employee and manager behaviors. Perstorp's leadership behaviors are based on our values Care, Responsibility, Reliability and Focused Innovation. We encourage the following leadership behavior:

CARE
- Act with integrity
- Create psychological safety

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

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

FOCUSED INNOVATION
- Promote a learning culture
- Lead and develop others

Doing right for a more sustainable society

The essence of Perstorp's sustainability strategy entails doing the right things in the right way. Sustainability for us involves working with all the aspects that will make our company successful for another 140 years. This includes our ambition to become Finite Material Neutral, innovate sustainably and to run a truly responsible business.

OUR IMPACT STRATEGY FOR SUSTAINABILITY

We have embarked on an exciting journey in recent years to take a more proactive approach on how Perstorp can contribute to meaningful positive impact. This is what we mean by our impact strategy for sustainability. The strategy includes contributing toward combating climate change and our long-term ambition to become Finite Material Neutral, which is a very bold ambition that we do not yet know how to achieve in all areas. Our approach places sustainability at the very heart of our business and will require a thorough transformation of our company.

Another important element of our impact strategy involves working with sustainable innovation. At Perstorp, we focus our innovation on how our products and solutions can provide and/or enable more sustainable alternatives compared to the standard market offering. Innovation also involves exploring increased resource efficiency and circularity. Since 2017, we have offered a growing portfolio of products and solutions with renewable content based on an ISCC certified mass balance system – our Pro-Environment Solutions.

We pride ourselves on being a responsible business as a reliable employer, buyer, business partner and corporate citizen, as well as operating the company in a responsible manner. Responsible business is the basis for long-term business success, and something that that needs everyday attention to keep up and make progress. It often involves working on multiple fronts – including responsible sourcing, anti-corruption and sustainability governance.

CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS AND THE EUROPEAN GREEN DEAL

By providing solutions and enabling innovation in virtually all industries, the chemicals sector can contribute to many of the UN Sustainable Development Goals (SDGs). Perstorp is committed to the SDGs and Agenda 2030. We aim to provide solutions that support:

- sustainable nutrition for growing populations
- life in smarter and more livable societies
- a climate neutral world.

We have found that we very clearly contribute to SDGs 2, 11, 12, 13, and 15. These are goals where our business has significant potential to make a meaningful positive impact. Additionally, we work to align with the EU commission's Green Deal through our membership and representation in the trade organization CEFIC.

How Perstorp contributes

- Provides products for safe and efficient silage and preservation
- Fertilizing solutions to reduce salt stress in arid regions and improve crop yields
- Safe packaging solutions to protect food and prevent food waste
- We have partnered with the Hunger Project in Ghana, which aims to end hunger, achieve food safety, improve nutrition and promote sustainable agriculture. Our flagship project in Ghana became self-reliant at the end of 2019.

How Perstorp contributes

- We have a circular approach to the products we produce
- Renewable raw materials for coatings, resins and synthetic lubricants
- Efficient and sustainable alternatives for intumescent coatings and flame retardants
- Renewable phthalate free plasticizers for PVC applications
- Products for more durable coating applications

How Perstorp contributes

We develop solutions that

- use less resources and enable recyclability or biodegradability to help our customers to become more sustainable
- protect, preserve or prevent food and feed from being contaminated, spoiled or destroyed during production

Our operations strive to

- reduce, recirculate and optimize the water used in our processes
- not compete with water usage for essential needs
- increase recycling rates for our production waste, and utilize waste streams as raw materials
- eliminate waste from our production processes

How Perstorp contributes

We are working to become Finite Material Neutral. This involves:

- transitioning from fossil-based to renewable and recycled raw materials
- switching to renewable electricity and non-fossil energy sources at our plants
- continuously improving and optimizing our production processes
- upgrading our technologies to even more sustainable alternatives

How Perstorp contributes

- Transition from fossil-based to renewable raw materials
- Develop products and solutions to support sustainable agricultural development and enable efficient land use
- Offer feed additives to help animals grow and stay healthy

SUSTAINABILITY GOVERNANCE

Perstorp's corporate change program for sustainability is headed by the EVP Group Communications and Sustainability, who is also a member of the Executive Leadership Team.

Our cross-functional sustainability team drives our ambitions and builds internal processes and capabilities. The team includes representatives from Procurement, Business Development, Operations, Marketing, Responsible Care, HR, Global Technology, Transport, Innovation and Communications as well as those responsible for each focus area in our Finite Material Neutral ambition.

Perstorp's main sustainability-related policies are: our Code of Conduct, Responsible Care Policy, Security Policy, Anti-Bribery Policy, Vendor Policy, Global Travel Policy and General Data Protection Policy. The Perstorp Group is in the process of developing a policy covering social engagement and sponsorships, as well as for Sustainability.

The Perstorp Group has management systems for quality and the environment, third party certified to ISO 9001:2015 and ISO 14001:2015.

Each of our production sites currently sets their own sustainability targets. During 2020, we will establish new indicators, targets and roadmaps to strengthen Perstorp's performance in relevant sustainability areas. We will also align Group-level ambitions with the ongoing work of our sites.

We are a member of Responsible Care, the global chemical industry's dedicated initiative to improve health, environmental performance, enhance security and to communicate with stakeholders about products and processes.

Since 2004, Perstorp has been a signatory to the UN Global Compact, which requires us to commit and adhere to ten principles globally relating to human rights, labor, the environment and anti-corruption.

Finite Material Neutral

In 2017, we set a bold ambition for us to become Finite Material Neutral. Finite materials are non-renewable resources that cannot be created or produced once the original stores are depleted, or that are used up at a faster rate than nature can replenish them. Becoming Finite Material Neutral means switching to alternative resources that are abundant and/or renewable, or to close loops and recycle or reuse those that are finite. We have not yet set a definite deadline for this challenging ambition. To date, we have primarily focused on making progress on raw materials and energy.

Perstorp will focus on the following areas to become Finite Material Neutral:

- Raw material
- Energy
- Water
- Waste
- Metals & Minerals

Finite Material Neutral will involve:

1. Using renewable, recycled or reclaimed raw materials
2. Using energy from renewable sources
3. Producing zero waste from our own processes and products
4. Continuously lowering our water footprint, and practice a responsible out-take of water
5. Using catalysts with metals and minerals that are recycled/reclaimed/responsibly sourced

The journey to become Finite Material Neutral will significantly lower Perstorp's environmental impact as well as give our customers a competitive edge in meeting the global demand for more sustainable solutions.

Raw materials

Our Finite Material Neutral target for raw materials involves switching to renewable, recycled or reclaimed raw materials. Perstorp works with mass balance to gradually shift from fossil to renewable/recycled resources while keeping the exact same quality and performance of the products.

At present, Perstorp's raw materials are predominantly derived from fossil sources such as petroleum and natural gas. We have worked to source and develop use of renewable raw materials both internally and in collaboration with partners for many years, and we source an increasing amount of renewable raw materials for our Pro-Environment products.

During the year, we contributed to the EU project BiZeolCat. The project aims to reduce carbon emissions from the refining industry. It will develop new processes to convert alkanes into olefins.

Energy

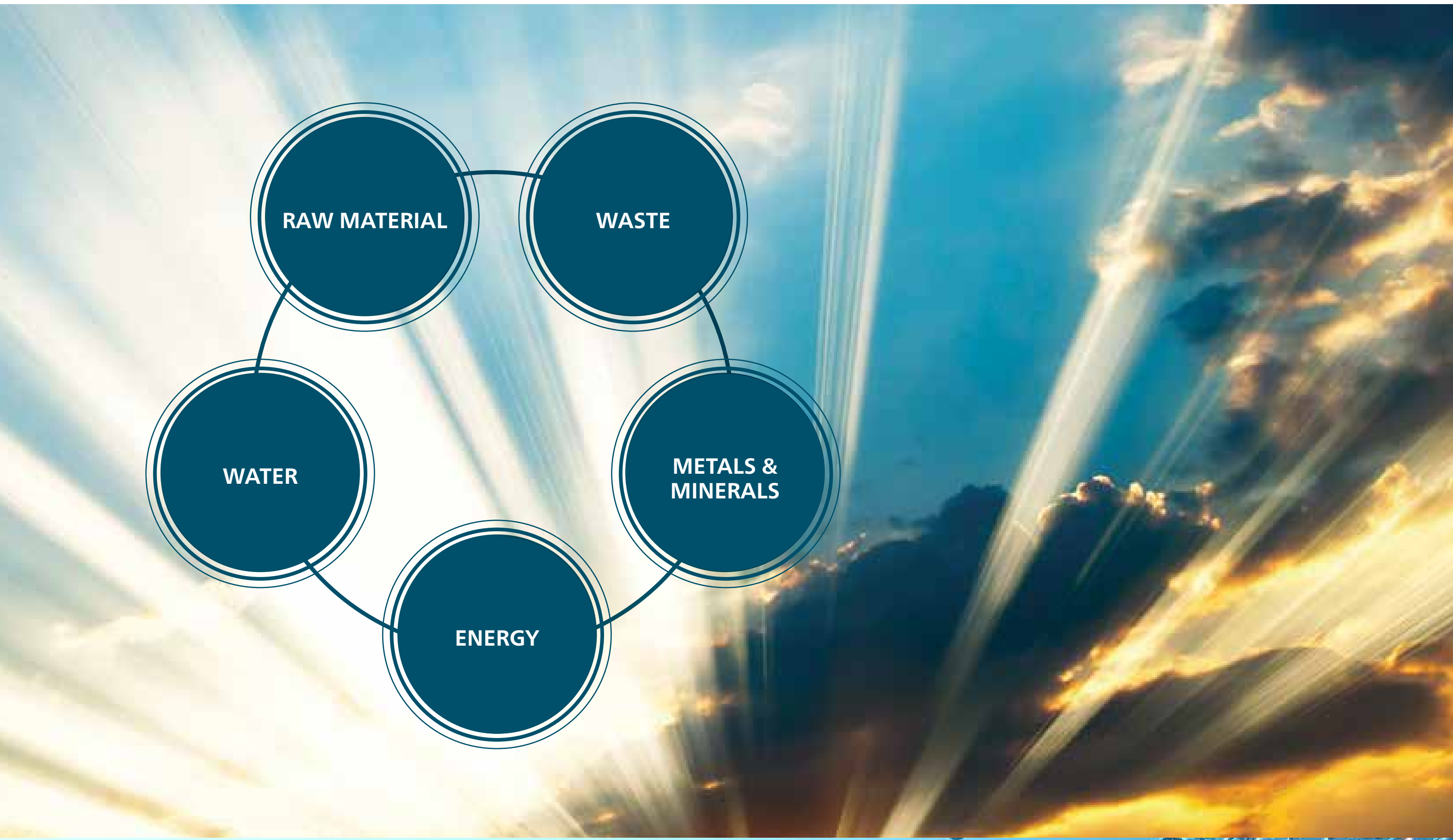
Our Finite Material Neutral target for energy involves switching to renewable energy.

Perstorp uses significant amounts of energy at its manufacturing plants, which is a reason why we continue to focus on efficiency and on switching to renewable energy. The site in Perstorp is supplied with energy from a biomass boiler, which also partly supplies the municipality with energy. Our sites in Perstorp and Stenungsund use electricity from renewable sources. We are further building on our experience from using alternative energy sources to support our transition.

Water

Our Finite Material Neutral target for water involves continuously reducing our total water footprint and ensuring that we do not affect the environment or human health negatively through our water effluents. We should never compete with water usage for essential human needs, e g drinking water.

Perstorp is taking steps to conserve and reuse water in our manufacturing plants. We also consider water use when designing new products. To meet our ambition, we also need to innovate and invest in new technologies. During the year, we began mapping our water use terms of withdrawal and discharge. Each site will be expected to contribute targets to Perstorp's water roadmap.



Waste

Our Finite Material Neutral target involves achieving zero waste from Perstorp's processes.

We believe that waste has inherent values that we need to see as an opportunity that must be unlocked. Perstorp works to prevent, reduce, recycle and eliminate waste in all phases of our value chain. This includes solids, liquids and vapors from supplier manufacturing, losses in transportation and storage, and waste generated by Perstorp's operations.

During the year, we initiated a site-level analysis of all our waste streams, mapping both production-related waste and other types of waste, such as from construction. The purpose is to enable us to better address waste from Perstorp's production and establish a clear baseline for our roadmap.

Metals & Minerals

We currently reclaim metal catalysts, and aim to only use reclaimed or recycled catalysts. We do not use catalysts that include rare elements. We work to develop new processes that either use more potent catalysts or no catalysts at all.

During the year, we contributed to PERFORM, an EU project to develop highly efficient and integrated electrochemical systems. The project targets two important drivers within the European chemical industry: electrification and the shift toward bio-based feedstocks.

Sustainable innovation

For Perstorp, a focused approach to innovation is about constantly coming up with relevant ideas to develop our company, our offering and the value we create for customers and society. We combine insights in relevant trends with customer needs, and channel our strengths where they make the biggest impact for our customers – and the people everywhere whose lives are touched by our products.

Our approach to innovation includes new product development, but also enhanced functionality and adaption of existing products to new market opportunities as well as continuously improve competitiveness of our production processes.

Perstorp's innovation team has developed a tool to keep focus on different aspects of sustainability and sustainable products in the project portfolio. Roughly 80 percent of our research and development initiatives focuses on finding new sustainable solutions to reduce environmental impacts and meet the market demand for more environmentally responsible products. We seek input early on, to check whether our developments are relevant and valuable, and believe that keeping close ties and working together is the way forward.

Collaboration is important to us. Perstorp participates in several research consortia working with customers as well as leading scientists on new technologies to develop new opportunities, business models and markets. Not the least addressing the challenges of sustainability and circular economy requires collaboration along the value chain. During the year, we were active in 12 external research programs involving 124 partners at Universities, Institutes and Industry. These projects explore and contribute to several important areas, including chemical recycling, bio-based chemicals and electrification.

PIONEERING PRO-ENVIRONMENT SOLUTIONS

Perstorp has the solutions needed for sustainable societies. Our Pro-Environment range of products enables our customers to bring renewable products to their respective end markets. The Pro-Environment product portfolio also contributes to Perstorp achieving Finite Material Neutral by driving the shift toward renewable raw materials and energy.

