Perstorp Annual Report 2015

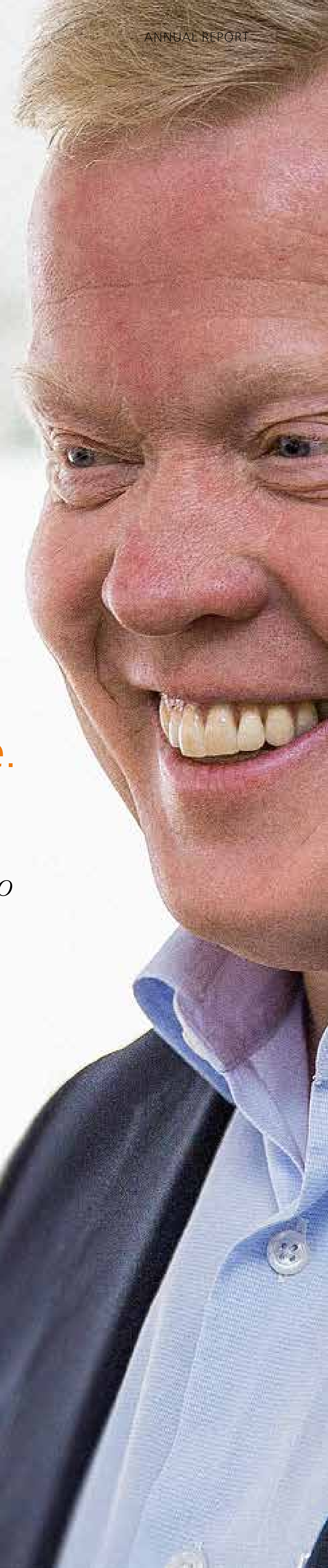
REPORT OF THE BOARD OF DIRECTORS

Perstorp

WINNING FORMULAS

Perstorp is actively cultivating leadership in everything we do – from responsibility to reliability to focused innovation. We're not merely looking to manage change. We're going to lead change."

Jan Secher, President and CEO



Year in review

KEY FIGURES IN SUMMARY

SEK m unless otherwise stated	Full year 2015	Full year 2014
Net sales	11,149	11,084
Operating earnings before depreciation (EBITDA)	1,653	1,269
% of net sales	14.8	11.4
EBITDA excluding non-recurring items	1,667	1,318
% of net sales	15.0	11.9
Operating earnings (EBIT)	971	633
% of net sales	8.7	5.7
Free cash flow	1,127	1,201
Net debt excluding parent company loan and pensions liabilities	11,196	10,515

ORGANIZATION

- **President & CEO** – Jan Secher
  - **Finance, Legal & IT** – Magnus Heimburg
  - **Innovation & Strategy** – Eric Appelman
  - **Regions & Group Management** – Mikael Gedin
  - **Business Area Specialties & Solutions** – Marie Grönborg
  - **Business Area Advanced Chemicals & Derivatives** – Gorm Jensen
  - **Business Area BioProducts** – Jan Secher
  - **Supply Chain** – Wolfgang Laures
  - **Operations** – Magnus Lannér

IMPORTANT EVENTS

For Perstorp Group's continuing operations, sales from January to December 2015 amounted to SEK 11,149 m (11,084), which is an increase of 1% compared to the previous year, and an adjusted volume sales growth of 3%. Adjusted for the scheduled maintenance shutdown, organic volume-based sales growth was about 3%.

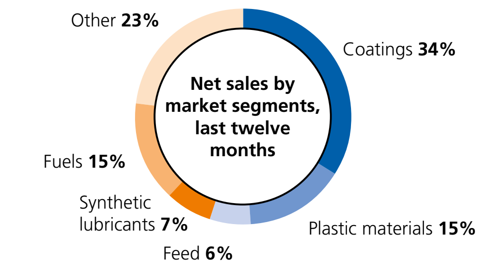
Operating earnings before depreciation and amortization (EBITDA) relating to continuing operations were SEK 1,653 m (1,269). Excluding non-recurring items, the corresponding figure was SEK 1,667 m (1,318), an increase of more than 26%.

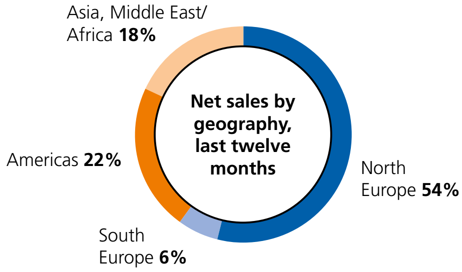
In July, Perstorp signed an agreement with Koei Chemical Company Ltd. for acquisition of its penta and sodium formate businesses, related technology and certain assets. It does not include any manufacturing facilities, real estate or employees. For Perstorp, this is an important step to strengthen our position in the Asian market.

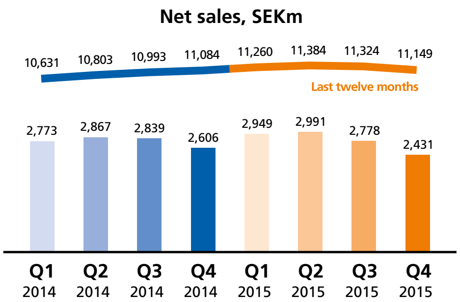
During the fourth quarter, Perstorp finalized the acquisition of a biodiesel plant in Fredrikstad, Norway. This advantageous acquisition gives the possibility to enter the Norwegian market as well as other application areas such as the non-mobile segment.

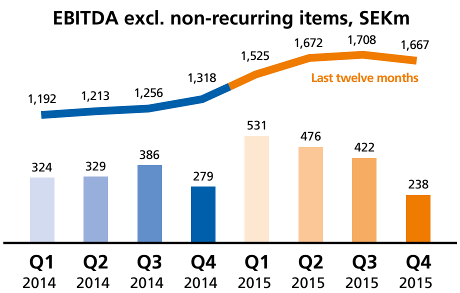
Perstorp successfully started the strategic investment Valerox, a new production plant for Oxo products in Stenungsund, Sweden, in early January 2015 – on time and on budget. In the fall, there was a major scheduled maintenance shutdown of the plant and during this period, we made strategic investments in further capacity for valeraldehyde production by installing a second reactor. This reactor will be used primarily for additional production of valeric acid and 2-PH, which means we now have a facility in place that can address new application areas such as lubricants and the pharmaceutical industry.

The internal transformation project From Good to GREAT has progressed successfully during the year.









Other key figures	2015	2014
Available funds	934	1,119
Net debt	11,609	10,970
Net debt excluding parent company loan and pensions liabilities	11,196	10,515

Net sales & earnings

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2015	2014
Net sales	**9**	**11,149**	**11,084**
Cost of goods sold	6, 7, 8, 21	-9,464	-9,791
Gross earnings		**1,685**	**1,293**
Selling and marketing costs	6, 7, 8	-464	-416
Administrative costs	6, 7, 8, 33	-283	-245
Research and development costs	6, 7, 8	-78	-62
Other operating income and expenses	10, 11	104	56
Result from participations in associated companies	12	7	7
Operating earnings/loss (EBIT)	**10, 23, 27**	**971**	**633**
Net financial items	22	-1,623	-2,251
Result from participations in associated companies	12	-	-142
Earnings/loss before tax		**-652**	**-1,760**
Tax	24	-8	-26
Net earnings/loss for the year		**-660**	**-1,786**
of which, attributable to non controlling interest	15	5	7
Earnings/loss per share [1], SEK		-6,598	-17,859
Operating earnings before depreciation (EBITDA)		**1,653**	**1,269**
EBITDA adjusted for non-recurring items		**1,667**	**1,318**

[1] No dilution effects arose.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	2015	2014
Net result for the year		**-660**	**-1,786**
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plan	23	22	-93
Items that may be subsequently reclassified to profit or loss			
Currency translation effects		-64	-28
Market valuation of forward contracts		6	7
Other comprehensive income net after tax		**-36**	**-114**
Total comprehensive income for the year		**-696**	**-1,900**
Attributable to:			
Owners of the parent		-702	-1,916
Non controlling interests	16	6	16
Total		**-696**	**-1,900**

Net sales amounted to SEK 11,149 m during the period January to December 2015, compared with SEK 11,084 m for the same period in 2014, an increase of 1%. Organic volume-based sales growth amounted to 1% for the period January to December compared to the same period last year.

The organic volume-based sales growth have been negatively affected by both the production issue in the second quarter as well as the scheduled maintenance shutdown in Stenungsund in the third and fourth quarter. Adjusted for the scheduled maintenance shutdown the organic volume-based sales growth was about 3%.

Sales prices were 8% lower than last year, attributable to lower raw material prices, although the low raw material prices contributed positively to the strengthened unit margin. Dated Brent price was approximately 47% lower during 2015 than 2014, which has decreased prices of downstream derivatives like propylene, ethylene, methanol and benzene. Average rates for the USD and EUR were 23% and 3% higher respectively, when comparing full year 2015 with 2014. This has led to a positive effect on net sales of around 8% compared to last year.

EBITDA excluding non-recurring items, amounted to SEK 1,667 m (1,318), corresponding to an EBITDA margin of 15.0% (11.9). The improved earnings compared to last year have primarily been the result of a combination of positive effects from improved margins and positive currency effects. However, earnings have been negatively affected by the scheduled maintenance shutdown in Stenungsund of approximately SEK 130 m.

The depreciation of the SEK positively affected results when comparing with last year. Currency effects on EBITDA amounts to around SEK 200 m relating to both translational and transactional effects from flows in USD and EUR. Non-recurring items included in the result in 2015 amounted to SEK −14 m (−49), where the proceeds from the divestment of the remaining part of Polygiene AB was offset by a combination of some extra ordinary costs and a settlement in connection to a supplier dispute.

EBIT amounted to SEK 971 m (633) for the full year of 2015. Depreciation amounted to SEK 682 m compared to SEK 636 m for 2014. Depreciation increased compared to last year mainly explained by the depreciations of the Valerox project and the change in currency rate effects. This was to some extent offset by the change in depreciation period of fixed assets during the third quarter.

Net financial expenses, including result from participation in associated companies amounted to SEK 1,623 m compared to SEK 2,393 m for the corresponding period 2014. The change in net financial expenses is mainly explained by lower FX effects on net debt. Earnings before tax amounted to SEK −652 m (−1,760). Tax amounted to SEK −8 m in 2015 compared to SEK −26 m in 2014.

