VALUE CARE
GROWTH
FROM GOOD
TO GREAT
CHANGE
CONFIDENT

Perstorp 2013

Annual & Social Responsibility Report

Perstorp
WINNING FORMULAS

Perstorp in brief

Perstorp is a world leading specialty chemicals Group with about 1,400 employees. We have manufacturing units in Asia, Europe and North America. Sales in 2013 amounted to SEK 10,343 m. The Perstorp Group is controlled by funds managed and advised by the French private equity company PAI partners.

The specialty chemicals Perstorp produces are added to a wide range of products used every day at home, work or leisure. Customers are in the coatings, plastic processing and automotive industries – as well as construction and engineering, the agricultural sector and many more. Good products are made even better by incorporating Perstorp´s products that provide certain targeted and desired characteristics.

Perstorp is a differentiated specialty chemicals company with a unique position on the market. This is possible through an offer that adds maximum value to our customers – everything from Intermediates & Derivatives to Specialties & Solutions.

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. This is achieved through innovative chemistry which maximizes performance and minimizes environmental impact at the same time. Approximately 80% of all innovation efforts endorse sustainable responsibility.

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Perstorp contributes to a better, more sustainable world by delivering innovative chemical solutions

A year in review

KEY FIGURES IN SUMMARY, CONTINUING OPERATIONS

SEK m unless otherwise stated	Full year 2013	Full year 2012
Net sales	10,343	10,036
Operating earnings before depreciation (EBITDA)	1,095	1,277
% of net sales	10.6	12.7
EBITDA excluding non-recurring items	1,113	1,188
% of net sales	10.8	11.8
Operating earnings (EBIT)	-9	654
% of net sales	-0.1	6.5
Free cash flow	272	616
Net debt excluding Parent company loan and pensions liabilities	9,092	8,848

PERSTORP'S ORGANIZATION

President & CEO
Jan Secher

Finance, Legal & IT
Johan Malmqvist

Innovation & Strategy
Eric Appelman

Regions & Group Management
Mikael Gedin

Transformation Projects
Anders Lundin

BA Intermediates & Derivatives
Gorm Jensen

BA Specialties & Solutions
Marie Grönborg

Supply Chain
Wolfgang Laures

Operations
Joke Driessen

IMPORTANT EVENTS

For Perstorp volumes were 8% higher than last year, but a combination of a stronger Swedish krona and lower sales prices had a negative effect on sales of -2% and -3% respectively. For the Group's continuing operations, sales in January to December 2013 amounted to SEK 10,343 m, which is 3% higher than the previous year (10,036). Operating earnings before depreciation and amortization (EBITDA) relating to continuing operations were SEK 1,095 m (1,277). Adjusted for non-recurring items, the corresponding figure amounted to SEK 1,113 m (1,188).

During the year, Perstorp has divested some non-core business units. In March, Perstorp sold its formaldehyde technology and catalyst business, Formox to Johnson Matthey. Further, Perstorp sold the Singapore legal units (Isophthalic acid operations) to Financiére Forêt S.á r.l., parent company to the Perstorp Group. In May, Perstorp closed the sale of Perstorp Ättika (vinegar) to Kavli.

In September, Jan Secher succeeded Martin Lundin as President and CEO of the Perstorp Group.

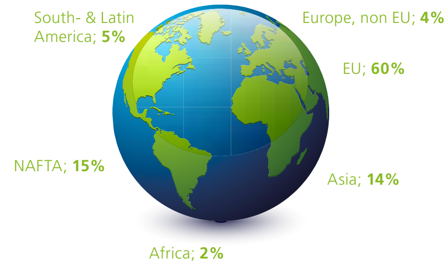
During the third quarter, Perstorp launched four new products for the plastics industry – Capa™, Charmor™, Pevalen™ and Akestra™.

In mid September, Perstorp successfully started its new Neo plant in Zibo, China. The plant has performed above expectations since the start-up.

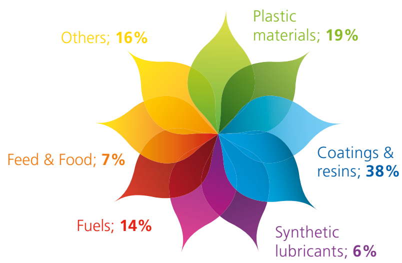
The strategic investment project concerning a new production plant for Valeraldehyde and its derivatives 2-PH and DPHP continues to progress according to plan with an expected start-up at the beginning of 2015. Pre-marketing activities are well underway.

