

One molecule can change everything

ANNUAL AND SUSTAINABILITY REPORT 2020

Perstorp





Perstorp

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

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

1881

Perstorp founder Wilhelm Wendt registers his company, then named 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.



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, private equity company PAI Partners acquires the Perstorp Group.

2006

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

2011

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

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.

2014

Perstorp's head office moves to Malmö, Sweden.

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 large, iconic bottle of acetic acid at the train station in Perstorp village.

Contents

PERSTORP EVERYWHERE	3	CULTURE AND SOUL	24
PERSTORP IN BRIEF	6	PEOPLE	26
HIGHLIGHTS IN 2020	7	PERSTORP 140 YEARS	28
PRESIDENT´S COMMENT	8	SUSTAINABILITY	30
EVERYDAY CHEMISTRY	10	CORPORATE GOVERNANCE REPORT	38
TRENDS	12	BOARD OF DIRECTORS	40
STRATEGY	14	EXECUTIVE LEADERSHIP TEAM	42
MARKET SEGMENTS	17	FINANCIAL STATEMENTS	44



2015

A new production plant for Perstorp's Oxo production 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 comprehensive portfolio of Pro-Environment Polyols was introduced to the market, including products that can contribute to a carbon footprint reduction of up to 80 per cent.

2018

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

2019

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

2020

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



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 one of the world's leading sustainable solutions providers, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets, our innovative solutions provide essential properties for products used everywhere, every day. Our products can be found in everything – from your car and mobile phone to towering wind turbines and the local dairy farm. Put simply, we work to make good products even better, with a clear sustainability agenda.

Perstorp in brief

World leader in selected specialty chemicals niches

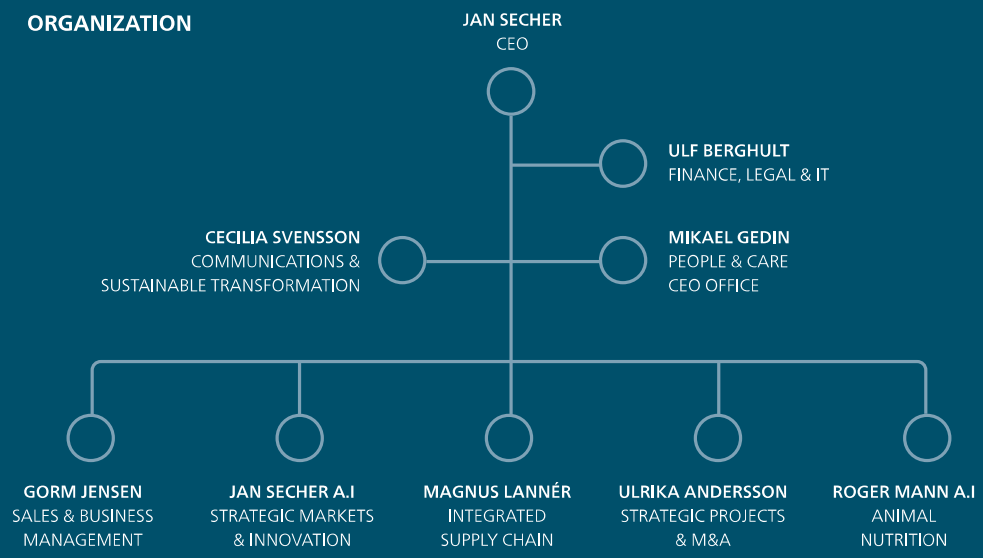
- A reliable solutions provider for our prioritized market segments Resins & Coatings, Engineered Fluids and Animal Nutrition
- Integrated polyols and oxo platforms enable the efficient utilization of side streams
- Focused innovation for our core segments, closely linked to our customers
- Committed to sustainability and our Finite Material Neutral ambition
- Present in 26 countries and production plants in Europe, Asia and North America
- Since December 2005, Perstorp has been controlled by PAI Partners, a leading European private equity company

Global presence

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



ORGANIZATION

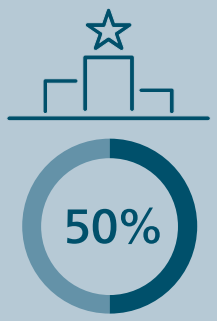


1,370
employees worldwide

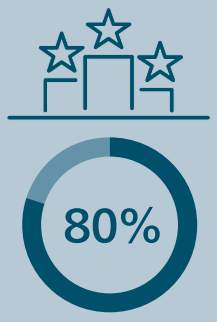
26
countries worldwide with sales presence and represented in many more

9.2
Billion SEK Turnover

1.128
Billion SEK
EBITDA excl. non-recurring items



No. 1 position of 50% of portfolio



No. 1 – 3 position of 80% of portfolio

Highlights in 2020

New strategic direction

In the first quarter 2021, Perstorp implemented an updated strategic direction, which aims to improve resilience and balance its product mix. The strategic focus areas are: a clear distinction between Specialties and Intermediates; focus on the global market for Resins & Coatings, Engineered Fluids and Animal Nutrition; resuming and speeding up the Penta plant investment in India; availability and efficiency in supply of products; and strengthening Perstorp's Sustainability profile and digital capabilities.

Unique Revolving Credit Facility granted

In December, Perstorp Group was granted a Revolving Credit Facility of SEK 600 m (around EUR 59 m). The RCF is provided by Nordea, Goldman Sachs, SEB and DNB. The financing solution is the first of its kind and involves a scheme for credit guarantees issued by the Swedish Export Credit Agency ('EKN'). The EKN guarantee covers 75% of the granted Revolving Credit Facility. This RCF will support Perstorp with its strategic growth agenda and to enable it to capture new opportunities when market conditions allow.

Management of the Covid-19 situation

Since the outbreak of Covid-19, Perstorp has monitored the situation closely and actions have been taken to avoid business disruption as well as to protect employee health. All relevant legislation and guidance are followed locally. Additional quality and hygiene measures have been implemented at all our production sites and offices, employees that can work remotely from home must do so and social distancing is applied everywhere. In addition, firm actions have been implemented to manage non-critical spend, capex and working capital in order to protect cashflow.

Record high customer satisfaction

Perstorp continuously tracks customer satisfaction by sending feedback surveys to customers. While our customers have a long history of being satisfied with our service, results improved considerably in 2020. This goes for all three areas measured: Complaints Handling, Delivery & Logistics and Account Management.

CO_2 reduction targets in line with the Paris agreement

Our journey to become Finite Material Neutral will significantly improve Perstorp's environmental footprint as well as give our customers a competitive edge in meeting the global demand for more sustainable solutions. During the year, we committed to CO_2 targets that are aligned with the Paris Climate Agreement. The targets will involve working toward reductions from both direct and indirect emissions (Scope 1, 2 and 3) by 2030.



Launch of the world's first renewable Oxo products

Perstorp is pioneering the Oxo market by launching the first partly renewable carboxylic acids: 2-Ethylhexanoic Acid Pro and Valeric Acid Pro. 2-EHA Pro is based on 25% renewable raw materials, and Valeric Acid Pro contains 20% renewable content. The renewable material is biogas, which replaces natural gas using the mass balance concept. Users can expect the same quality as the existing 2-EHA and Valeric acid, with the additional benefit of a lower carbon footprint. 2-EHA is used in plasticizers for PVB film, synthetic lubricants, as a corrosion inhibitor in radiator coolants, siccative and paint driers, and resins. Valeric Acid is used for aviation lubricants, refrigeration lubricants and other esters for synthetic lubricants.

Launch of Amicult™ – a chloride-free potassium source

In May, Perstorp entered the fertilizer market with Amicult™ K42, a chloride-free potassium source, which now is available in selected markets. The product has shown to have a high solubility and absorption rate, without increasing salinity or clogging foliar and drip irrigation systems. It can be applied at the right development stage where the crop needs an additional potassium source and in agricultural regions where salination is an issue. Amicult™ K42 is a low salt index product, which reduces the risk of creating new salination problems. Research has shown the product to improve potato yield by up to 22% when compared to non-foliar fertilization.



Responsible Care® Award for production of sanitizers

Perstorp proudly received the Responsible Care® Award from Cefic, the European Chemical Industry Council. The annual awards showcase the industry's best practices from all over Europe, while demonstrating its commitment to health, safety and the environment. In 2020, the focus was on initiatives dedicated to Covid-19. Perstorp was announced winner of the category 'Upholding and Reshaping Production Lines', for its work to produce sanitizers for the Swedish health care sector at cost price. The initiative helped overcome a national disinfectant shortage during the initial stages of the Covid-19 pandemic.

Let's talk Care 365 for the third year in a row

In order to highlight the importance of health and safety, the third edition of the now annual and highly appreciated annual event 'Let's talk Care 365' took place globally. The day-long event was organized by Perstorp employees for all the company's locations – which this year included many home offices and more digital solutions.

A disruptive and challenging year where we have re-focused our pathway to future growth

A YEAR OF UNPRECEDENTED UNCERTAINTY

2020 has been a challenging year in many ways, ever since the first signs of Covid-19 came to light at the end of January. In addition to the pandemic, several other external factors contributed to the uncertainty, such as Brexit, the US presidential election, extreme weather and several geopolitical conflicts. In some cases, there has been a shortage of raw materials, especially in the Asian markets. Raw material prices increased again at the end of the year after record low levels. However, price levels for raw materials are still far from those at the end of 2019.

The world has experienced both second and third waves of the pandemic, but despite new lockdowns and other restrictions, the latter part of the year was characterized by clear signs of economic recovery. Several financial stimulation programs have been launched globally, and many of the programs have an obvious connection to the global sustainability agenda, and to encourage societies and industries to accelerate their transformation.

VOLUMES ARE RETURNING AND CASH FLOW REMAINS SOUND

Earnings for the full year were disappointing. We faced a volume decline in the second quarter, when many of our end markets experienced a steep decrease in demand due to the accelerating outbreak of Covid-19. Volumes remained on weak levels until the fourth quarter, when a clear upward trend was seen. Due to a stronger Swedish krona, an unfavorable FX effect impacted our result, in particular in the last quarter. On the positive side, cash flow has remained sound during the full year, thanks to firm actions on how to manage non-critical spend, capex and working capital. In addition, a company-wide cost reduction program was successfully implemented. In May, there was a fire at our key supplier Borealis in Stenungsund, which has affected our ability to produce and deliver some of our Oxo-products for the remainder of 2020. The year ended with an EBITDA totaling SEK 1,128 m compared to 1,554 m for the full year 2019, with an EBITDA margin of 12.3% (13.3%). Organic volume-based sales growth for the full year was down 3% compared last year. Q4 was however solid, with 6% organic volume growth and 10% EBITDA growth at constant currency.

CONTINUED DEVELOPMENT OF OUR COMPANY

In order to prepare for the consequences of Covid-19, mitigation actions were swiftly introduced already in the first quarter. A temporarily installed Crisis Management Organization had the task to track and overcome disruption in the entire supply chain as well as providing speedy decision making and adjustments as needed. There has been an increased focus on both internal and external communication as a means to maintain motivation and transparency with our stakeholders. Perstorp received the Responsible Care® Award from Cefic for its work to produce sanitizers for the Swedish health care sector at cost price, in a period of disinfectant shortage during the initial stages of the Covid-19 pandemic. Related to Covid-19, supply of raw materials, production and delivery to our customers have during the year worked well, with very few interruptions. We continue to follow the development of the pandemic situation in order to safeguard the health and safety of our employees as well as our business continuity.

Despite the volatile macroeconomic sentiment, Perstorp has continued many of its development projects to prepare the organization to get back on track with its growth trajectory. The share of Pro-Environment products (based on renewable raw materials) was record high. The market approach has been pro-active, new products have been launched and most marketing and communication activities have moved to digital channels and social media. Despite having worked from home to a large degree during the year, our employees have made extraordinary efforts, shown agility and a positive forward looking attitude.

FOCUS FORWARD WITH A NEW STRATEGY

In response to changes in and acceleration of macroeconomic trends, Perstorp has revisited its strategic positions, resulting in a new strategic direction. The Board of Directors approved this new direction in December 2020, which together with an organizational change was rolled out in the first quarter of 2021. The outcome means in essence that Perstorp will quickly return to its growth journey, but focus its growth initiatives primarily on some selected customer segments where innovation and services are prioritized, and on the area of

"In response to changes in and acceleration of macroeconomic trends, Perstorp has revisited its strategic positions, resulting in a new strategic direction."



specialty chemicals. Sustainability and Digital Transformation will be highly important enablers for success. The following building blocks of the new strategy will guide our plans and activities to create value and enable growth within and beyond the current planning horizon:

- We will focus our growth capital on our selected segments Resins & Coatings, Engineered Fluids and Animal Nutrition with sustainable solutions
- We focus investments to grow our specialty offerings, including innovation and service concepts
- We allow for step change investments in Asia and we will drive forward our Indian Penta expansion (Project Elephant)
- We maximize value generation from our core product platforms (Intermediates) by de-commoditization, primarily through non-capex investments with short payback focusing on efficiency and availability
- We strengthen our sustainability profile, which together with digital transformation will serve as important enablers and differentiators
- We remain committed to our Finite Material Neutral ambition, supported by clear sustainability targets

SUSTAINABLE TRANSFORMATION

We have set the tough ambition to become Finite Material Neutral, which 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. Perstorp emphasizes sustainability in sourcing, manufacturing and the chemistry design of our products. However, sustainability 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. In 2020, we committed to CO_2 targets that are aligned with the Paris Climate Agreement for Scope 1, 2 and 3. 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 to launch the world's first renewable Oxo-products, and also intensified the development of innovative new products for animal gut health.

Digital transformation has proven to be an enabler in order to both work and produce more efficiently, and create new interfaces with our customers and even develop new business models. During the year, we have intensified our efforts and a number of projects have been carried out within these areas. The implementation and use of our new CRM system has enabled us to work in new ways, both internally as well as with our customers, and to make more data driven decisions.

"We have set the tough ambition to become Finite Material Neutral, which 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."

SAFETY PERFORMANCE REMAINS A TOP PRIORITY

Our performance in the area of process safety events continued to be well in line with our targets, but for OSHA recordables we saw a negative trend during 2020, compared to our very high ambitions and tough requirements. A root cause analysis has been performed and a lot of efforts are focused on reversing the trend. In November, we successfully held our company-wide event 'Let's talk Care 365´ where all employees on the same day were asked to engage on the topic of health & safety.

OUR FUTURE IS UP TO US

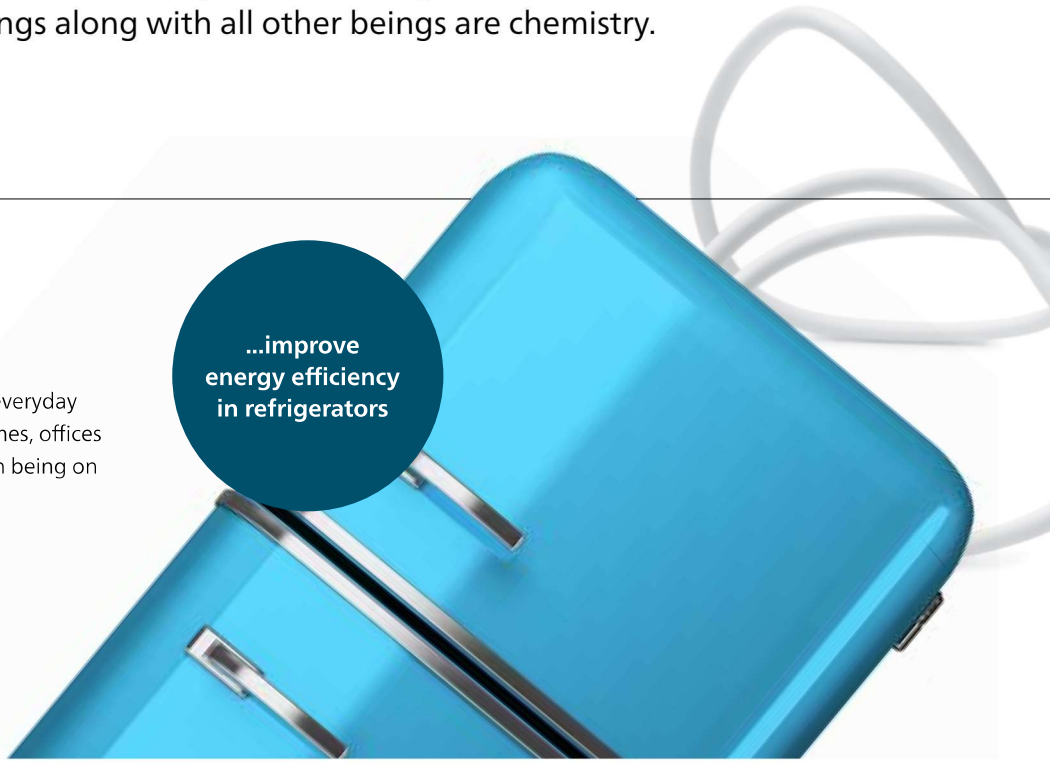
The chemical industry is essential for the recovery of the global economy and for leading the way into the post-Covid-19 future. Profitable growth continues to be our objective moving forward and with the support of our new strategic direction, I am convinced that we will return to a strong growth trajectory. One example is the speed at which we will resume our expansion project in India, another one is how we will accelerate pricing excellence. Several of our customers should also soon see a slightly changed pattern of how we approach them and interact.

This is an exciting time and I am very proud to lead this company. As always, it's up to us to make it happen!

Malmö, April 2021
Jan Secher

The essential role of 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.



...improve energy efficiency in refrigerators

ADVANCING EVERYDAY LIFE

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

... enable coating without solvents



FUNDAMENTAL TO MODERN LIFE

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

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

CHEMISTRY IS PART OF THE SOLUTION

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

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

THOUGHTFUL CHEMISTRY

This report illustrates how Perstorp and our products overcome modern day challenges and how we contribute toward a more sustainable world by developing the chemistry of the future.

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





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

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

Global macro trends shape our business

Our business and the market segments we serve are shaped by a variety of global macro trends – and not least by the Covid-19 pandemic in 2020.



Changing demographics, urbanization and climate change are three trends that have a profound impact on our business and present significant opportunities both now and in the future.

Changing demographics

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

IMPLICATIONS AND RESPONSE

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

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

THE COVID-19 EFFECT

2020 was globally overshadowed by the Covid-19 pandemic, with repeated infection waves leading to lockdowns and travel restrictions. However, as the vaccination program has been rolled out and restrictions are eased, people are generally expected to return to their pre-crisis habits. Entirely new trends are not expected, however the crisis has acted as a catalyst to accelerate existing trends in a wide range of areas. We will probably do in 2021 what we thought we would be doing in 2030.

The focus on climate change and the need for sustainability has quickly come to the forefront as people are expected to think more about health and their broader relationship with nature. With respect to consumption preferences, the trend toward a stronger emphasis on experience versus ownership of physical goods continues. This supports the development of service models and a sharing economy, facilitated by technology.

Despite underlying geopolitical conflicts, Covid-19 is assumed to remain highest on the political priority list as long as the virus affects societies; this leads to a stronger emphasis on national independence and security. Governments in Europe will connect their spending to the need to address climate change as well as sustainability in a broader sense, supporting growth in renewable energies, recycling and sustainable products.

For the chemical industry, the post Covid-19 recovery of various sectors will redefine some markets, which may require new ways of working and even new business models. Do-it-yourself, construction, agriculture and food, and pharmaceuticals have been less affected by the pandemic and are expected to continue to have strong growth in the foreseeable future. Demand for consumer goods has been reduced by the pandemic, and the aviation industry has been particularly impacted and is expected to continue to suffer for years to come.