The criteria for Pro-Environment Solutions are:

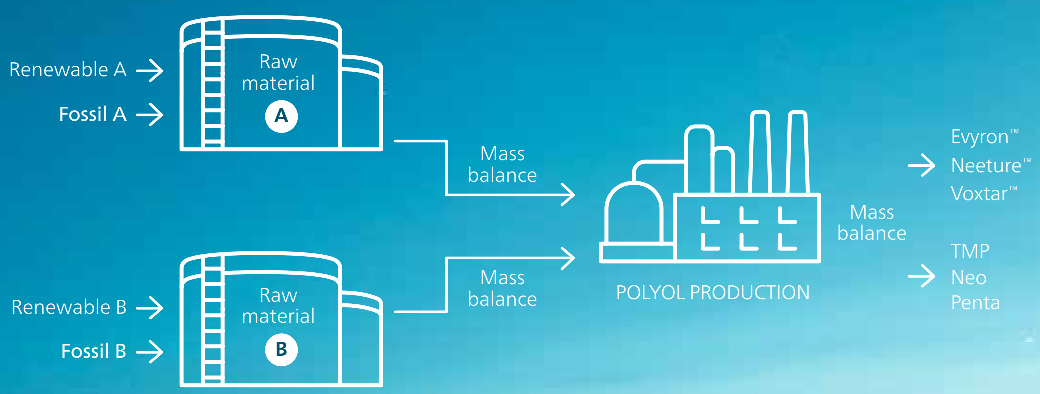
- Partly or fully renewable or recycled origin
- Carbon footprint reduction
- ISCC PLUS certified
- Based on an ISCC certified mass balance concept

Furthermore, our Pro-Environment Solutions are drop-in, meaning that their quality is identical to the fossil-based products they can substitute. This avoids the need for customers to alter their equipment or processes.

At present, Perstorp's Pro-Environment Solutions consist of two sub-portfolios – Polyols and Specialty Products – with a new renewable polyol ester, the non-phthalate plasticizer, Pevalen™ Pro, launched late in 2019.

Perstorp mass balance

To keep track of renewable raw materials added to the storage tank and allocating them to specific products.



Pro-Environment solutions in 2019

Almost four-fold growth. Our Pro-Environment Solutions really took off during the year with sales nearly quadrupling. Sales were primarily driven by Pro-Environment Polyols (Evyron™, Neeture™ and Voxtar™) that were launched in 2017.

Launch of new products. The Pro-Environment concept was expanded to include new product families and a new service offering to support customers to adopt Pro-Environmental Solutions. Three new polyol product families were added: Charmor™ Pro for intumescent coatings, Curalite™ Ox Pro for cationic UV curing and Holtac™ Pro for lead-free PVC. In addition, the runway de-icer Pergrip™ was added as well as our phthalate free plasticizer Pevalen™.

Launch of production in Germany. Our site in Bruchhausen, Germany became ISCC certified and began to produce and sell Voxtar™. This means that Perstorp now has three sites that produce Pro-Environment products. The other two are Stenungsund and Perstorp in Sweden.

Recycled methanol explored. We began exploring the potential to produce recycled methanol at our facility in Stenungsund, Sweden. This ambitious feasibility study is part-funded by the Swedish Energy Agency, and represents an important step forward, since methanol is one of Perstorp's major raw materials and is mainly produced from fossil resources. If successful, the project will significantly support Perstorp's contribution to sustainability.

Awarded for Sustainable Innovation. Perstorp's Pevalen™ Pro won silver in the Sustainable Innovation category at the INOVYN Awards 2019. The INOVYN Awards take place in connection with the K-Fair Conference, a leading fair for the plastics industry. The award is a recognition that our Finite Material Neutral ambition keeps us ahead of the industry but in pace with the market. Pevalen™ Pro will become available from 2020.

Responsible business

Managing our business responsibly is an important part of our sustainability agenda covering areas such as employee health and safety, responsible sourcing and anti-corruption.

CARE 365: EMPLOYEE HEALTH AND SAFETY

Measurement is important, but we believe it takes more than indicators and targets to instill the right motivation to improve health and safety in a company. At Perstorp, we are very clear about what we want to achieve, how we intend to get there, and what is expected from each employee and manager. Since we initiated our Care 365 program in 2017, our health and safety performance has improved significantly.

Care 365 is a Group wide initiative and addresses culture, leadership and employee engagement in health and safety, including contractors who work for us short or long term. It places emphasis on visible leadership, a sense of urgency when it comes to the prevention of incidents and accidents, implementing clear standards as well as compliance management.

We seek to constantly improve health and safety to become a role model for other companies. One of our main implementation tools is the Perstorp Careway, which enables us to monitor our health and safety maturity level based on industry best practice – both at site and Group level. We aim to use the Careway to take Perstorp Group's health and safety performance to the top quartile of companies in our business category.

During the year, all our production sites were assessed in relation to their Careway maturity and action plans were created to fill any gaps. In 2020, we will follow up progress at our production units and all non-production units will be assessed with the same comprehensive methodology.

Contracted workers often also have our sites as their workplace, even though temporarily. For us it is important that they are included in all relevant aspects of our safety work and our environmental management. Based on insights from our safety reporting, we have identified a need to focus even more on this category of workers. In 2019 we have therefore set a long-term target to reduce any differences in incident levels between employees and contracted workers, and we have initiated activities to ensure that they are not subjected to higher risks of getting injured or higher risks of causing incidents.

RESPONSIBLE SOURCING

Our value chain links us very closely to many of our suppliers and customers and we all need to co-operate and co-innovate for a sustainable industry. An important part of that work is to address the risks of any unlawful practices and negative impacts in our supply chains.

Since 2018, Perstorp has intensified the integration of sustainability in our supply chain processes. These efforts have, among other things, involved updating our supplier assessment methods.

We divide our purchases into two main areas: production related material and services, and non-production related material and services. Each area represents different risks, impacts and challenges, which has been the starting point when making risk assessments and building supplier assessments. Our suppliers are required to acknowledge our Vendor policy, which is based on our Code of Conduct and covers human rights, labor standards, anti-corruption and environmental responsibility. All large spend and/or high-risk suppliers are systematically assessed using a self-assessment tool. This procedure also requires suppliers to acknowledge and sign the vendor policy. 70 percent of Perstorp's spend is covered by this approach.

ETHICAL BUSINESS PRACTICES

Perstorp's Code of Conduct includes our business principles related to anti-corruption, anti-competitive behavior and public policy. This overall guidance is complemented by more specific policies and procedures, such as a specific anti-bribery policy.

The legal department has developed a series of e-learning modules to enable more in depth focus on different aspects of business ethics, especially for those in positions of increased risk exposure. Further e-learnings are in the pipe-line.

Employees are encouraged to correct or report non-compliance with the Code. Alleged non-compliance shall be reported to an immediate manager, or to the Head of HR or Head of Legal. Finally, there is an internal whistleblowing channel that enables anonymous reporting of any suspicions of misconduct.

Perstorp conducts a legal risk review on a quarterly basis. All business areas and functions must report any litigation, dispute or claim related to legal or regulatory violations that is material to the Group. Investigations by an authority (e.g. police, anti-trust authority) must also be reported.

SAFEGUARDING SENSITIVE INFORMATION

In a digitalized world it is not enough to focus only on health security and safety of our production sites and offices. We also need to protect our business data and handle information responsibly. Protecting the integrity of people and protecting sensitive business information is a very important area of our responsibility. We need to minimize the risk that sensitive information ends up in the wrong hands through accidental information sharing, theft, coercion, bribery etc. Perstorp has a dedicated Head of Data Privacy and Information Security at Group level to address the protection of information related to our business and personnel. We need to handle protection of data systematically and continuously, with a risk based approach, and therefore we are establishing an Information Security Management System within the Perstorp Group.

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 10th 2019, at which the annual report for the 2018 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 2019, 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 2019 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 2019, eight scheduled Board meetings were held, as well as one statutory convening meeting and four 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.

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 2019, 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 and one extra meeting.

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 2019, 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 2019, 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 2019. The purpose is to identify key control points for the various departments, analyze procedures, follow development in relation to previous activity and thus ensure that internal controls are at a good level and remain so. The continued implementation of a new ERP system in several of our companies has led to improved capabilities for performing and ensuring good internal control. The assessment has been complemented with a partly expanded verification operation by the company's auditors for certain areas. In relation to this, special follow-up and site visits has been carried out from the central finance function within the Group. Work aimed at securing good internal control is a constantly ongoing process.

Board of Directors 2019

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, JCE Group AB and Salinity. Member of the Board of Directors of INGKA Holding BV and Ågrenska AB.

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

Born 1957.

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

FABRICE FOULETIER
Partner, PAI partners
Member of the Board of Directors since 2006.

Born 1975.

OTHER BOARD ASSIGNMENTS
Partner at PAI Partners SAS. Member of the Board of Directors of MEP S.à.r.l, MEP II S.à.r.l, AS Adventure Group, Castellano, Euromedia Group and Masaria Investments.

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

Born 1967.

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

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. Vice Chairman and Member Audit and Finance Committee Respond Ireland.

ANDERS MAGNUSSON
Technical Market Development Manager.

Born 1969.

Member of the Board since 2010. Appointed by the Boards of PTK of Perstorp and Stenungsund.

OTHER BOARD ASSIGNMENTS
Chairman of the Board at Swedish PVC Forum in Stockholm, Sweden

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.

President of the American University of Armenia, affiliated to the University of California system.

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

CLAES GARD
Member of the Board of Directors since 2009.

Born 1953.

OTHER BOARD ASSIGNMENTS
Member of the Board of Directors of Vasatorps Golf AB.

JESPER FAHLÉN
Deputy trade union representative.

Born 1975.

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

GERRY ACKERT
Operating Technician and Chairman of IF Metall.

Born 1972.

Member of the Board since 2017. Appointed by the Boards of IF Metall Perstorp and Stenungsund.

HEIDI WALENIUSSEN-ENGLUND
Deputy trade union representative PTK-L

SIMON FRÖJD
Deputy trade union representative PTK-L

ERICA STÅLHAMMAR
Deputy trade union representative, IF Metall Perstorp and Stenungsund

AUDITORS

MICHAEL BENGTSSON
Authorized Public Accountant – PricewaterhouseCoopers.

Born 1959.

OTHER AUDIT ASSIGNMENTS
Bonnier, Indutrade and SWECO.

MATS ÅKERLUND
Authorized Public Accountant – PricewaterhouseCoopers.

Born 1971.

OTHER AUDIT ASSIGNMENTS
Victoria Park, Copenhagen Malmö Port, Invisio, ESS and Catena.

Executive Leadership Team 2019

JAN SECHER
President and CEO.

Born: 1957.

Active in the Group since 2013.

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

MAGNUS HEIMBURG
CFO and Executive Vice President – Finance, Legal and IT.

Born: 1967.

Active in the Group since 2014.

Education and professional experience: BSc in Business Administration from the University of Lund. Previously CFO and Executive Vice President at Preem AB, Group Treasurer at Swedish Match and Finance Manager at Euroc.

ULRIKA ANDERSSON
Executive Vice President of Business Area Specialty Polyols & Solutions.

Born: 1968.

Active in the Group since 1996.

Education and professional experience: MBA Business & Economics Stockholm School of Economics.

Several senior positions within Perstorp Group, as Group Controller, Head of several Business Units and most recently as Vice President BU Advanced Polyols.

MAGNUS LANNÉR
Executive Vice President Supply Chain & Operations.

Born: 1969.

Active in the Groupe since 2008.

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

HELENE DÉRAND
Executive Vice President Innovation.

Born: 1965.

Active in the Group since 2017.

Education and professional experience: Ph.D in Polymer Chemistry and MSc in Chemical Engineering from Lund University. Previously Vice President R&D and Intellectual Property, at Perstorp, Director Advanced Chemistry and Antibody technology at Agilent Technologies, and several senior positions within R&D in Life Science industries.

MIKAEL GEDIN
Mikael Gedin

Executive Vice President People & Culture and CEO Office.

Born: 1969.

Active in the Group since 2009.

Education and professional experience: BSc in Business Administration and BSc in Psychology, both from Lund University. Executive Diploma from Stockholm School of Economics. Executive MBA, General Management from Copenhagen Business School. Previously Executive Vice President of Human Resources and Communications, Executive Vice President of Sales, Customer Service and Executive Vice President Regions & Group Management for Perstorp, and Vice President Human Resources and Operational Excellence of ABB AB.

GORM JENSEN
Executive Vice President of Business Area Advanced Chemicals and Global Procurement.

Born: 1962.

Active in the Group since 2014.

Education and professional experience: Diploma in Economics and in International Marketing, Aalborg School of Economics. Previously, Senior Manager positions at ICI, Vice President positions at Huntsman, President at Valspar EMEA and Vice President at Spolchemie.

ROGER MANN
Executive Vice President of Business Areas Animal Nutrition.

Born: 1960.

Active in the Group since 2018.

Education and professional experience: Over 30 years' management experience in Agri-business and food related industries, prior to joining Perstorp was COO at Anitox. Previously held a variety of General Management, Commercial and Operational leadership roles in PE backed, private and publicly held companies, such as Associated British Foods, Elementis and Unilever.

CECILIA SVENSSON
Executive Vice President Communications & Sustainability.

Born: 1965.

Active in the Group since 2014.

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

Annual and Sustainability Report 2019

CONTENTS

Perstorp in brief

WORLD LEADER IN SEVERAL SECTORS OF THE SPECIALTY CHEMICALS MARKET

- Pioneer in formalin chemistry, plastics and surface materials
- Since December 2005, Perstorp has been owned and controlled by PAI partners, a leading European private equity company
- Present in 26 countries and production plants in Europe, Asia and North America
- Sales representation in all major markets

PERSTORP EVERYWHERE

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

KEY FIGURES IN SUMMARY

Please see page 76.

Highlights in 2019

DIVESTMENT OF THE CAPA™ BUSINESS

The sale of the Capa business to Ingevity was completed in 2019, which enabled Perstorp to deleverage and strengthen its balance sheet.

DEBT RE-FINANCING AGREEMENT IN PLACE

Perstorp announced the refinancing of its credit facilities. Previous bonds and loans were refinanced through new credit facilities, which have provided a more flexible capital structure. Perstorp is now very well positioned to achieve its long-term strategic objectives.

LEVEL UP

A transformational program, Level Up, was introduced in early 2019. After having developed each of our Group functions, we were ready to take the next step and launch a new operational model and a new organization. The purpose was to strengthen the cross-functional capabilities, to better address customer demands – and to improve the reliability of supply. In addition to the Level Up program, a company-wide cost mitigation program was executed with good results.

PERSTORP BOOSTS ITS SAFETY PERFORMANCE

Perstorp's health and safety incident rate has been more than halved since 2017. As part of our Care 365 initiative, a new safety protocol for our manufacturing sites was developed with support from DuPont Sustainable Solutions. The aim was to establish a baseline for Perstorp's safety status and to develop efficient improvement strategies. The project also assessed the maturity of safety in various Perstorp functions, which led to detailed action plans.

GROWING OUR PORTFOLIO OF PRO-ENVIRONMENT SOLUTIONS

The Pro-Environment concept was expanded to include new product families and a new service offer to help customers to switch to products based on renewable raw materials. Three new polyol product families were added in 2019: Charmor™ Pro for intumescent coatings, Curalite™ Ox Pro for cationic UV curing and Holtac™ Pro for lead-free PVC. Significantly, sales of our Pro-Environment Solutions nearly quadrupled during the year.