For the full year of 2015, the net loss amounted to SEK −660 m, compared to SEK −1,786 m last year.

Financial position

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

The company performs an annual impairment test for goodwill as well as shares in group companies. Assumptions are based on the business plan with a discount interest rate of 11% and a terminal growth rate of 2%. No impairment has been identified.

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

CASH FLOW

Free cash flow amounted to SEK 1,127 m (1,201) for the period January to December 2015. Cash flow have benefitted from higher earnings and lower strategic capex although offset by mainly changes in working capital as the effect from the trade receivable program have decreased. Cash flow from investment activities amounted to SEK –732 m (–844) in 2015. The decrease compared to last year primarily reflects our reduced spending rate connected to the Valerox project in Stenungsund.

The Group's available funds, liquid funds and unutilized credit facilities, were SEK 934 m at the end of the period, compared with SEK 1,119 m at the end of 2014.

WORKING CAPITAL

The change in working capital amounted to SEK –72 m (–688) during 2015. Adjusted for the trade receivables program, working capital increased SEK 106 m (–49). Change in working capital excluding exchange rate effects and provisions amounted to SEK 120 m (720) during the year.

The change in accounts receivable and other current assets was SEK –354 m compared to December last year mainly due to lower sales in the fourth quarter and higher utilization of the trade receivables program.

The change in accounts payable and other current liabilities amounted to SEK –274 m during the year, mainly affected by lower investments, lower sales as a consequence of the shutdown in Stenungsund and timing effects. Inventory levels increased with SEK 10 m compared to December 2014. Working capital amounted to SEK 619 m at the end of December 2015 compared to SEK 691 m at the end of December 2014.

EQUITY

At the end of December 2015, consolidated equity amounts to SEK –1,814 m (–1,112) excluding non-controlling interest and Consolidated equity, including non-controlling interest, amounts to SEK –1,746 (–1,050) m.

CONSOLIDATED BALANCE SHEET

SEK m	Note	Dec 31, 2015	Dec 31, 2014
ASSETS			
Non current assets			
Tangible fixed assets	6	4,993	4,903
Intangible fixed assets	7	4,963	4,997
Deferred tax assets	24	180	252
Participations in associated companies	13	61	56
Other participations	14	430	358
Direct pension, endowment insurance		102	96
Other interest-bearing, long-term receivables	17, 22	1	1
Other interest-free, long-term receivables	17	18	30
Total non current assets		**10,748**	**10,693**
Current assets			
Inventories	21	1,215	1,205
Accounts receivable	19	563	859
Operating receivables, associated companies		0	3
Tax receivable		46	47
Other operating receivables	19	277	326
Other current financial receivables	22	9	42
Cash & cash equivalents	20	742	1 019
Total current assets		**2,852**	**3,501**
Total assets		**13,600**	**14,194**
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital (100,000 shares, par value of SEK 5 each)		0	0
Other capital contributions		6,584	6,584
Reserves		-580	-521
Retained earnings		-7,818	-7,175
Equity attributable to owners of the parent		**-1,814**	**-1,112**
Non controlling interests	16	68	62
Total equity		**-1,746**	**-1,050**
Non current liabilities			
Deferred tax liabilities	24	832	908
Direct pension	23	127	119
Pensions liability, others	22, 23	409	451
Long term liabilities, Parent Company	22	5	4
Long-term interest-bearing liabilities [1)]	22	11,768	11,281
Other liabilities, provisions	25	91	59
Total non current liabilities		**13,232**	**12,822**
Current liabilities			
Accounts payable	26	670	912
Tax liabilities		62	57
Other operating liabilities	26	783	823
Accrued interest expense		515	495
Other financial liabilities	22	84	135
Total current liabilities		**2,114**	**2,422**
Total equity and liabilities		**13,600**	**14,194**
Contingent liabilities	28	472	274
Assets pledged	29	7,917	9,019

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -95 (-160) m.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Other capital contributions	Other reserves	Retained earnings	Total	Non controlling interest	Total equity
	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY						
Opening balance, January 1, 2014	**0**	**5,951**	**-491**	**-5,289**	**171**	**46**	**217**
Net Result for the period	–	–	–	-1,793	-1,793	7	-1,786
Other comprehensive income	–	–	-30	-93	-123	9	-114
Transaction with owners, recognised directly in equity	–	633	–	–	633	–	633
Closing balance, December 31, 2014	**0**	**6,584**	**-521**	**-7,175**	**-1,112**	**62**	**-1,050**
Opening balance, January 1, 2015	**0**	**6,584**	**-521**	**-7,175**	**-1,112**	**62**	**-1,050**
Net Result for the period	–	–	–	-665	-665	5	-660
Other comprehensive income	–	–	-59	22	-37	1	-36
Closing balance, December 31, 2015	**0**	**6,584**	**-580**	**-7,818**	**-1,814**	**68**	**-1,746**

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

CONSOLIDATED CASH FLOW STATEMENT

SEK m	Note	2015	2014
Operating activities			
Operating earnings		971	633
Adjustments:			
Depreciation and write-down		682	636
Other		-84	-5
Interest received		6	7
Interest paid		-1,196	-1,031
Income tax paid		-18	17
Cash flow from operating activities before change in working capital		**361**	**257**
Change in working capital			
Increase (-) Decrease (+) in inventories		0	93
Increase (-) Decrease (+) in current receivables [2]		363	493
Increase (+) Decrease (-) in current liabilities		-243	134
Cash flow from operating activities[1]		**481**	**977**
Investing activities			
Acquisition of shares in associated companies		–	-27
Investment in other participations		-89	–
Acquisition of tangible and intangible fixed assets [1]		-659	-837
Sale of tangible and intangible fixed assets		–	24
Sale of shares in non-controlling interests		17	–
Change in financial receivables, external		-1	-4
Cash flow from investing activities		**-732**	**-844**
Financing activities			
Change in credit utilization		-26	-32
Cash flow from financing activities		**-26**	**-32**
Change in cash & liquid funds, incl short-term investments		**-277**	**101**
Cash and cash equivalents in the operning balance, incl.short-term investments		1,019	905
Translation difference in cash and cash equivalents		0	13
Cash & liquid funds, end of period	**20**	**742**	**1,019**
[1] Whereof paid interest		–	-39

[2] Including trade receivables financing program

The Parent Company year-end accounts

INCOME STATEMENT PARENT COMPANY

SEK m	Note	2015	2014
Net sales		**51**	**49**
Gross earnings		**51**	**49**
Sales and marketing costs		-4	-5
Administration costs		-158	-139
Other operating income and expenses	11	-20	-32
Operating earnings (EBIT)	23, 27	**-131**	**-127**
Group contribution recieved		350	1,210
Earnings from participations in Group companies [1]		1,218	-
Earnings from participations in associated companies		-	-126
Net financial items	22	-987	-1,627
Earnings /loss before tax		**450**	**-670**
Tax	24	-1	1
Net earnings/loss for the year [2]		**449**	**-669**

[1] Comprises of dividend from subsidiaries of SEK 450 (0) m and reversal of previous years write down of shares in subsidiaries of SEK 768 (0) m.
[2] Comprehensive income equals Net earnings/loss for the year.

BALANCE SHEET PARENT COMPANY

SEK m	Note	Dec. 31, 2015	Dec. 31, 2014
ASSETS			
Non current assets			
Tangible fixed assets	6	5	6
Intangible fixed assets	7	5	5
Shares in group companies	18	7,715	6,947
Long-term receivables, Group companies	22	5,452	5,315
Other participations	14	430	358
Direct pension, endowment insurance		96	86
Other non-current assets		5	-
Total non-current assets		**13,708**	**12,717**
Current assets			
Operating receivables, Group companies		14	10
Tax receivables		12	11
Other operating receivables	19	20	9
Financial receivables, Group companies	22	423	1,280
Other current financial receivables		4	-
Total		**473**	**1,310**
Cash & cash equivalents	20	86	179
Total current assets		**559**	**1,489**
Total assets		**14,267**	**14,206**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (100.000 shares, par value of SEK 5 each)		0	0
Retained earnings		962	1,631
Net earnings/loss for the year		449	-669
Total shareholders' equity		**1,411**	**962**
Non current liabilities			
Direct pension		119	107
Long-term liabilities, Parent company	22	5	4
Long-term interest bearing liabilities [1)]	22	11,766	11,278
Total non current liabilities		**11,890**	**11,389**
Current liabilities			
Accounts payable	26	17	11
Other operating liabilities, Group companies		1	1
Other operating liabilities	26	76	41
Accrued interest expense		512	492
Financial liabilities, Group companies	22	360	1,310
Total current liabilities		**966**	**1,855**
Total equity and liabilities		**14,267**	**14,206**
Contingent liabilities	28	620	460
Assets pledged	29	13,755	12,771

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -95 (-160) m.

CASH FLOW STATEMENT PARENT COMPANY

SEK m	2015	2014
Operating activities		
Operating earnings	-131	-127
Interest received	588	536
Interest paid	-1,182	-1,011
Dividend from group company	450	-
Group contribution received	1,210	811
Realized exchange rate profit/loss	0	0
Income tax, paid	-1	0
Adjustment, depreciation	2	1
Adjustment, change in provisions	2	2
Cash flow from operating activities before change in working capital	**938**	**212**
Change in working capital		
Increase (-) Decrease (+) in current receivables	-17	-6
Increase (+) Decrease(-) in current liabilities	26	15
Cash flow from operating activities	**947**	**221**
Investing activities		
Shareholder contribution	-89	-27
Sale of financial fixed assets	-	-1
Changes in internal financial receivables	-950	-117
Acquisition of tangible assets	0	-6
Acquisition of intangible assets	-1	-1
Cash flow from investing activities	**-1,040**	**-152**
Financing activities		
Cash flow from financing activities	**–**	**–**
Change in liquid funds, incl.short-term investments	**-93**	**69**
Liquid funds opening balance, incl short term investments	179	110
Liquid funds, end of period	**86**	**179**

SHAREHOLDERS' EQUITY 2015, PARENT COMPANY

SEK m	Share capital	Retained earnings	Net earnings/loss for the year	Total shareholder's equity
Opening balance shareholders' equity, January 1, 2015	**0**	**1,631**	**-669**	**962**
Transfer of preceding year's results	–	-669	669	0
Net earnings/loss for the year	–	–	449	449
Closing balance shareholders' equity, December 31, 2015	**0**	**962**	**449**	**1,411**

SHAREHOLDERS' EQUITY 2014, PARENT COMPANY

SEK m	Share capital	Retained earnings	Net earnings/loss for the year	Total shareholder's equity
Opening balance shareholders´equity, January 1, 2014	**0**	**2,390**	**-1,392**	**998**
Transfer of preceding year´s results	–	-1,392	1,392	0
Shareholders´contribution	–	633	–	633
Net earnings/loss for the year	–	–	-669	-669
Closing balance shareholders' equity, December 31, 2014	**0**	**1,631**	**-669**	**962**

Other

EMPLOYEES

The number of FTE (full time equivalents) at the end of the period was 1,479, which is 24 more than at year-end 2014.