Rapid urbanization

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

IMPLICATIONS AND RESPONSE

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

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

Climate change and resource scarcity

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

IMPLICATIONS AND RESPONSE

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

Perstorp has a clear direction for shifting raw materials, by developing and producing a broad range of products based on renewable raw materials – our Pro-Environment Solutions – that reduce our own carbon footprint and to help others reduce theirs.

A new strategic direction for growth

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

MACRO ANALYSIS PROVIDES INSIGHT

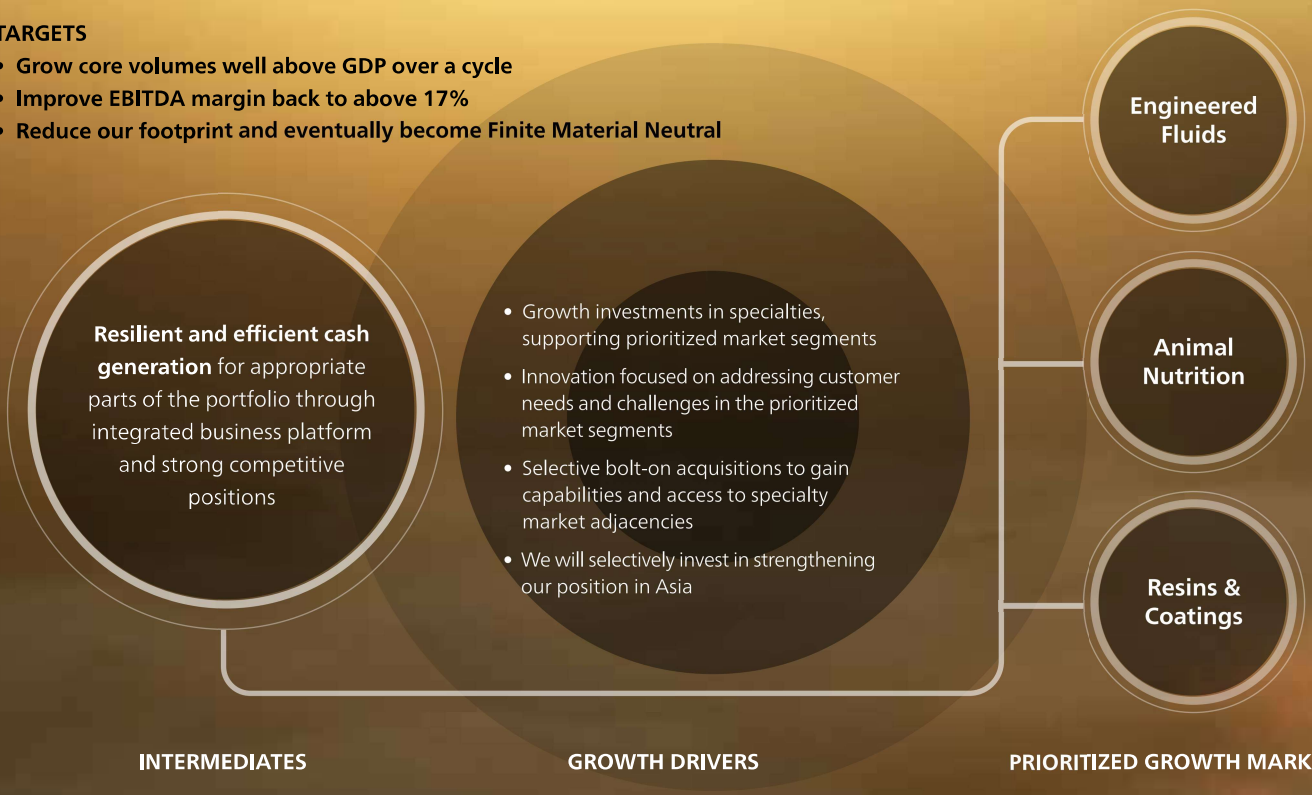
The Covid-19 pandemic brought general market uncertainty and reduced the global demand for chemicals, which challenged our business performance in Q2 and Q3. Perstorp's position high up in the value chain had led to cyclicality as the market responded to the pandemic. But this situation provided the opportunity for us to review our strategic position through extensive macro analysis with global subject matter experts and several strategic 'deep dives' to redefine what kind of company we want Perstorp to be and how we get there. This enabled us to both build the future of Perstorp while adapting to our new reality.

Two distinctive Business Models

Growth Investments in three Prioritized Market Segments

TARGETS

- **Grow core volumes well above GDP over a cycle**
- **Improve EBITDA margin back to above 17%**
- **Reduce our footprint and eventually become Finite Material Neutral**



The main insights and outcomes from our strategy review were:

IDENTIFIED NEED TO IMPROVE RESILIENCE AND BALANCE PRODUCT MIX
Despite good growth in recent years, the analysis clearly showed that Perstorp should have been able to perform even better. A potential was identified to further increase agility and pro-activity in terms of pricing based on product offering and customer type. It was also clear that the specialty part of our portfolio was far more resilient to market fluctuations. A larger proportion of specialty products in our portfolio would therefore balance our product mix.

ADAPTED CUSTOMER OFFERINGS
Resilient and efficient cash generation for appropriate parts of our Intermediates' portfolio is important. This is realized through an integrated business platform and strong competitive market positions. In a reality where clear choices have to be made, two market segments, Resins & Coatings and Engineered Fluids, have been selected for pro-active growth, where our competitiveness also includes offerings related to areas such as services and technical support. In addition, our Gut Health and Preservation businesses within Animal Nutrition would need a more independent set-up in order to address their markets more efficiently.

SELECTIVE STRATEGIC INVESTMENTS FOR GROWTH
Strategic investments will be needed to fuel further growth, which will focus on Specialties to support the prioritized market segments. Innovation will be very important in order to focus on addressing current and future customer needs within the prioritized market segments. In addition, selective bolt-on acquisitions to gain capabilities and access to specialty market adjacencies could be part of the growth plan and we will selectively invest in strengthening our position in Asia.

INCREASED PLANT PERFORMANCE AND EXECUTION
Product availability will be an important element for our growth ambitions in the coming years, where the potential payback of increased availability is significant. Debottlenecking existing units is a smart alternative to strategic capacity investments in some cases.

SUSTAINABLE PRODUCTS AND LOW CARBON ALTERNATIVES
Covid-19 accelerated existing market trends as the transformation we undertook in 2020 was what we thought we would do in 2030 – in terms of our focus on sustainable products and low-carbon alternatives. Our new strategy reconfirms our aspiration to be among the front-runners in sustainability. We remain committed to our bold sustainability ambition Finite Material Neutral and have set CO_2 targets that are aligned with the Paris Climate Agreement.

CATALYSTS FOR SUCCESSFUL CHANGE
Our core values remain with Care as a special focal point, which is even more important during a period with substantial requirements for change in our organization. Digital Transformation will be an important enabler and differentiator, both supporting the future market, and creating leaner and more efficient production processes.



Highlights of the new strategic direction

A NEW MISSION

Refining our strategy resulted in the formation of our new mission:

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

THREE FOCUS SEGMENTS IN FOCUS

Perstorp's business is now focused on three clear business segments that we have identified as our strategic growth areas and where we will focus our strategic investment going forward. Our three segments are:

Resins & Coatings
Engineered Fluids
Animal Nutrition

Read more about these three segments in the 'Segments' chapter on page 17.

CLEAR PRIORITIES GOING FORWARD

Perstorp will, as a focused and empowered company, strive to deliver the most relevant value to its customers, and the following building blocks of the new strategy will guide our plans and activities to create and enable growth beyond the current planning horizon:

- We will focus our growth capital on our selected segments Resins & Coatings, Engineered Fluids and Animal Nutrition with our sustainable solutions
- We focus investments on growing our specialty offerings
- We allow for step change investments in Asia and we will drive forward our Indian Penta expansion (Project Elephant)
- We maximize value generation from our product platforms (Intermediates) by de-commoditization primarily through non-capex investments with short payback focusing on efficiency and availability
- Strengthening of our sustainability profile and digital transformation as important enablers and differentiators
- We remain committed to our Finite Material Neutral objective, supported by clear sustainability targets

Giving customers a competitive edge

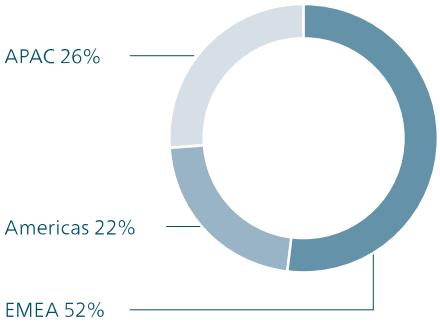
Perstorp is a leading specialty chemicals company, and we know that it's the little things that often make the biggest difference. Using nature's smallest building blocks, design products and solutions that can help advance everyday life – making it safer, more convenient and more environmentally sound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

THREE SEGMENTS IN FOCUS FOR GROWTH

Based on Perstorp's market positions, market dynamics and future growth opportunities, we have selected three focus segments in our recent strategic review – Resins & Coatings, Engineered Fluids and Animal Nutrition. These segments will be developed with special attention to:

- delivering additional value for our customers beyond pure product features.
- developing new solutions that are driven by true insights and customer demands.
- driving the growth of Perstorp's portfolio of Specialties and Functional Chemicals.

NET SALES BY GEOGRAPHY, 2020





AMERICAS EMEA APAC

Resins & Coatings

Perstorp has almost seven decades of experience working with resins and coatings that can protect structures, increase durability and enhance both the processability and appearance of a range of surfaces for customers in various industries and end applications. Read more on page 18.

Engineered Fluids

Perstorp is the global leader in engineering fluids, with the broadest customer offering of polyols, alcohols and acids, combined with the deep expertise required to find the most optimal solution for any application. Read more on page 20.

Animal Nutrition

Perstorp's products play a key role in promoting good animal gut health and the preservation of animal feed to enable more profitable and sustainable animal feeding. Read more on page 22.

ADDITIONAL SEGMENTS VITAL FOR LONG-TERM CASH GENERATION

Perstorp's products go into many other market segments than the three mentioned above. These are very important for long-term cash generation, and examples of these segments are Construction, Durable consumer goods and Healthcare. A great deal of Perstorp's Intermediate products go into these segments, and our priority is to serve customers with efficiency and agility.

Resins & Coatings

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

Key drivers shaping our markets

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

Strengths of Perstorp's offering

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

BENEFITING CUSTOMERS AND SOCIETY

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

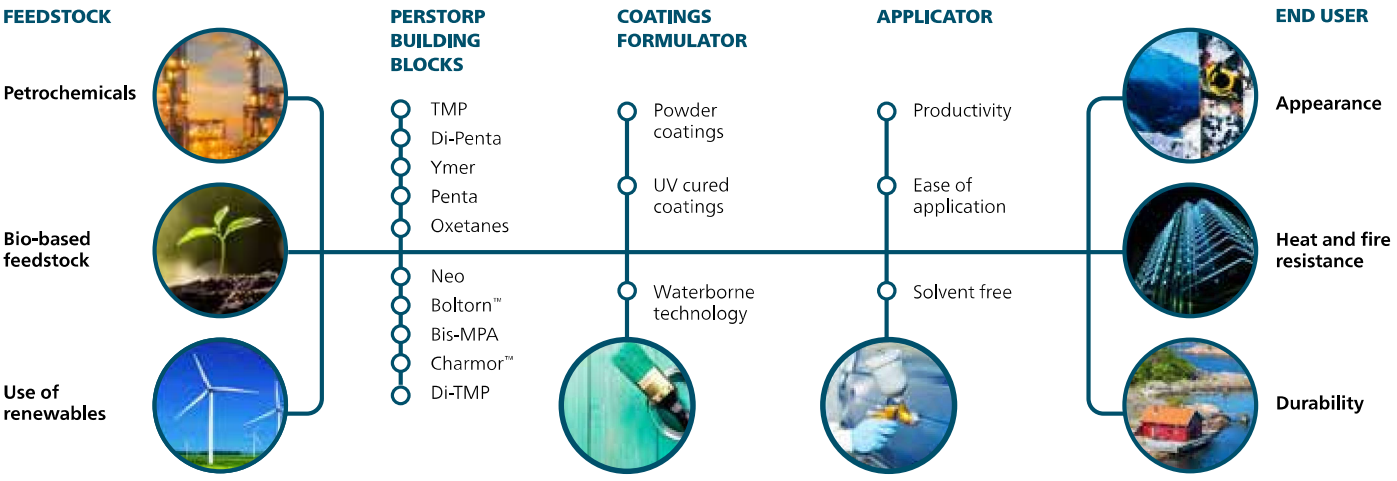
OUR OFFERING

Our expertise, market leadership, global presence and solid portfolio of building blocks allow our customers to focus on what they do best – creating winning resin and coating formulas.

Two new products that were rolled out in 2020 were Ymer™ N90 and Ymer™ N180, which are dispersing monomers that create stable, precise and customizable coatings for durable parquet flooring, or flexible, abrasion-resistant coatings for leather and textiles. The Ymer™ portfolio is appreciated by customers for the versatility, high performance, and impeccable dispersibility in water and thus low VOC in the end product.

We deliver products within various market segments, including waterborne and solventborne 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.

Resins & Coatings value chain



Our Resins & Coatings sub-segments



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



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



Intumescent coatings
Our intumescent carbon donors provide fire protection for steel and wood structures, reduce time for people to evacuate safely while protecting property in the event of a fire.



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



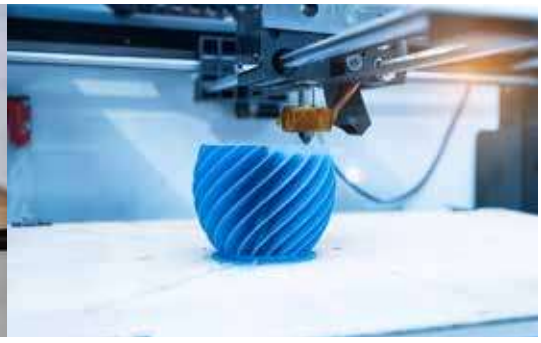
Liquid unsaturated polyester
Our unique portfolio, including allyl ethers, significantly improves performance, while our new drop-in renewable polyols reduce customer carbon footprint.



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



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



Radiation curing
Perstorp offers a unique portfolio of polyols and sustainable solutions to design and develop superior and customizable UV curable monomers and oligomers.

Engineered Fluids

Perstorp is a global leader in engineering fluids, with the broadest customer offering of polyols, alcohols and acids, combined with the deep expertise required to find the most optimal solution for any application.

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

BENEFITING CUSTOMERS AND SOCIETY

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

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

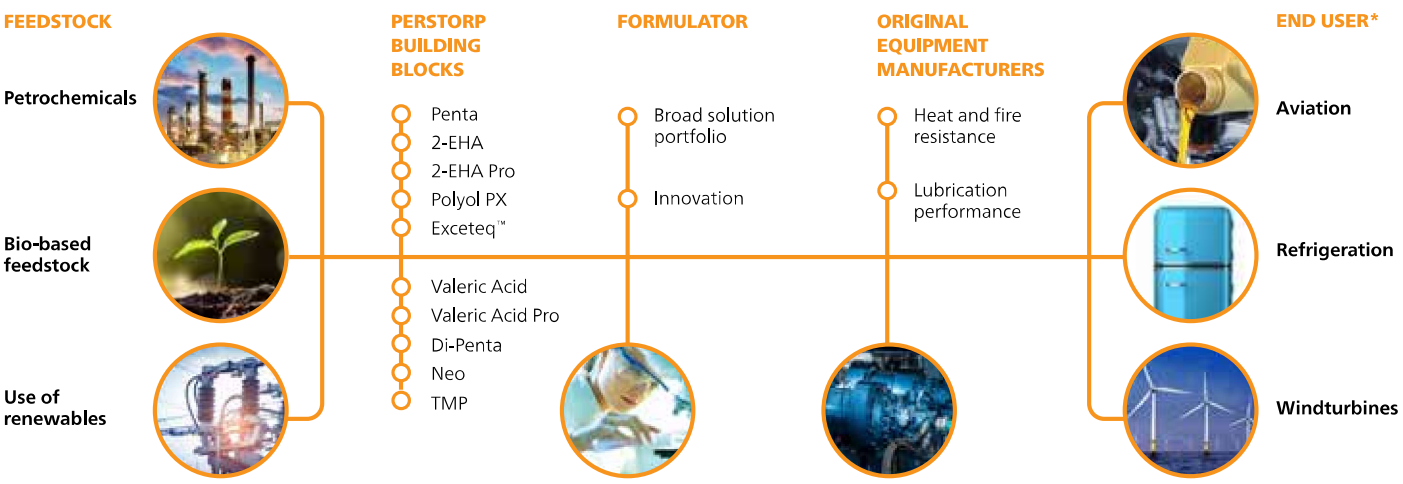
Synthetic lubricants offer higher and more predictable performance properties and can be engineered to best suit specific and complex applications. The switch toward synthetic lubricants is driven by the requirements of increasingly sophisticated and complex end products as well as by legislation and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

OUR OFFERING

Perstorp is a one-stop shop for high quality materials for polyol ester base stock. We offer the broadest portfolio of polyols, alcohols and acids on the global market, which combined with our deep expertise, helps customers find the most optimal solution for their particular application. In 2020, we strengthened our dedicated team that works closely with customers and industry partners in the value chain to ensure we continue to develop the necessary optimal solutions for the future.

During the year, we launched the world's first partly renewable Oxo Carbocxylic acids. In accordance with our aim to be a leader in renewable products and solutions, as well as proactively nudging the industry to greener solutions, we will continue to develop and launch more sustainable products in the coming years.

Synthetic lubricants & engineered fluids value chain



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

Our Engineered Fluids sub-segments



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



Aviation turbine oils
As the world's largest producer of the key raw material for high-end aviation turbine oils, Perstorp offers a complete product portfolio that includes neopolyols and carboxylic acids.



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



Metalworking fluids
As a major supplier of neopolyols, oxo alcohols, acids for synthetic esters and TMP (Trimetylol propane), Perstorp is an industry leader and offers cutting-edge sustainable alternatives.



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



Transformer oils and di-electric fluids
Perstorp is the world's largest producer of the key raw materials for high-end transformer oils, with a complete portfolio, including neopolyols and carboxylic acid.

Animal Nutrition

Devoted to success in animal gut health and feed preservation.