An internal transformation project to further improve customer interface and operational excellence was launched during the fourth quarter, read more about this on pages 10-11.

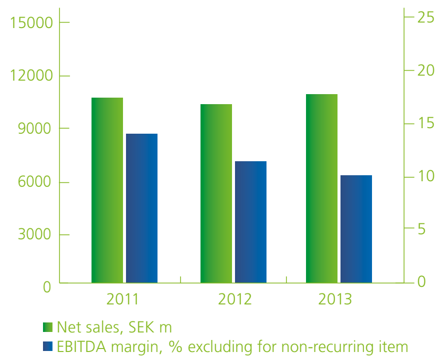
NET SALES PER GEOGRAPHIC MARKET
(continuing operations)



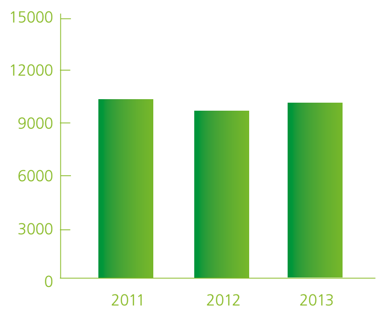
EXTERNAL SALES PER MARKET SEGMENT
(continuing operations)



NET SALES & EBITDA MARGIN
(continuing operations)



NET DEBT EXCL PARENT COMPANY LOAN AND PENSION LIABILITIES



Group structure & our market segments

Intermediates & Derivatives

Oxo
Plasticizers for safety glass and PVC
Propionic acid derivatives to preserve feed crops

Penta
Decorative and industrial coatings
Radiation-cured resins

TMP & Neo Polyols
Powder coatings
Radiation-cured and other industrial coatings

Formates
Oil drilling
Leather tanning
De-icing

BioFuel
Biodiesel (blended and pure)

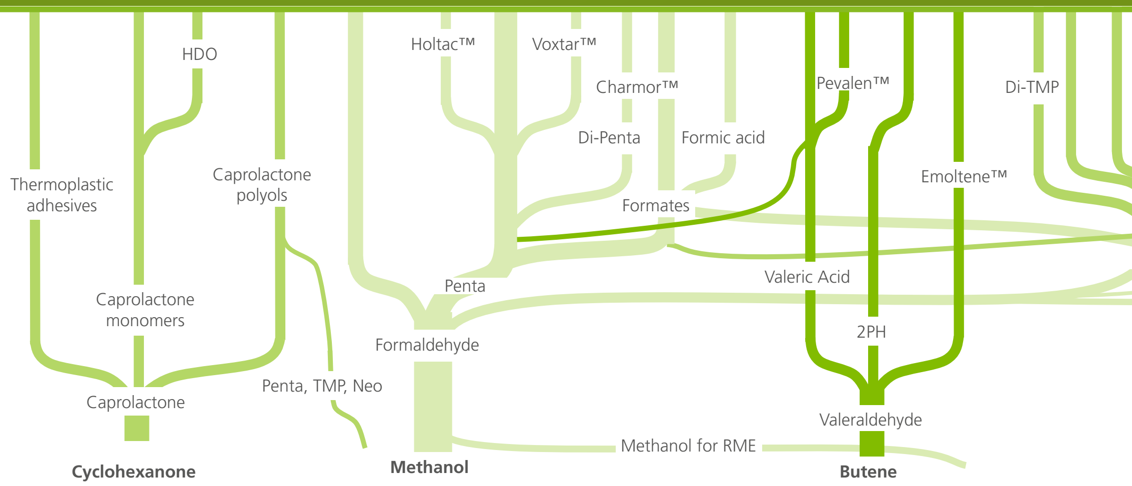
Specialties & Solutions

Caprolactone
Automobile OEM paints
High-end waterborne PU coatings and elastomers

Feed & Food
Grain preservation
Animal health promoters

Specialty Polyols
Industrial coatings
Fire protection
Polymer additives

Main manufacturing platforms



Market Segments

Plastic materials

Perstorp´s products for plastics and composites enhance the performance of many everyday items such as furniture, automotives and shoes providing better comfort, esthetics and durability. Perstorp´s plastic additives and plasticizers enhance and customize the properties of plastic end products

Coatings & Resins

Perstorp´s offer covers everything from critical building blocks to high value specialties for the global coatings and resins market. Perstorp's products enables coatings systems with low environmental impact and high performance to meet customer, end-user and regulatory demands