THE PERSTORP BOARD

At the end of 2015, 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 2015 Annual General Meeting were Fabrice Fouletier, Jan Secher, Karin Markides, Michel Paris, Ragnar Hellenius, Claes Gard, Carl Settergren and Bertrand Monier. In addition to the aforementioned individuals the Board also includes three employee representatives. One Extraordinary General Meeting was held on 27 August 2015 were Tore Bertilsson (Chairman) and Brendan Cummins were elected as new members of the Board. Michel Paris, Carl Settergren and Bertrand Monier resigned then as members of the Board

THE ENVIRONMENT

Production within the Perstorp Group affects the external environment through emissions in air 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 fresh 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.

In 2015, the Group had ten production units in eight countries. The largest production sites in the Group are located in Sweden. Proactive environmental work has been carried out locally for many years. The Perstorp Group has a multisite certificate according to the ISO 14001 standard which covers seven of the ten production units.

At the site in Perstorp, Sweden a national project regarding soil contamination was initiated in 2004, aiming at a classification of industry land into different categories (MIFO). At Perstorp Industrial Park the classification was done in 2007 and since then several investigations have been conducted for the most concerned areas. Findings and proposed action are regularly reviewed together with the relevant authority.

Phthalate leakage has been detected in two locations at the Perstorp Oxo AB site in Stenungsund, Sweden. Remediation planning has begun for this soil contamination.

Total investments in the environment, health and safety amounted to SEK 39.6 million in 2015 (54.3 in 2014). This amounts to 6.0% (6.5% in 2014) of the Group's total investments. For details on resource management, environmental impact and emissions, see www.perstorp.com/Responsibility.

INNOVATION

Where 2014 had been a year when Perstorp filled its Innovation Pipeline with a lot of new projects, 2015 was characterized by the commercial scale-up of recently launched products.

A lot of this was linked to the commissioning of the Valerox project, which gave us access to commercial volumes of new products. Biggest was the plasticizer Emoltene 100, which had been test-marketed for a number of years in significant quantities, where we now were able to hit the ground running. But also the products 2-propyl heptanol and valeric acid scaled up to full commercial volumes, and so did the new phthalate-free plasticizer Pevalen, which saw its sales quintuple, and now has a multimember base of repeat customer for bulk volume.

The startup of the Valerox plant also marked the end of a remarkable journey, where Perstorp created, designed and built a new process from scratch, where Innovation had an important role.

In the animal feed market we saw more than doubling of sales of additives that enable customers to work without using antibiotics in meat production, and for preservation of harvests. Work continued to expand the range of uses and to offer additional products, driven by a long-term fundamental research effort with leading academia.

Development of Akestra, an alternative for polystyrene in rigid packaging, focused on the manufacturing process, where we have now reached the stage where we will build a pilot plant with an improved process together with our Japanese partner. Business development, using material from their Japanese demonstration plant, progressed, but was held back by delays in the registration as a food-contact approved material. This is not due to the product (which already is approved in Japan and the US) but to unforeseeable and disappointing procedural delays.

Perstorp's polycaprolactone-based technology to produce biodegradable plastics saw a lot of application work within our new materials laboratory, to enable our customers, that often do not have access to this development capability, with new formulas. It is clear that a successful penetration by biobased plastics such as PLA and PBS cannot happen without additives such as Perstorp's polycaprolactones.

In terms of pipeline-filling, we have this year returned to the roots of the company: to its leading process technology. In order to maintain the unique competitive edge that makes us number 1-3 for 80% of our business, we are investing in breakthrough new technology for a number of our processes (a.o. caprolactone and pentaerythritol), in order to keep our cost-leadership, and allow for capex-lean expansions.

All these, and many other activities have now brought us to the edge of our capabilities, and 2016 will be a year where we will increase our commitment to innovation, especially by strengthening our resources for application development, and by starting activities in areas like synthetic lubricants, 3D-printing and by expansing our knowledge from the animal feed area to uses in human nutrition.

KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

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

Notes

DEFINITIONS

CAPITAL RATIOS

Average capital
Based on monthly balances during the year.

Capital employed
Total assets less interest-free liabilities.

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

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

EBIT
Calculated as the Group's reported operating earnings (loss).

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

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

NOTES

NOTE 1. GENERAL INFORMATION

Perstorp is an international specialty chemicals group and a global leader in high growth niches. The Group has around 1,500 employees and manufacturing facilities in Europe, North America and Asia. The Perstorp Group is controlled by the European private equity company PAI Partners.

The Group was formed at the end of 2005. PAI partners control the Group through Luxembourg-based Financière Forêt S.à r.l., corp. reg. no. R.C.S. Luxembourg: B 111 888, which owns 100% of Perstorp Holding AB. The acquisition balance sheet for the Group was completed as of 2006.

The Parent Company is a limited liability company that is registered and has its Head Office in Malmö, Sweden. The address to the head office is Neptunigatan 1, 201 25 Malmö, Sweden.

The Board approved this report for publication on March 30, 2016.

NOTE 2. SUMMARY OF MAJOR ACCOUNTING PRINCIPLES

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

2.1 BASIS OF PREPARATIONS

Group

The consolidated accounts for Perstorp Holding AB have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation concerning Supplementary Accounting Rules for Group´s (RFR 1) and International Financial Reporting Standards (IFRS) and IFRIC interpretations as approved by the European Commission. (IFRS has been applied by the Group since 2005). The consolidated accounts have been prepared in accordance with the acquisition value method, apart from matters applying to financial assets held for sale and financial assets and liabilities (including derivative instruments) that are fair valued via the income statement.

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

Parent Company

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

Subsidiaries

Shares in subsidiaries are reported at the time of acquisition at acquisition value/ fair value. This value remains until impairment is carried out. Impairment tests of reported balance sheet values are carried out in accordance with chapter 2.10.

The change in IFRS 3 regarding transaction cost shall not apply for the Parent Company´s financial reporting. Transaction cost shall be accounted for as part of the acquisition value and is therefore capitalized under the "Group company holdings". Furthermore, because the Parent Company does not report financial instrument in accordance with IAS 39 they shall not account for a contingent consideration at fair value, as stated in IFRS 3. Instead the Parent Company account for a contingent consideration as part of the acquisition value only if it is likely that the consideration will be paid. The contingent consideration is accounted as a liabilities/provision and any future re-evaluation is accounted for as a change in acquisition value under the "Group company holdings".

Group contribution & shareholders' contribution

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

Pensions

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

Leasing

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

2.2 CONSOLIDATED ACCOUNTING

Subsidiaries

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

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

The surplus, which consists of the difference between the acquisition value and the fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities, is reported as goodwill. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the income statement.

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

The accounting principles for subsidiaries have been changed, where necessary, to guarantee the consistent and appropriate application of Group principles.

When the Group ceases to have control of a subsidiary it recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost. The change in the carrying amount is recognized in income statement.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to income statement.

Associated companies

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

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

Unrealized gains on transactions between the Group and its associated companies are eliminated in relation to the Group's holding in the associated company. Unrealized losses are also eliminated, unless the transaction is evidence of there being an impairment requirement for the transferred asset.

The accounting principles for associated companies have been changed in places to guarantee the consistent and appropriate application of Group principles.

When the Group ceases to have a controlling influence over an associate it shall account for the investment in accordance with IAS 39 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 each investor. Perstorp has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income.

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

Other participations

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

Non-controlling interest

The share of net assets belonging to the non-controlling interest is reported as a separate item in consolidated shareholders' equity. In the consolidated income statement the non-controlling interest is included in reported earnings.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Saleable financial assets

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

2.3 CURRENCY TRANSLATION

Functional currency & reporting currency

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

Transactions & balance sheet items

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

Group companies

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

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

On consolidation, exchange-rate differences arising as a consequence of the translation of net investments in foreign operations, borrowing and other currency instruments identified as hedges for such investments are allocated to shareholders' equity in the consolidated statement of comprehensive income. On the divestment of foreign operations, accumulated exchange-rate differences in the income statement are reported under shareholders' equity in the consolidated statement of comprehensive income as part of the capital gain/loss.

Goodwill and adjustments of fair value arising from the acquisition of foreign operations are treated as assets and liabilities associated with such operations and are translated at the exchange rate applying on the balance-sheet date.

2.4 REVENUE RECOGNITION

Reported revenue is the fair value of what has been received or will be received for sold goods and services within the Group's ongoing business with deductions for VAT, discounts, returns and eliminations of intra Group transactions.

Revenue per category is reported as follows:

Sales of goods

Revenues from the sales of goods are reported upon delivery to the customer in accordance with sales terms and thereby in the period when all significant risks and benefits attributable to the goods are transferred to the purchaser in accordance with an agreement.

Interest income

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

Received dividends

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

2.5 INCOME TAXES

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

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

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

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

2.6 INTANGIBLE FIXED ASSETS

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

Goodwill is tested annually in order to identify impairment requirements. When conducting tests to identify possible impairment requirements, goodwill is divided among cash-generating units and each unit is tested individually. The reported value of goodwill comprises therefore the acquisition value less accumulated impairments. Impairment of goodwill is not recovered.

Trademarks, patents and licenses that apply to separately acquired assets from external parties are reported initially at acquisition value. Trademarks, patents and licenses acquired through acquisition of a business are reported initially at their fair value on the day of acquisition.

Trademarks, patents and licences that have a determinable period of utilization are assessed individually and depreciated linearly based on this, normally over 5-30 years. Assets with unlimited utilization periods are not normally subject to depreciation.