POTENTIAL TO PRODUCE RECYCLED METHANOL

Perstorp began exploring the potential to produce recycled methanol at its facility in Stenungsund, Sweden. This ambitious feasibility study is part-funded by the Swedish Energy Agency. Methanol is one of Perstorp's major raw materials and is currently mainly produced from fossil fuels such as natural gas or coal. If successful, the project will significantly enhance Perstorp's contribution to sustainability.

CARE AS OUR FOURTH CORE VALUE

As part of our dedication to health and safety, we decided to introduce Care as a fourth core value alongside Responsibility, Reliability and Focused Innovation. Caring is not just about statistics, it is a fundamental belief and the basis of everything we do. We strongly believe that a caring company is a more successful and profitable company.

COLLABORATION FOR ANIMAL HEALTH

Perstorp teamed up with the company Evonik to research and develop new animal nutrition products. The collaboration combines Evonik's unique gut health simulation system and probiotics products, and Perstorp's ester technology platform for efficient and safe acid application. The collaboration is set up to deliver breakthrough innovation supporting the requirements for tomorrow's animal farming.

ESTABLISHING PRODUCTION IN INDIA

In November, Perstorp broke ground for our new Penta plant in Gujarat, India. The plant will secure the company's long-term presence in Asia. The state-of-the-art Gujarat site will produce renewable Penta (Voxtar™), that can reduce carbon emissions by up to 60 percent. Commercial production is planned to start in 2022.

RECENT PRODUCT LAUNCHES

Two new grades have been added to Perstorp's Ymer™ range. The new products present opportunities for new applications and are better for human health and the environment. Ymer can for instance be used to improve the surface feeling of leather, making it ideal for use in the synthetic leather industry where there is a strong trend away from the use of solvents.

In time for the winter season, Perstorp launched a new sustainable de-icer, Pergrip Run Pro, uniquely made using ISCC certified renewable raw materials.

Perstorp introduced an innovative renewable polyol ester (non-phthalate) plasticizer, Pevalen™ Pro. The renewable plasticizer will make flexible PVC an even more attractive choice of plastic, based on a significantly lower carbon footprint versus competing materials and technologies.

Risk management

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

MANAGING RISKS

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

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

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

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

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

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

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

STRATEGIC RISKS

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

OPERATIONAL RISKS

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

FINANCIAL RISKS

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

RISK EVALUATION

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

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

Strategic risks

Risks	Exposure	Activity
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

Risks	Exposure	Activity
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
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.
IT & cybersecurity	The risk of deficiency to or loss of availability, confidentiality and integrity of information assets caused by factors such as technical failures or deficiencies, environmental factors, unintentional activities performed by internal personnel due to lack of competence or awareness, or intentional actions caused by disgruntled employees or external individuals or organizations.	Perstorp has implemented both technical, administrative and organizational measures to prevent and remediate negative impact to the availability, confidentiality and integrity of the IT-environment. The measures are decided through risk assessments and mitigation is based on evaluation of functionality, security, complexity and compliance with rules and regulations set in relation to costs and benefits. Measures include technical measures, supporting processes, policies and guidelines combined with awareness training.

Financial risks

Risks	Exposure	Activity
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	During the first quarter 2019, Perstorp issued redemption notices for all outstanding bonds and notes issued by Prague CE S.A.R.L.. The redemption was 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. Perstorp also follows development of available funds through regular cash flow forecasts. Available funds at the end of 2019 were SEK 1,248 m.
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.

The environment

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

Sustainability

The Perstorp Group's statutory sustainability report for the fiscal year 2019, in accordance with the requirements of the Swedish Annual Accounts Act, is available on page 80–83 in this report. It includes our reporting on environmental issues, employee and social matters, human rights and anti-corruption. It has been approved by Perstorp Group's Board of Directors.

Innovation

During 2019 Perstorp continued it's 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 matches 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 have added value and stability over financial cycles. Fertilizers is the latest developments. Potassium formate as the Potassium source have many advantages 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, such as 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 customers 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. New leading competence was recruited to support our ambition to grow and develop animal nutrition.

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 have 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.

Synthetic lubricants is one of Perstorp's most important markets. A better understanding of the value chain from chemicals to end customer use has already been gained by building our capabilities in this area . Development of new products is ongoing.

Future development

Perstorp's financial accounts are based on the going concern principle. The management and the Board of Directors continuously monitor the going concern. This principle includes a number of estimates and judgments about the future. After the year end 2019 but before the release of this report the spread of the virus Covid-19 became classified as a pandemic by the World Health Organization and has since resulted in restrictions and actions from regional and local authorities within the different markets Perstorp are active in. As a consequence, the management has temporarily installed a Crisis Management Organization (CMO) to safeguard the health and safety of our employees, secure business contingency and strive to minimize the recovery and restoration phase of this situation as fast and agile as possible. The CMO consists of a number of workstreams who all report to a crisis management cockpit team. The cockpit reports directly, on a daily basis, to the CEO and the Executive Leadership Team (ELT) who takes decisions that are communicated clear and transparent within the organization. As of this date, the supply of raw material, production and delivery to the customer have worked well. Due to the high uncertainty, it is still too early to estimate the financial impacts on Perstorp from Covid-19. In order to be prepared for a slowdown in demand during the remainder of 2020, a number of mitigating actions have been initiated where the focus has been to secure a strong liquidity position.

Management are closely following and monitoring the development of Covid-19, the health and safety of our employees and the business contingency.

Proposed treatment of unappropriated earnings

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

	SEK
Retained earnings	4,918,976,622
Net result for the year	**-1,354,467,831**
be distributed as follows:	
To be retained in the business	3,564,508,791

OTHER

CONSOLIDATED YEAR-END ACCOUNTS

Net sales and earnings

CONTINUING OPERATIONS

Net sales for continuing operations during the period January to December amounted to SEK 11,641 (12,436), a decrease of SEK 795 m or 6%. Excluding currency effects, sales prices were 5% lower than last year mainly linked to raw material prices but also to some extent price competition in certain product lines.

Volumes decreased by 7% compared to the same period last year mainly resulting from softened demand, increased competition and production disturbances in 2019. Organic volume based sales growth was -3%.

The Swedish krona weakened against both the USD and the EUR during 2019 resulting in positive exchange rate effects on sales of approximately 4%.

EBITDA excluding non-recurring items amounted to SEK 1,554 m (1,814), corresponding to an EBITDA margin of 13.3% (14.6). The decrease in earnings compared to last year of SEK 260 m was attributable to lower volumes and unit margins for some product lines linked to softened demand, increased competition and production disturbances.

Depreciation and amortization amounted to SEK 538 m (511). The comparable numbers for 2018 includes an impairment of approximately SEK 57 m related to fixed assets in Perstorp Polialcoli S.r.l., Italy. EBIT amounted to SEK 889 m (1,185) for the period.

Net financial expenses, excluding currency effects on net debt, amounted to SEK 1,731 m compared to SEK 1,408 m for the corresponding period in 2018. The deviation was mainly impacted by the refinancing of the capital structure, which was completed during the first quarter 2019. The refinancing lowered the average interest rate from approximately 8% to 5%, which had full effect in the income statement from the second quarter 2019.

Tax amounted to SEK -222 m (730). In 2018, deferred tax assets was assigned to tax losses carry forward due to new tax rules in Sweden. This affected the result in 2018 positively with SEK 788 m, which has been utilized during 2019 with approximately SEK 147 m.

Net result for continuing operations amounted to SEK -1,268 m (45).

DISCONTINUING OPERATIONS

On December 10, 2018 Perstorp announced the agreement to sell its Caprolactone business. The net sales and earnings are reported as discontinued operations up until the transaction date. The transaction was closed on February 13, 2019. The net proceeds from the transaction was approximately EUR 579 m. The capital gain amounts to approximately SEK 4,6 billion and is reported as other income for 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. The net sales and earnings was reported as discontinued operations up until the transaction date in 2018.

Consolidated income statement

SEK m	Note	2019	2018
Continuing operations			
Net sales	**9**	**11,641**	**12,436**
Cost of goods sold	*6,7,8,21*	-9,810	-10,404
Gross earnings		**1,831**	**2,032**
Selling and marketing costs	*6,7,8*	-430	-429
Administrative costs	*6,7,8,33*	-332	-310
Research and development costs	*6,7,8*	-94	-99
Other operating income and expenses	*10,11*	-90	-12
Result from participations in associated companies	*12*	4	3
Operating earnings/loss (EBIT)	**10,23,27**	**889**	**1,185**
Net financial items	*22*	-1,935	-1,870
Earnings/loss before tax		**-1,046**	**-685**
Tax	*24*	-222	730
Net earnings/loss for the year		**-1,268**	**45**
Discontinued operation	*35*		
Net sales	*9*	113	2,446
Operating earnings/loss (EBIT)		4,757	385
Earnings/loss before tax		4,755	205
Tax	*24*	-12	-26
Net earnings/loss for the year		**4,743**	**179**
Group total			
Net sales		11,754	14,882
Operating earnings/loss (EBIT)		5,646	1,570
Earnings/loss before tax		3,709	-480
Tax		-234	704
Net earnings/loss for the year		**3,475**	**224**
of which, attributable to non controlling interest	*15*	26	39
Earnings/loss per share, SEK		69,49	4,47
Consolidated Group			
Operating earnings before depreciation (EBITDA)		**6,193**	**2,191**
EBITDA adjusted for non-recurring items		**1,635**	**2,324**

Consolidated statement of comprehensive income

SEK m	Note	2019	2018
Net result for the period		**3,475**	**224**
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plan	*23*	-44	–5
Items that may be subsequently reclassified to profit or loss			
Currency translation effects		10	–49
Other comprehensive income net after tax		**-34**	**–54**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,441**	**170**
Attributable to:			
Owners of the parent		3,414	124
Non controlling interests	*16*	27	46
Total		**3,441**	**170**

Financial position

Perstorps financial accounts are based on the going concern principle. The management and the Board of Directors continuously monitor the going concern. This principle includes a number of estimates and judgments about the future, please see note 4 for further information. The company performs an annual impairment test for goodwill as well as shares in Group companies. Assumptions are based on the business plan with a discount interest rate of 9.7-10.5 % after tax and a terminal growth rate of 2 %.

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, DNB, SEB, Standard Charted Bank and Nordea. The loan agreements includes a covenant, which is tested quarterly and it has not been breached.

FREE CASH FLOW

Free Cash flow for the full year 2019 amounted to SEK 1,081 (963) m. The improved free cash flow was mainly driven by release of working capital. Utilization of the factoring program as of December 31, 2019 amounted to EUR 77 m (114).

Free cash flow analysis

CONTINUING OPERATIONS
FULL YEAR

SEK m	2019	2018
EBITDA excluding non-recurring items	1,554	1,814
Change in Working Capital	142	-311
Maintenance capex	-296	-361
Free Cash flow before strategic capex	**1,400**	**1,142**
% EBITDA excluding non-recurring items	90	63
Strategic Capex	-319	-179
Free cash flow	**1,081**	**963**
% EBITDA excluding non-recurring items	70	53

AVAILABLE FUNDS & NET DEBT

The Group's available funds, liquid funds and unutilized credit facilities, were SEK 1,248 m at the end of 2019, compared with SEK 1,120 m at the end of 2018. Leverage was 5.5x (5.6x) at the end of 2019.

EQUITY

At the end of December 2019 equity for the parent company, Perstorp Holding AB, amounts to SEK 3,565 m (4,919). Consolidated equity, including non-controlling interest, for the Perstorp Group amounts to SEK 1,158 m (-2,250).

Consolidated balance sheet

SEK m	Note	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Non current assets			
Tangible fixed assets	*6*	4,767	4,502
Intangible fixed assets	*7*	4,382	4,381
Deferred tax assets	*24*	786	895
Participations in associated companies	*13*	75	72
Other participations	*14*	148	208
Direct pension, endowment insurance	*22,23*	151	110
Pension assets, other	*22,23*	21	–
Other interest-bearing, long-term receivables	*17,22*	1	1
Other interest-free, long term receivables	*17*	2	3
Total non current assets		**10,333**	**10,172**
Current assets			
Inventories	*21*	1,440	1,620
Accounts receivable	*19*	681	863
Operating receivables, associated companies		0	0
Tax receivable		50	55
Other operating receivables	*19*	340	288
Other current financial receivables	*22*	7	0
Cash & cash equivalents	*20*	453	565
Total		**2,971**	**3,391**
Assets held for sale	*35*	–	1,320
Total current assets		**2,971**	**4,711**
TOTAL ASSETS		**13,304**	**14,883**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (50 000 000 shares, par value of SEK 0.01 each)		0	0
Other capital contributions		6,609	6,609
Reserves		-594	-603
Retained earnings		-4,986	-8,384
Equity attributable to owners of the parent		**1,029**	**-2,378**
Non controlling interests	*16*	129	128
Total equity		**1,158**	**-2,250**
Non current liabilities			
Deferred tax liabilities	*24*	709	710
Direct pension	*23*	188	136
Pensions liability, others	*22,23*	488	403
Long-term interest-bearing liabilities [1)]	*22*	8,675	13,435
Long-term lease liabilities	*22*	51	–
Other liabilities, provisions	*25*	81	65
Total non current liabilities		**10,192**	**14,749**
Current liabilities			
Accounts payable	*26*	768	968
Tax liabilities		40	9
Other operating liabilities	*26*	1,045	1,073
Accrued interest expense		1	127
Short-term lease liabilities	*22*	50	–
Other financial liabilities	*22*	50	20
Liabilities held for sale	*35*	–	187
Total current liabilities		**1,954**	**2,384**
TOTAL EQUITY AND LIABILITIES		**13,304**	**14,883**

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -161 (-213) m.