Synthetic lubricants

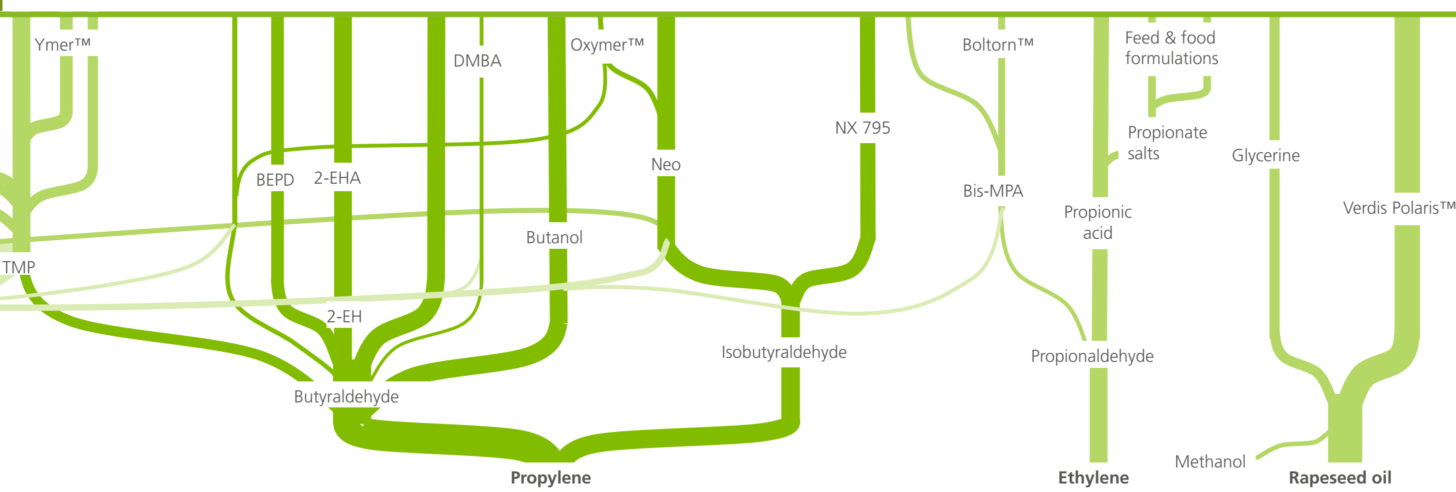
A market with an above average growth, driven – among other things – by environmental legislations. Perstorp has a strategically important position in this segment as a supplier of key intermediates used in synthetic lubricant manufacturing

Fuels

Perstorp is the largest producer of biofuel based on rapeseed oil (RME) in Scandinavia, with Verdis Polaris™ B100, used for blending with up to 7% with fossil diesel and for use as a 100% renewable fuel, as its flagship product

Feed & Food

Improving nutrient content, inhibiting mould growth, antibacterial treatment and aiding digestion are just a few of the benefits of the feed additives, ensiling agents and preservatives from Perstorp. Together they boost the productivity and quality of meat, milk and egg production



President's COMMENTS

Perstorp is truly an innovative company with the qualified expertise to advance differentiated, technology-based progress while building a business with a strong customer-response focus.

In a challenging macroeconomic environment, we have taken deliberate actions this year to leverage key drivers and mitigate deviations. Most significantly, we have launched a decisive transformation program that renews our targeted focus on strategic execution and drives a performance-based culture of excellence.

2013 IN REVIEW

Perstorp's performance during the year reflects the overall flat demand witnessed across the global chemicals industry. Our financial results as a whole fell short of expectations, ending with an EBITDA excluding non-recurring costs of SEK 1,113 million. However, we did see an improvement during the second half of the year, both in terms of volumes and operating earnings.

Pressures on margins continued to mount as costs for raw materials, especially methanol, persisted at high-levels. We will address this trend through a new business model that enables a more specific, effective go-to-market approach with a targeted focus on pricing control.

Our cash flow development mirrors our increased spend in strategic investments. Most notably is our new production plant for Valeraldehyde and its derivatives, which is progressing according to plan and scheduled to be operational early 2015. As Perstorp's single largest strategic investment project, it serves a strong testament to the continued belief in the organization's future and our commitment to providing customers with value-added products.