For the Group, assets with an indeterminate life length within this category refer to the Perstorp, which in connection with the allocation of acquisition values in 2006, were judged to have an unlimited life, based on the company's 125 year history and the continuous renewal process. Annual testing of possible impairment requirements is performed for assets in this category.

Technological know-how was identified as a balance sheet item in connection with the allocation of acquisition values in 2006 and its acquisition value has linear depreciation to divide the costs over the assessed utilization period of 30 years. Testing of possible impairment requirements is performed annually.

Customer relations: In connection with the allocation of acquisition values in 2006, a value was identified that reflects the future value generation related to core customers. A value for intangible assets was established relating to customer relations in connection with the acquisition of the UK business in 2008. The acquisition value has linear depreciation in order to divide the cost over the lifespan of the relations which is expected to be 30 years and 10 years respectively. Annual testing of impairment requirements is performed through the analysis of future value generation in respect of sales to core customers, adjusted for the values already recognized in the form of trademarks and technological know-how.

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

Software: Acquired software licenses are capitalized on the basis of the costs that have arisen for acquiring and deploying the software. Costs for the development and maintenance of software are normally expensed when they arise. If the particular software is unique, controlled by the Group and will probably generate economic benefits that exceed the costs for more than one year, the software is reported as an intangible asset. Personnel expenses for software development and a reasonable portion of attributable indirect costs are included.

Costs for capitalized software licenses and software development are amortized over their estimated useful life, which may not exceed three years. All capitalized assets in this category are subject to an annual test concerning utilization period and impairment requirement.

2.7 TANGIBLE FIXED ASSETS

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

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

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

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

Land and construction in progress are not depreciated.

The residual value and useful life of assets are impairment tested regularly or when external or internal circumstances dictate such impairment testing, and are adjusted as necessary. An asset's book value is immediately impaired to its recoverable amount if the asset's book value exceeds its estimated recoverable amount. See chapter 2.10.

Gains and losses on divestment are determined by comparing the sales proceeds and the book value and are reported in the income statement under the heading Other operating income and expenses.

2.8 LEASING

The Group is party to leasing agreements whereby the Group as leaseholder to all extents and purposes profits from the economic benefits relating to the leased object while also bearing the economic risks. These agreements are recognized as financial leasing. At the start of the leasing period the leasing object is reported as a fixed asset in the balance sheet at the lower of the fair value and the current value of the contracted minimum leasing fees. On the liability side, the estimated value of the commitment is offset against future cash flow based upon the leasing agreement.

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

Some of the Group's leasing contracts pertain to vehicles and computers, which have been reported as operational leasing.

2.9 FINANCIAL INSTRUMENTS

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

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

Financial instruments assessed at fair value via the income statement

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

Loans & accounts receivable

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

Cash & cash equivalents

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

Borrowings

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

Borrowing costs

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

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

Accounts payable

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

2.10 IMPAIRMENT

Tangible and intangible assets with an indeterminate useful life are not depreciated/amortized but are subject to annual testing of impairment requirements. Tangible and intangible assets with a determined useful life are assessed for a reduction in value whenever events or changes in conditions indicate that the book value may not be recoverable. Impairment is recognized in the amount by which the asset's or cash-generating unit's book value exceeds its recoverable value, which in the current situation means the higher of the utilization value or fair value with deductions for sales costs. In connection with the test an assessment is made as to whether there has been a change in the recovered value for an individual asset/cash-generating unit and if the previous impairment can be recovered fully or partly. Impairment is never recovered for goodwill.

A test for an impairment requirement is performed for financial assets at the end of the report period. Impairment is performed as soon as there is objective evidence that events have taken place which indicate that estimated future cash flows from an asset will be lower than the reported balance sheet total.

The impairment amount is calculated as the difference between the asset's reported value and assessed future cash flow (current value is calculated for instruments classified as fixed assets). If there are observable market prices for the instrument, the impairment calculation is based on this fair value. In connection with the test an assessment is also made if events have occurred, and objective evidence is available, which mean that a previously carried out impairment shall be returned fully or partly.

2.11 INVENTORIES

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

2.12 EMPLOYEE BENEFITS

Pensions

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

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

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

Remuneration for redundancy

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

Other remuneration & bonus plans

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

2.13 PROVISIONS

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

2.14 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

2.16 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing this consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9 'Financial instruments' concerns the classification, valuation and reporting of financial assets and liabilities. The full version of IFRS 9 was published in July 2014. It replaces the parts of IAS 39 that concern the classification and valuation of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard must be applied for the financial year beginning 1 January 2018. Earlier application is permitted. The Group has not yet evaluated the full effect of the introduction of the standard.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

NOTE 3. RISK MANAGEMENT

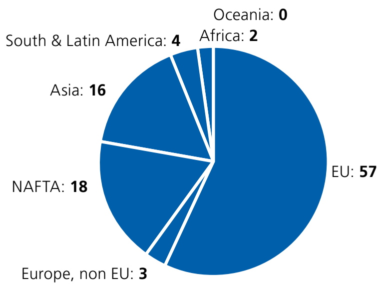
3.1 FINANCIAL RISK FACTORS

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

CURRENCY RISK

The currency risk is the risk that the Group's earnings and net assets will be adversely affected by fluctuations in exchange rates. The Group has considerable flows, earnings and assets in foreign currency, primarily in EUR and USD. Both sales and raw material purchase is primarily USD or EUR based, whereas a large portion of costs is in SEK, mainly as a result of the fact that more than half of the Group's employees are based at Swedish sites.

NET SALES PER GEOGRAPHIC MARKET, %



The Group's currency transaction exposure for 2016 is to some extent naturally hedged through the interest payments on the EUR and USD denominated loans.

SWAPS

MSEK	Market value	Nominal amount
Internal lending		
EUR	0	0
USD	0	0
Other	5	360
Liquidity purposes		
EUR	0	0
USD	-3	298
Other	-1	102

EXPOSURE PER CURRENCY, FORECAST FOR 2016[1)]

	Net sales	Operating costs	EBITDA	Financial payments	Net	Translated to SEK m[2)]
USD	475	-325	150	-74	76	635
EUR	760	-580	180	-76	104	950
GBP	13	-13	0	–	0	0

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.

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.

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	73	-5,633	-5,560
USD	-904	-6,229	-7,133
GBP	252	-	252
SEK	-1,581	11,862	10,281
Other currencies	346	-	346
Total	**-1,814**	**0**	**-1,814**

At the end of 2015 there was positive exposure in SEK concerning net assets per currency. This is because a large part of the intangible assets that existed when PAI partners acquired Perstorp was in SEK and in GBP due to the acquisition of the caprolactones business not being financed through loans in GBP. Exposure of net assets in EUR and USD are correspondingly negative because the Group has raised loans in both those currencies to a greater extent than that which corresponds to assets. The translation affect if SEK is changing by 1% against the USD/EUR, will be approximately SEK 119 million and affect the financial net.

FINANCING RISK

Financing risk refers to the risk that refinancing of due loans becomes more difficult or expensive. The Group's principal financing consists of corporate bonds listed on the Luxembourg Stock Exchange Euro MTF Market since November 2012, a mezzanine facility syndicated at the start of 2006 with over 20 financiers, and a Revolving Credit Facility put in place in November 2012.

The maturity structure of this financing is presented in note 22b. Loan agreements are linked to Financial Covenants that include key indicators for net debt in relation to EBITDA and EBITDA in relation to interest payments. The interest on parent company loans is 10% p.a. and has been capitalized.

LIABILITIES, INTEREST RATES & FINANCIAL INSTRUMENTS, PER DUE DATE

As of 31 December 2015	0–1 years	1–2 years	2–5 years
Borrowings			
Amortization (incl. Future PIK-interest)	–	-12,656	–
Interest	-1,057	-927	–
Derivative instruments			
Interest swaps	–	–	–
Currency swaps outgoing	-399	–	–
Currency swaps ingoing	361	–	–
Currency swaps net amount	-38	–	–
Accounts Payable & Other Liabilities	-1,473	–	–

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, 2015. Main part of the external financing, 73%, is issued to a fixed interest rate. The remaining part is issued with a floor interest rate that is higher than the current EUR base rate level. The current market situation with negative EUR base rates therefore gives a low sensitivity to changes in interest rates.

COUNTERPARTY RISK/CUSTOMER SENSITIVITY

Counterparty risk relates to the credit risk that may arise when a counterpart cannot fulfil its commitments and thus causes a financial loss to the Group. Limits for financial counterparts are regulated in the Group's finance 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 amounts to SEK 0,9 million which relates to unrealized gains for short term currency swaps. 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 563 (859) m. The decrease is mainly due to increased utilization of the Group's trade receivables program implemented in 2014. 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 13 (14) 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.

Time analysis on accounts receivables	**Dec 31, 2015**	**Dec 31, 2014**
Accounts receivable neither due nor reserved	525	737
Accounts receivable due, but not reserved:		
1–10 days	29	78
11–30 days	3	24
31–60 days	9	11
61–90 days	1	7
91–180 days	-2	-1
180 days or more	-2	3
Accounts receivable linked to provision	13	14
Gross total	**576**	**873**
Reservations	-13	-14
Net total	**563**	**859**

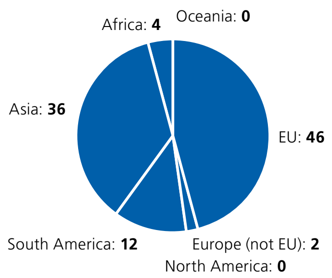
The Group's sales and thus also its accounts receivable are divided among a large number of customers spread across a wide geographic area. This limits the concentration of credit risk exposure. See diagram below.

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

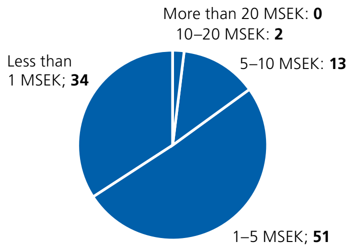
The segment with amounts exceeding SEK 20 m refers to 0 (3) individual customers, the segment between SEK 10-20 m refers to 3 (1) individual customers. The category of customers owing the Group less than SEK 1 m on the closing date corresponds to around 89 (86)% of all counter parties.

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 2 (7) m. Of these, SEK 0 (0) m is attributable to receivables that have fallen due for payment. Of receivables that have fallen due and which are associated with a limited credit risk due to pledged securities, SEK 0 (0) m are over 30 days due.