Consolidated statement of changes in equity

SEK m	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY						
	Share capital	Other capital contribu-tions	Other reserves	Retained earnings	Total	Non controlling interest	Total equity
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**
Opening balance, January 1, 2019	**0**	**6,609**	**-603**	**-8,384**	**-2,378**	**128**	**-2,250**
Changes in accounting principles	–	–	–	-7	-7	–	-7
Adjusted opening balance, January 1, 2019	**0**	**6,609**	**-603**	**-8,391**	**-2,385**	**128**	**-2,257**
Net Result for the period	–	–	–	3,449	3,449	26	3,475
Other comprehensive income	–	–	9	-44	-35	1	-34
Transaction with owners, recognised directly in equity	–	–	–	–	–	-26	-26
Closing balance, December 31, 2019	**0**	**6,609**	**-594**	**-4,986**	**1,029**	**129**	**1,158**

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

Consolidated cash flow statement

SEK m	Note	2019	2018
Operating activities			
Operating earnings		889	1,185
Adjustments:			
Depreciation and write-down		538	511
Other		-155	-55
Operating activities in discontinued operations		78	509
Interest received and other financial items		6	7
Interest paid and other financial items		-1,394	-1,091
Income tax paid		-58	-90
Interest and taxes paid in discontinued operations		-6	-152
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL		**-102**	**824**
Change in working capital			
Increase (–) Decrease (+) in inventories		250	-377
Increase (–) Decrease (+) in current receivables [1]		111	-102
Increase (+) Decrease (–) in current liabilities		-219	168
Change in working capital in discontinued operations		-38	97
CASH FLOW FROM OPERATING ACTIVITIES		**2**	**610**
Investing activities			
Acquisition of net assets, subsidiaries		–	-28
Investment in other participations		-2	-3
Acquisition of tangible and intangible fixed assets		-615	-512
Sale of net assets, subsidiaries	*35*	6,057	28
Sales of shares in other participations		5	–
Sale of tangible and intangible fixed assets		–	1
Change in financial assets, external		0	0
Discontinuing operations		-7	-120
CASH FLOW FROM INVESTING ACTIVITIES		**5,438**	**-634**
Financing activities			
Dividend paid to non-controlling interests in subsidiaries		-54	-35
New loans external		8,800	–
Amortization of loans, external		-13,987	–
Change in credit utilization [2]		-320	-7
CASH FLOW FROM FINANCING ACTIVITIES		**-5,561**	**-42**
CHANGE IN CASH AND CASH EQUIVALENTS, INCL SHORT-TERM INVESTMENTS		**-121**	**-66**
Cash and cash equivalents in the operning balance, incl. short-term investments		565	621
Translation difference in cash and cash equivalents		9	10
CASH AND CASH EQUIVALENTS, END OF PERIOD	*20*	**453**	**565**

[1]) Including trade receivables financing program
[2]) Including payment of bank fees, SEK 183 (-) m relating to refinancing

THE PARENT COMPANY YEAR-END ACCOUNTS

Income statement, parent company

SEK m	Note	2019	2018
Net sales		**71**	**71**
Cost of goods sold		-1	–
Gross earnings		**70**	**71**
Administration costs		-180	–172
Other operating income and expenses	*11*	-16	–28
Operating earnings (EBIT)	**23, 27**	**-126**	**–129**
Group contribution received		37	4,260
Earnings from participations in Group companies [1]		–	1,100
Net financial items	*22*	-1,359	–1,238
Earnings /loss before tax		**-1,448**	**3,993**
Tax	*24*	94	84
NET EARNINGS/LOSS FOR THE YEAR [2]		**-1,354**	**4,077**

[1] Comprises of dividend from subsidiaries of SEK 0 (1,100) m.
[2] Comprehensive income equals Net earnings/loss for the year.

Balance sheet, parent company

SEK m	Note	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Non current assets			
Tangible fixed assets	*6*	0	1
Intangible fixed assets	*7*	1	1
Deferred tax assets	*24*	178	84
Shares in Group companies	*18*	7,731	7,731
Long-term receivables, Group companies	*22*	5,503	9,878
Other participations	*14*	148	206
Direct pension, endowment insurance		148	104
Total non-current assets		**13,709**	**18,005**
Current assets			
Operating receivables, Group companies		11	10
Tax receivables		5	4
Other operating receivables	*19*	15	10
Financial receivables, Group companies	*22*	124	1,649
Total		**155**	**1,673**
Cash and cash equivalents	*20*	0	23
Total current assets		**155**	**1,696**
TOTAL ASSETS		**13,864**	**19,701**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (50 000 000 shares, par value of SEK 0.01 each)		0	0
Retained earnings		4,919	842
Net earnings/loss for the year		-1,354	4 077
Total shareholders´equity		**3,565**	**4 919**
Non current liabilities			
Direct pension		184	129
Long-term interest bearing liabilities [1)]	*22*	8,676	13,235
Total non current liabilities		**8,860**	**13,364**
Current liabilities			
Accounts payable	*26*	10	13
Other operating liabilities, Group companies			1
Other operating liabilities	*26*	1	51
Accrued interest expense		41	126
Financial liabilities, Group companies	*22*	1,350	1,227
Short-term interest bearing liabilities	*22*	36	–
Total current liabilities		**1,439**	**1,418**
TOTAL EQUITY AND LIABILITIES		**13,864**	**19,701**

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -161 (-213) m.

Cash flow statement, parent company

SEK m	Note	2019	2018
Operating activities			
Operating earnings		-126	-129
Interest received		628	734
Interest paid		-1,447	-1,211
Dividend from Group company		–	1,100
Group contribution received		4,260	182
Income tax, paid		–	–
Adjustment, depreciation		1	2
Adjustment, change in provisions		11	-1
Cash flow from operating activities before change in working capital		**3,327**	**677**
Change in working capital			
Increase (–) Decrease (+) in current receivables		-7	0
Increase (+) Decrease (–) in current liabilities		-11	-27
Cash flow from operating activities		**3,309**	**650**
Investing activities			
Sale of financial fixed assets		–	–
Changes in financial receivables, Group companies		126	-627
Acquisition of tangible assets		–	–
Cash flow from investing activities		**126**	**-627**
Financing activities			
New loans external		8,900	–
Amortization of loans, external		-13,986	–
New loans to Group companies		-4,072	–
Amortizations of loans, from Group companies		5,883	–
Change in credit utilization [1]		-183	–
Cash flow from financing activities		**-3,458**	**–**
Change in liquid funds, incl. short-term investments		-23	23
Liquid funds opening balance, incl. short term investments		23	0
Liquid funds, end of period		**0**	**23**

[1] Including payment of bank fees SEK 183 (-) 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, 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**
Opening balance shareholders´equity, January 1, 2019	0	842	4,077	4,919
Transfer of preceding year´s results	–	4,077	-4,077	0
Net earnings/loss for the year	–	–	-1,354	-1,354
Closing balance shareholders´equity, December 31, 2019	**0**	**4,919**	**-1,354**	**3,565**

Notes definitions

CAPITAL RATIOS

Average capital
Based on monthly balances during the year.

Capital employed
Total assets less interest-free liabilities.

Marginal contribution
Is the difference between net sales and the variable elements of the Group's cost of goods sold, being variable production and distribution cost, freight and commission costs.

Organic volume-based sales growth
is change in organic production volume sold (i.e., sold production volume times product price) between successive periods assuming a constant price over the relevant period and excluding foreign exchange effects and the impact of acquisitions.

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

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

EBIT
Calculated as the Group's reported operating earnings.

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

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

Available funds
The sum of liquid funds and unutilized credit facilities.

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

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

Continuing operations
Excludes the divested units Perstorp UK Ltd, Perstorp Bioproducts AB and Perstorp Bioproducts AS.

Notes

NOTE 1. GENERAL INFORMATION

Perstorp is an international specialty chemicals Group and a global leader in high growth niches. The Group has around 1,350 employees and manufacturing facilities in Europe, North America and Asia. The Perstorp Group is controlled by the European private equity company PAI Partners.

The Group was formed at the end of 2005. PAI partners control the Group through Luxembourg-based Financière Forêt S.à r.l., corp. reg. no. R.C.S. Luxembourg: B 111,888, which owns 100 % of Perstorp Holding AB. The Parent Company, Perstorp Holding AB (Publ.), 556667-4205, is a limited liability company that is registered office in Perstorp, Sweden. The address to the head office is Neptunigatan 1, 201 25 Malmö, Sweden.

The Board approved this report, for publication on April 3, 2020.

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 7, 2020.

NOTE 2. SUMMARY OF MAJOR ACCOUNTING PRINCIPLES

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

2.1 BASIS OF PREPARATIONS

Group

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

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

Parent Company

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

Subsidiaries

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

Group contribution & shareholders' contribution

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

Pensions

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

Changes in accounting policies

As of January 1, 2019, the following new or amended standards and interpretations became applicable:

IFRS 16 Leases

IFRS 16 Leases came into effect on 1 January 2019. This Standard regulates the recognition of leases and replaces IAS 17 "Leases" and the associated IFRIC 4, SIC-15 and SIC-27 interpretation statements. IFRS 16 Leases regulates the recognition of leases and 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.

Perstorp had over 200 lease agreements at January 1, 2019. The leases consist mainly of property leases, machinery and vehicles. Perstorp Group has applied the new standard using the modified retrospective approach, which means that comparative figures have not been restated. The cumulative effect of applying IFRS 16 has been recognized on January 1, 2019. The lease liabilities attributable to leases which have previously been classified as operating leases under IAS 17 have been measured at the present value of the remaining lease payments, discounted using the weighted incremental borrowing rate as of January 1, 2019. For essentially all its leases, Perstorp Group has decided to measure the opening balance of the right-of-use assets as if IFRS 16 has been applied since the commencement date but discounted using the incremental borrowing rate at the 1st January 2019. For portfolios including leases with reasonably similar characteristics, the same discount rate has been used for all leases included in a portfolio. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9.7%.

Lease agreements shorter than 12 months or which expire within 12 months of the transition date are classified as short-term contracts and are not included in the reported lease liabilities or right-of-use assets. Furthermore, the Group has chosen not to report lease agreements for which the underlying asset has a low value (assets of a value in new condition below about SEK 50,000) as a right-of-use and lease liability respectively. Payments for leases of short term or low value are recognized on a straight-line basis as an expense in profit or loss.

Initial direct costs have been excluded from the measurement of the right-of-use assets at the date of initial application. Hindsight has 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 has been able to solely use information that existed at around the implementation when it comes to determining the lease term.

For further information and the effect of the initial application of IFRS 16 as of January 1, 2019, see note 8.

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 significant influence, which generally applies to shareholdings corresponding to 20 to 50 % of the voting rights.

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

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

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

Non-controlling interest

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

2.3 CURRENCY TRANSLATION

Functional currency & reporting currency

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

Transactions & balance sheet items

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

Group companies

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

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

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

2.4 REVENUE RECOGNITION

Sales of goods

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

Identify contracts with customers

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

Identify the separate performance obligation

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

Determine the transaction price of the contract

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

Allocate the transaction price to each of the separate performance obligations

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

Recognise the revenue as each performance obligation is satisfied

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

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

Interest income

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

Received dividends

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

2.5 INCOME TAXES

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

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

Deferred tax is calculated in accordance with the balance sheet method on the basis of all material temporary differences between the book values and taxable values of assets and liabilities. Deferred tax assets pertaining to unutilized tax loss carry-forwards are only reported when it is likely that it will be possible to realize the loss carry-forwards within the foreseeable future. Deferred tax assets/liabilities are offset when there is a legal right to offset the asset or liability in question and when deferred tax assets/liabilities relate to taxes debited by the same tax authority. In this context there shall also be an intention to settle the item through a new payment.

2.6 INTANGIBLE FIXED ASSETS

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

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

For the Group, assets with an indeterminate life length within this category refer to the trademark Perstorp, which in connection with the allocation of acquisition values in 2006, were judged to have an unlimited life, based on the company's 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. The acquisition value has a linear depreciation in order to divide the cost over the lifespan of the relations which is expected to be 30 years and 10 years respectively. Annual testing of impairment requirements is performed through the analysis of future value generation in respect of sales to core customers, adjusted for the values already recognized in the form of trademarks and technological know-how.

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

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

2.7 TANGIBLE FIXED ASSETS

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

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

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

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

Land and construction in progress are not depreciated.

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

2.8 LEASING

Leasing – from 2019

The Group mainly leases property leases, machinery and vehicles.

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

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

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

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

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

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

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

Options to extend or terminate leases

Options to extend or terminate leases are included in the Group's lease contracts for offices. These terms are used to maximize operational flexibility in terms of managing contracts. Options to extend or terminate leases are included in the asset and the liability where it is reasonably certain they will be exercised. In the majority of the non-cancellable lease contracts for offices, the period has been set as the lease term. For the leases ending in 2019 it has been assessed that these contracts will with reasonable certainty be extended with one period.

Leasing – Parent Company

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

Leasing – 2018

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. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. All financial derivatives are measured at fair value. The purchase and sale of financial assets is recognized on the transaction date, which is the date the Group undertakes to purchase or sell the asset.

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

Classification of financial instruments – financial assets

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

Instruments are classified at:
- amortized cost
- fair value through other comprehensive income, or
- fair value through profit and loss

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

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

Derivatives: classified at fair value through profit and loss.

Other participations

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

Classification of financial instruments – financial liabilities

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

Derivatives: classified at fair value through profit and loss.

Loss allowance for expected credit losses

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

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

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

Calculation of fair value

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

Receivables and liabilities in foreign currencies

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

Offsetting of financial instruments

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

Cash & cash equivalents

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

Borrowings

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

Borrowing costs

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

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

2.10 IMPAIRMENT

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

2.11 INVENTORIES

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

2.12 EMPLOYEE BENEFITS

Pensions

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

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

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

Remuneration for redundancy

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

Other remuneration & bonus plans

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

2.13 PROVISIONS

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

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

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

2.15 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 3. RISK MANAGEMENT

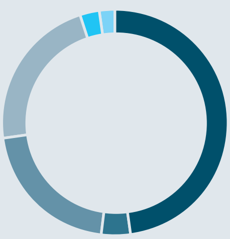
3.1 FINANCIAL RISK FACTORS

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, %



- 48 % EU
- 4 % Europe (not EU)
- 21 % NAFTA
- 22 % Asia
- 3 % South & Latin America
- 2 % Africa
- 0 % Oceania

SWAPS

SEK m	Market value	Nominal amount
Internal lending		
EUR	0	-95
JPY	2	-49
Liquidity purposes		
EUR	0	-532
USD	3	381

EXPOSURE PER CURRENCY, FORECAST FOR 2020[1)]

	Net sales	Operating costs	EBITDA	Financial payments	Net	Translated to SEK m[2)]
USD	405	–311	94	–26	68	634
EUR	568	–389	179	–30	149	1,559

[1)] Forward-looking statements are not guarantees of future performance.
[2)] 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	772	-5,249	-4,477
USD	-1,608	-3,523	-5,131
GBP	5	–	5
SEK	1,297	8,772	10,069
Other currencies	563	–	563
Total	**1,029**	**0**	**1,029**

At the end of 2019 there was positive exposure in SEK concerning net assets per currency. This is because a large part of the intangible assets that existed when PAI partners acquired Perstorp was in SEK. Exposure of net assets in EUR and USD are correspondingly negative because the Group has raised loans in both those currencies to a greater extent than that which corresponds to assets. The translation affect if SEK is changing by 1% against the USD/EUR, will be approximately SEK 88 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 2019	0–1 years	1–2 years	2–5 years	> 5 years
Borrowings				
Amortization	-17	-36	-108	-8,692
Interest	-509	-505	-1,501	-576
Derivative instruments				
Interest swaps	–	–	–	–
Currency swaps outgoing	-676	–	–	–
Currency swaps ingoing	381	–	–	–
Currency swaps net amount	**-295**	**–**	**–**	**–**
Accounts Payable & Other Liabilities	-1,726	–	–	–

Financing risk

Financing risk refers to the risk that refinancing of due loans becomes more difficult or expensive. During the first quarter 2019, Perstorp issued redemption notices for all outstanding bonds and notes issued by Prague CE S.A.R.L.. The redemption was 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.