Also among the year's highlights, we:

- Increased volumes by 8% compared to last year, contributing to full year sales of SEK 10,343 million versus SEK 10,036 million in 2012;
- Increased the company's available funds year-on-year following several strategic divestments, such as the formaldehyde technology and catalyst business Formox;
- Successfully brought our new Neo plant based in China on-stream, delivering better than expected yields and on-spec products already from initial start-up;
- Launched four new products that provide sustainable solutions for the plastics industry – Akestra™, Capa™ for bioplastics, Charmor™ PM40 Care and Pevalen™;
- Inaugurated our newly built PetroPort, one of Sweden's largest deep-sea ports with a 245 meter long pier that can accommodate vessels up to 170 meters long and deal with various kinds of chemical products in both liquid and gas form; and
- Participated at the K2013 in Germany, the world's largest plastic tradeshow, and Chinacoat 2013, where levels of interest exceeded our expectations and confirmed that our products meet demands.

EVOLVING FROM GOOD TO GREAT

With today's increasingly competitive market landscape, it is essential that global organizations actively and continuously seek out ways to improve their competitive advantage. Toward the back-end of 2013, Perstorp underwent an extensive self-examination, forcing a rethink in the ways in which we approach our business, our markets and our internal organization.

I am proud of the swift, precise and determined progress that has been accomplished to course-correct and define how best to unlock Perstorp's significant untapped potential. Moving forward, we will maintain our relentless focus on executing our existing strategy and we will do so with a full array of activities to advance our earnings path and achieve operational excellence. These organic changes include:

- The implementation of a new, market-driven business and operating model;
- A transition into a functional organization to achieve benchmark efficiencies and cost competitiveness;
- A cost competitive program to become as lean and efficient as possible; and
- The installment of a new, more internationalized management team.

You will find more detailed information about our plans on page 10-11.

"Although the world continued to pick up pace, price fluctuations and unpredictability are redefining a new normal operating climate. Perstorp has responded by adapting our business and operating models and is poised for stable growth into the future"

ENVIRONMENT CARE AND RESPONSIBILITY

While we have allocated more than 7% of total capital investments toward environmental improvements, and maintained one of the lowest carbon footprints in the industry, we strive to do even better.

Our goal is to elevate our commitment toward addressing the continuously evolving needs of our planet and our society. We will introduce our "Responsible Care" platform that proactively aims to ensure that we grow our business without expanding our carbon footprint and take full responsibility for our products throughout their lifecycle. In addition, we will strive to make continuous progress toward our health and safety goal of attaining a minimum lost time accident rate of less than one.

We are taking significant measures to ensure our commitment and responsibility toward health, safety and sustainability is embedded in every aspect of our business – from operations to innovations and strategic planning, through to its realization in our daily work life.

Since 2004 is Perstorp participating in the UN Global Compact, supporting the initiative and its 10 principles on human rights, the environment, the working environment and anticorruption.

FULL SPEED AHEAD

To summarize, 2013 was a year in which Perstorp took a pinnacle turn in understanding its position, rethinking the ways in which business is conducted and laying a redefined foundation from which to transform into a world-class organization.

Moving into 2014, we will use this momentum to work with steadfast determination to accelerate the company's overall performance, building value and delivering growth. Our priorities are clear. We know what needs to be done and how to get it done. I am confident we have the right strategy, the right people and the right methods of execution in place to successfully achieve Perstorp's targets and secure a strong, resilient growth trajectory into the future.

We look forward to an exciting year ahead.

Perstorp, April 2014

Jan Secher
President and CEO

Transforming from Good to GREAT

Today's increasingly competitive and quick-paced landscape requires global organizations to maintain a continuous pulse on the shifting market paradigms to assess their position, their response and their way forward.

This year's extensive internal self-evaluation revealed that significant untapped potential lies within Perstorp. To harvest this value and advance from a good company into a great organization, Perstorp has initiated an internal transformation that will enable an undeniably strong customer interface. With awareness about societal challenges, Perstorp will induce environmentally friendly trends for customer competitive edge.

The mechanics of this transition have been established to further Perstorp's ability to deliver upon its existing strategy and are grounded in three primary cornerstones:

1. WE WILL DRIVE OUR COMPANY FORWARD FROM A CUSTOMER-CENTERED PERSPECTIVE UNDER THE GUIDE OF A NEW BUSINESS MODEL.

Perstorp will organize and lead from an outside-in position, allowing market trends and customer behaviors to steer its activities and drive innovations. This sharpened, customer-centric focus enables a significant step-change in how our business is conducted, including a differentiated and tailored customer service approach to meet the varying commercial, technical and application expectations. This will also allow the company to be a trend setter in focused areas.