CONCENTRATION RISK OF ACCOUNTS RECEIVABLE DIVIDED BY GEOGRAPHIC REGION, %



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



3.2 OPERATIONAL RISK FACTOR

ACCESS TO RAW MATERIALS

Most of the Group's raw materials (75-80%) are based on oil or natural gas. For production of biodiesel the most important raw material is rapeseed oil. 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 2015 almost no raw material prices were hedged. In the historic perspective, the Group has been very successful in passing on increases in raw material prices along the customer chain.

On the electricity market there is a possibility to secure prices for longer periods. Perstorp closely monitor the need of electricity. In accordance with the Group's policy the electricity usage in Sweden is secured up to four years in a range of 0-50%.

PRODUCTION DISRUPTIONS

Disruptions at Pertorp'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, 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.

Tangible fixed assets: During the third quarter a review of the period that tangible fixed assets are depreciated over has been performed to better reflect the useful life of tangible fixed assets and also to adjust to the industry that Perstorp is active in. The updated useful life is affected from the 1st of July 2015 and has affected depreciation with approximate SEK 40 m in 2015.

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 Germany and UK. For booked values see Note 24.

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

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

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

NOTE 5. SEGMENT INFORMATION

As from Q2 2015 Perstorp will report its financial performance based on the three reportable segments Specialties & Solutions, Advanced Chemicals & Derivatives and BioProducts. This change only impacts the previously reported Intermediate & Derivatives segment – our Specialties & Solutions segment remains unchanged. There is no change to the Group's reported total revenues, EBITDA, operating profit or net result. Previously published 2014 and 2015 financial information for the Group's Intermediate & Derivatives segment has been restated and presented under the Advanced Chemicals & Derivatives and BioProducts segments.

Each business group is divided further into business units that are identified by the key chemical products produced. Advanced Chemicals & Derivaties consists of the business units Penta, Oxo, TMP & Neo, Formates. Specialties & Solutions consists of the business units Caprolactones, Feed & Food and Specialty Polyols. BioProducts consists of the business unit BioProducts.

SEK m	2015	2014
Net Sales		
Specialties & Solutions	2,376	2,338
Advanced Chemicals & Derivatives	7,276	7,337 [1]
BioProducts	1,279	1,197 [1]
Internal sales		
Specialties & Solutions	–4	–5
Advanced Chemicals & Derivatives	–47	–47
Other/eliminations	269	264
Total Group	**11,149**	**11,084**
EBITDA		
Specialties & Solutions	524	401
Advanced Chemicals & Derivatives	1,141	899 [1]
BioProducts	16	60 [1]
Other/eliminations	–28	–91
Total Group	**1,653**	**1,269**
Non allocated items		
Depreciation, Amortization and write down	-682	-636
Operating earnings (EBIT)	**971**	**633**
Financial income and expenses	-1,623	-2,393
Earnings/loss before tax	**-652**	**-1,760**
Tax	-8	-26
Net result	**-660**	**-1,786**
EBITDA excluding non-recurring items		
Specialties & Solutions	524	401
Advanced Chemicals & Derivatives	1,141	901
BioProducts	16	60
Other/eliminations	–14	–44
Total Group	**1,667**	**1,318**

[1] Restated according to new group structure.

The group is domiciled in Sweden. The result of its revenue from external customers in Sweden is 16% (15%), and the total of revenue from external customers from other countries is 84 % (85%).

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

ASSETS AND LIABILITIES BY OPERATING SEGMENT

	Advanced Chemicals & Derivaties	Specialties & Solution	BioProducts	Other	Total Group
Goodwill	1,471	521	–	–	1,992
Other intangible assets	2,423	511	37	–	2,971
Tangible assets	3,341	1,002	192	459	4,993
Shares in associated comp	61	–	–	–	61
Working capital, net	493	106	20	–	619
Deferred tax liabilities	–581	–78	–6	–1	–667
Operating Capital	**7,205**	**2,065**	**242**	**458**	**9,969**

NOTE 6. TANGIBLE FIXED ASSETS [1)]

Group	Land		Buildings & land improvments		Plant & machinery		Equipment, tools, fixtures & fittings		Work in progress incl. advance payments [3)]		Total	
SEK m	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Acquisition value												
Opening balance	194	186	1,057	931	6,111	5,742	308	277	1,213	720	8,883	7,856
Investments [2)]	–	1	3	4	22	20	2	7	565	707	592	739
Divestments and disposals	–	-5	-1	-4	-10	-55	-3	-17	0	–	-14	-81
Reclassifications	–	1	256	83	956	108	2	25	-1,204	-219	10	-2
Translation effects	-4	11	-3	43	5	296	-10	16	0	5	-12	371
Closing balance	**190**	**194**	**1,312**	**1,057**	**7,084**	**6,111**	**299**	**308**	**574**	**1,213**	**9,459**	**8,883**
Accumulated depreciation according to plan												
Opening balance	0	0	-423	-362	-3,244	-2,696	-246	-217	0	0	-3,913	-3,275
Depreciation	–	–	-58	-53	-457	-417	-13	-26	–	–	-528	-496
Divestments and disposals	–	–	1	1	9	30	3	11	–	–	13	42
Reclassifications	–	–	–	6	-7	-6	–	–	–	–	-7	0
Translation effects	0	0	4	-15	15	-155	9	-14	–	–	28	-184
Closing balance	**0**	**0**	**-476**	**-423**	**-3,684**	**-3,244**	**-247**	**-246**	**0**	**0**	**-4,407**	**-3,913**
Write-downs												
Opening balance	-7	-6	-5	-5	-52	-64	-1	-6	-2	-3	-67	-84
Reversal of previous year	–	–	–	–	9	–	–	–	–	–	9	0
Write-downs during the year	–	–	–	0	–	–	–	–	–	–	0	0
Divestments and disposals	–	–	–	1	–	20	–	5	–	1	0	27
Reclassifications	–	–	–	–	–		–	0	–	–	0	0
Translation effects	–	-1	–	-1	-1	-8	–	0	–	–	-1	-10
Closing balance	**-7**	**-7**	**-5**	**-5**	**-44**	**-52**	**-1**	**-1**	**-2**	**-2**	**-59**	**-67**
Closing book value	**183**	**187**	**831**	**629**	**3,356**	**2,815**	**51**	**61**	**572**	**1,211**	**4,993**	**4,903**

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) Borrowing costs due to investments have been capitalized with sek - (39) m during 2015 and are based on a weighted average rate of RCF and the trade receivables program.
3) Work in progress mainly refers to investment in project Valerox.

Depreciation per function	**2015**	**2014**
Cost of goods sold	523	491
Selling Cost	1	1
R&D	2	2
Administration	2	2
Total group	**528**	**496**

Impairment and the result effects of scrapping are included in Other operating expenses.
Buildings and land with a value of SEK 1,608 (1,667) m are used as collateral for bank loans.

NOTE 7. INTANGIBLE FIXED ASSETS

Group	Goodwill		Trademarks		Patents, licenses & similar rights		Know–how		Customer relations		Development costs		Reach		Other [1]		Total	
SEK m	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Acquisition value																		
Opening balance	2,459	2,308	1,363	1,363	207	206	1,214	1,209	1,444	1,346	30	30	47	40	392	302	7,156	6,804
Investments	–	–	–	–	–	–	–	–	48	27	–	–	7	6	61	64	116	97
Divestments and disposals	–	–	–	–	–	–	–	–	–	–	–	–	-1	–	0	–	-1	0
Reclassifications	–	–	–	-1	–	–	–	–	–	–	125	–	3	–	-131	-10	-3	-11
Translation effects	-5	151	0	1	0	1	-1	5	17	71	0		0	1	5	36	16	266
Closing balance	**2,454**	**2,459**	**1,363**	**1,363**	**207**	**207**	**1,213**	**1,214**	**1,509**	**1,444**	**155**	**30**	**56**	**47**	**327**	**392**	**7,284**	**7,156**
Accumulated depreciation according to plan																		
Opening balance	0	0	-67	-58	-99	-84	-382	-340	-719	-619	-16	-13	-6	-4	-274	-243	-1,563	-1,361
Depreciation	–	–	-9	-9	-14	-14	-39	-39	-77	-68	-11	-3	-3	-2	-1	-4	-154	-139
Divestments and disposals	–	–	–	–	–	–	–	–	–	–	–	–	1	–	–	–	1	0
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	5	0	5
Translation effects	–	–	0	–	1	-1	1	-3	-5	-32	0	–	-1	–	-5	-32	-9	-68
Closing balance	**0**	**0**	**-76**	**-67**	**-112**	**-99**	**-420**	**-382**	**-801**	**-719**	**-27**	**-16**	**-9**	**-6**	**-280**	**-274**	**-1,725**	**-1,563**
Write–downs																		
Opening balance	-462	-462	0	0	0	0	-12	-10	-120	-120	0	0	0	0	-2	-6	-596	-598
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4	0	4
Translation effects	–	–	–	–	–	–	0	-2	–	–	–	–	–	–	–	–	0	-2
Closing balance	**-462**	**-462**	**0**	**0**	**0**	**0**	**-12**	**-12**	**-120**	**-120**	**0**	**0**	**0**	**0**	**-2**	**-2**	**-596**	**-596**
Closing book value	**1,992**	**1,997**	**1,287**	**1,296**	**95**	**108**	**781**	**820**	**588**	**605**	**128**	**14**	**47**	**41**	**45**	**116**	**4,963**	**4,997**

[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	2015	2014
Cost of goods sold	48	45
Selling Cost	100	93
R & D	0	0
Administration	6	1
Total Group	**154**	**139**

Impairment is included in the Other operating costs item.

Know-how and customer relations are depreciated linearly. The remaining average life length is 20 (20) and 15 (8) years respectively. For further details concerning accounting principles for intangible assets, see note 2.6.

Impairment testing
Goodwill and other assets are tested for impairment annually or more frequently if there are indications of a decline in value. This testing is based on defined cash-generating units (CGU) and comprise of Polyols, Oxo, Caprolactones, Food & Feed, BioProducts and other business.

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, a weighted average cost of capital (WACC) of 11.0% (11.0) after tax was applied to all business areas.