The Group's new financing consists of Institutional Term Loans and a Revolving Credit Facility with maturities in 2026 and 2025 respectively. The maturity structure is presented in note 22b. Loan agreements are linked to a Financial Covenant that include net debt in relation to EBITDA.

INTEREST-RATE RISK

Interest risk refers to the risk of a negative impact on earnings due to a rise in market interest rates. Note 22, table C, shows the interest rate and fixed period per currency as per December 31, 2019. All external financing, are issued with floating interest rate. Financing is issued with a base rate floor that is higher than the current EUR base rate level. The current market situation with negative EUR base rates therefore gives a lower sensitivity to changes in interest rates.

COUNTERPARTY RISK/CUSTOMER SENSITIVITY

Counterparty risk relates to the credit risk that may arise when a counterpart cannot fulfil its commitments and thus causes a financial loss to the Group. Limits for financial counterparts are regulated in the Group's treasury policy and stipulates that bilateral credit facilities shall be provided by financial institutions with a minimum A3 rating from Moody's or A- from Standard & Poor's which is regularly monitored. For financial counterparts, the exposure at year-end, defined here as unrealized gains for short term currency swaps amounts to SEK 6 m.

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

The Group's outstanding customer receivables on the closing date amounted to SEK 681 (863) 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 8 (10) m. Accounts receivable 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.

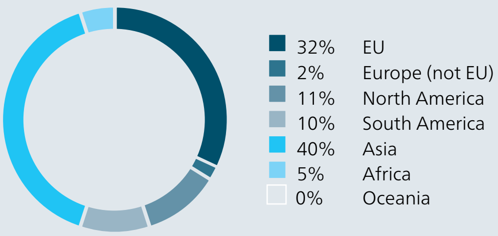
To highlight the credit quality of receivables that has either fallen due for payment or have been written down, a maturity analysis is presented below (see note 19) for a maturity analysis of all accounts receivable. The book value of accounts receivable is equal to the fair value since the effect of 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.

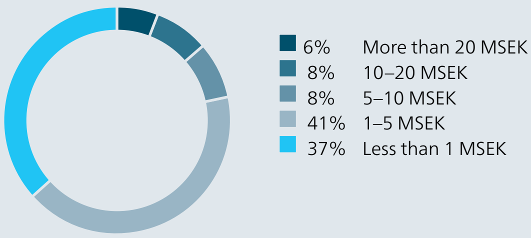
The distribution of customers based on the size of accounts receivable at the end of the period is presented in diagram below. The segment with amounts exceeding SEK 20 m refers to 1 (1) individual customers, the segment between SEK 10-20 m refers to 4 (3) individual customers. The category of customers owing the Group less than SEK 1 m on the closing date corresponds to around 90 (89)% of all counter parties.

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 6 (5) m. Of these, SEK 1 (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, %



Dec 31, 2019	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	1.9	8.0	16.0	32.0	38.4	1.2
Gross carrying amount – accounts receivable	617	60	7	3	-2	5	690
Loss Allowance	-1	-1	-1	-1	0	-5	-9
Carrying value	616	59	6	2	-2	0	681

Dec 31, 2019	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

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 is presented above.

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.

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 2019 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 Holland. For booked values see Note 24.

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

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

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

NOTE 5. SEGMENT INFORMATION

During the first quarter Perstorp announced a new organization with 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, BU Formates and Business Development
- BA Advanced Chemicals: BU Oxo and BU Plasticizers
- BA Animal Nutrition: Feed Additives and Acids and Salts

The historical numbers has been restated according to the new organization.

On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th 2019. At year end 2018 the assets and liabilities was classified as assets and liabilities held for sale in the balance sheet. In the income statement this is classified as discontinued operations.

SEK m	2019	2018
Net Sales		
Specialty Polyols and Solutions	6,435	7,008
Advanced Chemicals	3,837	4,072
Animal Nutrition	1,221	1,236
Internal sales		
Specialty Polyols and Solutions	-4	-88
Advanced Chemicals	-519	-618
Animal Nutrition	-13	-19
Other/eliminations	684	845
Continuing operations	**11,641**	**12,436**
Divested units	155	2,960
Eliminations	-42	-514
Discontinued operations	**113**	**2,446**
Total Group	**11,754**	**14,882**
EBITDA		
Specialty Polyols and Solutions	1,012	1,151
Advanced Chemicals	524	481
Animal Nutrition	186	240
Other/eliminations	-295	-176
Continuing operations	**1,427**	**1,696**
Discontinued operations	4,766	495
Total Group	**6,193**	**2,191**
Non allocated items		
Depreciation, Amortization and write down	-547	-621
Operating earnings (EBIT)	**5,646**	**1,570**
Financial income and expenses	-1,937	-2,050
Earnings/loss before tax	**3,709**	**-480**
Tax	-234	704
Net result	**3,475**	**224**
EBITDA excluding non-recurring items		
Specialty Polyols and Solutions	1,029	1,165
Advanced Chemicals	524	484
Animal Nutrition	186	241
Other/eliminations	-185	-76
Continuing operations	**1,554**	**1,814**
Discontinued operations	81	510
Total Group	**1,635**	**2,324**

The group is domiciled in Sweden. The result of its revenue from external customers in Sweden is 5% (3), and the total of revenue from external customers from other countries is 95% (97).

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

ASSETS AND LIABILITIES BY OPERATING SEGMENT, TOTAL GROUP

	Specialty Polyols & Solutions		Advanced Chemicals		Animal Nutrition		Other		Total Group	
	2019	2018[1]	2019	2018	2019	2018	2019	2018	2019	2018
Goodwill	762	737	858	854	212	211	–	–	1,832	1,802
Other intangible assets	1,247	1,273	1,091	1,092	212	214	–	–	2,550	2,579
Tangible assets	2,173	1,885	1,900	1,984	174	151	520	494	4,767	4,514
Shares in associated comp	–	–	75	72	–	–	–	–	75	72
Working capital, net	650	663	21	-87	-11	48	19	27	679	651
Deferred tax liabilities	-299	-350	-278	-280	-82	-70	–	–	-659	-700
Operating Capital	**4,533**	**4,208**	**3,667**	**3,635**	**505**	**554**	**539**	**521**	**9,244**	**8,918**

[1] Excludes assets and liabilities held for sale.

NOTE 6. TANGIBLE FIXED ASSETS [1,2]

Group	Land		Buildings & land improvments		Plant & machinery		Equipment, tools, fixtures & fittings		Work in progress incl. advance payments		Right of use assets		Total	
SEK m	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Acquisition value														
Opening balance	206	186	1,402	1,453	7,140	7,833	466	335	420	399	–	–	9,634	10,206
Change in accounting principles (IFRS16)	–	–	–	–	–	–	–	–	–	–	101	–	101	–
Investments	1	26	5	5	11	42	3	108	498	396	54	–	572	577
Divestments of subsidiary	-1	–	-2	-23	-44	-79	–	–	-15	-4	-16	–	-78	-106
Divestments and disposals	–	–	–	–	-21	-7	-1	-1	–	-1	-4	–	-26	-9
Reclassifications	–	–	59	10	250	192	45	13	-360	-199	–	–	-6	16
Translation effects	4	7	10	19	68	147	4	11	9	4	-1	–	94	188
Assets held for sale	–	-13	–	-62	–	-988	–	–	–	-175	–	–	–	-1,238
Closing balance	**210**	**206**	**1,474**	**1,402**	**7,404**	**7,140**	**517**	**466**	**552**	**420**	**134**	**–**	**10,291**	**9,634**
Accumulated depreciation according to plan														
Opening balance	0	0	-596	-559	-4,033	-4,189	-288	-265	–	–	–	–	-4,917	-5,013
Depreciation	–	–	-53	-54	-258	-332	-50	-15	–	–	-39	–	-400	-401
Divestments of subsidiary	–	–	1	2	28	21	–	–	–	–	–	–	29	23
Divestments and disposals	–	–	–	–	16	4	1	–	–	–	2	–	19	4
Reclassifications	–	–	1	–	4	–	-1	2	–	–	–	–	4	2
Translation effects	0	0	-5	-8	-25	-81	-3	-10	–	–	–	–	-33	-99
Assets held for sale	–	–	–	23	–	544	–	–	–	–	–	–	–	567
Closing balance	**0**	**0**	**-652**	**-596**	**-4,268**	**-4,033**	**-341**	**-288**	**–**	**–**	**-37**	**–**	**-5,298**	**-4,917**
Write-downs														
Opening balance	-8	-7	-19	-19	-182	-180	-2	-2	-4	-4	–	–	-215	-212
Reversal of previous year	–	–	–	–	–	–	–	3	–	–	–	–	–	3
Write-downs during the year	–	–	–	–	–	–55	–	–	-11	–	–	–	-11	-55
Divestments of subsidiary	–	–	–	–	–	55	–	–	–	–	–	–	–	55
Reclassifications	–	–	–	–	–	–	–	–3	–	–	–	–	–	-3
Translation effects	–	-1	0	0	–	-2	–	–	–	–	–	–	–	-3
Closing balance	**-8**	**-8**	**-19**	**-19**	**-182**	**-182**	**-2**	**-2**	**-15**	**-4**	**–**	**–**	**-226**	**-215**
Closing book value	**202**	**198**	**803**	**787**	**2,954**	**2,925**	**174**	**176**	**537**	**416**	**97**	**–**	**4,767**	**4,502**

[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 59 (1,593) m are used as collateral for bank loans, whereof – (670) m relates to assets held for sale.

Depreciation per function	2019	2018
Cost of goods sold	367	331
Selling Cost	13	1
Administration	10	3
R & D	5	3
Continuing operations	**395**	**338**
Discontinued operations	5	63
Total	**400**	**401**

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

Parent company	Tangible fixed assets	
	2019	2018
Opening balance	1	2
Investments	0	–
Depreciation	-1	-1
Closing balance	**0**	**1**

NOTE 7. INTANGIBLE FIXED ASSETS

Group	Goodwill		Trademarks		Patents, licenses & similar rights		Know-how		Customer relations		Development costs		Reach		Other [1]		Total	
SEK m	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Acquisition value																		
Opening 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
Investments	–	–	–	–	–	–	–	–	20	–	25	5	15	6	34	35	94	46
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0
Divestment of subsidiary	-13	–	–	–	–	-6	–	–	-13	-488	–	–	-1	-4	-17	-2	-44	-500
Divestments and disposals	–	–	–	–	–	–	–	–	–	2	–	–	–	–	–	–	–	2
Reclassifications	–	-2	–	–	6	-6	–	–	–	–	54	–	1	–	-54	-5	7	-13
Translation effects	43	79	–	–	–	–	1	3	23	30	–	–	1	–	17	5	85	117
Assets held for sale	–	-297	–	-179	–	-179	–	–	–	-290	–	–	–	-10	–	-252	–	-1,207
Closing balance	**2,294**	**2,264**	**1,184**	**1,184**	**22**	**16**	**1,220**	**1,219**	**838**	**808**	**313**	**234**	**73**	**57**	**73**	**93**	**6,017**	**5,875**
Accumulated depreciation according to plan																		
Opening balance	0	0	-5	-94	-13	-139	-541	-500	-338	–911	-98	-73	-15	-14	-7	-252	-1,017	-1,983
Depreciation	–	–	-1	-9	-2	-13	-39	-39	-54	-73	-30	-25	-3	-3	-1	-1	-130	-163
Divestment of subsidiary	–	–	1	–	1	2	–	–	15	359	–	–	–	–	16	–	33	361
Divestments and disposals	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0
Reclassifications	–	–	–	–	-6	6	–	–	–	14	–	–	-1	–	–	–	-7	20
Translation effects	–	–	–	–	–	1	-1	-2	-17	-15	–	–	–	–	-16	-6	-34	-22
Assets held for sale	–	–	–	98	–	130	–	–	–	288	–	–	–	2	–	252	–	770
Closing balance	**0**	**0**	**-5**	**-5**	**-20**	**-13**	**-581**	**-541**	**-394**	**-338**	**-128**	**-98**	**-19**	**-15**	**-8**	**-7**	**-1,155**	**-1,017**
Write-downs																		
Opening balance	-462	-462	0	0	0	-4	-14	-13	0	-130	0	0	-1	-1	0	-2	-477	-612
Write-downs during the year	–	–	–	–	–	–	–	–	–	–	-3	–	–	–	–	–	-3	0
Divestment of subsidiary	–	–	–	–	–	–	–	–	–	130	–	–	–	–	–	2	–	132
Divestments and disposals	–	–	–	–	–	4	–	–	–	–	–	–	–	–	–	–	–	4
Reclassification	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0
Translation effects	–	–	–	–	–	–	–	-1	–	–	–	–	–	–	–	–	–	-1
Closing balance	**-462**	**-462**	**0**	**0**	**0**	**0**	**-14**	**-14**	**0**	**0**	**-3**	**0**	**-1**	**-1**	**0**	**0**	**-480**	**-477**
Closing book value	**1,832**	**1,802**	**1,179**	**1,179**	**2**	**3**	**625**	**664**	**444**	**470**	**182**	**136**	**53**	**41**	**65**	**86**	**4,382**	**4,381**

[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	2019	2018
Cost of goods sold	55	53
Selling Cost	56	51
R & D	0	0
Administration	16	12
Continuing operations	**127**	**116**
Discontinued operations	4	47
Total	**131**	**163**

Know-how and customer relations are depreciated linearly. The remaining average life length is 16 (17) 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). During the first quarter 2019, Perstorp announced a new organization with three new Business Areas, which also are defined as CGU:s, Specialty Polyols & Solutions, Advanced Chemicals and Animal Nutrition.

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 9.7% (10.5) after tax was applied to CGU Specialty Polyols & Solutions and Advanced Chemicals, while 10.5% (11.0) after tax was applied to CGU Animal Nutrition.

The impairment test supports the book values .

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. A summary of the allocation per cash-generating unit, for goodwill and trademarks, is presented below.