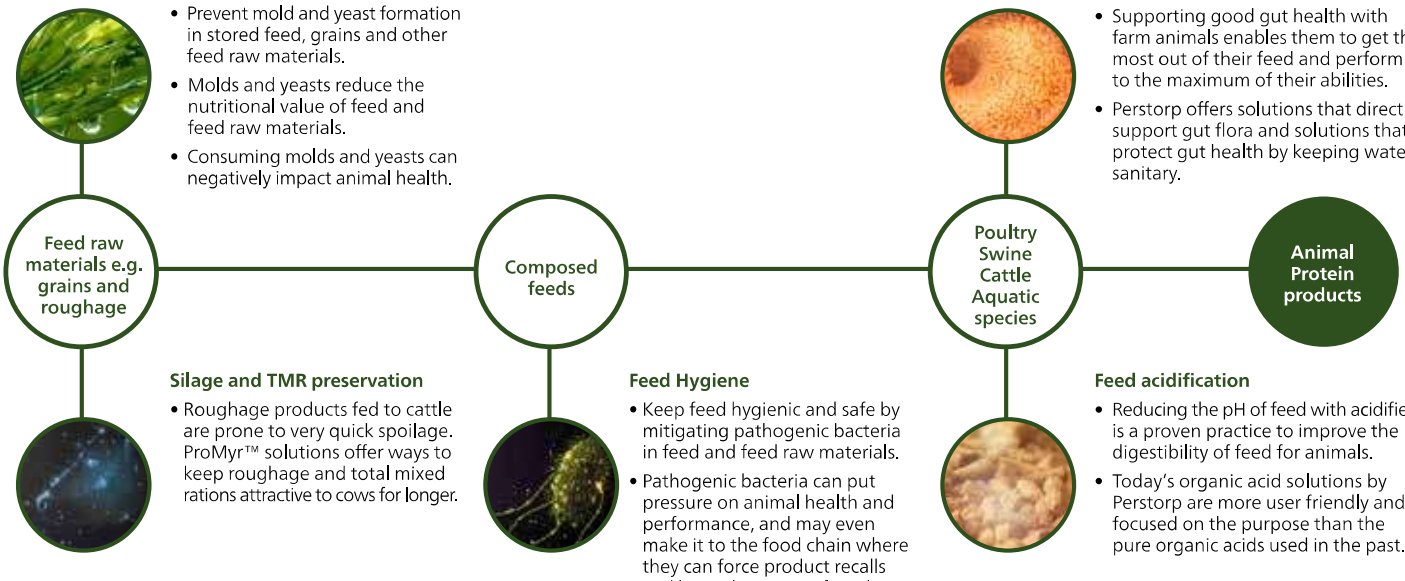
Key drivers shaping our markets

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

Strengths of Perstorp's offering

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

Feed to fork value chain





PERSTORP PROVIDES SOLUTIONS TO THE ANIMAL NUTRITION INDUSTRY THAT:

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

Help to keep animals safe from feed spoiling agents such as pathogenic bacteria such as salmonella, molds, yeasts and mycotoxins.

Offer dietary support to animals in times of heat stress.

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

ANIMAL NUTRITION IN 2020

It is rare for a year to be characterized by one particular event the way 2020 was with Covid-19 and subsequent changes to society. The Animal Nutrition industry and Perstorp quickly took on new ways of working, starting an ongoing series of webinars only a month after the restrictions started. This was the first of over 25 webinars to be organized in 2020. Webinars with a wide range of topics to meet the requirements of different target groups from feed nutritionists to purchasers and general managers from APAC to the Americas. A continued focus on providing high-quality content via platforms such as LinkedIn proved successful as our following on the platform tripled in 2020.





Our culture drives performance

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

PURPOSE AND PROMISE

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

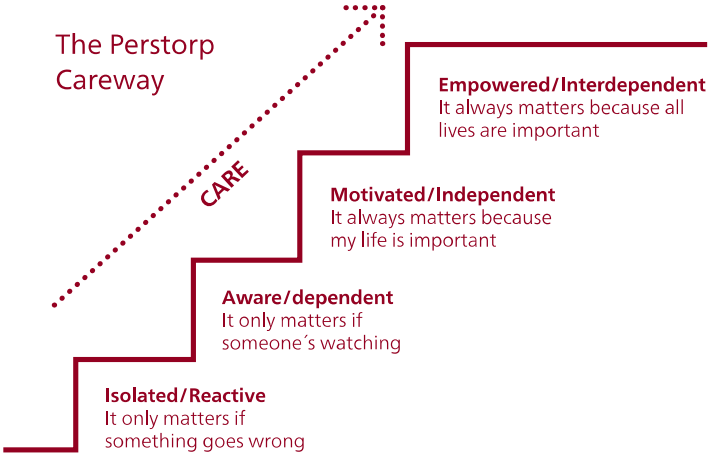
We have been in business for 140 years and we have always strived to be in sync with the world around us and reinvented ourselves several times to anticipate and meet customer needs.

OUR VISION

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

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





CARE IN EVERYTHING WE DO

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

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

OUR VALUES

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

Care

Lead with heart

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

Responsibility

Do right

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

Reliability

Keeping our promises

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

Focused Innovation

Make it better

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

CULTURE RELATES TO PERFORMANCE

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

A place to learn, develop and make a difference



As a global team of scientists, engineers and business professionals working to drive sustainable innovation and progress in chemistry, we believe that every individual can make a significant difference.

WELCOME TO PERSTORP

Although we have operations in several countries, we are still considered a relatively small company – with 1,350 individuals contributing toward annual net sales of around SEK 9.2 bn. This means that nobody stays anonymous at Perstorp, and 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 proactive approach to diversity, including gender equality. We have a diversity policy, as well as targets for diversity and equal opportunity – such as 'women among new managers and senior managers' and 'non-Swedes among new senior managers'.

WORKING AT PERSTORP

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

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

AVOIDING DISRUPTION AND PROTECTING EMPLOYEE HEALTH DURING COVID-19

Perstorp closely monitored the Covid-19 situation throughout 2020 and actions were taken to avoid disruption to our business and to protect the health of our employees. A temporary Crisis Management Organization was established in mid-March to safeguard these areas.

Additional quality and hygiene measures were implemented at our production sites and offices. All employees that were able to work remotely from home have done so, non-critical travel was also stopped, and social distancing was applied everywhere.

THE IMPORTANCE OF COMMUNICATION DURING COVID-19

The Covid-19 pandemic placed tough demands on our teams and their way of working in 2020. The switch from working in the office to home environments and not being able to physically meet with colleagues has posed challenges. We proactively developed communication channels, and many employees participated in internal and external activities and engagement communication campaigns. This included publishing Covid-19 newsletters, encouraging employees to share their tips and experiences, posting information on our external websites and issuing customer letters.





GROWING WITH PERSTORP

To realize the full potential of our employees, we offer a wide variety of training courses, leadership programs, talent management, skill development and individualized development plans. In 2020, the majority of these activities took place remotely via digital tools. Every employee reviews their performance with their immediate manager – to set and follow up targets, and to discuss their career ambitions. This is done on a regular basis through the Group-wide Performance Management & Development process (PMD).

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

NEW EMPLOYEE SURVEY TOOL

In the spring 2020, a new employee survey tool was introduced, which involves conducting surveys on a monthly basis throughout the company. Since the survey was introduced during the Covid-19 pandemic, we are unable to compare our results with 'normal circumstances'. However, the results for the company overall have been above the 'benchmark' based on other companies and it has exceeded our expectations before.

ACCOUNTABILITY AND EMPOWERMENT

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

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

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 our culture is equally as important. Without a culture that drives motivated and empowered employees to make the right decisions at the right time, Perstorp will not realize its full potential.

LEADERSHIP AT PERSTORP

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

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

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

140 years of thinking about tomorrow

We put thought into everything we do – from smart products and responsible resource use, to smarter technologies that advance everyday life for the better. Our approach is built on a 140-year heritage of continuously reinventing ourselves, finding new ways of using materials and developing smart solutions. Today within specialty chemistry. Here are some examples of what has made Perstorp successful for 140 years, and is the essence of what will make Perstorp successful for the next 140 years.



Iconic product Acetic Acid

140 years of innovation

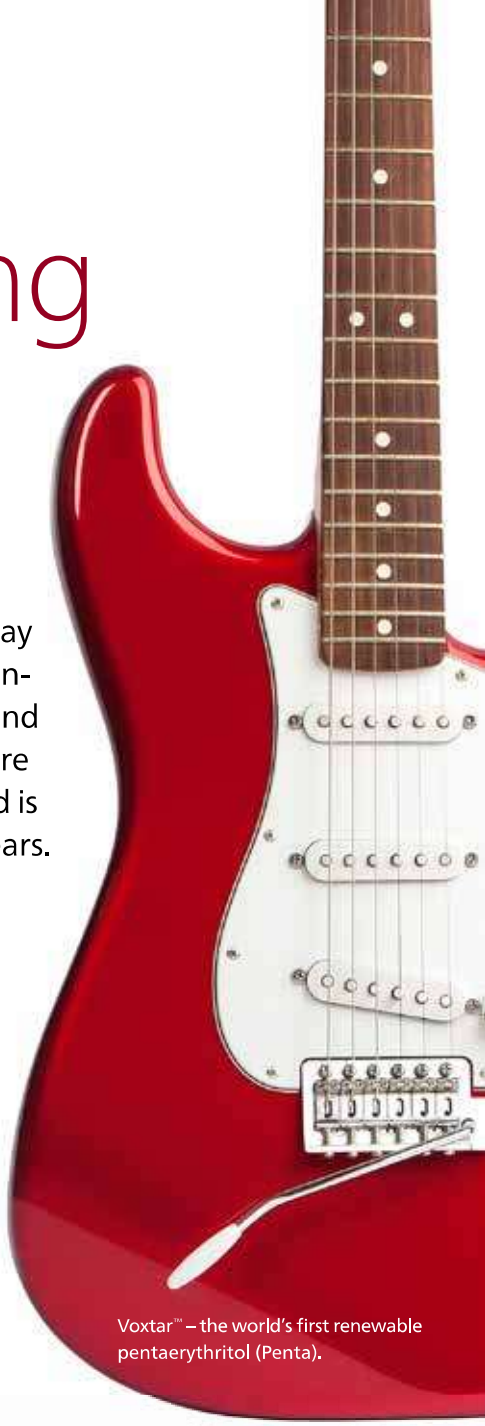
A series of ground-breaking innovations have shaped the history of Perstorp – from creating Formalin from charcoal, which led to the first plastic material in Scandinavia, to the first renewable Penta, Voxtar™ in 2010.



Founder Wilhelm Wendt



Perstorp's first Formalin plant



Voxtar™ – the world's first renewable pentaerythritol (Penta).



Timeless design Virrvarr by Sigvard Bernadotte, still trending in 2021



Innovative products within Animal Nutrition



Ingredients to improve refrigerator efficiency



Pergo – wooden laminate flooring was groundbreaking in the 80s

140 years of advancing everyday life for the better

Perstorp's entrepreneurial culture has over time resulted in a wide variety of both well-known products, and solutions that advance everyday life without us even knowing about them.



Products to make paint dry faster

140 years of care for people

Caring for employees and society has always been important for Perstorp, with examples as employee weekend vacations organized in the first half of the 1900s, free employee health insurance offered since 1998, and sanitizer produced at cost price to the health care sector during the Covid-19 pandemic.

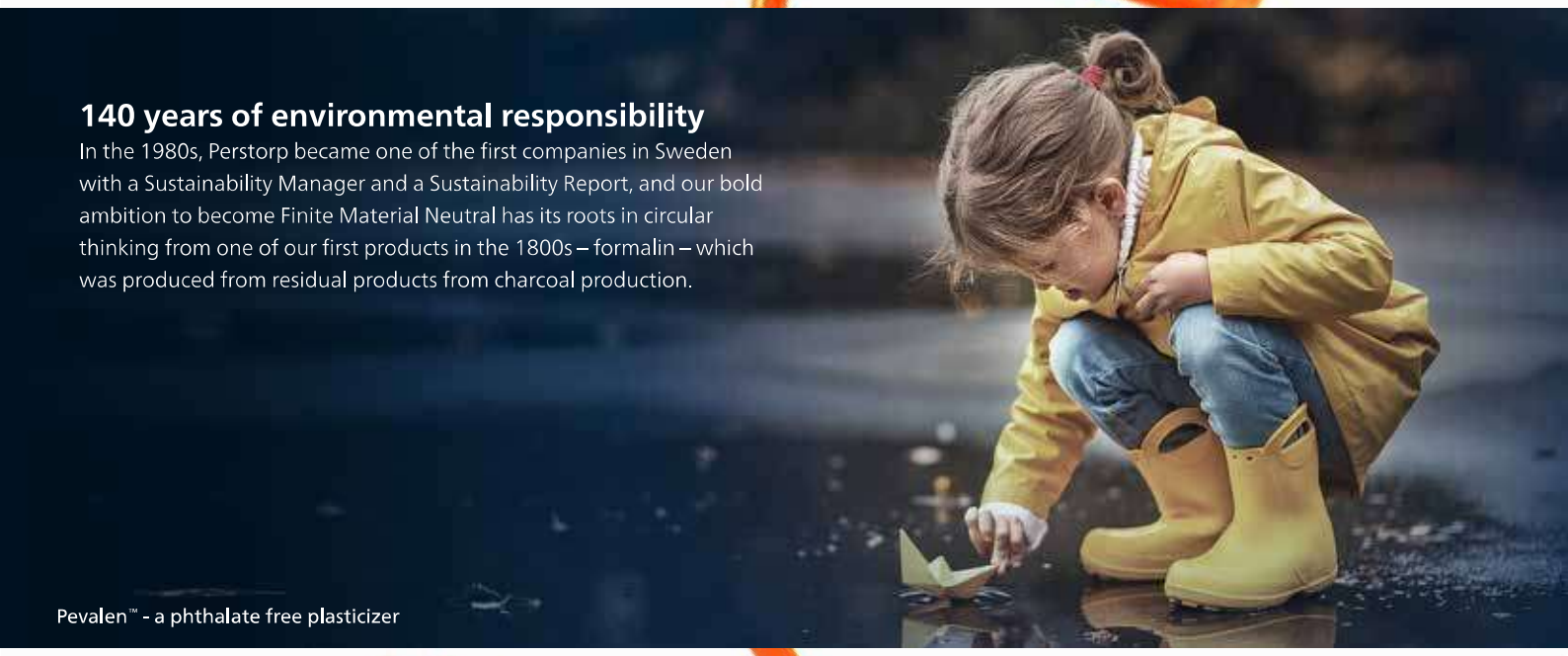


Sanitizer at cost price during Covid-19 pandemic

Softer cables with Perstorp's plasticizers

140 years of environmental responsibility

In the 1980s, Perstorp became one of the first companies in Sweden with a Sustainability Manager and a Sustainability Report, and our bold ambition to become Finite Material Neutral has its roots in circular thinking from one of our first products in the 1800s – formalin – which was produced from residual products from charcoal production.



Pevalen™ - a phthalate free plasticizer

A more sustainable European chemical industry

The European chemical industry, shaped by global and regional initiatives, has huge potential to contribute toward a low-carbon and circular society. With 96%* of manufactured goods relying on chemicals, Europe's chemical industry is at the heart of almost all value chains and provides the key to solutions that will deliver the Green Deal, from solar panels to batteries, wind turbines and hydrogen to building insulation.



SUSTAINABILITY CHALLENGES AND OPPORTUNITIES IN THE CHEMICAL INDUSTRY

The chemical industry today predominantly uses fossil-based raw materials, which are non-renewable finite resources that can cause environmental damage. Additionally, the industry is a significant direct emitter of greenhouse gases.

However, as the industry makes the necessary shift toward renewable raw materials, it can make a significant contribution toward a low-carbon and circular society – particularly as its products are fundamental to almost every other industry. By investing in innovative products, developing technologies and forming new industrial partnerships, the chemical industry can be part of the solution. It can be a catalyst to develop the solutions needed for a more sustainable future, it could for example enable circularity by shifting raw materials and make production processes more efficient and less resource consuming or end products more durable.

For companies in the chemical industry, this transition presents both significant challenges and opportunities to strengthen their business and gain market share. Companies that fail to adapt or do not integrate sustainability into their business and product offering risk becoming obsolete in the future.

EUROPEAN AND GLOBAL CHEMICAL REGULATIONS

Chemicals and the chemical industry are regulated by a variety of international initiatives such as regulations, agreements, strategies and conventions.

The European Union's (EU) Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation provides the main regulation for the chemicals industry in Europe. It addresses the production and use of chemical substances, and their potential impacts on both human health and the environment, while enhancing the competitiveness of the EU chemicals industry. The technical,

*Cefic position paper on Chemical Strategy for Sustainability 2020



THE EUROPEAN CHEMICAL INDUSTRY COUNCIL (CEFIC)

In Europe, the chemical industry's main voice is the European Chemical Industry Council (Cefic). Cefic represents 29,000 European chemical companies and is a committed partner to EU policymakers, facilitating dialogue with industry and sharing broad-based expertise. The council upholds the Swedish environmental goals and the Swedish industry organization IKEM.

scientific and administrative aspects of the regulation is managed by the European Chemicals Agency REACH.

Important global regulations include the Globally Harmonized System of Classification and Labeling of Chemicals (GHS), the Strategic Approach to International Chemicals Management (SAICM) and various conventions. Such international initiatives define the scope of local regulation, including chemical exposure or emission limits, and are overseen by regulatory agencies.

The chemical industry is also shaped by the global sustainable development agenda, for example through the United Nations Sustainable Development Goals (SDGs) and the Paris Climate Agreement. Such long-term global targets are essential for driving international cooperation and contributing to the more sustainable use of chemicals to meet wider sustainability objectives. Chemical companies play a key role in contributing to the achievement of the SDGs, which is why Perstorp has identified and prioritized five global goals where we have the greatest impact. Read more about this on page 36.

PROMOTING SUSTAINABLE CHEMISTRY IN EUROPE

The EU chemicals and chemical industry regulations are the toughest in the world. In 2020, the EU adopted the EU Chemicals Strategy for Sustainability, which is the first step toward a zero-pollution ambition for a toxic-free environment announced in the European Green Deal.

The aim of the strategy is to boost innovation for safe and sustainable chemicals, while optimizing the protection of human health and the environment against hazardous chemicals. This provides the European chemical industry with an opportunity to take the lead and secure a competitive position on sustainable chemicals on a global level.

The chemical industry must gradually transform its own production processes to achieve climate neutrality by 2050. The transition will only be successful if the EU Chemicals Strategy for Sustainability turns into a genuine growth strategy for Europe's fourth largest industry with a scope that puts human health and the environment first.

Sustainable chemistry is about doing more with less by reducing the environmental impact of processes and products, optimizing the use of finite resources and minimizing waste. It has huge potential to ensure environmental efficiency in many other industries and products, due to its place in the beginning of the value chain. In this way, sustainable chemistry has the opportunity to contribute to a more competitive and prosperous economy and quality of life, in Europe and around the world.



Caring for people, planet and society

PERSTORP AND SUSTAINABILITY

Perstorp's sustainability strategy guides us to do the right things in the right way. Sustainability for us involves working with all the aspects that will make our company relevant and successful for at least another 140 years. This includes our ambition to become Finite Material Neutral and driving an ambitious carbon reduction agenda.

WE ARE THE SUSTAINABLE SOLUTIONS PROVIDER

We have embarked on an exciting journey in recent years in order to take a more proactive approach on how Perstorp can contribute to overcoming the challenges of our time in a way that it is aligned with global sustainability objectives and requirements. This is reinforced by our new strategic direction and mission:
"We are the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets."

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

Raw materials

Our Finite Material Neutral target for raw materials involves switching to renewable, recycled or reclaimed raw materials. 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 our use of renewable raw materials into chemical products, both internally and in collaboration with partners for many years, and we source an increasing amount of renewable raw materials for our Pro-Environment product range.

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. This includes the procurement of renewable electricity as well as switching to renewable energy sources at site.