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

A sensitivity analysis shows that an increase in the WACC with 1% to 12.0% after tax, there would still be no need for impairment for any of the cash-generating units.

Assets not depreciated – goodwill & trademarks from acquisition
Goodwill and the trademarks assigned a value in connection with the acquisition allocation following the acquisition of the Group at the end of 2005 (Perstorp) have been adjudged to have an unlimited life. Goodwill and trademarks for the acquired caprolactones business were added in 2008. A summary of the allocation per cash-generating unit, for goodwill and trademarks, is presented below.

2015 (SEK m)	Goodwill	Trademarks	Total
Polyols	667	495	1,162
Oxo	804	568	1,372
Caprolactones business	324	108	432
Food & Feed	197	116	313
Total	**1,992**	**1,287**	**3,279**

2014 (SEK m)	Goodwill	Trademarks	Total
Polyols	699	523	1,222
Oxo	781	541	1,322
Caprolactones business	318	117	433
Food & Feed	199	115	315
Total	**1,997**	**1,296**	**3,293**

Parent company

	Other	
Acquisition value	**2015**	**2014**
Opening balance	5	5
Investments	1	1
Depreciation	-1	-1
Closing balance	**5**	**5**

NOTE 8. LEASING

SEK m

Financial leasing agreements

Future minimum leasing fees	Group 2015	2014
Due:		
Year 1	0	0
Year 2–5	1	1
Year 6–	0	0
Total	**1**	**1**

Operational leasing agreements:

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

Future minimum leasing fees	Group 2015	2014
Due:		
Year 1	25	25
Year 2–5	36	38
Year 6–	1	1
Total	**62**	**64**

Operational leasing costs during the period	2015	2014
Minimum leasing fees	39	36
Variable charges	2	2
Total	**41**	**38**

NOTE 9. NET SALES

SEK m Net sales by type of income	Group 2015	2014
Goods	11,105	11,043
Services	44	41
Total	**11,149**	**11,084**

Net sales by geographic region	Group 2015	2014
EU and rest of Europe	6,744	7,053
North and South America	2,386	2,130
Asia	1,753	1,643
Africa	235	215
Oceania	31	43
Total	**11,149**	**11,084**

The Parent Company did not report any net external sales in 2015 or 2014.

NOTE 10. BREAKDOWN OF COSTS

SEK m Costs divided by type	Group 2015	2014
Raw materials, goods for sale, energy, transport and packaging costs	-7,685	-8 139
Other external costs	-646	-589
Employee benefits (note 26) excl. restructuring costs	-1,276	-1,150
Depreciation (note 6 and 7)	-682	-636
Other operating income & expenses (note 11)	104	56
Earnings from participations in associated companies	7	7
Total	**-10,178**	**-10,451**

NOTE 11. OTHER OPERATING INCOME & COSTS

	Group		Parent Company	
SEK m	2015	2014	2015	2014
Insurance remuneration	12	1	-	-
Operations-related exchange rate differences	43	98	-	-
Restructuring costs	1	-74	0	-23
Write downs, disposal (note 6,7)	0	0	-	-
Other	48	31	-20	-9
Total	**104**	**56**	**-20**	**-32**

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

Reported within EBIT result

SEK m	2015	2014
PetroPort Holding AB, Sweden	6	6
Koei-Perstorp Company Ltd, Japan	-	0
Polygiene AB, Sweden [1]	1	1
Total	**7**	**7**

[1] In May 2015 Perstorp sold its shares in Polygiene AB.

The companies´sales amounted to a total of SEK 89 (115) m in 2015 and earnings after tax was SEK 14 (14) m.

Reported within financial items

SEK m	2015	2014
Vencorex Holding France SAS	-	-142
Total	**-**	**-142**

In August 2014 Perstorp reduced its ownership in Vencorex Holding SAS to 15%. Perstorp has a put option to sell the remaining 15% and PTTGC NL has obtained a call option to buy the remaining 15% holding in Vencorex.

The company sales amounted to a total of SEK - (2 442) m in 2015 and the loss after tax was SEK - (-233) 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	61	61
Total		**61**	**61**

SEK m	2015	2014
Opening book value	56	506
Earnings from participations including write down	7	-133
Sale of shares in associated companies	-2	-
New shares issue in associated companies	-	27
Dividend from liquidated company	-	-2
Reclassification	-	-358
Translation difference	-	16
Closing book value	**61**	**56**

The assets of associated companies amounted to SEK 294 (317) m at the end of 2015 and liabilities amounted to SEK 173 (199) m.

NOTE 14. OTHER PARTICIPATIONS

SEK m	Book value Dec. 31, 2015	Book value Dec. 31, 2014
Opening book value	358	–
New shares issue	89	–
Translation difference	-17	–
Reclassification	–	358
Closing book value	**430**	358

Other participations consists of shareholding in Vencorex Holding France SAS and Perstorp´share at the end of the year is 15 (15) %

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

SEK m	2015	2014
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	5	7
Total	**5**	**7**

NOTE 16. NON CONTROLLING INTERESTS

SEK m	Book value Dec. 31, 2015	Book value Dec. 31, 2014
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	68	62
Total	**68**	**62**

SEK m	2015	2014
Opening book value	62	46
Translation effects	1	9
Change in the period	5	7
Closing book value	**68**	**62**

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, 2015	Dec 31, 2014
Interest-bearing long-term receivables		
Other receivables	1	1
Total	**1**	**1**
Interest-free long-term receivables		
Other receivables	18	30
Total	**18**	**30**

NOTE 18. PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2015 Holding, %	2014 Holding, %	2015 Book value	2014 Book value
Perstorp Financial Services AB	**556762-4563**	**Sweden**	**100**	**100**	**7 712**	**6 944**
Perstorp Services AB	559036-9574	Sweden				
Perstorp AB	556024-6513	Sweden				
Perstorp Quimica do Brasil Ltda	NIRE 35.218.522.982	Brazil				
Perstorp SA [1]	RUT 76.448.840-7	Chile				
Perstorp Sales France	442650768 R.C.S. Nanterre	France				
Perstorp SpA	171 467	Italy				
Perstorp Japan Co Ltd	0100-01-053962	Japan				
Perstorp (Shanghai) Chemical Trading Co.,Ltd	310000400587711	China				
Shandong Fufeng Perstorp Chemical Co. Ltd	782323786	China				
Perstorp Chemicals Asia PTE Ltd	199905508W	Singapore				
Perstorp Iberica SL	B65592503	Spain				
Perstorp UK Ltd	02715398	UK				
Perstorp BioProducts AB	556728-5779	Sweden				
Perstorp BioProducts AS	815643062	Norway				
Perstorp Fastighets AB	556571-3798	Sweden				
Perstorp Oxo AB	556041-0895	Sweden				
Perstorp Oxo Belgium AB	556579-4244	Sweden				
Perstorp Specialty Chemicals AB	556247-6290	Sweden				
Perstorp Holding (U.S.) Inc.	26-3020217, Delaware	USA				
Perstorp Polyols Inc.	34-1386676, Delaware	USA				
Perstorp Holding B.V.	34089250	Netherlands				
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				
Franklin Feed Additives SA [2]	A62968368	Spain				
Perstorp Chemicals Korea Co. Ltd	230111-0095660	South Korea				
Perstorp Holding GmbH	**HRB 7465, Arnsberg**	**Germany**	**6**	**6**	**3**	**3**
Perstorp Chemicals GmbH	HRB 1900, Arnsberg	Germany				
Perstorp Service GmbH	HRB 6542, Arnsberg	Germany				
Total book value in Parent Company			**–**	**–**	**7,715**	**6,947**

[1] Company is under liquidation.
[2] Company was liquidated during 2015.

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

SEK m	2015	2014
Opening book value	6,947	6,947
Reversal of write down, shares in group companies	768	–
Closing book value	**7,715**	**6,947**

NOTE 19. ACCOUNTS RECEIVABLE & OTHER OPERATING RECEIVABLES

SEK m	Group Dec. 31, 2015	Dec. 31, 2014
Accounts receivable, gross	576	873
Bad debt provision	-13	-14
Accounts receivable, net	**563**	**859**
Other operating receivables		
Value added tax	78	48
Emissions credits	14	29
Receivables from suppliers	16	15
Other current receivables	7	140
Prepaid insurance premiums	21	5
Other prepaid costs and deferred income	141	89
Total other operating receivables	**277**	**326**

The Parent Company had other operating receivables totaling SEK 20 (9) m, and accounts receivable amounting to SEK 0 (0) m.

Analysis of accounts receivable	Dec. 31, 2015	Dec. 31, 2014
Not due	525	737
Due:		
1–10 days	29	79
11–30 days	4	24
31–60 days	10	13
61–90 days	1	8
91–180 days	-2	2
181 days or more	9	10
Accounts receivable, gross	**576**	**873**
Reservation for bad debts	-13	-14
Accounts receivable, net	**563**	**859**
Proportion of accounts receivable due	8.9%	15.6%
Proportion of accounts due over 60 days	1.4%	2.3%
Reservation in relation to total accounts receivable	2.3%	1.6%

For more details about the credit risk in outstanding receivable, see the section on Counterparty risk in note 3.1.

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

Allocation for bad debts	2015	2014
Allocation, opening balance	-14	-9
Recovered predicted customer losses	1	1
Established customer losses	2	1
Reservation for predicted customer losses	-3	-5
Exchange rate effects and other	1	-2
Allocations at year-end	**-13**	**-14**

NOTE 20. CASH & CASH EQUIVALENTS

	Group		Parent Company	
SEK m	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
Short-term deposits	86	179	86	179
Cash and Bank	656	840	-	-
Total	**742**	**1,019**	**86**	**179**

NOTE 21. INVENTORIES

SEK m	Group Dec. 31, 2015	Dec. 31, 2014
Raw material and consumables	374	389
Products in progress	24	19
Finished goods and goods for resale	825	815
Work in progress on behalf of others	1	1
Advance payment to suppliers	5	5
Impairment reserve	-14	-24
Total	**1,215**	**1,205**

	2015	2014
Impairment reserve opening balance	24	9
Provision utilized during the year	-12	-5
Allocation for the year	2	19
Translation effects	0	1
Impairment reserve closing balance	**14**	**24**

Of the total value of inventories, SEK 47 (48) m is assesed at net sales value. During the assessment of net sales price, impairment that affects earnings has arisen (Cost of goods sold) amounting to SEK 8 (3) m. The net value of the year´s allocations/provisions utilized during the year affects earnings for the year. See note 29 for information about pledged assets.