2019 (SEK m)	Goodwill	Trademarks	Total
Specialty Polyols & Solutions	762	495	1,257
Advanced Chemicals	858	568	1,426
Animal Nutrition	212	116	328
Total	**1,832**	**1,179**	**3,011**

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**

PARENT COMPANY

	Other	
Acquisition value	2019	2018
Opening balance	1	2
Investments	–	–
Depreciation	0	-1
Closing balance	**1**	**1**

NOTE 8. LEASING

OPENING BALANCE SHEET IMPACT OF IFRS16

SEK m	IFRS16 adjustments
Right-of-use assets	101
Deferred tax assets	2
Lease liabilities	110
Equity	-7

The difference between Perstorp future minimum leasing fees under operating lease agreements in accordance with IAS 17 and the lease liability which was recognized as of January 1, 2019, in accordance with IFRS 16 was as follows :

SEK m	Movement
Minimum lease payments for operating leases, IAS17	80
Discontinued operations reassessed as lease contracts	15
Continuing operations reassessed as lease contracts	35
Low value leases and short term leases recognized as expenses	-10
Other changes	-10
Lease liabilities recognized at January 1, 2019	**110**

RIGHT-OF-USE-ASSETS

GROUP Acquisition	Buildings	Vehicles	Machi-nery	Other	Total
Adjusted opening balance due to IFRS16, 1 January 2019	42	19	23	17	101
Additions	11	11	30	2	54
Discontinued operation	0	-1	0	-15	-16
Terminations	-1	-3	0	0	-4
Translation difference	0	-1	-1	1	-1
Closing balance	**52**	**25**	**52**	**5**	**134**
Accumulated depreciations					
Terminations	1	1	0	0	2
Depreciations for the year	-18	-9	-10	-2	-39
Translation differences	-1	0	0	1	0
Closing balance	**-18**	**-8**	**-10**	**-1**	**-37**
Net carrying value	**34**	**17**	**42**	**4**	**97**

AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

Group	2019
Depreciations for the year	-39
Interest expenses related to lease liabilities	-8
Expenses for low value assets	-18
Expenses for short-term leases	-5
Total amounts recognized in income statement	**-70**
Total cashflow for leases during the year	**-70**

LEASE LIABILITIES BY MATURITY

Group	2019
Due:	
0-1 year	53
1-2 year	26
2-5 year	28
>5 years	0
Total	**107**

OPERATING LEASES WITH PERSTORP AS LESSEE ACCORDING TO IAS17

Future mimimum leasing fees	2018
Due:	
Year 1	31
Year 2-5	42
Year 6-	4
Total continuing operations	**77**
Discontinued operations	3
Total	**80**

NOTE 9. NET SALES

SEK m	Group	
Net sales by type of income	**2019**	**2018**
Goods	11,470	12,289
Services	171	147
Total continuing operations	**11,641**	**12,436**
Discontinued operations	113	2,446
Total	**11,754**	**14,882**

SEK m	Group	
Net sales by geographic region	**2019**	**2018**
EU and rest of Europe	6,061	6,754
North and South America	2,852	2,805
Asia	2,548	2,662
Africa	159	188
Oceania	21	27
Total continuing operations	**11,641**	**12,436**
Discontinued operations	113	2,446
Total	**11,754**	**14,882**

The Parent Company did not report any net external sales in 2019 or 2018.

NOTE 10. BREAKDOWN OF COSTS

SEK m	Group	
Costs divided by type	**2019**	**2018**
Raw materials, goods for sale, energy, transport and packaging costs	-8,194	-8,829
Other external costs	-643	-644
Employee remunerations (note 27)	-1,307	-1,315
Depreciation (note 6 and 7)	-522	-454
Other operating income & expenses (note 11)	-90	-12
Earnings from participations in associated companies	4	3
Total continuing operation	**-10,752**	**-11,251**
Discontinued operations	4,644	-2,061
Total	**-6,108**	**-13,312**

NOTE 11. OTHER OPERATING INCOME & COSTS

	Group		Parent company	
SEK m	**2019**	**2018**	**2019**	**2018**
Insurance remuneration	5	20	–	–
Operations-related exchange rate differences	4	26	–	–
Restructuring costs	-60	-34	-1	–
Write downs, disposal (note 6,7)	-16	-57	–	–
Other	-23	33	-15	-28
Total continuing operations	**-90**	**-12**	**-16**	**-28**
Discontinued operations	4,672	-104	–	–
Total	**4,582**	**-116**	**-16**	**-28**

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

SEK m	2019	2018
PetroPort Holding AB, Sweden	4	3
Total	**4**	**3**

The companies´sales amounted to a total of SEK 83 (84) m in 2019 and earnings after tax was SEK 8 (7) 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	75	75
Total		**75**	**75**

SEK m	2019	2018
Opening book value	72	68
Earnings from participations	4	3
Rounding	-1	1
Closing book value	**75**	**72**

The assets of associated companies amounted to SEK 265 (271) m at the end of 2019 and liabilities amounted to SEK 115 (127) m.

NOTE 14. OTHER PARTICIPATIONS

	Group		Parent company	
SEK m	Book value Dec. 31, 2019	Book value Dec. 31, 2018	Book value Dec. 31, 2019	Book value Dec. 31, 2018
Opening book value	208	247	206	247
New shares	2	3	–	–
Sale of shares	-5	–	–	–
Revaluation	-57	-42	-58	-41
Closing book value	**148**	**208**	**148**	**206**

Other participations consists of Parent Company shareholding in Vencorex Holding France SAS 9.2 (9.2) %. In 2019 the holdings in Adesso BioProducts AB were divested.

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

SEK m	2019	2018
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	26	40
Elogio AM B.V.	0	-1
Total	**26**	**39**

NOTE 16. NON CONTROLLING INTERESTS

SEK m	Book value Dec. 31, 2019	Book value Dec. 31, 2018
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	129	127
Elogio AM B.V.	–	1
Total	**129**	**128**

SEK m	2019	2018
Opening book value	128	144
Translation effects	1	7
Change in the period	26	39
Contribution from non controlling interests	–	2
Dividend	-25	-64
Divestment of non controlling interest	-1	–
Closing book value	**129**	**128**

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 0 (51) %.

NOTE 17. OTHER LONG-TERM RECEIVABLES

SEK m	Dec 31, 2019	Dec 31, 2018
Interest-bearing long-term receivables		
Other receivables	1	1
Total	**1**	**1**
Interest-free long-term receivables		
Other receivables	2	3
Total	**2**	**3**

NOTE 18. PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2019 Holding, %	2018 Holding, %	2019 Book value	2018 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 SA	442650768 R.C.S. Nanterre	France				
Perstorp SpA	171 467	Italy				
Perstorp Japan Co Ltd	9-0100-0105-3962	Japan				
Perstorp (Shanghai) Chemical Trading Co.,Ltd	91310000681008322R	China				
Shandong Fufeng Perstorp Chemical Co. Ltd	782323786	China				
Perstorp Chemicals Asia PTE Ltd	199905508W	Singapore				
Perstorp Iberica SL	B65592503	Spain				
Perstorp UK Ltd [1)]	02715398	UK				
Elogio AM B.V. [1)]	72069813	Netherlands				
Perstorp Services UK Ltd	11632438	UK				
Perstorp Fastighets AB	556571-3798	Sweden				
Perstorp Oxo AB	556041-0895	Sweden				
Perstorp Formulas AB	559178-6297	Sweden				
Perstorp Specialty Chemicals AB	556247-6290	Sweden				
Perstorp Specialty Fluids AB	559160-9309	Sweden				
Perstorp Holding (U.S.) Inc.	26-3020217, Delaware	USA				
Perstorp Polyols Inc.	34-1386676, Delaware	USA				
Perstorp Industries India Private Ltd	U24299MH2017FTC294152	India				
Perstorp Equipment S.r.l.	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 Holding GmbH	**HRB 7465, Arnsberg**	**Arnsberg, Germany**	**6%**	**6%**	**19**	**19**
Perstorp Chemicals GmbH	HRB 1900, Arnsberg	Germany				
Perstorp Service GmbH	HRB 6542, Arnsberg	Germany				
Total book value in Parent Company					**7,731**	**7,731**

[1)] Company was sold during 2019.

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 ownership is 0 (51) %.

SEK m	2019	2018
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

SEK m	Dec. 31, 2019	Dec. 31, 2018
Accounts receivable, gross	690	873
Bad debt provision	-9	-10
Accounts receivable, net	**681**	**863**
Other operating receivables		
Value added tax	50	46
Emissions credits	58	30
Receivables from suppliers	26	24
Other current receivables	95	76
Prepaid insurance premiums	10	10
Other prepaid costs and deferred income	101	102
Total other operating receivables	**340**	**288**

The parent company other recievables totaling SEK 15 (10) m, and accounts receivables amounting to SEK 0 (0).

Analysis of accounts receivable	Dec. 31, 2019	Dec. 31, 2018
Not due	617	824
Due:		
1-10 days	38	29
11-30 days	22	17
31-60 days	7	10
61-90 days	3	0
91-180 days	-2	2
180 days or more	5	-9
Accounts receivable, gross	**690**	**873**
Reservation for bad debts	-9	-10
Accounts receivable, net	**681**	**863**
Proportion of accounts receivable due	10.6%	5.6%
Proportion of accounts receivable due over 60 days	0.9%	-0.8%
Reservation in relation to total accounts receivable	1.3%	1.1%

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

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

Allocation for bad debts	2019	2018
Allocation, opening balance	-10	-9
Recovered predicted customer losses	–	1
Established customer losses	0	3
Reservation for predicted customer losses	-1	–5
Exchange rate effects and other	2	0
Allocations at year-end	**-9**	**-10**

NOTE 20. CASH & CASH EQUIVALENTS

	Group		Parent company	
SEK m	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Unrestricted cash	317	357	–	–
Restricted cash [1)]	136	208	–	23
Total	**453**	**565**	**–**	**23**

[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

SEK m	Dec. 31, 2019	Dec. 31, 2018
Raw material and consumables	489	490
Products in progress	25	24
Finished goods and goods for resale	910	1,097
Work in progress on behalf of others	4	6
Advance payment to suppliers	18	8
Impairment reserve	-6	-5
Total	**1,440**	**1,620**

SEK m	2019	2018
Impairment reserve opening balance	5	15
Provision utilized during the year	-4	–4
Allocation for the year	5	2
Translation effects	0	–
Assets held for sale	–	-8
Impairment reserve closing balance	**6**	**5**

Of the total value of inventories, SEK 0 (16) 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 0 (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, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Senior secured notes/loans [1]	8,892	6,885	8,892	6,885
Second lien secured notes/loans	–	3,768	–	3,768
Mezzanine loans	–	2,936	–	2,936
Revolving credit facility	100	200	100	–
Inter-company financial liabilities	–	–	1,350	1,224
Other financial liabilities	-106	-124	-120	-141
Financial liabilities, excl.pension liabilities and lease liabilities	**8,886**	**13,665**	**10,222**	**14,672**
Interest-bearing pension liabilities, net	467	403	–	–
Lease liabilities	100	–	–	–
Total interest-bearing debt	**9,453**	**14,068**	**10,222**	**14,672**
Cash and cash equivalents	-453	-565	0	-23
Inter-company financial receivables	–	–	-5,627	-11,525
Other interest-bearing receivables, long- and short-term	-7	2	–	–
Interest-bearing assets	**-460**	**-563**	**-5,627**	**-11,548**
Net debt including pension liabilities and lease liabilities	**8,993**	**13,505**	**4,595**	**3,124**

[1] Senior secured loans recorded at a discount at the time of issuance. The difference between the issue price and par value amounts to -120 (-68) 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, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Between 1 and 2 years	36	–	36	–
Between 2 and 3 years	36	11,079	36	10,879
Between 3 and 4 years	36	2,569	36	2,569
Between 4 and 5 years	36	–	36	–
More than 5 years	8,692	–	8,692	–
Long-term borrowing, excl.pension liabilities and lease liabilities	**8,836**	**13,648**	**8,836**	**13,448**
Short-term borrowing, 0-1 year	50	17	36	–
Inter-company financial liabilities	–	–	1,350	1,224
Financial liabilities, excl.pension liabilities and lease liabilities	**8,886**	**13,665**	**10,222**	**14,672**

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

C. CURRENCY COMPOSITION, INTEREST RATES & DURATION

	Local currency	SEK m	Average interest rate on balance sheet date, %	Actual duration days
SEK	100	100	3.0%	2,067
EUR	503	5,249	4.8%	2,251
USD	378	3,523	6.9%	2,251
Other currencies	–	14	5.0%	17
Financial liabilities, excl.pension liabilities and lease liabilities		**8,886**	**5.6%**	

D. UNUTILIZED CREDITS

Available funds at the end of the year amount to SEK 1,248 m (1,120) where the Group's available credit limits amounts to SEK 931m (763).

E. FINANCIAL INCOME & COSTS

	Group		Parent Company	
SEK m	**2019**	**2018**	**2019**	**2018**
Interest income	5	9	–	–
Interest income from discontinued operations	13	128	–	–
Interest income, Group companies	–	–	603	741
Total financial income	**18**	**137**	**603**	**741**
Notes and loans	-841	-1,330	-830	-1,314
Loans from Parent Company	–	-2	–	-2
Periodised borrowing costs	-235	-75	-235	-75
Pension costs, interest	-8	-8	–	–
Leasing, interest	-8	–	–	–
Currency gains and losses from financing measures, net	-204	-462	-196	-431
Interest costs, against discontinued operations	–	-3	–	–
Interest costs, group companies	–	–	-114	-97
Trade receivables financing cost	-47	-60	–	–
Other financial costs	-610	-67	-587	-60
Total financial costs	**-1,953**	**-2,007**	**-1,962**	**-1,979**
Net financial items continuing operations	**-1,935**	**-1,870**	**-1,359**	**-1,238**
Discontinued operations	-2	-180	–	–
Total	**-1,937**	**-2,050**	**-1,359**	**-1,238**

F. MARKET VALUATION OF FINANCIAL INSTRUMENTS

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

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

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

Internal loans are subject to customary restrictions under debt agreements.

NOTE 23. PENSION OBLIGATION & COSTS

The group has both defined-contribution and defined-benefit pension plans. During the year costs for these plans, including Discontinued operations had an accumulative effect on earnings of SEK 262 (267) m, of which SEK 235 (238) m is attributable to defined-contribution plans and SEK 27 (29) m to defined-benefit plans. Pension costs attributable to non comparable items of SEK 12 (25) 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	2019	2018
Cost of sold goods	129	133
Sales and marketing costs	27	28
Administrative costs	72	50
Research and development costs	16	14
Non comparable items	12	25
Net financial items	5	4
Continuing operations	**261**	**254**
Discontinued operations	1	13
Total	**262**	**267**

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	2019	2018
State pension plans	78	77
Other defined-contribution pension plans	88	79
ITP, insured through Alecta	68	70
Continuing operations	**234**	**226**
Discontinued operations	1	12
Total	**235**	**238**

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 defined-benefit plan that covers several employers. For the 2019 and 2018 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 2019, Alecta's surplus in the form of its collective funding ratio amounted to 148 % (142). 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, 2019	Dec. 31, 2018
Unfunded pension plans		
Defined-benefit obligations	185	155
Continuing operations	**185**	**155**
Funded or partly funded pension plans		
Defined-benefit obligations	710	588
Salary taxes	31	21
Fair value of plan assets	-459	-361
Total	**282**	**248**
Net Value	**467**	**403**

Commitments are divided as follows by region:	Dec. 31, 2019	Dec. 31, 2018
Sweden	302	247
Germany	178	148
Other EU	5	5
USA	-21	0
Other countries	3	3
Net liability concerning defined-benefit pension plans	**467**	**403**

The plan assets presented here relate primarily to Group companies in the US, 99% (99), of which 77% (70) are invested in debt securities and 20% (27) in equity securities. The expected return is assumed to be 4.0% (3.5), which is based on historic returns. The actual return on plan assets in 2019 was SEK 69 (34) m.