Water

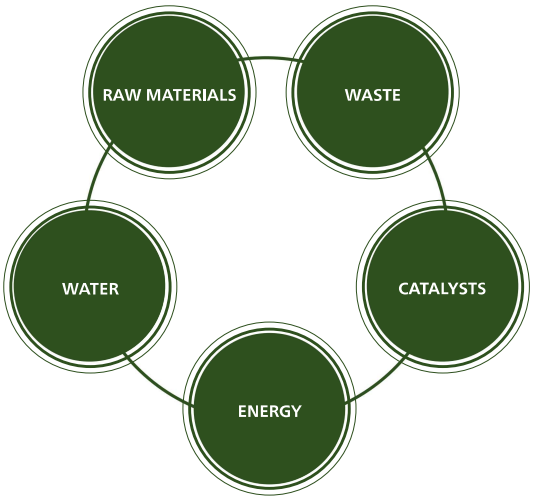
Our Finite Material Neutral target for water involves continuously reducing our total water footprint and ensuring that we do not affect the environment or human health negatively through our water effluents. We should never compete with water usage for essential human needs, such as potable water. Perstorp is taking additional steps to conserve and reuse water in our manufacturing plants, and we also consider water use when designing new products.



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

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

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



Waste

Our Finite Material Neutral target involves achieving zero waste from Perstorp's processes. We view waste as a resource for which a use has not yet been found for. Perstorp works to prevent, reduce, recycle and eliminate waste in all phases of its value chain.

Catalysts

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

More information about Perstorp's sustainability work and KPIs can be found on page 84.

Our journey to become Finite Material Neutral will significantly reduce Perstorp's environmental impact as well as give our customers a competitive edge in meeting the global demand for more sustainable solutions. During the year, we adopted CO_2 targets that are aligned with the Paris Climate Agreement. Perstorp is thereby committed to reductions from both direct and indirect emissions (Scope 1, 2 and 3) by 2030. The reduction in percentage will be determined in 2021.

At Perstorp, we focus our innovation on how our products and solutions provide and/or enable more sustainable alternatives compared to the standard market offering. Innovation also involves exploring increased resource efficiency and value-based circularity. Since 2010, starting with Voxtar™ as renewable Penta, we have offered a growing portfolio of products and solutions with renewable content and reduced carbon footprint – our Pro-Environment Solutions.

As a responsible business, we also have to be a responsible employer, buyer, business partner and corporate citizen, as well as operating our company in a thoughtful manner – we bring ´Thoughtful Chemistry´ to the market. A new Sustainability Policy was developed and implemented in 2020, and we believe that managing our business responsibly is the basis for long-term business success. We work continuously with sustainability with the aim of making gradual progress, which often involves working on multiple fronts – including responsible sourcing, anti-corruption and sustainability governance.

Focused innovation for sustainability

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

Our approach to innovation includes developing new products, applications for existing products as well as our production processes. Perstorp participates in several consortia working with innovative technologies to develop new opportunities, business models and markets. During the year, we were active in 12 external research projects with 124 partners and seven PhD students at four universities. 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 required to create sustainable societies. Our Pro-Environment products range enables our customers to bring renewable products with reduced carbon footprint 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 a Pro-Environment product is:

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

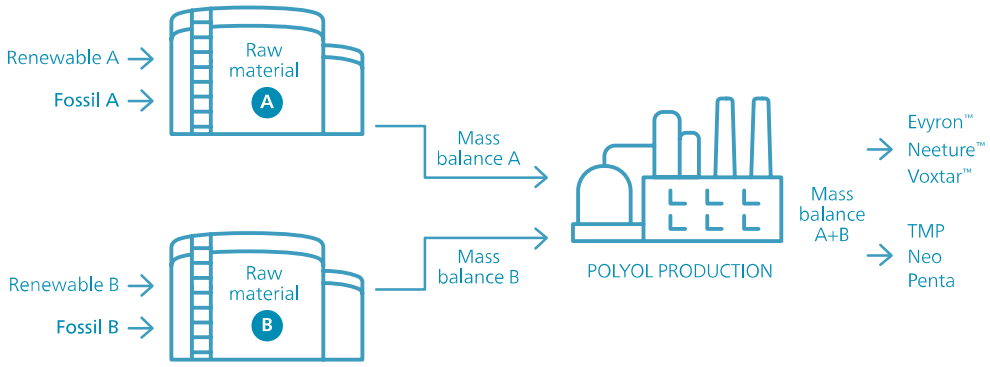
Furthermore, our Pro-Environment products are drop-in, meaning that they are chemically identical, to the fossil-based products they can substitute. This avoids the need for customers to alter their products, equipment or processes when switching to more sustainable solutions.

Perstorp's Pro-Environment Solutions consist of three groups of products – Polyols, Specialty Products and Acids with a new non-phthalate plasticizer, Pevalen™ Pro, certified in early 2021.

** guarantees that the bio-based raw materials used come from sustainable and traceable sources and that the GHG emission calculations are done correctly and with proof of every input used.*

Perstorp mass balance

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



Project AIR – production of sustainable methanol for a climate neutral chemical industry

Project AIR, a project officially started up by Perstorp in January 2019, has developed a concept to produce methanol from a large variety of recovered end-of-life streams and hydrogen from electrolysis in a combined Carbon Capture & Utilization (CCU) and gasification process. It has since its start been supported by the Swedish Energy Agency via the program Industriklivet, and now a partnership and collaboration has been established with the companies Fortum, Uniper and Nature Energy.

The methanol produced will, if the project is realized, substitute all the fossil methanol used by Perstorp in Europe as raw material for chemical products, and reduce CO_2-emissions by about half million tons annually, equaling average annual emissions from 340,000 petrol cars. The planned methanol production plant as well as the new electrolysis plant will be located at Perstorp's production site in Stenungsund, Sweden. Start-up of the methanol production is planned autumn 2025.



Sustainability highlights 2020

CO_2 targets

To ensure Perstorp contributes toward a low-carbon society, we have made a decision about CO_2 reduction targets that are aligned with the Paris Climate Agreement. The targets have been calculated for Scope 1, 2 and 3, and Perstorp thereby commits to reductions from both direct and indirect emissions (Scope 1, 2 and 3) by 2030, while still allowing projected future expansion and growth. The reductions in percentage will be decided in 2021. We will communicate more information on the progress on our targets during 2021.

Pro products

Sales volumes of Pro-Environment products reached an all-time high in 2020, and the range was expanded during the year to include polyols that are also now available for oxo products and plasticizers. The two acids 2-Ethylhexanoic Acid Pro and Valeric Acid Pro are now both manufactured with biogas instead of natural gas and the mass balance concept, and the renewable oxo portfolio will soon also include aldehydes and alcohols. Our phthalate-free plasticizer Pevalen™ is now also available as Pevalen™ Pro, i.e. with renewable content and certified according to ISCC PLUS.

Innovation

In 2020, we implemented a new routine for assessing all our innovation projects from a sustainability perspective. Every project now has to state how the innovation contributes to a more sustainable future, which provides it with a sustainability rating. The rating and statements are then scrutinized by an internal advisory panel, with representatives from different functions, to guide and ensure focus on the right actions to develop a more sustainable solution.

Zibo wastewater reuse project

At our production site in Zibo, China, we have begun expanding the production capacity of Trimethylolpropane (TMP) flakes by 30 kt per annum, while reducing freshwater consumption and improving the wastewater quality. This is made possible by a major wastewater reuse project where more than 60% will be reused as cooling water after having gone through a process of ultra-filtration, reverse osmosis and the reduction of chemical oxygen demand (COD). The investment will be completed in 2022.

Contributing to the Sustainable Development Goals

By providing solutions and enabling innovation in virtually all industries, the chemicals sector can contribute to a more sustainable society. Our industry is critical for the global sustainability transition due to its ability to provide solutions that can directly support many of the UN Sustainable Development Goals (SDGs).

Perstorp is committed to the SDGs and Agenda 2030, and we aim to provide solutions that support:
- sustainable nutrition for the growing global population.
- life in smarter and more livable societies.
- a climate-neutral world.

Our business has significant potential to make a meaningful positive contribution to SDGs 2, 11, 12, 13 and 15.

We provide:
- products for safe and efficient silage and preservation.
- products that support the gut functions of farm animals to help them live a healthy and productive life.
- fertilizing solutions to reduce salt stress in arid regions and improve crop yields.
- safe packaging solutions to protect food and prevent food waste.



We provide:
- a circular approach to the products we produce.
- renewable raw materials in products going into coatings, resins and engineered fluids.
- renewable phthalate-free plasticizers for PVC applications.
- efficient and sustainable alternatives for intumescent coatings and flame retardants.
- products for more durable coating applications.
- building blocks for waterborne alkyds with no or very low VOC.
- essential products to enable high-quality lubricants to improve the compressor lifetime.





We develop solutions that:
- use less resources and enable recyclability or biodegradability to help our customers and society 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.



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 and upgrading our technologies to even more sustainable alternatives.



Our operations strive to:
- pro-actively reduce emissions through our CO_2 reduction program.
- transition from fossil-based to renewable raw materials.

Our products and solutions:
- support sustainable agricultural development and enable efficient land use.
- help animals grow and stay healthy.



SUSTAINABILITY GOVERNANCE

Perstorp's corporate program for sustainability is headed by the EVP Communications & Sustainable Transformation, who is also a member of the Executive Leadership Team. In early 2021, the role of VP Sustainability was created to drive, develop and oversee Group sustainability work. A cross-functional sustainability team drives our ambitions and builds internal processes and capabilities.

Perstorp's main sustainability-related policies are: our Code of Conduct, Sustainability Policy, Responsible Care Policy, Health and Safety policy, Security Policy, Anti-Bribery Policy, Policy on Competitive matters, Vendor Policy, Global Travel Policy and General Data Protection Policy. The Code of Conduct will be updated in 2021.

The Perstorp Group is third-party certified to the ISO 9001:2015 quality management system and the ISO 14001:2015 environmental management system. The manufacture of Pro-Environment products is certified to ICSS PLUS.

During 2020, we established new indicators, targets and roadmaps to strengthen Perstorp's performance in relevant sustainability areas. We have also stepped up our work to align Group-level ambitions with the ongoing ambitions and work of our production 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 relating to human rights, labor, the environment and anti-corruption.

Responsible business



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

CARE 365: EMPLOYEE HEALTH AND SAFETY

We seek to constantly improve health and safety to become a role model for other companies. For several years, safety has been the top internal priority at Perstorp. In 2020, the Covid-19 pandemic posed entirely new challenges within this area. The situation has been monitored closely throughout the year and firm actions have been taken to protect our employees' health and to avoid disruptions to our business. The company is committed to ensuring that decisions or guidance from the relevant country's health authorities are followed. Additional quality and hygiene measures have been implemented at production sites and offices, employees that can work remotely from home have done so and social distancing has been applied everywhere. In general during the year, more focus was put on health, well-being and stress prevention, and an Availability Policy was launched at the annual 'Let's talk Care 365'-day. Safety performance remains a top priority for Perstorp. Our performance in the area of process safety events has continued to be well in line with our high ambitions. For personal safety/OSHA recordables, however, we saw a negative trend during most of the year. A root cause analysis has been performed and we are now focusing our efforts on reversing the trend.

RESPONSIBLE SOURCING

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

Perstorp divides its 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 must 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 sign the vendor policy. 80% of Perstorp's total spend is covered by this approach, which means that it covers the company's main suppliers of raw materials.

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 a more in depth focus on different aspects of business ethics, especially for those employees in positions of increased risk exposure. During 2020, the second round of the extensive training was conducted, which is mandatory every 18 months.

Employees are encouraged to correct or report non-compliance with the Code. Alleged non-compliance can be reported to an immediate manager, or to the Head of HR or Head of Legal. We also have an internal whistleblowing channel that enables the anonymous reporting of any suspected misconduct.

Perstorp conducts a legal risk review on a quarterly basis.

SAFEGUARDING SENSITIVE INFORMATION

In a digitalized world, we have to protect our business data and handle information responsibly. Safeguarding personal integrity and protecting sensitive business information is a very important area of our responsibility. We work to minimize the risk of sensitive information ending up in the wrong hands through accidental information sharing, theft, coercion, bribery etc. Perstorp has a dedicated Head of Data Privacy and Information Security at Group level to address the protection of information related to our business and personnel, and during 2020, an Information Security Management System was implemented within the Perstorp Group.

Corporate Governance Report

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

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 7th, 2020, at which the Annual Report for the 2019 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 2020, 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 2020 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 2020, 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 89%. 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 impact of Covid-19, budget, forecasts and financing and were addressed during the year. The Perstorp Group's core values of focused innovation, reliability, responsibility and Care are also central to corporate governance. Corporate governance includes the continual process of controlling and improving decision-making and business strategies, defining clear areas of responsibility and identifying and evaluating opportunities and risks for the Group. The overall aim is to maintain and develop order so that the business is controlled reliably and we are well equipped to face the development challenges and changes of the future. Corporate governance within the Perstorp Group is performed through the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Companies Act. The Group does not have a formal requirement to follow the Swedish code of corporate governance.



AUDIT COMMITTEE

The Board is served by an Audit Committee, which focuses on securing the quality of the Group's financial reporting and risk management, and the committee is therefore also close to the development of control instruments for internal control. An important activity is to follow up and assess the external audit. The committee does not have decision-making rights. Decisions shall be made by the Board. At the end of 2020, the Audit Committee consisted of the following members: Fabrice Fouletier, Claes Gard, Ragnar Hellenius and Tore Bertilsson. During the year, the committee held six ordinary meetings.

REMUNERATION COMMITTEE

The Board is also served by a Remuneration Committee. This committee's task is to propose principles for remuneration and other employment terms for the President and senior executives. The committee also prepares the terms for global incentive schemes and makes an assessment of the schemes. The committee has certain decision-making powers. At the end of 2020, 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 Specialty Polyols & Solutions, Business Areas Advanced Chemicals and Business area Animal Nutrition report to him along with the EVP Supply Chain & Operations, EVP Global Procurement, EVP Innovation, EVP Communications & Sustainability, EVP Finance, Legal & IT and EVP People & Culture and CEO Office. The President manages the business in accordance with the instructions concerning the division of responsibilities between the Board and President adopted by the Board. The work of the President and Board is assessed annually.

EXTERNAL AUDITORS

Perstorp's auditor is elected for a term of office of one year. Auditing firm PricewaterhouseCoopers AB (PwC) is the appointed auditor of the company with 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 2020, 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 also has 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 2020. The purpose is to identify key control points for the various departments, analyze procedures, follow developments 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 2020



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 and Salinity. Member of the Board of Directors of INGKA Holding BV.



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 AS Adventure Group, Euromedia Group , Areas and WFC.



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

Born 1967.

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



JESPER FAHLÉN
Senior Project Manager

Born 1975.

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



GERRY ACKERT
Operating Technician and Chairman of IF Metall.

Born 1972.

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



KARIN MARKIDES
Member of the Board of Directors since 2010.

Born 1951.

OTHER BOARD ASSIGNMENTS
Professor, Chairman of the Board of Directors of DTU, the Technical University of Denmark. Member of the Board of Directors of the Swedish Knowledge Foundation, and of Einride AB.



CLAES GARD
Member of the Board of Directors since 2009.

Born 1953.



HEIDI WALENIUSSEN-ENGLUND
Quality Manager

Born 1971.

Member of the Board since 2020. Appointed by the Boards of PTK of Perstorp and Stenungsund.

DEPUTIES

SIMON FRÖJD
Deputy trade union representative

ANDERS MAGNUSSON
Deputy trade union representative

RONNY NILSSON
Deputy trade union representative

AUDITORS

MICHAEL BENGTSSON
Authorized Public Accountant – PricewaterhouseCoopers.

Born 1959.

OTHER AUDIT ASSIGNMENTS
Bonnier and Sweco.

MATS ÅKERLUND
Authorized Public Accountant – PricewaterhouseCoopers.

Born 1971.

OTHER AUDIT ASSIGNMENTS
Catena Fastigheter, Copenhagen Malmö Port and INVISIO.

Executive Leadership Team 2020



JAN SECHER
President and CEO.

a.i. Executive Vice President Strategic Markets & Innovation

Born: 1957.

Active in the Group since 2013.

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



ULF BERGHULT
CFO and Executive Vice President – Finance, Legal and IT.

Born: 1962.

Active in the Group since 2021.

Education and professional experience: BSc in Business Administration & Economics from the University of Lund. Prior to joining Perstorp, positions as CFO and Executive Vice President at Trelleborg Group, Dometic, Thule Group and Å&R Carton Group.



GORM JENSEN
Executive Vice President of Sales & Business Management

Born: 1962.

Active in the Group since 2014.

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



ULRIKA ANDERSSON
Executive Vice President of Strategic Projects & M&A

Born: 1968.

Active in the Group since 1996.

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

Several senior positions within Perstorp Group, as Group Controller, Head of several Business Units and most recently as Executive Vice President Specialty Polyols & Solutions.



MIKAEL GEDIN
Executive Vice President People & Care and CEO office

Born: 1969.

Active in the Group since 2009.

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



CECILIA SVENSSON
Executive Vice President Communications & Sustainable Transformation

Born: 1965.

Active in the Group since 2014.

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





ROGER MANN
a.i. Executive Vice President Animal Nutrition Division

Born: 1960.

Active in the Group since 2018.

Education and professional experience: Over 30 years' management experience in Agri-business and food related industries, and was COO of Anitox prior to joining Perstorp. Previously held a variety of general management, commercial and operational leadership roles at companies such as Associated British Food, Elementis and Unilever.

MAGNUS LANNÉR
Executive Vice President Integrated Supply Chain

Born: 1969.

Active in the Group since 2008.

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

Annual & Sustainability Report 2020

CONTENTS

MANAGEMENT REPORT	45
CONSOLIDATED YEAR-END ACCOUNTS	49
• Net sales and earnings	49
• Consolidated income statement	49
• Consolidated statement of comprehensive income	50
• Financial position	50
• Free cash flow analysis	50
• Consolidated balance sheet	51
• Consolidated statement of changes in equity	52
• Consolidated cash flow statement	53
THE PARENT COMPANY YEAR-END ACCOUNTS	54
• Income statement	54
• Balance sheet	55
• Shareholders´equity	56
• Cash flow statement	56
NOTES	57
AUDITOR'S REPORT	82
SUSTAINABILITY	84
THE AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT	88
CONTACT	89

Perstorp in brief

WORLD LEADER IN SELECTED SPECIALTY CHEMICALS NICHES

- A resilient solutions provider for our prioritized market segments Resins & Coatings, Engineered Fluids and Animal Nutrition
- Integrated polyols and oxo platforms enable efficient utilization of side streams
- Focused innovation on our core segments, closely linked to our customers
- Committed to sustainability and our Finite Material Neutral ambition
- Present in 26 countries and production plants in Europe, Asia and North America
- Since December 2005, Perstorp has been controlled by PAI Partners, a leading European private equity company

GLOBAL PRESENCE

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

KEY FIGURES IN SUMMARY

Please see page 80.

Highlights in 2020

NEW STRATEGIC DIRECTION

In 2020, Perstorp updated its strategic direction, which aims to improve resilience and balance its product mix. The strategic focus areas are: a clear distinction between Specialties and Intermediates; focus on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets; drive forward the Penta plant investment in India; availability and efficiency in supply of products; and strengthening Perstorp's Sustainability profile and digital capabilities.

UNIQUE REVOLVING CREDIT FACILITY GRANTED

In December, Perstorp Group was granted a Revolving Credit Facility of SEK 600 m (around EUR 59 m). The RCF is provided by Nordea, Goldman Sachs, SEB and DNB. The financing solution is the first of its kind and involves a scheme for credit guarantees issued by the Swedish Export Credit Agency ('EKN'). The EKN guarantee covers 75% of the granted Revolving Credit Facility. This RCF will support Perstorp with its strategic growth agenda and to enable it to capture new opportunities when market conditions allow.