NOTE 22. BORROWINGS & FINANCIAL COSTS

A. Specification net debt

SEK m	Group Dec. 31, 2015	Group Dec. 31, 2014	Parent Company Dec. 31, 2015	Parent Company Dec. 31, 2014
Senior secured notes/loans	5,640	5,538	5,640	5,538
Second lien secured notes/loans [1]	3,090	2,890	3,090	2,890
Mezzanine loans	3,167	3,065	3,167	3,065
Revolver	0	0	0	0
Inter-company financial liabilities	-	-	360	1,310
Other financial liabilities, excluding loans from Parent Company [1]	49	83	-37	-56
Financial liabilities, excl. shareholder loans and pension liabilities	**11,946**	**11,576**	**12,220**	**12,747**
Interest-bearing pension liabilities, net	409	451	0	0
Loan from Parent Company	5	4	5	4
Total interest-bearing debt	**12,360**	**12,031**	**12,225**	**12,751**
Cash and cash equivalents	-742	-1,019	-86	-179
Inter-company financial receivables	-	-	-5,875	-6,595
Other interest-bearing receivables, long- and short-term	-9	-42	-	-
Interest-bearing assets	**-751**	**-1,061**	**-5,961**	**-6,774**
Net debt including pension liabilities and shareholder loan	**11,609**	**10,970**	**6,264**	**5,977**

[1] Second Lien recorded at a discount at the time of listing. The difference between the issue price and par value amounts to -37 (-56) 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

SEK m	Group Dec. 31, 2015	Group Dec. 31, 2014	Parent Company Dec. 31, 2015	Parent Company Dec. 31, 2014
Between 1 and 2 years	11,862	4	11,860	-
Between 2 and 3 years	-	11,437	-	11,437
Between 3 and 4 years	-	-	-	-
Between 4 and 5 years	-	-	-	-
More than 5 years	-	-	-	-
Long-term borrowing, excl. shareholder loans & pension liabilities	**11,862**	**11,441**	**11,860**	**11,437**
Short-term borrowing, 0–1 year	84	135	-	-
Inter-company financial liabilities	–	–	360	1,310
Financial liabilities, excl. shareholder loans & pension liabilities	**11,946**	**11,576**	**12,220**	**12,747**

Perstorp successfully completed an issue of senior secured and second lien notes in the end of 2012, to refinance its existing senior debt in full and partly refinance its mezzanine debt facilities. EUR 270 million and USD 380 million of senior secured notes, as well as USD 370 million of second lien notes rere raised. The notes are listed on the Luxembourg Stock Exchange as of November 15, 2012. The notes will mature in 2017 and the maturity of the remaining mezzanine facilities has also been extended to 2017.

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

C. Currency composition, interest rates & duration

	Local currency	SEK m	Average interest rate on balance sheet date, %	Actual duration days
SEK	9	9	0.0	0
EUR	618	5,644	11.8	232
USD	746	6,229	9.9	546
Other currencies	-	64	4.0	114
Financial liabilities, excl. shareholder loans & pension liabilities		**11,946**	**10.7**	**397**

At the end of the year 73% of loans had a fixed rate of interest. In addition to the above loans, there is a loan from parent company in Luxemburg, see note 31. There was no hedge contracts at the end of 2015.

D. Unutilized credits
Available funds at the end of the year amount to SEK 934 m (1,119) where the Group's available credit limits amounts to SEK 419 (413) m.

E. Financial income & costs

	Group		Parent Company	
SEK m	**2015**	**2014**	**2015**	**2014**
Interest income	6	7	0	2
Interest income, Group companies	-	-	590	537
Total financial income	**6**	**7**	**590**	**539**
Notes and loans	-1 340	-1 204	-1 333	-1 195
Loans from Parent Company	0	-18	0	-18
Periodized borrowing costs	-65	-65	-65	-65
Pension costs, interest	-12	-13	-	-
Currency gains and losses from financing measures, net	-80	-835	-32	-743
Interest costs, Group companies	-	-	-87	-101
Write down financial claim [1]	-7	-35	-2	-35
Amounts capitalised on qualifying assets	0	39	-	-
Trade receivables financing cost	-58	-106	-	-
Other financial costs	-67	-21	-58	-9
Total financial costs	**-1 629**	**-2 258**	**-1 577**	**-2 166**
Total	**-1 623**	**-2 251**	**-987**	**-1 627**

[1] Relates to divested unit.

F. Market valuation of financial instruments

Interest terms for around 73% of the external loans are based on fixed rates that apply throughout the loan period.

For the remaining 27% of external loans, interest terms are based on an underlying official market rate plus an interest margin.

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

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

Internal loans are subject to customary restrictions under debt agreements.

NOTE 23. PENSION OBLIGATION & COSTS

The group has both defined contribution and defined-benefit pension plans. During the year costs for these plans had an accumulative effect on earnings of SEK 225 (192) m, of which SEK 194 (183) is attributable to defined-contribution plans and SEK 31 (10) m to defined-benefit plans. Pension costs attributable to restructuring of SEK 0 (9) are included in the accumulated amount. The distribution of costs in the income statement are as follows:

A. PENSION COSTS THE INCOME STATEMENT

SEK m	**2015**	**2014**
Cost of sold goods	108	96
Sales and marketing overheads	40	38
Administrative costs	54	42
Research and development costs	12	11
Non comparable items	0	-8
Net financial items	11	13
Total	**225**	**192**

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 and 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	2015	2014
State pension plans	76	72
Other defined-contribution pension plans	65	67
ITP, insured through Alecta	53	44
Total	**194**	**183**

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 2015 and 2014 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 2015, Alecta's surplus in the form of its collective funding ratio amounted to 153 (143)%. 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, 2015	Dec. 31, 2014
Unfunded pension plans		
Defined-benefit obligations	136	132
Total	**136**	**132**
Funded or partly funded pension plans		
Defined-benefit obligations	631	640
Salary taxes	8	13
Fair value of plan assets	-366	-334
Total	**273**	**319**
Net Value	**409**	**451**

Commitments are divided as follows by region:	Dec. 31, 2015	Dec. 31, 2014
Sweden	173	196
Germany	121	124
Other EU	17	20
USA	94	108
Other countries	4	3
Net liability concerning defined-benefit pension plans	**409**	**451**

The plan assets presented here relate primarily to Group companies in the US, 96 (95)%, of which 74 (71)% are invested in stocks and 26 (29)% in bonds as interest-bearing securities. The expected return is assumed to be 7.0 (7.0)%, which is based on historic returns. The actual return on plan assets in 2015 was SEK 13 (0) m.

In addition to the above, so-called direct pensions are included under assets and liabilities at SEK 127 (119) m including salary tax. The asset is capital insurance, with assets and liabilities reported separately at gross amounts. Healthcare insurance is not included in pension commitments.

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

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

	2015			2014		
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	**132**	**653**	**-334**	**105**	**520**	**-295**
Costs for current year service	3	15	-	3	11	-
Expected return on plan assets	-	-	-	-	-	-15
Interest expense	3	22	-	3	23	-
Settlement payments	-	-	-	-	-61	44
Fees from employer	-	-	-32	-	-	-26
Disbursement	-	-33	21	-7	-16	11
Actuarial profit/loss	2	-26	-	26	92	-
Past service costs	-	-	-	-	-	-
Translation effects	-4	8	-21	2	84	-53
Closing balance	**136**	**639**	**-366**	**132**	**653**	**-334**

E. NET PENSION PROVISIONS, CHANGES DURING THE YEAR

SEK m	2015	2014
Opening balance	451	330
Pension costs during the year	31	10
Disbursements during the year	-43	-42
Gains/losses from change in demographic assumptions	-	10
Gains/losses from change in financial assumptions	-30	130
Experience gains/losses	-	-6
Other	-1	-1
Translation effects	1	20
Closing balance, provision for pensions, net	**409**	**451**

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

F. PENSION COSTS, DEFINED-BENEFIT PLANS

SEK m	2015	2014
Costs for current year service	19	14
Expected return on plan assets	0	0
Interest expense	12	13
Gains/losses on a curtailment or settlement	–	-17
Total pension costs, defined-benefit plans	**31**	**10**

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

G. KEY ACTUARIAL ASSUMPTIONS

	2015	2014
Discount rate, %	3,2	2,7
Future salary increases, %	2,7	2,8
Anticipated return on plan assets, %	4,1	3,6
Anticipated average remaining employment term, year	17,0	16,0

H. PARENT COMPANY

The parent company reports a pension expense of SEK 27 (21) 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 0 (1) m of the cost attributable to restructuring 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	2015	2014	2015	2014
Current tax	–22	–48	–1	1
Deferred tax	14	22	–	–
Total Group	**–8**	**–26**	**–1**	**1**

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

Tax cost	Group		Parent Company	
	2015	2014	2015	2014
Pretax earnings	**–652**	**–1 760**	**450**	**–670**
Tax computed on basis of national tax rates applying in each particular country	143	416	–99	147
Non-taxable revenues	44	24	268	17
Non-tax-deductible costs	–83	–151	–6	–58
Tax loss carry-forwards for which no deferred tax asset has been recognized	–112	–295	–163	–107
Tax cost not related to current year’s profit/loss	3	3	–1	1
Other tax expenses	–3	–23		–
Tax cost	**–8**	**–26**	**–1**	**1**

The effective tax rate for 2015 is judged to be 23% (24).

B. DEFERRED INCOME TAX, NET CHANGE

	Group		Parent Company	
SEK m	2015	2014	2015	2014
Opening balance, net deferred tax liability	657	710	-	-
Exchange-rate differences	-	5	-	-
Tax recognized in the income statement (table A)	-15	-22	-	-
Tax recognized in shareholders' equity	9	-36	-	-
Closing balance	**651**	**657**	**-**	**-**

C. DEFERRED TAX ASSETS, SPECIFICATION

	Group		Parent Company	
SEK m	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Loss carry-forward	88	132	-	-
Provisions	70	84	-	-
Forward contracts	-	2	-	-
Other receivables	22	34	-	-
Total	**180**	**252**	**-**	**-**

D. DEFERRED TAX LIABILITY, SPECIFICATION

	Group		Parent Company	
SEK m	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Tangible fixed assets	250	389	-	-
Intangible fixed assets	575	519	-	-
Other receivable	7	-	-	-
Total	**832**	**908**	**-**	**-**

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. In addition, there are unutilized tax loss carry-forwards totaling SEK 2,705 (2,154) m that have not been assigned any value, since it is considered that these will not be utilized in the foreseeable future. Deferred tax assets on tax losses carry-forwards mainly relates to the groups subsidiary in Germany and UK.