In addition to the above, so-called direct pensions are included under assets with SEK 151 (110) m and liabilities with SEK 188 (136) 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

	2019			2018		
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	**155**	**609**	**-361**	**152**	**641**	**-375**
Costs for current year service	3	15	–	4	17	–
Expected return on plan assets	–	–	-69	–	–	24
Interest expense	3	21	-16	3	20	-14
Settlement payments	–	–	–	–	-51	50
Fees from employer	–	-7	-10	–	-6	-26
Disbursement	-5	-10	9	-5	-15	12
Actuarial profit/loss	27	90	0	-5	-13	0
Divestment	–	–	–	–	-21	–
Translation effects	2	23	-12	6	37	-32
Closing balance	**185**	**741**	**-459**	**155**	**609**	**-361**

E. NET PENSION PROVISIONS, CHANGES DURING THE YEAR

SEK m	2019	2018
Opening balance	**403**	**418**
Pension costs during the year	27	29
Disbursements during the year	-23	-40
Gains/losses from change in assumptions	58	6
Divestment	–	-21
Translation effects	2	11
Closing balance, provision for pensions, net	**467**	**403**

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

F. PENSION COSTS, DEFINED-BENEFIT PLANS

SEK m	2019	2018
Costs for current year service	19	21
Interest expense	8	8
Gains/losses on a curtailment or settlement	0	0
Total pension costs, defined-benefit plans	**27**	**29**

G. KEY ACTUARIAL ASSUMPTIONS

SEK m	2019	2018
Discount rate, %	2.1	2.2
Future salary increases, %	2.7	3.0
Anticipated return on plan assets, %	3.1	3.8
Anticipated average remaining employment term, year	11.5	13.9

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

H. PARENT COMPANY

The parent company reports a pension expense of SEK 44 (42) 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 8 (19) 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	**2019**	**2018**	**2019**	**2018**
Current tax	-106	-41	–	–
Deferred tax	-128	745	94	84
Total	**-234**	**704**	**94**	**84**
Whereof discontinuing operations	-12	-26	–	–

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

Tax costs	Group		Parent Company	
SEK m	**2019**	**2018**	**2019**	**2018**
Pretax earnings	**3,709**	**-480**	**-1,448**	**3,993**
Tax computed on basis of national tax rates applying in each particular country	-802	97	310	–878
Non-taxable revenues	963	26	0	242
Non-tax-deductible costs	-270	-120	-241	-27
Re-measurement of deferred tax	–	-31	–	–
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	-94	-52	–	–
Tax not related to current year's profit/loss	-22	0	28	–
Impact of change in tax rate on deferred tax	-8	2	-3	-5
Other tax expenses	-1	-5	–	–
Tax cost	**-234**	**704**	**94**	**84**

The effective tax rate for 2019 is estimated to be 21.6% (20.2).

NOTES

B. DEFERRED TAX, NET CHANGE

	Group		Parent Company	
SEK m	**2019**	**2018**	**2019**	**2018**
Opening balance, net deferred tax liability	185	-576	84	–
Change in accounting method (IFRS 16)	2	–	–	–
Divestment	–	9	–	–
Acquisition	–	–	–	–
Exchange-rate differences	-5	-7	–	–
Assets/Liabilites held for sale	–	15	–	–
Tax recognized in the income statement, Continuing operations	-120	745	94	84
Tax recognized in shareholders' equity	15	-1	–	–
Closing balance	**77**	**185**	**178**	**84**

C. DEFERRED TAX ASSETS, SPECIFICATION

	Group		Parent Company	
SEK m	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Loss carry-forward	669	818	150	84
Provisions	98	50	28	–
Other receivables	19	27	–	–
Total	**786**	**895**	**178**	**84**

D. DEFERRED TAX LIABILITY, SPECIFICATION

	Group		Parent Company	
SEK m	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Tangible fixed assets	170	182	–	–
Intangible fixed assets	488	504	–	–
Other receivable	51	24	–	–
Total	**709**	**710**	**–**	**–**

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 666 (311) 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 has entered 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, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Provision for environmental measures	47	30	–	–
Other provisons	34	35	–	–
Other liabilities, provisions	**81**	**65**	**–**	**–**

NOTE 26. ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

	Group		Parent Company	
SEK m	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Accounts payable	**768**	**968**	**10**	**13**
Other operating liabilities				
Value added tax	42	7	1	–
Advance payments	1	3	–	–
Payroll tax	28	26	2	2
Other operating liabilities	163	188	3	19
Accrued wages, salaries and social security costs	188	200	25	25
Allocation for restructuring costs	23	7	1	–
Other accrued costs and prepaid income	600	642	9	5
Total	**1,045**	**1,073**	**41**	**51**

NOTE 27. EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

AVERAGE NUMBER OF EMPLOYEES

	2019		2018	
Country	Total employees	of which men	Total employees	of which men
Sweden				
Parent company	33	16	31	15
Subsidiaries	814	541	851	580
Belgium	1	1	1	1
France	3	2	3	2
Italy	28	21	31	23
The Netherlands	46	37	40	32
Spain	3	3	3	2
Poland	3	2	2	1
UK	10	8	88	76
Slovakia	1	1	0	0
Ireland	1	1	1	1
Germany	119	105	122	108
Total EU	**1,062**	**738**	**1,173**	**841**
Turkey	4	1	3	0
Norway	–	–	17	15
Russia	–	–	4	2
Total non-EU Europe	**4**	**1**	**24**	**17**
Brazil	9	5	11	5
Argentina	1	1	1	1
Mexico	–	–		
USA	115	99	122	106
Total North & South America	**125**	**105**	**134**	**112**
India	29	19	24	17
Japan	8	2	10	3
China	148	104	145	100
Singapore	8	3	7	1
Dubai	1	0	3	1
Taiwan	3	1	0	0
South Korea	5	2	6	3
Total Asia	**202**	**131**	**195**	**125**
Total average no. of employees	**1,393**	**975**	**1,526**	**1,095**
of which discontinued operations	7	6	108	92
Proportion of men,%		70.0		71.8

WAGES, SALARIES & OTHER REMUNERATION, BY COUNTRY

	2019		2018	
SEK m	Board and CEO	Other employees	Board and CEO	Other employees
Sweden				
Parent company	13	34	18	33
Subsidiaries	3	497	5	516
Belgium	0	1	0	1
France	0	3	0	3
Italy	0	16	0	45
The Netherlands	0	29	0	32
Spain	0	5	0	4
Poland	0	2	0	2
UK	1	18	3	50
Ireland	0	1	0	1
Germany	0	91	0	84
Total EU	**17**	**697**	**26**	**771**
Turkey	0	2	0	2
Norway	0	0	0	11
Russia	0	0	0	1
Total non-EU Europe	**0**	**2**	**0**	**14**
Brazil	0	4	0	4
Argentina	0	2	0	1
USA	0	111	0	100
Total North & South America	**0**	**117**	**0**	**105**
India	1	5	2	4
Japan	0	7	0	6
China	0	33	0	32
Singapore	0	8	0	5
Dubai	0	3	0	3
South Korea	2	2	1	3
Total Asia	**3**	**58**	**3**	**53**
Total	**20**	**874**	**29**	**943**
of which discontinued operations	1	15	5	62

REMUNERATION TO EMPLOYEES

	Group		Parent Company [1]		Of which discontinued operations	
SEK m	2019	2018	2019	2018	2019	2018
Salaries and other remuneration	894	972	47	51	16	67
Pension – defined contribution (note 23)	235	238	44	42	1	13
Pension – defined-benefit (note 23)	27	29	0	0	0	0
Social fees	170	170	10	11	1	9
Total	**1,326**	**1,409**	**101**	**104**	**18**	**89**

[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	950	–	–	121	1,071
Other Members of the Board	2,040	–	–	244	2,284
President	–	9,121	584	19,362	29,067
Other members of Group management	–	23,671	1,959	12,303	37,933
Total	**2,990**	**32,792**	**2,543**	**32,030**	**70,355**

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

Other members of group management comprised of 8 (7) persons during the year.

Principles

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

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

Pension & employment termination

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

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

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

NOTE 28. CONTINGENT LIABILITIES

SEK m	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Guarantees	264	206	264	206
Guarantees and other contingent liabilities for subsidiaries	12	33	258	379
Total	**276**	**239**	**522**	**585**

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

NOTE 29. ASSETS PLEDGED

SEK m	Group		Parent Company	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Property mortgages	59	1,593	–	–
Chattel mortgages	566	1,514	–	–
Shares in subsidiaries	5,436 [1)]	0 [1)]	7,731	7,731
Other participations	–	206	–	206
Liquid funds	0	23	–	23
Internal financial assets (loan)	–	–	5,503	7,154
Investments, receivables, inventories	–	523	–	–
Endowment insurances	151	106	148	104
Total	**6,212**	**3,965**	**13,382**	**15,218**

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

Endowment insurance relates to pension commitments, see note 23.

NOTE 30. FUTURE UNDERTAKINGS

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

NOTE 31. TRANSACTIONS WITH RELATED PARTIES

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

Within the framework of an incentive program, PAI partners offered senior Group executives an opportunity to become shareholders in the Parent Company Financière Forêt S.à r.l. and a total of around 50 manager and others key personnel participate, with contributions amounting to around EUR 5 million. Shares and options were priced on normal commercial terms.

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

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

	2019			2018		
	Total	of whom, women	%	Total	of whom, women	%
Board members	105	16	15%	114	11	10%
Other senior executives	103	24	23%	104	25	24%

The numbers excludes the divested units 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	**2019**	**2018**	**2019**	**2018**
PricewaterhouseCoopers				
Audit assignments	5	6	1	2
Tax consultancy	0	1	–	–
Other	3	5	3	3
Total [1]	**8**	**12**	**4**	**5**
[1] Of which discontinued operations	–	1	–	–
Other auditing firms				
Audit assignments	2	1	–	–
Tax consultancy	2	2	–	–
Other	5	3	1	3
Sum [1]	**9**	**6**	**2**	**3**
[1] Of which discontinued operations	–	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

	Year-end exchange rates		Average exchange rates	
Currency	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
BRL	2.298	2.316	2.400	2.391
CNY	1.333	1.307	1.369	1.314
EUR	10.434	10.275	10.589	10.257
GBP	12.215	11.348	12.066	11.593
INR	0.133	0.128	0.134	0.127
JPY	0.085	0.081	0.087	0.079
KRW	0.008	0.008	0.008	0.008
NOK	1.058	1.025	1.075	1.069
SGD	6.904	6.561	6.933	6.440
USD	9.317	8.971	9.460	8.692

NOTE 35. DIVESTMENT

On December 10, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13 2019, the net proceeds from the transaction was approximately EUR 579 m. The capital gain amounts to SEK 4.691 m. 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.

SEK m	2019	2018
Discontinued operations		
Net sales	113	2,446
Operating earnings/loss (EBIT)	4,757	385
Earnings/loss before tax	4,755	205
Tax	-12	-26
Net earnings/loss for the year	**4,743**	**179**

Details of sale of subsidiaries SEK m	2019	2018
Discontinued operations		
Net proceeds	6,037	47
Carrying amount of net asset sold	-1,334	-60
Translation differences	-12	-
Capital result	**4,691**	**-13**

Cash flow SEK m	2019	2018
Discontinued operations		
Cash flow from operating activites	34	454
Cash from investing activites	6,050	-92
Cash flow from discontinuing operations	**6,084**	**362**

SEK m	2019	2018
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 36. KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the year end 2019 but before the release of this report the spread of the virus Covid-19 became classified as a pandemic by the World Health Organization and has since resulted in restrictions and actions from regional and local authorities within the different markets Perstorp are active in. As a consequence, the management has temporarily installed a Crisis Management Organization (CMO) to safeguard the health and safety of our employees, secure business contingency and strive to minimize the recovery and restoration phase of this situation as fast and agile as possible. The CMO consists of a number of workstreams who all report to a crisis management cockpit team. The cockpit reports directly, on a daily basis, to the CEO and the Executive Leadership Team (ELT) who takes decisions that are communicated clear and transparent within the organization. As of this date, the supply of raw material, production and delivery to the customer have worked well. Due to the high uncertainty, it is still too early to estimate the financial impacts on Perstorp from Covid-19. In order to be prepared for a slowdown in demand during the remainder of 2020, a number of mitigating actions have been initiated where the focus has been to secure a strong liquidity position. Management are closely following and monitoring the development of Covid-19, the health and safety of our employees and the business contingency.

On March 31, Moody's announced a downgrade of Perstorp's rating to B3 with a negative outlook.

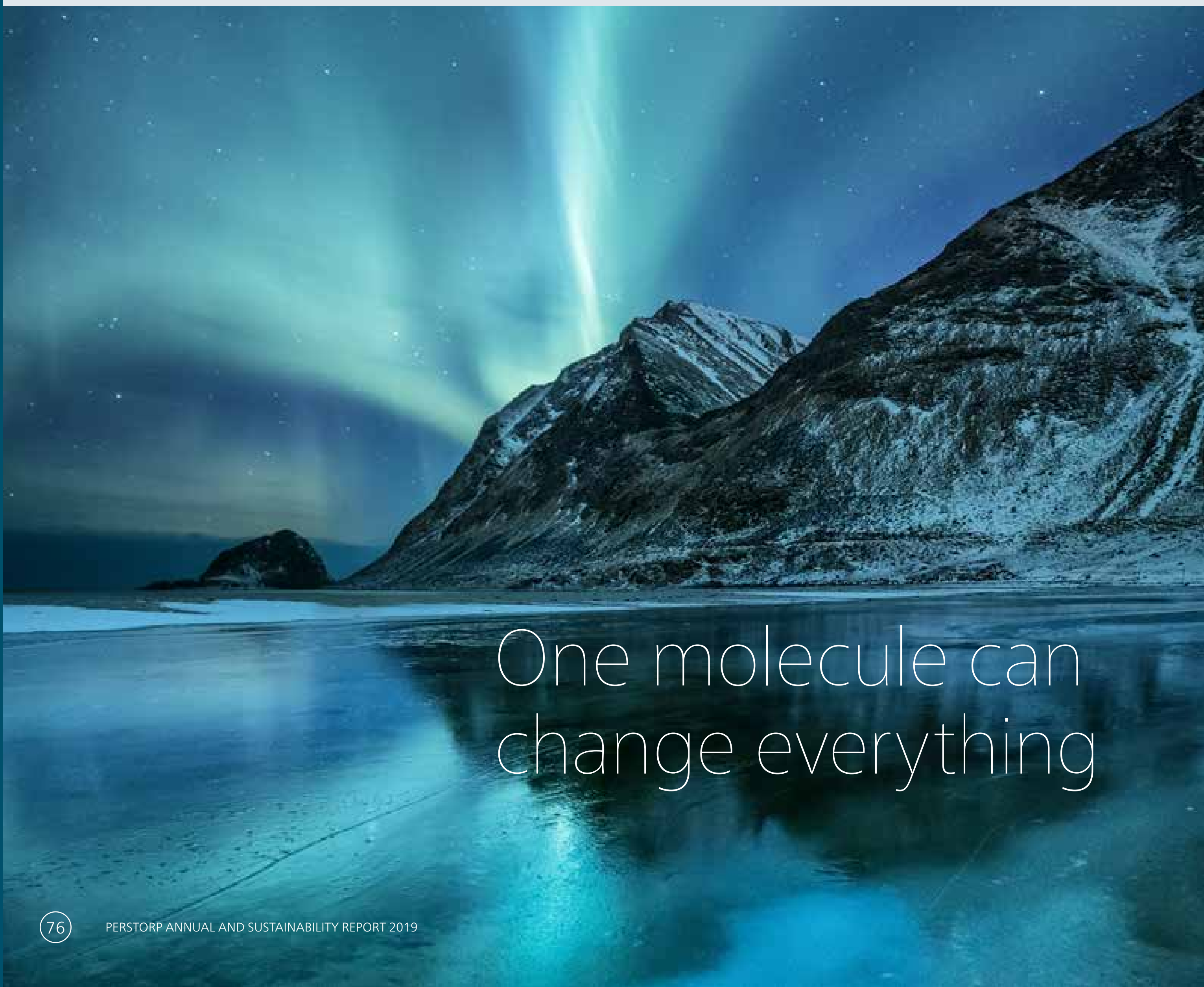
No other major events have occurred since the balance sheet date and up to the publication of this report.