LAUNCH OF THE WORLD'S FIRST RENEWABLE OXO PRODUCTS

Perstorp is pioneering the Oxo market by launching the first partly renewable carboxylic acids: 2-Ethylhexanoic Acid Pro and Valeric Acid Pro. 2-EHA Pro is based on 25% renewable raw materials, and Valeric Acid Pro contains 20% renewable content. The renewable material is biogas, which replaces natural gas using the mass balance concept. Users can expect the same quality as the existing 2-EHA and Valeric acid, with the additional benefit of a lower carbon footprint. 2-EHA is used in plasticizers for PVB film, synthetic lubricants, as a corrosion inhibitor in radiator coolants, siccative and paint driers, and resins. Valeric Acid is used for aviation lubricants, refrigeration lubricants and other esters for synthetic lubricants.

MANAGEMENT OF THE COVID-19 SITUATION

Since the outbreak of Covid-19, Perstorp has monitored the situation closely and actions have been taken to avoid business disruption as well as to protect employee health. All relevant legislation and guidance are followed locally. Additional quality and hygiene measures have been implemented at all our production sites and offices, employees that can work remotely from home must do so and social distancing is applied everywhere. In addition, firm actions have been implemented to manage non-critical spend, capex and working capital in order to protect cashflow.

RECORD HIGH CUSTOMER SATISFACTION

Perstorp continuously tracks customer satisfaction by sending feedback surveys to customers. While our customers have a long history of being satisfied with our service, results improved considerably in 2020. This goes for all three areas measured: Complaints Handling, Delivery & Logistics and Account Management.

LAUNCH OF AMICULT™ – A CHLORIDE-FREE POTASSIUM SOURCE

In May, Perstorp entered the fertilizer market with Amicult™ K42, a chloride-free potassium source, which now is available in selected markets. The product has shown to have a high solubility and absorption rate, without increasing salinity or clogging foliar and drip irrigation systems. It can be applied at the right development stage where the crop needs an additional potassium source and in agricultural regions where salination is an issue. Amicult™ K42 is a low salt index product, which reduces the risk of creating new salination problems. Research has shown the product to improve potato yield by up to 22% when compared to non-foliar fertilization.

LET'S TALK CARE 365 FOR THE THIRD YEAR IN A ROW

In order to highlight the importance of health and safety, the third edition of the now annual and highly appreciated annual event 'Let's talk Care 365' took place globally. The day-long event was organized by Perstorp employees for all the company's locations – which this year included many home offices and more digital solutions.

RESPONSIBLE CARE® AWARD FOR PRODUCTION OF SANITIZERS

Perstorp proudly received the Responsible Care® Award from Cefic, the European Chemical Industry Council. The annual awards showcase the industry's best practices from all over Europe, while demonstrating its commitment to health, safety and the environment. In 2020, the focus was on initiatives dedicated to Covid-19. Perstorp was announced winner of the category 'Upholding and Reshaping Production Lines', for its work to produce sanitizers for the Swedish health care sector at cost price. The initiative helped overcome a national disinfectant shortage during the initial stages of the Covid-19 pandemic.

CO_2 REDUCTION TARGETS IN LINE WITH THE PARIS AGREEMENT

Our journey to become Finite Material Neutral will significantly improve Perstorp's environmental footprint as well as give our customers a competitive edge in meeting the global demand for more sustainable solutions. During the year, we committed to CO_2 targets that are aligned with the Paris Climate Agreement. The targets will involve working toward reductions from both direct and indirect emissions (Scope 1, 2 and 3) by 2030.

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.
Climate change	Rising temperatures, sea levels, fresh water scarcity and the occurrence of extreme weather events are posing risks to our production facilities, as well as many of our customers'.	The group works to lower our carbon footprint and thereby contribute to a less severe climate change. At the same time, we perform site and issue specific risk analyses and regularly invest in new machinery and technology to increase the resilience of our sites and products.

Operational risks

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

Financial risks

Risks	Exposure	Activity
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 Treasury 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 Treasury 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.	The Group's financing consists of a Term Loan B and a revolving credit facility, the latter committed by Bank of America, Merrill Lynch, Goldman Sachs Bank USA, DNB, SEB, Standard Charted Bank and Nordea. Perstorp also follows development of available funds through regular cash flow forecasts. In the end of 2020, Perstorp Group was granted a liquidity enhancing Revolving Credit Facility of SEK 600 m, backed by the Swedish Export Credit Agency (EKN). Available funds at the end of 2020 were SEK 2,037 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 2020, in accordance with the requirements of the Swedish Annual Accounts Act, is available on page 84-87. 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

As being a very special year, 2020 brought a new perspective to Innovation. Taking a more holistic view on opportunities in our markets and the dynamics in developing a sustainable society. Also the demand for safer products and safer use of our products have accelerated the demand for new solutions.

Our search for new product opportunities from natural resources continue both in research collaborations and with external partners. This involves sugar based chemistry to meet demand from strategic markets like Resins & Coatings. But it also mean more focus on other raw materials from wood or from waste to reduce the risk of competing with food. The more holistic view increase the efforts in other ways to go more sustainable. This means more activity in recycling and analyzing the impact of our products in use.

Research on animal health and nutrition was accelerated to match market needs on more functional products. As a results research and field testing is more global to adapt to the specific needs from key regions and countries. Also the level of customer interactions were accelerated to facilitate that solutions developed was fit for use and giving the performance the customers were asking for.

In the area of resins and coatings we re-focused our Innovation into developing solutions meeting new market needs and also focusing more on additives to Coatings. One example is new safe coating preservatives combining our preservation skills from feed with coating application skills. A unique skill set that can be capitalized to the benefit of an industry that is in serious need of finding better alternatives. Other examples are surface treatment of pigments and additives moving solvent borne paints to waterborne.

The development towards Engineering Fluids is further strengthen with more activities in Asia and new products under assessment. All driven by more eco-friendly solutions like better refrigerants, natural raw materials and favorable biodegradability.

Another aspect of Innovation is to invest more in more resilient markets. Animal nutrition was not affected by the turbulent 2020. Perstorp is assessing and run project in other resilient markets. Akestra for food packaging is one example being an enabler of using PET at higher process temperature. Another project is developing a product for the home care sector.

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

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

In the first quarter 2021, Perstorp implemented its updated strategic direction, which aims to improve resilience and balance its product mix. The strategic focus areas are: a clear distinction between Specialties and Intermediates; focus on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets; resuming and speeding up the Penta plant investment in India; availability and efficiency in supply of products; and strengthening Perstorp's Sustainability profile and digital capabilities.

Proposed treatment of unappropriated earnings

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

	SEK
Retained earnings	3,564,508,791
Net result for the year	**-323,925,582**
be distributed as follows:	
To be retained in the business	3,240,583,209

CONSOLIDATED YEAR-END ACCOUNTS

Net sales and earnings

CONTINUING OPERATIONS

2020 has been a challenging year in many ways, ever since the first signs of Covid-19 came to light at the end of January. The world has experienced both second and third outbreaks of Covid-19 during the fall but despite new lockdowns and other restrictions, the fourth quarter was characterized by clear signs of economic recovery. Several financial stimulation programs have been launched globally, and many of the programs have an obvious connection to the global sustainability agenda and push societies and industries to accelerate their transformation. In some cases, there has been a shortage of raw materials, especially in the Asian markets.

Net sales for continuing operations during the period January to December amounted to SEK 9,194 m (11,641), a decrease of SEK 2,447 m or 21% to raw material prices but also to some extent price competition in certain product lines. However, the last quarter 2020 was characterized by signs of recovering demand, and product volumes increased in all three main geographies – EMEA, Americas and APAC, with the strongest driver in APAC.

Volumes decreased by 8% compared to the same period last year mainly resulting from softened demand, increased competition and production disturbances in Stenungsund in the fourth quarter 2020. Organic volume based sales growth was -5%.

The Swedish krona strengthened against both the USD and the EUR during 2020 resulting in negative FX effects on sales of approximately 1%.

Perstorp has since the outbreak of the pandemic demonstrated its ability to act with determination and agility when implementing and managing programs for fixed cost reductions and cash preservation. Fixed costs were for the full year reduced by SEK 92 m.

EBITDA excluding non-recurring items amounted to SEK 1,128 m (1,554), to an EBITDA margin of 12.3% (13.3). The decrease in earnings compared to last year of SEK 426 m was attributable to lower volumes and unit margins for several product lines linked to softened demand and increased competition and negative FX effects partly balanced by lower fixed costs.

Depreciation and amortization amounted to SEK 565 m (538) and EBIT amounted to SEK 503 m (889) for the year.

Net financial expenses, excluding FX effects on net debt, amounted to SEK 657 m compared to SEK 1,731 m for the corresponding period in 2019. The deviation is mainly a result of the re-financing of the capital structure, which was completed during the first quarter 2019.

Tax amounted to SEK -79 (-222) m and net result amounted to SEK 64 (-1,268) m.

DISCONTINUING OPERATIONS

On December 10th, 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 13th 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.

Consolidated income statement

SEK m	Note	2020	2019
Continuing operations			
Net sales	9	**9,194**	**11,641**
Cost of goods sold	*6, 7, 8, 21*	-7,852	-9,810
Gross earnings		**1,342**	**1,831**
Selling and marketing costs	*6, 7, 8*	-368	-430
Administrative costs	*6, 7, 8, 33*	-321	-332
Research and development costs	*6, 7, 8*	-88	-94
Other operating income and expenses	*10, 11*	-66	-90
Result from participations in associated companies	*12*	4	4
Operating earnings/loss (EBIT)	**10, 23, 27**	**503**	**889**
Net financial items	*22*	-360	-1,935
Earnings/loss before tax		**143**	**-1,046**
Tax	*24*	-79	-222
Net earnings/loss for the year		**64**	**-1,268**
Discontinued operation	*35*		
Net sales	*9*	–	113
Operating earnings/loss (EBIT)		–	4,757
Earnings/loss before tax		–	4,755
Tax	*24*	–	-12
Net earnings/loss for the year		**–**	**4,743**
Group total			
Net sales		9,194	11,754
Operating earnings/loss (EBIT)		503	5,646
Earnings/loss before tax		143	3,709
Tax		-79	-234
Net earnings/loss for the year		**64**	**3,475**
of which, attributable to non controlling interest	*15*	13	26
Earnings/loss per share, SEK		1.27	69.49
Consolidated Group			
Operating earnings before depreciation (EBITDA)		**1,068**	**6,193**
EBITDA adjusted for non-recurring items		**1,128**	**1,635**

Consolidated statement of comprehensive income

SEK m	Note	2020	2019
Net result for the period		**64**	**3,475**
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plan	*23*	22	-44
Items that may be subsequently reclassified to profit or loss			
Currency translation effects		146	10
Other comprehensive income net after tax		**168**	**-34**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**232**	**3,441**
Attributable to:			
Owners of the parent		227	3,414
Non controlling interests	*16*	5	27
Total		**232**	**3,441**

Financial position

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

The company performs an annual impairment test for goodwill as well as shares in group companies. Assumptions are based on the business plan with a discount interest rate of 9.5–10.5 % after tax and a terminal growth rate of 2%.

FREE CASH FLOW

Free Cash flow for the full year 2020 amounted to SEK 823 m (1,081). The free cash flow was negatively impacted by lower earnings counterbalanced by favorable development of working capital and lower investments compared to the same period previous year.

Free cash flow analysis

CONTINUING OPERATIONS
FULL YEAR

SEK m	2020	2019
EBITDA excluding non-recurring items	1,128	1,554
Change in Working Capital	187	142
Maintenance capex	-244	-296
Free Cash flow before strategic capex	**1,071**	**1,400**
% EBITDA excluding non-recurring items	95	90
Strategic Capex	-248	-319
Free cash flow	**823**	**1,081**
% EBITDA excluding non-recurring items	73	70

AVAILABLE FUNDS & NET DEBT

In the fourth quarter 2020, Perstorp Group was granted a liquidity enhancing Revolving Credit Facility of SEK 600 m, backed by the Swedish Export Credit Agency (EKN). Including the newly granted Revolving Credit Facility, available funds at December 31st 2020 amounted to SEK 2,037 m (1,248). Reported leverage was 6.8x (5.5x) at the end of 2020.

EQUITY

At the end of December 2020 equity for the parent company, Perstorp Holding AB, amounts to SEK 3,241 m (3,565). Consolidated equity, including non-controlling interest, for the Perstorp Group amounts to SEK 1,381 m (1,158).

Consolidated balance sheet

SEK m	Note	Dec.31, 2020	Dec.31, 2019
ASSETS			
Non current assets			
Tangible fixed assets	*6*	4,662	4,767
Intangible fixed assets	*7*	4,233	4,382
Deferred tax assets	*24*	765	786
Participations in associated companies	*13*	79	75
Other participations	*14*	71	148
Direct pension, endowment insurance	*22,23*	156	151
Pension assets, other	*22,23*	31	21
Other interest-bearing, long-term receivables	*17,22*	1	1
Other interest-free, long term receivables	*17*	6	2
Total non current assets		**10,004**	**10,333**
Current assets			
Inventories	*21*	1,091	1,440
Accounts receivable	*19*	633	681
Operating receivables, associated companies		0	0
Tax receivable		64	50
Other operating receivables	*19*	409	340
Other current financial receivables	*22*	5	7
Cash & cash equivalents	*20*	575	453
Total current assets		**2,777**	**2,971**
TOTAL ASSETS		**12,781**	**13,304**
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		-440	-594
Retained earnings		-4,913	-4,986
Equity attributable to owners of the parent		**1,256**	**1,029**
Non controlling interests	*16*	125	129
Total equity		**1,381**	**1,158**
Non current liabilities			
Deferred tax liabilities	*24*	729	709
Direct pension	*23*	194	188
Pensions liability, others	*22,23*	468	488
Long-term interest-bearing liabilities [1)]	*22*	7,944	8,675
Long-term lease liabilities	*8,22*	62	51
Other liabilities, provisions	*25*	58	81
Total non current liabilities		**9,455**	**10,192**
Current liabilities			
Accounts payable	*26*	575	768
Tax liabilities		12	40
Other operating liabilities	*26*	1,161	1,045
Accrued interest expense		105	1
Short-term lease liabilities	*8,22*	47	50
Other financial liabilities	*22*	45	50
Total current liabilities		**1,945**	**1,954**
TOTAL EQUITY AND LIABILITIES		**12,781**	**13,304**

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -157 (-161) m.

Consolidated statement of changes in equity

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY						
SEK m	Share capital	Other capital contribu-tions	Other reserves	Retained earnings	Total	Non controlling interest	Total equity
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**
Opening balance, January 1, 2020	**0**	**6,609**	**-594**	**-4,986**	**1,029**	**129**	**1,158**
Net Result for the period	–	–	–	51	51	13	64
Other comprehensive income	–	–	154	22	176	-8	168
Transaction with owners, recognised directly in equity	–	–	–	–	–	-9	-9
Closing balance, December 31, 2020	**0**	**6,609**	**-440**	**-4,913**	**1,256**	**125**	**1,381**

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

Consolidated cash flow statement

SEK m	Note	2020	2019
Operating activities			
Operating earnings		503	889
Adjustments:			
Depreciation and write-down		565	538
Other		38	-155
Operating activities in discontinued operations		–	78
Interest received and other financial items		2	6
Interest paid and other financial items		-439	-1,394
Income tax paid		-56	-58
Interest and taxes paid in discontinued operations		–	-6
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL		**613**	**-102**
Change in working capital			
Increase (–) Decrease (+) in inventories		300	250
Increase (–) Decrease (+) in current receivables [1]		-70	111
Increase (+) Decrease (–) in current liabilities		-43	-219
Change in working capital in discontinued operations		–	-38
CASH FLOW FROM OPERATING ACTIVITIES		**800**	**2**
Investing activities			
Investment in other participations		–	-2
Acquisition of tangible and intangible fixed assets		-492	-615
Sale of net assets, subsidiaries	35	–	6,057
Sales of shares in other participations		–	5
Discontinuing operations		–	-7
CASH FLOW FROM INVESTING ACTIVITIES		**-492**	**5,438**
Financing activities			
Dividend paid to non-controlling interests in subsidiaries		-9	-54
New loans external		–	8,800
Amortization of loans, external		-35	-13,987
Change in credit utilization [2]		-124	-320
CASH FLOW FROM FINANCING ACTIVITIES		**-168**	**-5,561**
CHANGE IN CASH AND CASH EQUIVALENTS, INCL SHORT-TERM INVESTMENTS		**140**	**-121**
Cash and cash equivalents in the opening balance, incl. short-term investments		453	565
Translation difference in cash and cash equivalents		-18	9
CASH AND CASH EQUIVALENTS, END OF PERIOD	*20*	**575**	**453**

[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	2020	2019
Net sales		**83**	**71**
Cost of goods sold		-19	-1
Gross earnings		**64**	**70**
Administration costs		-165	-180
Other operating income and expenses	*11*	-20	-16
Operating earnings (EBIT)	**23, 27**	**-121**	**-126**
Group contribution		-170	37
Net financial items	*22*	-49	-1,359
Earnings /loss before tax		**-340**	**-1,448**
Tax	*24*	16	94
NET EARNINGS/LOSS FOR THE YEAR [1)]		**-324**	**-1,354**

[1)] Comprehensive income equals Net earnings/loss for the year.

Balance sheet, parent company

SEK m	Note	Dec. 31, 2020	Dec. 31, 2019
ASSETS			
Non current assets			
Tangible fixed assets	*6*	0	0
Intangible fixed assets	*7*	0	1
Deferred tax assets	*24*	194	178
Shares in Group companies	*18*	7,731	7,731
Long-term receivables, Group companies	*22*	5,163	5,503
Other participations	*14*	71	148
Direct pension, endowment insurance		154	148
Total non-current assets		**13,313**	**13,709**
Current assets			
Operating receivables, Group companies		25	11
Tax receivables		5	5
Other operating receivables	*19*	16	15
Financial receivables, Group companies	*22*	79	124
Total		**125**	**155**
Cash and cash equivalents	*20*	0	0
Total current assets		**125**	**155**
TOTAL ASSETS		**13,438**	**13,864**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (50 000 000 shares, par value of SEK 0.01 each)		0	0
Retained earnings		3,565	4,919
Net earnings/loss for the year		-324	-1,354
Total shareholders´equity		**3,241**	**3,565**
Non current liabilities			
Direct pension		191	184
Long-term interest bearing liabilities [1)]	*22*	7,966	8,676
Total non current liabilities		**8,157**	**8,860**
Current liabilities			
Accounts payable	*26*	14	10
Other operating liabilities, Group companies		2	1
Other operating liabilities	*26*	63	41
Accrued interest expense		103	1
Financial liabilities, Group companies	*22*	1,826	1,350
Short-term interest bearing liabilities	*22*	32	36
Total current liabilities		**2,040**	**1,439**
TOTAL EQUITY AND LIABILITIES		**13,438**	**13,864**

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -133 (-161) m.