NOTE 25. OTHER LIABILITIES, PROVISIONS

	Group		Parent Company	
SEK m	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Pension obligations, interest-free	0	8	-	-
Provision for environmental measures	30	26	-	-
Provision for divested operations	20	21	-	-
Other provisions	41	4	-	-
Other liabilities, provisions	**91**	**59**	**–**	**–**

NOTE 26. ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

	Group		Parent Company	
SEK m	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Accounts payable	**670**	**912**	**17**	**11**
Other operating liabilities				
Value added tax	13	14	-	-
Advance payments	4	17	-	-
Payroll tax	23	16	2	1
Other operating liabilities	96	145	-	2
Accrued wages, salaries and social security costs	260	244	33	32
Market value of forward contracts	–	9	-	-
Allocation for restructuring costs	6	22	-	-
Other accrued costs and prepaid income	381	356	41	6
Total	**783**	**823**	**76**	**41**

NOTE 27. EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

AVERAGE NUMBER OF EMPLOYEES

Country	2015 Total employees	2015 of which men	2014 Total employees	2014 of which men
Sweden				
Parent company	30	15	31	17
Subsidiaries	815	543	810	554
Belgium	40	33	40	33
France	3	2	5	4
Italy	28	21	29	21
The Netherlands	43	35	42	33
Spain	4	2	3	1
Poland	1	–	2	–
UK	86	75	89	75
Germany	116	104	118	106
Total EU	**1,166**	**830**	**1,169**	**844**
Turkey	3	–	3	–
Norway	1	1	–	–
Russia	3	1	4	2
Total non-EU Europe	**7**	**2**	**7**	**2**
Brazil	9	4	12	6
Argentina	1	1	1	1
USA	115	97	112	93
Total North & South America	**125**	**102**	**125**	**100**
India	21	17	22	18
Japan	7	3	7	3
China	137	93	137	96
Singapore	5	–	5	–
Dubai	2	–	2	1
Taiwan	1	–	–	–
South Korea	6	3	6	3
Total Asia	**179**	**116**	**179**	**121**
Total average no. of employees	**1,477**	**1,050**	**1,480**	**1,067**
Proportion of men, %		71.1		72.1

WAGES, SALARIES & OTHER REMUNERATION, BY COUNTRY

SEK m	2015 Board and CEO	2015 Other employees	2014 Board and CEO	2014 Other employees
Sweden				
Parent company	21	33	19	35
Subsidiaries	4	482	6	445
Belgium	–	24	–	25
France	–	3	–	5
Italy	–	14	–	14
The Netherlands	–	31	–	27
Spain	–	2	–	2
Poland	–	2	–	1
UK	2	52	2	44
Germany	–	75	–	69
Total EU	**27**	**718**	**27**	**667**
Turkey	–	2	–	1
Russia	–	2	–	3
Total non-EU Europe	0	**4**	0	**4**
Brazil	–	5	–	6
Argentina	–	1	–	1
USA	–	83	–	63
Total North & South America	**0**	**89**	**0**	**70**
India	1	3	1	3
Japan	–	5	–	4
China	–	24	–	20
Singapore	–	3	–	4
Dubai	–	2	–	2
South Korea	1	2	1	2
Total Asia	**2**	**39**	**2**	**35**
Total	**29**	**850**	**29**	**776**

REMUNERATION TO EMPLOYEES

SEK m	Group 2015	Group 2014	Parent Company [1] 2015	Parent Company [1] 2014
Salaries and other remuneration	880	804	54	54
Pension – defined-contribution (note 23)	194	183	19	21
Pension – defined-benefit (note 23)	31	9	8	0
Social fees	171	154	11	11
Total	**1,276**	**1,150**	**92**	**86**

[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	416	-	-	-	416
Other Members of the Board	416	768	-	87	1,271
President	-	8,339	10,968	7,614	26,921
Other members of Group management	-	20,936	8,537	11,515	40,988
Total	**832**	**30,043**	**19,505**	**19,216**	**69,596**

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

Other members of group management comprised of 9 (9) persons during the year.

Principles
Members of the Board receive director fees in accordance with resolutions passed at the Annual General Meeting. Employee representatives do not receive director fees. Remuneration to the President and other members of Group management comprises basic salary, variable remuneration, company car and pensions.

The President is also entitled to a bonus corresponding to a maximum of 150% of his fixed salary. Other members of Group management are covered by a bonus system that provides a maximum of 50% (50) of their basic salary. The variable remuneration is based partly on the Group's earnings trend and cash flow and partly on the fulfillment of various function-based targets by each individual.

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 to a maximum of 18 months.

NOTE 28. CONTINGENT LIABILITIES

	Group		Parent Company	
SEK m	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Guarantees	297	133	297	133
Guarantees and other contingent liabilities for subsidiaries	175	142	323	327
Total	**472**	**274**	**620**	**460**

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

NOTE 29. ASSETS PLEDGED

	Group		Parent Company	
SEK m	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Property mortgages	1,608	1,667	-	-
Chattel mortgages	743	1,202	-	-
Shares in subsidiaries	4,415 [1)]	4,973 [1)]	7,715	6,947
Other participations	430	358	430	358
Liquid funds	63	65	63	65
Internal financial assets (loan)	-	-	5,452	5,315
Investments, receivables, inventories	557	658	-	-
Endowment insurances	101	96	95	86
Total	**7,917**	**9,019**	**13,755**	**12,771**

1) Net assets for Perstorp Financial Services AB including its subsidiaries.

Endowment insurance relates to pension commitments, see note 23.

NOTE 30. FUTURE UNDERTAKINGS

At the end of the year the Group had no material undertakings that had not been included in the accounts. Perstorp retains a commitment, as part of the refinancing undertaken during the end of 2012, to support the Vencorex business. The remaining part amounts to approximately EUR 3 m.

NOTE 31. TRANSACTIONS WITH RELATED PARTIES

Perstorp Holding AB is controlled by the private equity company PAI partners, which owns close to 100% of the shares in Luxembourg-based Financière Forêt S.à r.l., which in turn owns 100% of the shares in Perstorp Holding AB.

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

Perstorp Holding AB has a net amount borrowed from the Parent Company corresponding to SEK 5 (4) m at year-end. The loan is subject to normal market terms and conditions. The term of the loan is ten years, which is extended automatically for up to five periods each of ten years, assuming that neither of the parties terminates the agreement. The interest rate is 10%, which is capitalized. The loan is subordinate to the senior secured notes, second lien and mezzanine loans.

During 2015 Perstorp Holding AB received shareholders' contribution amounting to SEK 0 (633) m, whereof SEK 0 (633) m has been converted from loans to equity.

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

	2015			2014		
	Total	of whom, women	%	Total	of whom, women	%
Board members	108	8	7	124	14	11
Other senior executives	130	29	22	119	26	22

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	2015	2014	2015	2014
PricewaterhouseCoopers				
Audit assignments	6	6	2	2
Tax consultancy	1	1	-	-
Other	9	4	9	4
Total	**16**	**11**	**11**	**6**
Other auditing firms				
Audit assignments	1	1	-	-
Other	3	3	1	1
Sum	**4**	**4**	**1**	**1**

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

NOTE 34. CURRENCY EXCHANGE RATES

Currency	Year-end exchange rates Dec. 31, 2015	Dec. 31, 2014	Average exchange rates 2015	2014
BRL	2.160	2.890	2.569	2.920
CNY	1.287	1.260	1.342	1.114
EUR	9.135	9.516	9.356	9.097
GBP	12.378	12.139	12.896	11.292
INR	0.126	0.123	0.132	0.112
JPY	0.069	0.065	0.070	0.065
KRW	0.007	0.007	0.007	0.007
NOK	0.956	1.052	1.046	1.089
SGD	5.908	5.907	6.134	5.412
USD	8.352	7.812	8.435	6.858

NOTE 35. ACQUISITION

During the third quarter 2015 Perstorp, acquired the Penta, Di-Penta and sodium formate businesses, related technology and certain assets from Koei Chemical Company Ltd., a Japanese chemicals producer. The transaction is fully in line with the companies' strategies going forward and adds a platform for investment in order to long term expand the Penta business. The assets arising from the acquisition is attributable to non-separable client relationships and synergies in the Asian market.

In order to meet the rapid development in the biofuel market and to be able to grow the business, Perstorp acquired a biodiesel plant in Fredrikstad, Norway, in the third quarter 2015. The demand for biofuels has increased in order to meet the global climate challenges and with the new facility, Perstorp can almost double the current production capacity. The plant in Fredrikstad produces biodiesel from rapeseed oil just like Perstorp's current biofuel plant in Stenungsund.

Proposed treatment of unappropriated earnings

	SEK
The Board of Directors and President propose that the funds available for distribution by the Annual General Meeting, as shown in the Parent Company´s balance sheet, namely:	
Retained earnings	961,703,705
Net result for the year	449,053,577
be distributed as follows:	
To be retained in the business	1,410,757,282

Perstorp, March 30, 2016

Tore Bertilsson
Chairman

Jan Secher
President & Chief Executive Officer

Fabrice Fouletier

Brendan Cummins

Claes Gard

Karin Markides

Ragnar Hellenius

Joakim Hansson
(elected by employees)

Oleg Pajalic
(elected by employees)

Anders Magnusson
(elected by employees)

Our audit report was submitted March 31, 2016
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Lead auditor

Mats Åkerlund
Authorized Public Accountant

Auditor's report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Perstorp Holding AB for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 1–41.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

OPINIONS

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 the parent company as of 31 December 2015 and of its financial performance and its cash flows 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 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, 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 annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Perstorp Holding AB for the year 2015.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

OPINIONS

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

Malmö, March 31, 2016
PricewaterhouseCoopers AB

Michael Bengtsson Authorized Public Accountant Auditor in charge	Mats Åkerlund Authorized Public Accountant

Discover Your Winning Formula

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

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

Perstorp
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