KEY FIGURES IN SUMMARY

Key figures in summary, consolidated group

	Full year				
SEK m unless otherwise stated	**2019**	**2018**	**2017**	**2016**	**2015**
Net sales	11,754	14,882	13,592	11,305	11,149
Operating earnings before depreciations (EBITDA)	6,193[1)]	2,191	2,701[2)]	1,800	1,653
% of net sales	52.7[1)]	14.7	19.9[2)]	15.9	14.8
EBITDA excluding non-recurring items	1,635	2,324	2,133	1,865	1,667
% of net sales	13.9	15.6	15.7	16.5	15.0
Operating earnings (EBIT)	5,646[1)]	1,570	1,973[2)]	1,206	971
% of net sales	48.0[1)]	10.5	14.5[2)]	10.7	8.7
Free cash flow	1,081[3)]	1,450	1,275	1,370	1,127
Net debt excluding parent company loan and pension liabilities	8,526	13,103	12,056	12,964	11,196
Available funds	1,248	1,120	1,220	983	934
Leverage	5.5x	5.6x	5.7x	7.0x	6.7x

[1)] Including capital gain of SEK 4.691 m related to the divestment of Perstorp UK Ltd.
[2)] Including capital gain of SEK 604 m related to the divestment of Perstorp Oxo Belgium AB.
[3)] Continuing operations.



Perstorp, April 2, 2020

Tore Bertilsson
Chairman

Jan Secher
President & Chief Executive Officer

Fabrice Fouletier

Brendan Cummins

Claes Gard

Karin Markides

Ragnar Hellenius

Gerry Ackert
(elected by employees)

Jesper Fahlén
(elected by employees)

Anders Magnusson
(elected by employees)

Our audit report was submitted April 3, 2020

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Lead auditor

Mats Åkerlund
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Perstorp Holding AB for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 1-50 in this document. In the document published on the website, translated to English, the annual report and the consolidated accounts are included on pages 40-77.

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 2019 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

BASIS FOR OPINIONS

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

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

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 53-57. The document published on the website, translated to English, containing the annual report and the consolidated accounts on pages 40-77 also contains other information on pages 1-39 and 80-85. 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 for the year 2019 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.

Malmö, April 3, 2020
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Partner in charge

Mats Åkerlund
Authorized Public Accountant

Sustainability

This is the Perstorp Group's statutory sustainability report for the fiscal year 2019. 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 has an important role in the value chain of specialty chemicals. Perstorp produces specialty chemicals mainly for resins and coatings, plastic materials, animal nutrition and synthetic lubricants & engineered fluids. From research and development to a final product that is produced at one of the production sites, Perstorp supplies customers mainly in the coating, plastic-processing and automotive industries. Perstorp's raw materials are sourced by Perstorp's Procurement department. Perstorp has sales representation in all major markets and further support from sales agents. In this report, we explore Perstorp's impacts in detail, consolidated from the seven production sites (operating in six countries) which were owned in part or in total by Perstorp at the end of 2019.

These sites are:

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

In 2019 Perstorp divested two business areas, BioProducts and Capa™, along with their respective plants in Fredrikstad, Norway and Warrington, UK. The environmental data presented in this report for 2017 and 2018 has not been re-calculated; it is the same data presented in last year's report.

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. We have a cross-functional team that drives our sustainability ambitions and builds internal processes and capacity. The team includes representatives from innovation, procurement, operations, HR, 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

Our performance on the major impacts (listed below) is relatively flat over the last three years. Most of the change from last year can be accounted by the divestiture of the Capa™ business.

Summary of Impacts	2017	2018	2019
Energy consumed (GWh)	2,102	2,225	2,007
Water withdrawn (millions m3)	24.7	26.7	24.4
Scope 1 GHG (kT)	383	394	395
Scope 2 GHG (kT)	163	182	136
VOC (T)	168	173	151
NOx (T)	145	159	195
SOx (T)	9	6	7
Waste (kT)	21.4	25.1	22.3

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 protection of the environment, our employees and other stakeholders. "Other RC related costs" in the table below includes training costs and certification of local experts, but not the salaries of employees dedicated to Responsible Care.

Responsible Care (RC) Costs SEK million	2017	2018	2019
Disposal hazardous waste	19	30	20
Disposal of non-hazardous waste	3	11	15
Disposal of waste water	29	31	27
Contaminated soil	0	0	0
RC fees paid	5	6	6
RC fines paid	0	0	0
Other RC related costs	3	3	3
Total RC Costs SEK million	59	82	71
% of net sales	0.4%	0.5%	0.6%
Total RC investments SEK million	40	99	69
% of total investments	6.1%	18.2%	11.3%

OCCUPATIONAL HEALTH AND SAFETY

Perstorp has set a goal of safety performance to place it among the top quartile of chemical companies by 2020. One of the tools that has been employed to reach the goal is the "Perstorp Careway". The Careway is a model that points clearly and specifically at success by focusing on the behaviors of interdependent organizations. It is a way to mature in terms of health and safety practices and move upward along a maturity scale. In 2018, a health dimension was added to the previous safety dimensions of the protocol. Also since 2018, yearly Careway assessments have been conducted, in order to identify health and safety gaps at the production sites. This has proven to be a very useful methodology, so starting in 2020 the assessments will also be carried out at all office sites.

Based on the results of the assessments, action plans are developed from team levels and up to the corporate level.

In 2019 a new corporate Health and Safety Policy was approved as well as minimum requirements for employee travel, from a health and safety perspective. A new health and safety leadership training has been introduced in 2019 and will continue to be rolled out in 2020.

To prioritize the health and safety of oneself and fellow workers is what is expected of all employees at Perstorp Group and this is something all employees need to think about 365 days a year. This is what Perstorp calls Care 365. Care 356 is an initiative at Perstorp which started in 2017. Looking back at undesirable levels of work-related injuries and health issues, more efforts were put into ensuring health and safety for all employees, at all levels of the business. The work with Care 365 is driven company-wide and it addresses culture, leadership and employee engagement in health and safety. It places emphasis on visible leadership from top management, a sense of urgency when it comes to incidents and accidents, clear standards and compliance management. As a result, Care has now been introduced as a fourth corporate value for Perstorp.

In 2019, we conducted an employee survey for the group. It showed a positive trend in the Engagement Index where we moved from an average score of 3,3 to 3,5. An outcome of the Careway Assessments is the introduction of a new tool to follow-up on employee wellbeing. As from February 2020 employee experience will be measured on a more frequent basis with Pulse surveys. These will be shorter surveys, which will be sent out each month, complemented with the more extensive survey once a year. This will contribute to a continuous improvement dialogue within the teams and support the Perstorp journey up the Careway.

In 2019, work continued with the improved identification of hazards, employee training and emphasis on risk reduction. The overall trend is positive, but in 2019 there was an increase in the OSHA-recordable accidents compared to the year before due to a variety of factors. We know that we are on the right track.

The performance on standard safety metrics, including our own employees and contractors:

Occupational Injuries	2017	2018	2019
Fatalities	0	0	0
Lost Time Accidents	8	6	10
Total Lost Days	36	103	66
OSHA-Recordable Accidents	16	9	13
OSHAR*	1.00	0.49	0.78

* OSHAR = number of injuries X 200 000 / number of hours worked

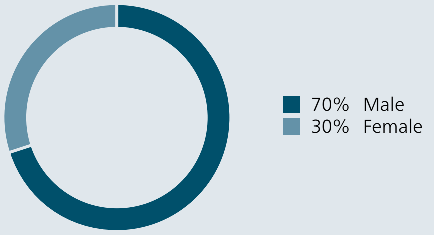
DIVERSITY

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. A diversity policy is in place for the Group.

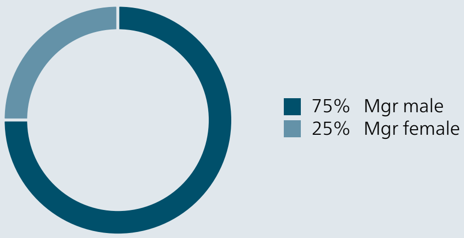
In 2019, Perstorp has focused specifically on gender diversity. During 2019 the gender diversity status at the production sites and in support functions was mapped. Based on the current baseline and a benchmark, wished positions for 2025 and 2030 are now being formulated. A framework, based on the UN Women empowerment principles, will be implemented in 2020. These principles would help guide us at Perstorp to an action-focused, long-term approach to gender equality.

Target 2025: 60/40 male/female

GENDER, ALL EMPLOYEES



GENDER, MANAGEMENT



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 a focus of the road maps developed for the Finite Material Neutral ambition. The continued emphasis on process efficiency has helped Perstorp keep the energy consumption relatively low.

Energy Consumption (in GWh)	2017	2018	2019
Energy Produced in-house	1,529	1,574	1,591
Renewable energy	16%	16%	15%
Reclaimed from production waste	56%	51%	52%
Amount delivered externally	(195)	(188)	(165)
Energy purchased as steam	447	509	267
Renewable Energy	6%	4%	0%
Electricity from local grid	321	331	313
Total Energy Consumed	2,102	2,225	2,007

WATER

Water is not considered a finite material as such but as a scarce resource globally. For Perstorp it is therefore highly relevant to address it as a part of our overall Finite Material Neutral ambition. Access to drinking-quality water and water fit for food productions is essential to human life and societies. We continuously work with lowering our water footprint so that we will not limit drinking-quality water.

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 has increased its efforts to conserve water and return water back to the environment following careful treatment protocols. The commitments made to the future demand as little water use as possible and prevention of water pollution through innovative re-uses of waste waters and efficient waste water treatment technologies.

Water Use (in millions of cubic meters)	2017	2018	2019
Surface Water	18.9	20.2	22.0
Ground Water	4.5	5.1	1.2
Rainwater	0.02	0.01	0.00
Municipal Supply	0.74	0.81	0.63
Other Sources	0.50	0.55	0.57
Total water withdrawn	24.7	26.7	24.4

Wastewater	2017	2018	2019
Chemical Oxygen Demand (T)	6,057	6,586	5,599

EMISSIONS TO AIR

Ozone Depleting Substances	2017	2018	2019
In use (kg)	2,666	6,533	5,421
Leakage (kg)	126	249	121

Air Emissions	2017	2018	2019
Greenhouse gas (GHG) emissions			
Scope 1 GHG (kT)	383	394	395
Scope 2 GHG (kT)	163	182	136
Total GHG (kT)	546	577	532
VOC (T)	168	173	151
NOx (T)	145	159	195
SOx (T)	9	6	7

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.

Waste (T)*	2017	2018	2019
Hazardous Waste (T)	12,149	17,596	16,369
Non-hazardous Waste (T)	9,300	7,507	5,895
Total Waste (T)	21,449	25,103	22,265

* due to updated group wide definitions of waste from our production sites the data is not comparable to previous reports. In the re-calculations the divested production site in Warrington, UK was not included for 2017, 2018 or 2019.

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 four 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. However, this can be seen as a last resort, as our legal department, the HR department and each manager within the company, are 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 2019 there were no suspected or confirmed cases of corruption, neither through the Legal Risk Review nor through the whistleblowing procedures and there 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 continuously being developed, focused on different aspects of business ethics and compliance. During 2019, 215 employees have taken an extensive and interactive e-learning training on preventing bribery and corruption. In addition, 151 employees have during 2019 taken an equivalent e-learning training on preventing anti-competitive practices. Further e-learnings are in the pipe-line. The use of e-learnings enables us to better track the implementation of trainings, and also systematically ensure that such trainings are repeated in appropriate intervals, or in case of any updates of relevant legislation, regulations or policies.

RESPONSIBILITY IN THE SUPPLY CHAIN

During 2019 as part of Level Up, Procurement of Transportation Services was added to the Procurement Function as well as the fact that the site purchasing managers and their organizations now also report directly into the Procurement Function.

During 2019 Perstorp has intensified the integration of sustainability in the procurement processes, and the assessment methodologies have been updated.

In 2019 procurement is now represented by an additional Sourcing Manager responsible for Transportation besides the already existing Sourcing manager for raw materials and they both have 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 procurement 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 procurement risks, such as risks related to Human Rights and other upstream social and environmental impacts. The policies and procedures include a Vendor Policy, a Modern Slavery Statement and a systematic work to manage information about the suppliers and track and assess their performance.

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 was updated in 2019 to further clarify Perstorp's position on anti-bribery.

The Vendor Policy further 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.

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. 70 % of our spend is covered by this systematic approach.

During 2019 focus has been to include sustainability improvement clauses in our key contracts. In addition to this the work continues 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.

The auditor's opinion regarding the statutory sustainability report

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

ENGAGEMENT AND RESPONSIBILITY

The auditor's opinion regarding the statutory sustainability report The Board of Directors is responsible for the statutory sustainability report on pages 53-57, and that it is prepared in accordance with the Annual Accounts Act. The document published on the website, translated to English, containing the statutory sustainability report on pages 80-83.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Malmö, April 3, 2020

Michael Bengtsson
Authorized Public Accountant

Mats Åkerlund
Authorized Public Accountant

perstorp.com

@PerstorpGroup

#perstorpgroup

https://www.linkedin.com/company/perstorp-group/

https://twitter.com/perstorpgroup

https://www.youtube.com/user/ThePerstorpGroup

PERSTORP HOLDING AB

Post address:
Box 597
201 25 Malmö
Sweden

Visitor address:
Neptunigatan 1
211 20 Malmö
Sweden

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

BYSTED