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, 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**
Opening balance shareholders´equity, January 1, 2020	**0**	**4,919**	**-1,354**	**3,565**
Transfer of preceding year´s results	–	-1,354	1,354	0
Net earnings/loss for the year	–	–	-324	-324
Closing balance shareholders´equity, December 31, 2020	**0**	**3,565**	**-324**	**3,241**

Cash flow statement, parent company

SEK m	Note	2020	2019
Operating activities			
Operating earnings		-121	-126
Interest received		362	628
Interest paid		-458	-1,447
Group contribution received		37	4,260
Income tax, paid		–	–
Adjustment, depreciation		1	1
Adjustment, change in provisions		1	11
Cash flow from operating activities before change in working capital		**-178**	**3,327**
Change in working capital			
Increase (–) Decrease (+) in current receivables		-16	-7
Increase (+) Decrease (–) in current liabilities		26	-11
Cash flow from operating activities		**-168**	**3,309**
Investing activities			
Changes in financial receivables, Group companies		303	126
Cash flow from investing activities		**303**	**126**
Financing activities			
New loans external		–	8,900
Amortization of loans, external		-35	-13,986
New loans to Group companies		–	-4,072
Amortizations of loans, from Group companies		–	5,883
Change in credit utilization [1)]		-100	-183
Cash flow from financing activities		**-135**	**-3,458**
Change in liquid funds, incl. short-term investments		0	-23
Liquid funds opening balance, incl. short term investments		0	23
Liquid funds, end of period		**0**	**0**

[1)] Including payment of bank fees SEK – (183) m relating to refinancing

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
Operating earnings (EBIT) before depreciation and amortization.

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

EBIT
Calculated as the Group's reported operating earnings.

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

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

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

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

Leverage
Reported net debt excluding pension liabilities/Reported 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	58
Note 2.	Summary of major accounting principles	58
Note 3.	Risk management	62
Note 4.	Significant estimates & judgments made for accounting purpose	64
Note 5.	Segment information	64
Note 6.	Tangible fixed assets	65
Note 7.	Intangible fixed assets	66
Note 8.	Leasing	67
Note 9.	Net sales	67
Note 10.	Breakdown of costs	67
Note 11.	Other operating income & costs	68
Note 12.	Earnings from participations in associated companies & joint ventures	68
Note 13.	Participations in associated companies & joint ventures	68
Note 14.	Other participations	68
Note 15.	Non controlling interests' share in net profit/loss for the year	68
Note 16.	Non controlling interests	68
Note 17.	Other long-term receivables	68
Note 18.	Parent company shares in group companies	69
Note 19.	Accounts receivable & other operating receivables	70
Note 20.	Cash & cash equivalents	70
Note 21.	Inventories	70
Note 22.	Borrowings & financial costs	71
Note 23.	Pension obligation & costs	72
Note 24.	Current & deferred income taxes	74
Note 25.	Other liabilities, provisions	75
Note 26.	Accounts payable & other operating liabilities	75
Note 27.	Employees & wages, salaries & other remuneration	76
Note 28.	Contingent liabilities	78
Note 29.	Assets pledged	78
Note 30.	Future undertakings	78
Note 31.	Transactions with related parties	78
Note 32.	Proportion of board members & senior executives who are women	78
Note 33.	Auditors' fees	79
Note 34.	Currency exchange rates	79
Note 35.	Divestment	79
Note 36.	Key events after the end of the financial year	79

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. The address to the head office is Neptunigatan 1, 201 25 Malmö, Sweden.

The Board approved this report, for publication on April 9, 2021.

The Consolidated Income Statement and Balance Sheet and the parent company's Income Statement and Balance Sheet will be subject to adoption at the Annual General Meeting (AGM) on May 18, 2021.

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, 2020, a number of new or amended standards and interpretations became applicable which had no material impact on the Group's financial statements.

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 Petstorp's revenues consist of sales of products that are recognised as revenue at a point in time. The sale is recognised as revenue when control of the products has been transferred to the customer. This is usually when the risk and reward criteria are passed to the customer. The Group has a variety of delivery terms and these impact when control of the products is passed to the customer.

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

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

2.5 INCOME TAXES

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

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

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

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

2.6 INTANGIBLE FIXED ASSETS

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

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

For the Group, assets with an indeterminate life length within this category refer to the trademark Perstorp, which in connection with the allocation of

acquisition values in 2006, were judged to have an unlimited life, based on the company's 140 year history and the continuous renewal process. Annual testing of possible impairment requirements is performed for assets in this category.

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

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

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

2.7 TANGIBLE FIXED ASSETS

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

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

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

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

Land and construction in progress are not depreciated.

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

2.8 LEASING

The Group mainly leases property 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 2020 it has been assessed that these contracts will with reasonable certainty be extended with one period.

Leasing – Parent Company

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

2.9 FINANCIAL INSTRUMENTS

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

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

Classification of financial instruments – financial assets

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

Instruments are classified at:

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

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

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

Derivatives: classified at fair value through profit and loss.

Other participations

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

Classification of financial instruments – financial liabilities

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

Derivatives: classified at fair value through profit and loss.

Loss allowance for expected credit losses

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

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

A simplified 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 2020 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.

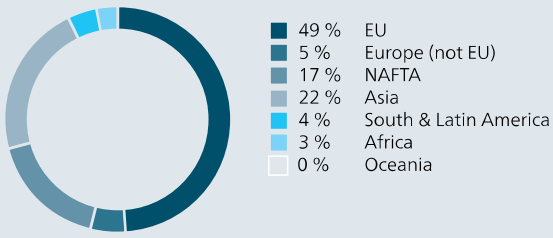
NOTE 3. RISK MANAGEMENT

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, %



SWAPS

SEK m	Market value	Nominal amount
Internal lending		
EUR	1	-118
JPY	0	-16
Other	0	1
Liquidity purposes		
EUR	0	-472
USD	6	35

EXPOSURE PER CURRENCY, FORECAST FOR 2021[1)]

	Net sales	Operating costs	EBITDA	Financial payments	Net	Translated to SEK m[2)]
USD	352	-271	81	-19	62	505
EUR	480	-328	152	-29	123	1,230

[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	550	-5,061	-4,511
USD	-1,678	-3,071	-4,749
GBP	-7	–	-7
SEK	1,802	8,132	9,934
Other currencies	589	–	589
Total	**1,256**	**0**	**1,256**

At the end of 2020 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 81 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 2020	0–1 years	1–2 years	2–5 years	> 5 years
Borrowings				
Amortization	-45	-32	-96	-7,972
Interest	-404	-402	-1,199	-164
Derivative instruments				
Interest swaps	–	–	–	–
Currency swaps outgoing	-605	–	–	–
Currency swaps ingoing	36	–	–	–
Currency swaps net amount	**-569**	–	–	–
Accounts Payable & Other Liabilities	-1,663	–	–	–

Financing risk

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

The Group's financing consists of Institutional Term Loans 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.

In December, Perstorp Group was granted a liquidity enhancing Revolving Credit Facility of SEK 600 m, backed by the Swedish Export Credit Agency (EKN).

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, 2020. 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 fulfill 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 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 633 (681) m. The decrease is mainly due to decreased sales.The amounts reported are those that are expected to be repaid by customers based on an individual assessment of outstanding receivables and thereby including a reserve for expected/stated customer losses amounting to SEK 7 (9) m. Account receivables that are overdue are closely monitored in order to not increase the exposure. If a bilateral agreement cannot be reached with the customer it is sent for external credit collection and as a last step also to court. The latter processes tend to take long time and therefore the Group applies a prudent policy when to write off a receivable.

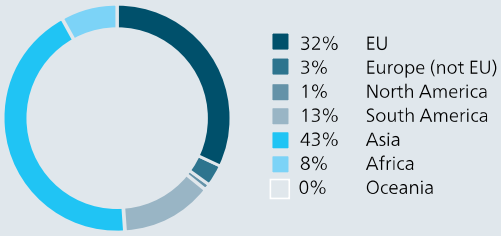
To highlight the credit quality of receivables that has either fallen due for payment or have been written down, a maturity analysis is presented below (see note 19) for a maturity analysis of all accounts receivable). The book value of accounts receivable is equal to the fair value since the effect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

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

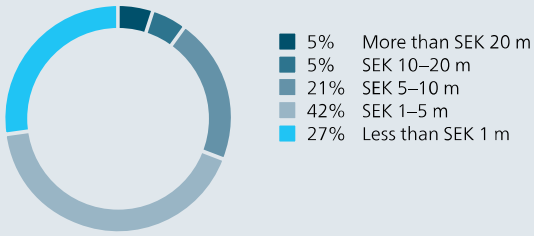
The distribution of customers based on the size of accounts receivable at the end of the period is presented in diagram below. The segment with amounts exceeding SEK 20 m refers to 1 (1) individual customers,the segment between SEK 10-20 m refers to 2 (4) individual customers. The category of customers owing the Group less than SEK 1 m on the closing date corresponds to around 88 (90)% of all counter parties.

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 10 (6) m. Of these, SEK 0 (1) 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, 2020	Current	1–30 days past due	31–60 days past due	61–90 days past due	91–180 days past due	>180 days past due	Total
Loss Allowance							
Expected loss rate, %	0.2	1.5	8.0	16.0	31.9	64.0	0.8
Gross carrying amount – accounts receivable	602	32	7	1	-1	-1	640
Loss Allowance	-1	-1	-1	0	0	-4	-7
Carrying value	601	31	6	1	-1	-5	633

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

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 2020 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.

To benefit from market expertise Perstorp outsources the management (Portfolio Manager) of securing electricity prices for its consumption in Sweden. The Portfolio Manager secure prices within defined risk mandates that has been decided by Perstorp, and the portfolio management shall be based on a buy and hold strategy, i.e. trading in sense of buying and selling positions shall not occur. The maximum allowed tenor to secured price is delivery year plus three years. At end of 2020 Perstorp had secured 71% of the estimated consumption of electricity in Sweden for 2021.

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

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

NOTE 5. SEGMENT INFORMATION

Perstorp report its financial performance based on the three reportable segments 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

On December 10th, 2018 Perstorp announced the agreement to sell its Caprolactone business. The transaction was closed on February 13th 2019. In the income statement this is classified as discontinued operations.

SEK m	2020	2019
Net Sales		
Specialty Polyols and Solutions	5,114	6,435
Advanced Chemicals	3,132	3,837
Animal Nutrition	1,163	1,221
Internal sales		
Specialty Polyols and Solutions	-20	-4
Advanced Chemicals	-414	-519
Animal Nutrition	-11	-13
Other/eliminations	230	684
Continuing operations	**9,194**	**11,641**
Divested units	–	155
Eliminations	–	-42
Discontinued operations	**–**	**113**
Total Group	**9,194**	**11,754**
EBITDA		
Specialty Polyols and Solutions	728	1,012
Advanced Chemicals	352	524
Animal Nutrition	123	186
Other/eliminations	135	-295
Continuing operations	**1,068**	**1,427**
Discontinued operations	–	4,766
Total Group	**1,068**	**6,193**
Non allocated items		
Depreciation, Amortization and write down	-565	-547
Operating earnings (EBIT)	**503**	**5,646**
Financial income and expenses	-360	-1,937
Earnings/loss before tax	**143**	**3,709**
Tax	-79	-234
Net result	**64**	**3,475**
EBITDA excluding non-recurring items		
Specialty Polyols and Solutions	726	1,029
Advanced Chemicals	369	524
Animal Nutrition	124	186
Other/eliminations	-91	-185
Continuing operations	**1,128**	**1,554**
Discontinued operations	–	81
Total Group	**1,128**	**1,635**

The Group is domiciled in Sweden. The result of its revenue from external customers in Sweden is 6% (5), and the total of revenue from external customers from other countries is 94% (95).

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Goodwill	988	762	600	858	157	212	–	–	1,745	1,832
Other intangible assets	1,233	1,247	1,051	1,091	204	212	–	–	2,488	2,550
Tangible assets	2,134	2,173	1,841	1,900	181	174	507	520	4,662	4,767
Shares in associated comp	–	–	79	75	–	–	–	–	79	75
Working capital, net	443	650	-91	21	71	-11	21	19	443	679
Deferred tax liabilities	-276	-299	-264	-278	-75	-82	–	–	-615	-659
Operating Capital	**4,521**	**4,533**	**3,216**	**3,667**	**539**	**505**	**527**	**539**	**8,802**	**9,244**

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	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Acquisition value														
Opening balance	210	206	1,474	1,402	7,404	7,140	517	466	552	420	134	–	10,291	9,634
Change in accounting principles (IFRS16)	–	–	–	–	–	–	–	–	–	–	–	101	–	101
Investments	–	1	1	5	22	11	3	3	–	498	62	54	450	572
Divestments of subsidiary	–	-1	–	-2	–	-44	–	–	–	-15	–	-16	–	-78
Divestments and disposals	–	–	–	–	-13	-21	0	-1	–	–	-34	-4	-47	-26
Reclassifications	–	–	9	59	204	250	41	45	-255	-360	–	–	-1	-6
Translation effects	-11	4	-23	10	-180	68	-12	4	-25	9	-3	-1	-254	94
Closing balance	**199**	**210**	**1,461**	**1,474**	**7,437**	**7,404**	**549**	**517**	**634**	**552**	**159**	**134**	**10,439**	**10,291**
Accumulated depreciation according to plan														
Opening balance	0	0	-652	-596	-4,268	-4,033	-341	-288	–	–	-37	–	-5,298	-4,917
Depreciation	–	–	-54	-53	-270	-258	-52	-50	–	–	-48	-39	-424	-400
Divestments of subsidiary	–	–	–	1	–	28	–	–	–	–	–	–	–	29
Divestments and disposals	–	–	–	–	7	16	–	1	–	–	33	2	40	19
Reclassifications	–	–	–	1	3	4	-2	-1	–	–	–	–	1	4
Translation effects	0	0	12	-5	103	-25	11	-3	–	–	-1	–	127	-33
Closing balance	**0**	**0**	**-694**	**-652**	**-4,425**	**-4,268**	**-384**	**-341**	**–**	**–**	**-51**	**-37**	**-5,554**	**-5,298**
Write-downs														
Opening balance	-8	-8	-19	-19	-182	-182	-2	-2	-15	-4	–	–	-226	-215
Write-downs during the year	–	–	–	–	–	–	–	–	–	-11	–	–	–	-11
Translation effects	1	–	0	0	3	–	–	–	–	–	–	–	4	–
Closing balance	**-7**	**-8**	**-19**	**-19**	**-179**	**-182**	**-2**	**-2**	**-15**	**-15**	**–**	**–**	**-222**	**-226**
Closing book value	**192**	**202**	**748**	**803**	**2,833**	**2,954**	**163**	**174**	**619**	**537**	**108**	**97**	**4,662**	**4,767**

[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 52 (59) m are used as collateral for bank loans.

Depreciation per function	2020	2019
Cost of goods sold	399	367
Selling Cost	10	13
Administration	10	10
R & D	5	5
Continuing operations	**424**	**395**
Discontinued operations	–	5
Total	**424**	**400**

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

Parent company	Tangible fixed assets	
	2020	2019
Opening balance	0	1
Investments	0	0
Depreciation	0	-1
Closing balance	**0**	**0**

NOTE 7. INTANGIBLE FIXED ASSETS

Group	Goodwill		Trademarks		Patents, licenses & similar rights		Know-how		Customer relations		Development costs		Reach		Other [1]		Total	
SEK m	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Acquisition value																		
Opening 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
Investments	–	–	–	–	0	–	0	–	–	20	14	25	20	15	54	34	88	94
Divestment of subsidiary	–	-13	–	–	–	–	–	–	–	-13	–	–	–	-1	–	-17	–	-44
Reclassifications	–	–	–	–	0	6	-5	–	–	–	–	54	–	1	-1	-54	-4	7
Translation effects	-87	43	–	–	–	–	-3	1	-31	23	-1	–	–	1	-2	17	-124	85
Closing balance	**2,207**	**2,294**	**1,184**	**1,184**	**24**	**22**	**1,212**	**1,220**	**807**	**838**	**326**	**313**	**93**	**73**	**124**	**73**	**5,977**	**6,017**
Accumulated depreciation according to plan																		
Opening balance	0	0	-5	-5	-20	-13	-581	-541	-394	-338	-128	-98	-19	-15	-8	-7	-1,155	-1,017
Depreciation	–	–	–	-1	-1	-2	-39	-39	-55	-54	-35	-30	-4	-3	-1	-1	-135	-130
Divestment of subsidiary	–	–	–	1	–	1	–	–	–	15	–	–	–	–	–	16	–	33
Reclassifications	–	–	–	–	-1	-6	–	–	–	–	–	–	–	-1	–	–	-1	-7
Translation effects	–	–	–	–	1	–	2	-1	17	-17	1	–	–	–	1	-16	22	-34
Closing balance	**0**	**0**	**-5**	**-5**	**-21**	**-20**	**-618**	**-581**	**-432**	**-394**	**-162**	**-128**	**-23**	**-19**	**-8**	**-8**	**-1,269**	**-1,155**
Write-downs																		
Opening balance	-462	-462	0	0	0	0	-14	-14	0	0	-3	0	-1	-1	0	0	-480	-477
Write-downs during the year	–	–	–	–	–	–	–	–	–	–	–	-3	–	–	–	–	–	-3
Reclassifications	–	–	–	–	–	–	5	–	–	–	–	–	–	–	–	–	5	–
Closing balance	**-462**	**-462**	**0**	**0**	**0**	**0**	**-9**	**-14**	**0**	**0**	**-3**	**-3**	**-1**	**-1**	**0**	**0**	**-475**	**-480**
Closing book value	**1,745**	**1,832**	**1,179**	**1,179**	**3**	**2**	**585**	**625**	**375**	**444**	**161**	**182**	**69**	**53**	**116**	**65**	**4,233**	**4,382**

[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	2020	2019
Cost of goods sold	59	55
Selling Cost	52	56
R & D	1	0
Administration	23	16
Continuing operations	**135**	**127**
Discontinued operations	–	4
Total	**135**	**131**

Know-how and customer relations are depreciated linearly. The remaining average life length is 15 (16) and 12 (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 the defined cash-generating units (CGU), BA Specialty Polyols & Solutions, BA Advanced Chemicals and BA 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 9.5% (9.7) after tax was applied to CGU Specialty Polyols & Solutions and Advanced Chemicals, while 10.5% (10.7) 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.

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

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**

PARENT COMPANY

	Other	
Acquisition value	**2020**	**2019**
Opening balance	1	1
Investments	–	–
Depreciation	-1	0
Closing balance	**0**	**1**

NOTE 8. LEASING

RIGHT-OF-USE-ASSETS, 2020

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

RIGHT-OF-USE-ASSETS, 2019

GROUP Acquisition	Buildings	Vehicles	Machinery	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	2020	2019
Depreciations for the year	-48	-39
Interest expenses related to lease liabilities	-7	-8
Expenses for low value assets	-9	-18
Expenses for short-term leases	-4	-5
Total amounts recognized in income statement	**-68**	**-70**
Total cashflow for leases during the year	**-68**	**-70**

LEASE LIABILITIES BY MATURITY

Group	2020	2019
Due:		
0-1 year	49	53
1-2 year	34	26
2-5 year	30	28
>5 years	1	0
Total	**114**	**107**

NOTE 9. NET SALES

	Group	
Net sales by type of income (SEK m)	**2020**	**2019**
Goods	9,039	11,470
Services	155	171
Total continuing operations	**9,194**	**11,641**
Discontinued operations	–	113
Total	**9,194**	**11,754**

	Group	
Net sales by geographic region (SEK m)	**2020**	**2019**
EU and rest of Europe	4,920	6,061
North and South America	1,984	2,852
Asia	2,051	2,548
Africa	216	159
Oceania	23	21
Total continuing operations	**9,194**	**11,641**
Discontinued operations	–	113
Total	**9,194**	**11,754**

The Parent Company reported net external sales of SEK 5 (0) m in 2020.

NOTE 10. BREAKDOWN OF COSTS

	Group	
Costs divided by type (SEK m)	**2020**	**2019**
Raw materials, goods for sale, energy, transport and packaging costs	-6,185	-8,194
Other external costs	-609	-643
Employee remunerations (note 27)	-1,276	-1,307
Depreciation (note 6 and 7)	-559	-522
Other operating income & expenses (note 11)	-66	-90
Earnings from participations in associated companies	4	4
Total continuing operation	**-8,691**	**-10,752**
Discontinued operations	–	4,644
Total	**-8,691**	**-6,108**

NOTE 11. OTHER OPERATING INCOME & COSTS

	Group		Parent company	
SEK m	2020	2019	2020	2019
Insurance remuneration	34	5	–	–
Operations-related exchange rate differences	-30	4	–	–
Restructuring costs	-14	-60	-1	-1
Write downs, disposal (note 6,7)	-6	-16	–	–
Other	-50	-23	-19	-15
Total continuing operations	**-66**	**-90**	**-20**	**-16**
Discontinued operations	–	4,672	–	–
Total	**-66**	**4,582**	**-20**	**-16**

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

SEK m	2020	2019
PetroPort Holding AB, Sweden	4	4
Total	**4**	**4**

The companies´sales amounted to a total of SEK 89 (83) m in 2020 and earnings after tax was SEK 8 (8) m.

NOTE 13. PARTICIPATIONS IN ASSOCIATED COMPANIES & JOINT VENTURES

SEK m	Share of capital/ voting rights, %	Group's share of shareholders' equity	Book value, Group
PetroPort Holding AB, Sweden	50/50	79	79
Total		**79**	**79**

SEK m	2020	2019
Opening book value	75	72
Earnings from participations	4	4
Rounding	–	-1
Closing book value	**79**	**75**

The assets of associated companies amounted to SEK 274 (265) m at the end of 2020 and liabilities amounted to SEK 116 (115) m.

NOTE 14. OTHER PARTICIPATIONS

	Group		Parent company	
SEK m	Book value Dec. 31, 2020	Book value Dec. 31, 2019	Book value Dec. 31, 2020	Book value Dec. 31, 2019
Opening book value	148	208	148	206
New shares	–	2	–	–
Sale of shares	–	-5	–	–
Revaluation	-77	-57	-77	-58
Closing book value	**71**	**148**	**71**	**148**

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

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

SEK m	2020	2019
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	13	26
Total	**13**	**26**

NOTE 16. NON CONTROLLING INTERESTS

SEK m	Book value Dec. 31, 2020	Book value Dec. 31, 2019
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	125	129
Total	**125**	**129**

SEK m	2020	2019
Opening book value	129	128
Translation effects	-8	1
Change in the period	13	26
Dividend	-9	-25
Divestment of non controlling interest	–	-1
Closing book value	**125**	**129**

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

NOTE 17. OTHER LONG-TERM RECEIVABLES

SEK m	Dec 31, 2020	Dec 31, 2019
Interest-bearing long-term receivables		
Other receivables	1	1
Total	**1**	**1**
Interest-free long-term receivables		
Other receivables	6	2
Total	**6**	**2**

NOTE 18. PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2020 Holding, %	2019 Holding, %	2020 Book value	2019 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 India Private Ltd	U24304MH2020FTC337650	India				
Perstorp Industries India Private Ltd	U24299MH2017FTC294152	India				
Perstorp Equipment S.r.l.	4320860168	Italy				
Driveadd GmbH [2]	HRB 148860, Hamburg	Germany				
Perstorp Holding B.V.	34089250	Netherlands				
Perstorp Specialty Chemicals BV	23091252	Netherlands				
Perstorp Specialty Chemicals Holding BV	23092336	Netherlands				
Perstorp Waspik BV	18116759	Netherlands				
Perstorp Chemicals India Private Ltd	04-32032	India				
Perstorp Chemicals Korea Co. Ltd	230111-0095660	South Korea				
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 divested during 2019.

[2] Company is under liquidation.

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

SEK m	2020	2019
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, 2020	Dec. 31, 2019
Accounts receivable, gross	640	690
Bad debt provision	-7	-9
Accounts receivable, net	**633**	**681**
Other operating receivables		
Value added tax	59	50
Emissions credits	103	58
Receivables from suppliers	8	26
Other current receivables	61	95
Prepaid insurance premiums	14	10
Other prepaid costs and deferred income	164	101
Total other operating receivables	**409**	**340**

The parent company other recievables totaling SEK 16 (15) m, and account receivables amounting to SEK 0 (0).

Analysis of accounts receivable	Dec. 31, 2020	Dec. 31, 2019
Not due	603	617
Due:		
1–10 days	25	38
11–30 days	6	22
31–60 days	7	7
61–90 days	1	3
91–180 days	-1	-2
180 days or more	-1	5
Accounts receivable, gross	**640**	**690**
Reservation for bad debts	-7	-9
Accounts receivable, net	**633**	**681**
Proportion of accounts receivable due	5.8%	10.6%
Proportion of accounts receivable due over 60 days	-0.2%	0.9%
Reservation in relation to total accounts receivable	1.1%	1.3%

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	2020	2019
Allocation, opening balance	-9	-10
Recovered predicted customer losses	0	–
Established customer losses	0	0
Reservation for predicted customer losses	1	-1
Exchange rate effects and other	1	2
Allocations at year-end	**-7**	**-9**

NOTE 20. CASH & CASH EQUIVALENTS

	Group		Parent company	
SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Unrestricted cash	448	317	–	–
Restricted cash [1]	127	136	–	–
Total	**575**	**453**	**–**	**–**

[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, 2020	Dec. 31, 2019
Raw material and consumables	499	489
Products in progress	24	25
Finished goods and goods for resale	589	910
Work in progress on behalf of others	1	4
Advance payment to suppliers	–	18
Obsolescence reserve	-22	-6
Total	**1,091**	**1,440**

SEK m	2020	2019
Obsolescence reserve opening balance	6	5
Provision utilized during the year	–	-4
Allocation for the year	16	5
Translation effects	–	–
Obsolescence reserve closing balance	**22**	**6**

Of the total value of inventories, SEK 0 (0) 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 (0) m. The net value of the year´s allocations/ provisions utilized during the year affects earnings for the year.

NOTE 22. BORROWINGS & FINANCIAL COSTS

A. SPECIFICATION NET DEBT

	Group		Parent Company	
SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Senior secured notes/loans [1]	8,226	8,892	8,226	8,892
Revolving credit facility	–	100	–	100
Inter-company financial liabilities	–	–	1,826	1,350
Other financial liabilities	-81	-106	-94	-120
Financial liabilities, excl.pension liabilities and lease liabilities	**8,145**	**8,886**	**9,958**	**10,222**
Interest-bearing pension liabilities, net	437	467	–	–
Lease liabilities	109	100	–	–
Total interest-bearing debt	**8,691**	**9,453**	**9,958**	**10,222**
Cash and cash equivalents	-575	-453	–	–
Inter-company financial receivables	–	–	-5,241	-5,627
Other interest-bearing receivables, long- and short-term	-6	-7	–	–
Interest-bearing assets	**-581**	**-460**	**-5,241**	**-5,627**
Net debt including pension liabilities and lease liabilities	**8,110**	**8,993**	**4,717**	**4,595**

[1] Senior secured loans recorded at a discount at the time of issuance. The difference between the issue price and par value amounts to -94 (-120) 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, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Between 1 and 2 years	32	36	32	36
Between 2 and 3 years	32	36	32	36
Between 3 and 4 years	32	36	32	36
Between 4 and 5 years	32	36	32	36
More than 5 years	7,972	8,692	7,972	8,692
Long-term borrowing, excl.pension liabilities and lease liabilities	**8,100**	**8,836**	**8,100**	**8,836**
Short-term borrowing, 0–1 year	45	50	32	36
Inter-company financial liabilities	–	–	1,826	1,350
Financial liabilities, excl.pension liabilities and lease liabilities	**8,145**	**8,886**	**9,958**	**10,222**

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

C. CURRENCY COMPOSITION, INTEREST RATES & DURATION

	Local currency	SEK m	Average interest rate on balance sheet date, %	Actual duration days
EUR	504	5,061	4.8%	1,885
USD	375	3,071	5.0%	1,885
Other currencies	–	13	5.0%	51
Financial liabilities, excl.pension liabilities and lease liabilities		**8,145**	**4.9%**	

D. UNUTILIZED CREDITS

Available funds at the end of the year amount to SEK 2,037 m (1,248) where the Group's available credit limits amounts to SEK 1,589 m (931).

E. FINANCIAL INCOME & COSTS

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Interest income	1	5	–	–
Interest income from discontinued operations	–	13	–	–
Interest income, Group companies	–	–	353	603
Total financial income	**1**	**18**	**353**	**603**
Notes and loans	-502	-841	-498	-830
Periodised borrowing costs	-27	-235	-27	-235
Pension costs, interest	-7	-8	–	–
Leasing, interest	-5	-8	–	–
Currency gains and losses from financing measures, net	296	-204	281	-196
Interest costs, Group companies	–	–	-73	-114
Amounts capitalized on qualifying assets	1	–	–	–
Trade receivables financing cost	-25	-47	–	–
Other financial costs	-92	-610	-85	-587
Total financial costs	**-361**	**-1,953**	**-402**	**-1,962**
Net financial items continuing operations	**-360**	**-1,935**	**-49**	**-1,359**
Discontinued operations	–	-2	–	–
Total	**-360**	**-1,937**	**-49**	**-1,359**

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 238 (262) m, of which SEK 211 (235) m is attributable to defined-contribution plans and SEK 27 (27) m to defined-benefit plans. Pension costs attributable to non comparable items of SEK 4 (12) 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	2020	2019
Cost of sold goods	128	129
Sales and marketing costs	25	27
Administrative costs	63	72
Research and development costs	15	16
Non comparable items	4	12
Net financial items	3	5
Continuing operations	**238**	**261**
Discontinued operations	–	1
Total	**238**	**262**

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	2020	2019
State pension plans	74	78
Other defined-contribution pension plans	72	88
ITP, insured through Alecta	65	68
Continuing operations	**211**	**234**
Discontinued operations	–	1
Total	**211**	**235**

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 2020 and 2019 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 2020, Alecta's surplus in the form of its collective funding ratio amounted to 148 % (148). The collective funding ratio equals the market value of Alecta's assets, in percentage of the insurance obligations as computed in accordance with Alecta's actuarial calculation assumptions; this does not comply with IAS 19.

Defined-benefit pension plans

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

C. PROVISIONS FOR PENSIONS, DEFINED BENEFIT PLANS

SEK m	Dec. 31, 2020	Dec. 31, 2019
Unfunded pension plans		
Defined-benefit obligations	183	185
Continuing operations	**183**	**185**
Funded or partly funded pension plans		
Defined-benefit obligations	687	710
Salary taxes	26	31
Fair value of plan assets	-459	-459
Total	**254**	**282**
Net Value	**437**	**467**

Commitments are divided as follows by region:	Dec. 31, 2020	Dec. 31, 2019
Sweden	284	302
Germany	176	178
Other EU	5	5
USA	-31	-21
Other countries	3	3
Net liability concerning defined-benefit pension plans	**437**	**467**

The plan assets presented here relate primarily to Group companies in the US, 100% (99), of which 77% (77) are invested in debt securities and 20% (20) in equity securities. The expected return is assumed to be 3.1% (4.0) , which is based on historic returns. The actual return on plan assets in 2020 was SEK 49 (69) m. In addition to the above, so- called direct pensions are included under assets with SEK 156 (151) m and liabilities with SEK 194 (188) m including salary tax. The asset is capital insurance, with assets and liabilities reported separately at gross amounts. Health care insurance is not included in pension committments.

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

	2020			2019		
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	**185**	**741**	**-459**	**155**	**609**	**-361**
Costs for current year service	4	18	–	3	15	–
Expected return on plan assets	–	–	-49	–	–	-69
Interest expense	2	18	-14	3	21	-16
Fees from employer	–	-7	-12	–	-7	-10
Disbursement	-5	-14	12	-5	-10	9
Actuarial profit/loss	4	20	–	27	90	–
Translation effects	-7	-63	63	2	23	-12
Closing balance	**183**	**713**	**-459**	**185**	**741**	**-459**

E. NET PENSION PROVISIONS, CHANGES DURING THE YEAR

SEK m	2020	2019
Opening balance	**467**	**403**
Pension costs during the year	27	27
Disbursements during the year	-23	-23
Gains/losses from change in assumptions	-28	58
Translation effects	-6	2
Closing balance, provision for pensions, net	**437**	**467**

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

F. PENSION COSTS, DEFINED-BENEFIT PLANS

SEK m	2020	2019
Costs for current year service	22	19
Interest expense	5	8
Gains/losses on a curtailment or settlement	0	0
Total pension costs, defined-benefit plans	**27**	**27**

G. KEY ACTUARIAL ASSUMPTIONS

SEK m	2020	2019
Discount rate, %	1.8	2.1
Future salary increases, %	2.8	2.7
Anticipated return on plan assets, %	3.8	3.1
Anticipated average remaining employment term, year	14.8	11.5

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 28 (44) 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 1 (8) 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	2020	2019	2020	2019
Current tax	-29	-106	–	–
Deferred tax	-51	-128	16	94
Total	**-80**	**-234**	**16**	**94**
Whereof discontinuing operations	–	-12	–	–

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	2020	2019	2020	2019
Pretax earnings	**143**	**3,709**	**-340**	**-1,448**
Tax computed on basis of national tax rates applying in each particular country	-33	-802	73	310
Non-taxable revenues	57	963	–	–
Non-tax-deductible costs	-80	-270	-68	-241
Tax loss carry-forwards for which no deferred tax asset has been recognized	-40	-94	–	–
Tax not related to current year's profit/loss	14	-22	11	28
Impact of change in tax rate on deferred tax	-3	-8	–	-3
Other tax expenses	5	-1	–	–
Tax cost	**-80**	**-234**	**16**	**94**

The effective tax rate for 2020 is estimated to be 23.1% (21.6).

B. DEFERRED TAX, NET CHANGE

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Opening balance, net deferred tax	77	185	178	84
Change in accounting method (IFRS 16)	–	2	–	–
Exchange-rate differences	15	-5	–	–
Tax recognized in the income statement, Continuing operations	-51	-120	16	94
Tax recognized in shareholders' equity	-5	15	–	–
Closing balance	**36**	**77**	**194**	**178**

C. DEFERRED TAX ASSETS, SPECIFICATION

	Group		Parent Company	
SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Loss carry-forward	643	669	155	150
Provisions	105	98	39	28
Other receivables	17	19	–	–
Total	**765**	**786**	**194**	**178**

D. DEFERRED TAX LIABILITY, SPECIFICATION

	Group		Parent Company	
SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Tangible fixed assets	138	170	–	–
Intangible fixed assets	452	488	–	–
Untaxed reserves	105	24	–	–
Other receivable	34	27	–	–
Total	**729**	**709**	**–**	**–**

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 subsidiaries in Sweden and the Netherlands. There are unutilized tax loss carry-forwards totaling SEK 387 (666) m that have not been assigned any value, since it is considered that these will not be utilized in the foreseable future.

In addition, there is interest expenses carried forward of SEK 951 (952) m for the Groups subsidiaries in Sweden. No deferred tax asset was recognized for these losses. The majority of the interest expenses carried forward will fall due year 2025.

NOTE 25. OTHER LIABILITIES, PROVISIONS

	Group		Parent Company	
SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Provision for environmental measures	46	47	–	–
Other provisons	12	34	–	–
Other liabilities, provisions	**58**	**81**	**–**	**–**

NOTE 26. ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

	Group		Parent Company	
SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Accounts payable	**575**	**768**	**14**	**10**
Other operating liabilities				
Value added tax	10	42	2	1
Advance payments	3	1	–	–
Payroll tax	30	28	2	2
Other operating liabilities	257	163	16	3
Accrued wages, salaries and social security costs	238	188	32	25
Allocation for restructuring costs	2	23	–	1
Other accrued costs and prepaid income	621	600	11	9
Total	**1,161**	**1,045**	**63**	**41**

NOTE 27. EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

AVERAGE NUMBER OF EMPLOYEES

	2020		2019	
Country	**Total employees**	**of which men**	**Total employees**	**of which men**
Sweden				
Parent company	35	17	33	16
Subsidiaries	784	538	814	541
Belgium	–	–	1	1
France	2	1	3	2
Italy	28	21	28	21
The Netherlands	53	42	46	37
Spain	3	3	3	3
Poland	3	2	3	2
UK	4	3	10	8
Slovakia	1	1	1	1
Ireland	–	–	1	1
Germany	120	105	119	105
Total EU	**1,033**	**733**	**1,062**	**738**
Turkey	3	–	4	1
Total non-EU Europe	**3**	**–**	**4**	**1**
Brazil	9	5	9	5
Argentina	–	–	1	1
USA	117	100	115	99
Total North & South America	**126**	**105**	**125**	**105**
India	38	25	29	19
Japan	7	2	8	2
China	154	106	148	104
Singapore	6	3	8	3
Dubai	1	–	1	0
Taiwan	–	–	3	1
South Korea	5	2	5	2
Total Asia	**211**	**138**	**202**	**131**
Egypt	1	1	–	–
Total Africa	**1**	**1**	**–**	**–**
Total average no. of employees	**1,374**	**977**	**1,393**	**975**
of which discontinued operations	–	–	7	6
Proportion of men,%		71,1		70.0

WAGES, SALARIES & OTHER REMUNERATION, BY COUNTRY

	2020		2019	
SEK m	**Board and CEO**	**Other employees**	**Board and CEO**	**Other employees**
Sweden				
Parent company	15	38	13	34
Subsidiaries	3	482	3	497
Belgium	0	0	0	1
France	0	2	0	3
Italy	0	15	0	16
The Netherlands	0	39	0	29
Spain	0	4	0	5
Poland	0	2	0	2
UK	0	8	1	18
Sloviakia	0	1	0	0
Ireland	0	0	0	1
Germany	0	90	0	91
Total EU	**18**	**681**	**17**	**697**
Turkey	0	2	0	2
Total non-EU Europe	**0**	**2**	**0**	**2**
Brazil	0	3	0	4
Argentina	0	0	0	2
USA	0	104	0	111
Total North & South America	**0**	**107**	**0**	**117**
India	0	5	1	5
Japan	0	6	0	7
China	0	41	0	33
Singapore	0	8	0	8
Dubai	0	1	0	3
South Korea	1	2	2	2
Total Asia	**1**	**63**	**3**	**58**
Egypt	0	1	–	–
Total Africa	**0**	**1**	**–**	**–**
Total	**19**	**854**	**20**	**874**
of which discontinued operations	–	–	1	15

REMUNERATION TO EMPLOYEES

	Group		Parent Company [1]		Of which discontinued operations	
SEK m	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Salaries and other remuneration	873	894	53	47	–	16
Pension – defined contribution (note 23)	211	235	28	44	–	1
Pension – defined-benefit (note 23)	27	27	0	0	–	0
Social fees	165	170	11	10	–	1
Total	**1,276**	**1,326**	**92**	**101**	**–**	**18**

[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	–	–	97	1,047
Other Members of the Board	2,040	–	–	213	2,253
President	–	9,205	3,240	6,582	19,027
Other members of Group management	–	23,038	2,823	12,631	38,492
Total	**2,990**	**32,243**	**6,063**	**19,523**	**60,819**

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

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

Principles

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

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

Pension & employment termination

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

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

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

NOTE 28. CONTINGENT LIABILITIES

	Group		Parent Company	
SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Guarantees	252	264	252	264
Guarantees and other contingent liabilities for subsidiaries	14	12	764	258
Total	**266**	**276**	**1,016**	**522**

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

NOTE 29. ASSETS PLEDGED

	Group		Parent Company	
SEK m	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Property mortgages	52	59	–	–
Chattel mortgages	1,026	566	–	–
Shares in subsidiaries	5,980 [1)]	5,436 [1)]	7,731	7,731
Liquid funds	0	0	–	–
Internal financial assets (loan)	–	–	5,162	5,503
Endowment insurances	157	151	154	148
Total	**7,215**	**6,212**	**13,047**	**13,382**

[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

	2020			2019		
	Total	of whom, women	%	Total	of whom, women	%
Board members	103	17	17	105	16	15%
Other senior executives	118	30	25	103	24	23%

The numbers excludes the divested units in 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	2020	2019	2020	2019
PricewaterhouseCoopers				
Audit assignments	7	5	2	1
Tax consultancy	1	0	–	–
Other	2	3	2	3
Total	**10**	**8**	**4**	**4**
Other auditing firms				
Audit assignments	2	2	–	–
Tax consultancy	2	2	1	1
Other	1	5	0	1
Sum	**5**	**9**	**1**	**2**

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, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
BRL	1.572	2.298	1.817	2.400
CNY	1.254	1.333	1.333	1.369
EUR	10.038	10.434	10.487	10.589
GBP	11.087	12.215	11.798	12.066
INR	0.112	0.133	0.125	0.134
JPY	0.079	0.085	0.086	0.087
KRW	0.008	0.008	0.008	0.008
NOK	0.955	1.058	0.979	1.075
SGD	6.179	6.904	6.668	6.933
USD	8.189	9.317	9.204	9.460

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. In the income statement this is classified as discontinued operations.

SEK m	2020	2019
Discontinued operations		
Net sales	–	113
Operating earnings/loss (EBIT)	–	4,757
Earnings/loss before tax	–	4,755
Tax	–	-12
Net earnings/loss for the year	**–**	**4,743**

Details of sale of subsidiaries SEK m	2020	2019
Discontinued operations		
Net proceeds	–	6,037
Carrying amount of net asset sold	–	-1,334
Translation differences	–	-12
Capital result	**–**	**4,691**

Cash flow SEK m	2020	2019
Discontinued operations		
Cash flow from operating activites	–	34
Cash from investing activites	–	6,050
Cash flow from discontinuing operations	**–**	**6,084**

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

After the year end 2020 but before the release of this report Perstorp implemented its updated strategic direction, which aims to improve resilience and balance its product mix. The strategic focus areas are: a clear distinction between Specialties and Intermediates; focus on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets; resuming and speeding up the Penta plant investment in India; availability and efficiency in supply of products; and strengthening Perstorp's Sustainability profile and digital capabilities.

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

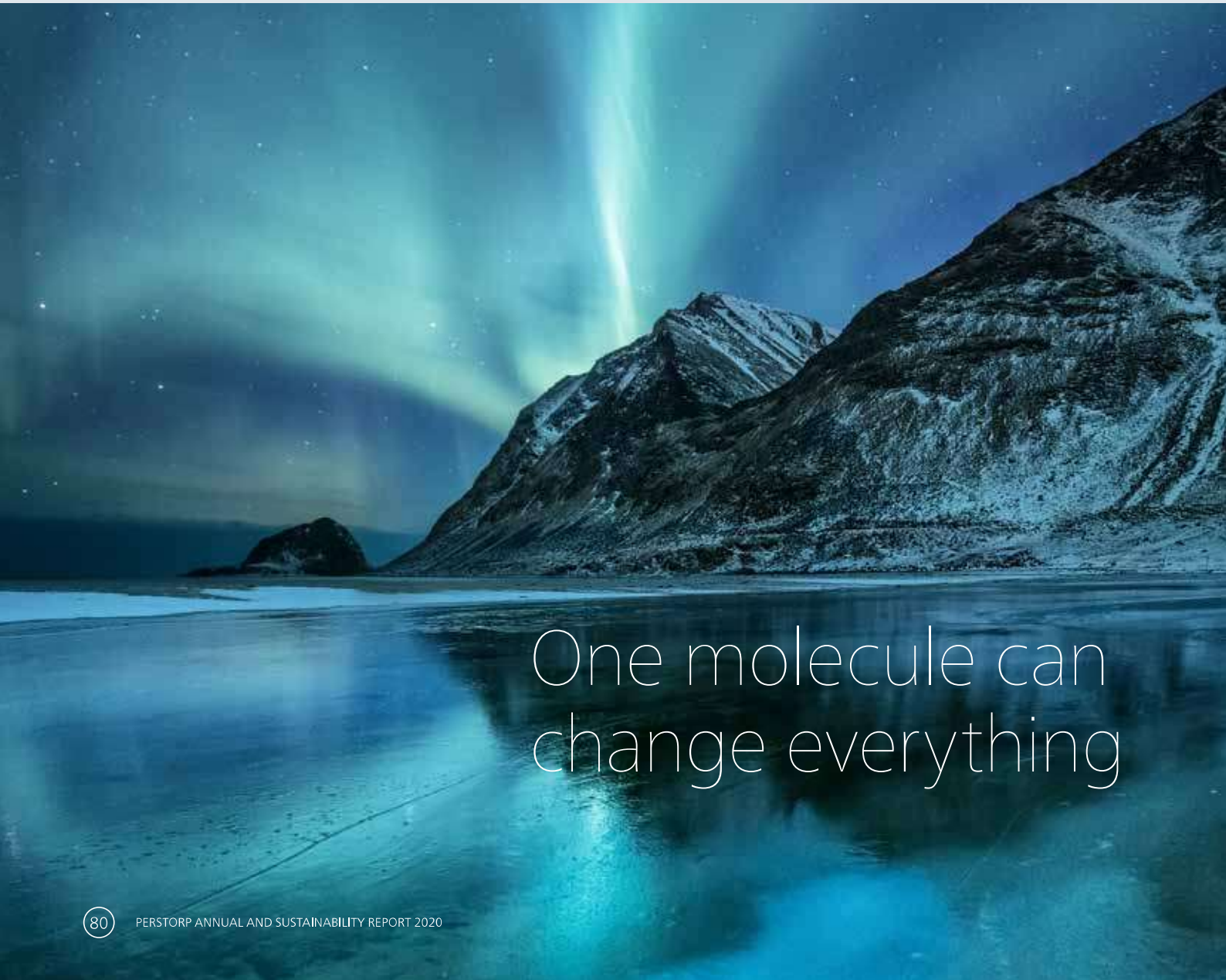
Key figures in summary, consolidated group

	Full year				
SEK m unless otherwise stated	**2020**	**2019**	**2018**	**2017**	**2016**
Net sales	9,194	11,754	14,882	13,592	11,305
Operating earnings before depreciations (EBITDA)	1,068	6,193[1)]	2,191	2,701[2)]	1,800
% of net sales	11.6	52.7[1)]	14.7	19.9[2)]	15.9
EBITDA excluding non-recurring items	1,128	1,635	2,324	2,133	1,865
% of net sales	12.3	13.9	15.6	15.7	16.5
Operating earnings (EBIT)	503	5,646[1)]	1,570	1,973[2)]	1,206
% of net sales	5.5	48.0[1)]	10.5	14.5[2)]	10.7
Free cash flow	823	1,081[3)]	1,450	1,275	1,370
Net debt excluding parent company loan and pension liabilities	7,673	8,526	13,103	12,056	12,964
Available funds	2,037	1,248	1,120	1,220	983
Reported leverage	6.8x	5.5x	5.6x	5.7x	7.0x

[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 8, 2021

Tore Bertilsson
Chairman

Jan Secher
President & Chief Executive Officer

Fabrice Fouletier

Claes Gard

Karin Markides

Ragnar Hellenius

Gerry Ackert
(elected by employees)

Jesper Fahlén
(elected by employees)

Heidi Waleniussen-Englund
(elected by employees)

Our audit report was submitted April 9, 2021

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 2020. The annual accounts and consolidated accounts of the company are included on pages 1-52 in this document. In the document published on the website, translated to English, the annual report and the consolidated accounts are included on pages 44-81.

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 2020 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 2020 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 55-60. The document published on the website, translated to English, containing the annual report and the consolidated accounts on pages 44-81 also contains other information on pages 1-43 and 84-90. 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 2020 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 9 April 2021

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 2020. It was prepared in accordance with the requirements of the Annual Swedish Accounts Act, chapter 6, and has been approved by Perstorp's Board of Directors. It includes our reporting on environmental issues, employee and social matters, human rights and anti-corruption. This report covers all subsidiaries of the Perstorp Group, unless otherwise stated. In addition, on p 46-47, the Group's most material risks are reported, of which some are related to potential sustainability 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. The company produces specialty chemicals and intermediates with focus on the markets for Resins & Coatings, Engineered Fluids and Animal Nutrition. From research and development to a final product that is produced at one of our production sites, Perstorp supplies customers in a wide range of industries. Perstorp's raw materials are sourced by the company's procurement department. Perstorp has sales representation in all major markets and further support from sales agents. In this report, we 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 2020.

These sites are:

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

The EVP Communications & Sustainable Transformation, who has a position in the Executive Leadership Team, is accountable for the strategic sustainability program on Group Level and as of March 1, 2021, a VP Sustainability is in place to become the strategic lead. Perstorp has a cross-functional team that drives our sustainability ambitions and builds internal processes and capacity. The team includes representatives from innovation, business development, procurement, operations, HR, responsible care, communications as well as the businesses. 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 Vendor Policy, the Health and Safety Policy, the Anti-bribery Policy, the Policy on Competition Matters, the Global Travel Policy and the Data Protection Policy. In 2020, the company developed and implemented two new Group policies; A Sustainability Policy serving as an umbrella policy, and an Availability Policy that outlines Perstorp's framework and expectations on all employees with regard to availability and flexibility at work.

The Perstorp Group has a management system for quality and environment and is third party certified against ISO 14001:2015 and ISO 9001:2015. Perstorp is proud to be a member of the International Sustainability and Carbon Certification (ISCC) Association, and that all our Pro-Environment products (those entirely or partly manufactured from renewable raw materials) are ISCC PLUS certified. Through our engagement in ISCC, we are an active part in setting a higher standard for sustainability within our industry.

OCCUPATIONAL HEALTH AND SAFETY

Perstorp has set a goal of safety performance to place it among the top quartile of chemical companies. 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 characteristics and behaviors of organizations with a strong health and safety culture. It is a way to mature in terms of health and safety practices and move upward along a maturity scale. In 2018, a health dimension was added to the previous safety dimensions of the protocol. Also since 2018, regular Careway assessments have been conducted, in order to identify health and safety gaps at all functions (including offices since 2020). 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 2021.

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.

As from February 2020 employee experience is measured on a more frequent basis with Pulse surveys. These are shorter surveys consisting of 9-10 questions, which are sent out each month, complemented with a more extensive survey once a year. This contributes to a continuous improvement dialogue within the teams and support the Perstorp journey up the Careway. There are three questions related to productivity where employees are asked for their view on clarity, value and efficiency. Three are related to well-being, work load, community and enthusiasm. All of these can be benchmarked with other companies. We have also added questions on collaboration within team, with other functions and empowerment as these are focus areas for Perstorp and our Careway journey. Since the outbreak of covid-19, a question related to Perstorp´s way of handling pandemic is also included. Performance in 2020 has been higher than expected based on supplier data and participation has been at or above 80% for each and every pulse survey which is a great sign of the value it is adding to the team dialogue.

In 2020, there was an increase in the OSHA (US Occupational Safety and Health Administration) recordable accidents compared to the year before. The various factors that contributed to this have

been identified, and the execution of corporate as well as local road-maps to strengthen the health and safety culture remains the most important focus area in order improve the safety performance.

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

Occupational Injuries	2018	2019	2020
Fatalities	0	0	0
Lost Time Accidents	6	10	14
Total Lost Days	103	66	42
OSHA-Recordable Accidents	9	13	17
OSHAR*	0.49	0.78	1.09

* As defined by the US Occupational Safety and Health Administration, (OSHA)
** OSHAR = Occupational Safety and Health Administration Rate (number of injuries x 200 000 / number of hours worked)

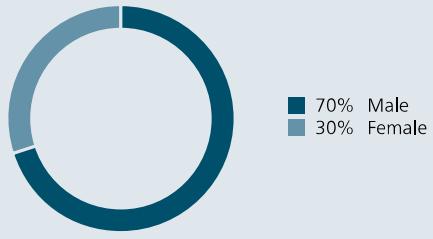
DIVERSITY

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.

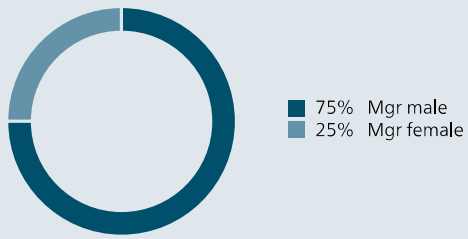
Due to changed priorities and increased work load as a result of the pandemic, the diversity initiatives planned for 2020 was halted and will be continued in 2021. At the same time, the pandemic has helped us see that structural changes and working outside headquarters are more possible than ever with the new digital maturity. Perstorp will make use of this insight to further improve inclusion and diversity in line with our targets. Even though the planned initiatives were postponed, the new organization designed in December 2020 and communicated in January 2021 will increase the share of females in senior management from 25% to 31% and non-Swedes from 28% to 31%.

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)	2018	2019	2020
Energy Produced in-house	1,724	1,747	1,622
Renewable	15%	14%	14%
Exothermic*	26%	25%	25%
Reclaimed from production waste	29%	31%	29%
Delivered externally	11%	9%	10%
Energy purchased as steam	496	258	264
Renewable	4%	-	-
Electricity from local grid	346	320	313
Renewable	71%	76%	76%
Total Energy Consumed	2,379	2,160	2,035
Renewable + exothermic	41%	43%	43%
Total Energy (MWh/T sold product)	1.91	2.22	2.24
Renewable + exothermic	0.77	0.95	0.97

The data for previous years have been revised to reflect refined calculation methods and definitions.

* At our sites in Perstorp, Stenungsund and Toledo some of our production processes are exothermic reactions which generate energy. This energy is recovered and used to produce steam for the production at the Site.

WATER

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. Perstorp's plants all use water to some extent: as a solvent for chemical reactions, as a carrier for products, as a heat-transfer medium or for cooling. Therefore, Perstorp has increased its efforts to lower our water footprint. We strive to use as little water as possible, making use of innovative methods for reuse, and prevent water pollution through efficient waste water treatment technologies.

During 2020, a number of initiatives to improve waste water quality have been implemented at our sites, and at site Zibo and site Stenungsund, major projects for reuse of water have been initiated.

Water Use (in millions of cubic meters)	2018	2019	2020
Surface Water	20.2	21.5	22.4
Ground Water	5.1	1.09	0.94
Rainwater	0.01	0.48	0.44
Municipal Supply	0.81	0.65	0.65
Other Sources	0.55	0.88	0.79
Total water withdrawn	26.7	24.6	25.2
Water returned unchanged	22.7	20.3	21.1
Water consumed	4.0	4.3	4.1
Water consumed (L/kg sold product)	3.2	4.45	4.55

The data for 2019 have been revised to reflect refined calculation methods and definitions. 2018 data have not been re-calculated.

Wastewater	2018	2019	2020
Chemical Oxygen Demand (T)	6,586	5,136	4,450
COD (kg/T sold product)	5.28	5.27	4.90

The data for 2019 have been revised to reflect refined calculation methods and definitions. 2018 data have not been re-calculated.

EMISSIONS TO AIR

Perstorp currently reports emission of greenhouse gases (GHG) in scope 1 and 2 according to the GHG Protocol. Mapping and calculation of our scope 3 emissions are ongoing and we aim to start reporting on scope 3 in 2021.

Scope 1 emissions are direct GHG emissions that occur from sources that are owned or controlled by Perstorp, including emissions from combustion of fuels for electricity, heat, or steam and emissions from physical or chemical processing.

Scope 2 emissions are indirect GHG emissions from the generation of purchased electricity and steam consumed by Perstorp.

Perstorp are about to adopt CO_2 targets for scope 1-3 that are aligned with the Paris Climate Agreement. These will be determined in 2021.

Greenhouse gas emissions (GHG) (kT)	2018	2019	2020
Scope 1	394*	314	273
Scope 2	208	159	161
Total	602	473	434
GHG (T/T sold product)	0.48	0.49	0.48

Unless otherwise stated, the data for previous years have been revised to reflect refined calculation methods and definitions.

* Value not re-calculated

References for GHG calculations and emission factors:

Scope 1
- Emissions from fuel combustion and chemical processes: Calculated based on the actual carbon content of the substances
- Fugitive emissions: Global warming potential from IPCC Fifth assessment Report (AR5)

Scope 2
- Electricity: Calculated through market-based method using emission factors from suppliers when available, or else using residual mix factors (European sites: European Residual Mixes 2019, Association of Issuing Bodies, Toledo site: EPA eGrid summary, Zibo site: national value from Ecoinvent)
- Steam: Calculated based on the actual carbon content of the substances

Non-GHG emissions (T)	2018	2019	2020
VOC	173	151	121
NOx	159	195	151
SOx	6	7	8

Perstorp has a small continuing use of Ozone Depleting Substances (ODS) in cooling systems across the organization.

Ozone Depleting Substances (kg)	2018	2019	2020
In use	5,769	4,506	4,393
Leakage	590	238	390

The data for previous years have been revised to correct for minor calculation errors in previous reports.

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)	2018	2019	2020
Hazardous Waste (T)	17,596	16,369	15,691
Recycled	3%	4%	4%
Incinerated for energy recovery	55%	44%	47%
Landfilled	19%	34%	31%
Other disposal methods	23%	19%	18%
kT/T sold product	14.1	16.8	17.3
Non-hazardous Waste (T)	7,507	5,509*	3,766
Recycled	13%	11%	17%
Incinerated for energy recovery	29%	33%	40%
Landfilled	54%	52%	43%
Other disposal methods	3%	4%	0%
kT/T sold product	6.0	5.7	4.1
Total Waste (T)	25,103	21,878	19,457
Waste (kT/T sold product)	20.1	22.4	21.4

* The value has been revised to correct for minor calculation errors in previous report.

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 partners and other parties. It applies to all employees within Perstorp Group and members of the Board of Directors. Perstorp also expects its suppliers, distributors and other business partners with which it has close relations, to act according to these principles.

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 suspicion 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 2020 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, and has also during 2020, 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 2020, 265 employees have taken an extensive and interactive e-learning training on preventing anti-competitive practices. There is an equivalent e-learning training on preventing bribery and corruption that relevant employees are required to take at regular intervals, next time in 2021 . Further e-learnings have been launched or 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

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 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. 80 % of our spend is covered by this systematic approach. We are also assessing the need to follow-up the suppliers' self-evaluations, e.g. through audits. Perstorp's companies conduct audits of their suppliers already as of today, but then mainly focusing on management systems for quality and environment.

The auditor's opinion regarding the statutory sustainability report

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

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 on pages 55-59 in the annual report published on the website, translated into English and that it has been prepared in accordance with the Annual Accounts Act. The document published on the website, translated to English, containing the statutory sustainability report on pages 84-87.

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 9, 2021

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 billions 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 140 years of experience, representing a complete chain of solutions in organic chemistry, process technology and application development. Manufacturing is based in Asia, Europe and North America, with sales and support in all major markets. The Perstorp Group is controlled by funds managed and advised by European private equity company PAI partners.

For more information, visit perstorp.com

Perstorp