Perstorp's products have been reallocated into two Business Areas that reflect its major product groupings while distinguishing between its two primary customer audiences. This fundamental change enables a specific and effective go-to-market approach for each area.

➡ Intermediates & Derivatives (I&D): a streamlined model - reliable and cost effective supplier of right quality products
➡ Specialties & Solutions (S&S): a value added model - industry specific products, applications, solutions and know-how

2. WE WILL LAUNCH A NEW ORGANIZATIONAL STRUCTURE THAT DELIVERS INCREASED COLLABORATION, EFFICIENCY AND OPERATIONAL EXCELLENCE.

Perstorp will change from a divisional-based structure into a functional organization as a means of delivering on its overarching strategy. This essential shift will stimulate new and more effective ways of working throughout the organization, increase cross-unit collaboration with clear interfaces, and drive top-level efficiency across its functions. Essentially, we will be in an improved position to deploy our resources in the most efficient manner while sustaining world-class services through-out the value chain.

EXAMPLES IN ACTION

a) Supply Chain will be lifted into a separate function and will serve as the link between a more market-oriented sales organization and a highly efficient operations function. Furthermore, the company will strive for tighter control over procurement activities and support improved price management, optimizing the Group's operational excellence.

b) Manufacturing will now dedicate its efforts to operational excellence and improvements toward efficiency and effectiveness. This more unified focus will enable best-practice sharing and collaboration across production sites, while facilitating an increasingly strong focus on safety.

c) Support functions will move toward a more centralized organization that runs with higher capabilities. This will enable site management teams to fully focus on achieving and sustaining a world-class operational efficiency.

3. WE WILL TAKE DECISIVE MEASURES TO ENSURE COST COMPETITIVE ADVANTAGES.

Our priority is to grow our business. We will continue to strive to achieve the highest level of efficiency and effectiveness throughout both our production and business processes. Perstorp's on-going improvement program, known as the Perstorp Performance System (PPS), will be applied across the entire company to assure streamlined processes with best in class as the common reference point.

Our goal is to firmly establish a new way of working at Perstorp that unlocks the organization's ability to reach its full potential and safeguard its future. Ultimately, the collective effect of these changes will help raise Perstorp's assertion as a premiere provider of specialty chemical products and solution, advancing our position of leadership and strengthening our resiliency moving forward.

What does all this mean?

As this transition seeks to secure a pathway of excellence for Perstorp, our customers remain at the frontlines and, through this transition, can expect:

- A personalized experience with Perstorp, whereby we provide a more tailored approach to meet their specific and changing needs
- A supply chain that is poised to respond swiftly to their true needs together with a more efficient and precise order-handling process
- A focused and responsive customer-led innovation pipeline that delivers excitement to their dealings with Perstorp, thereby ensuring we develop products that contribute to their development and competitive edge
- A strengthened price leadership position across Perstorp product portfolios
- Highly-motivated, qualified leadership and employees

Market segments

Perstorp has clear strategies for the market segments that overlap with the core manufacturing platforms and expertise. Five core market segments are in focus for Perstorp: Plastic materials, Coatings & Resins, Synthetic lubricants, Fuels and Feed & Food.

Plastic materials

Perstorp offer a broad range of innovative polymer chemistry that builds a better world

Coatings & Resins

Advancing coating and resin technology with innovative and sustainable chemistry

Synthetic lubricants

A complete portfolio of intermediates giving you superior and optimal performance

Fules

An offer of innovative bio-fuels for those who want to make a real sustainable, climate saving difference

Feed & Food

Perstorp promoting healthy animals and healthy food

Other

A broad portfolio of specialty chemical solutions for growing segments and applications

Read more at www.perstorp.com/other

Plastic materials

Contributing to safety & comfort in our daily lives

Innovation is key to Perstorp's success in the plastic materials segment, which makes up around 20% of the Group's business. Our technology and knowledge are targeted at specialist niches that are making a real difference to people globally. Piping that secures clean water, cabling that brings safe electricity, shock absorbers for comfortable travel and packaging that protects food quality are just some of the areas where our innovative sustainable chemistry can be found today.

OUR PLASTICS TECHNOLOGY CONTRIBUTES TO A BETTER WORLD

Emerging markets are experiencing fast economic growth and rising living standards. With that come demands for better health, safety and quality of life. Perstorp is increasingly contributing to the raising of living standards in emerging markets through several specialist areas of PU, PVC and polyester plastics technology, creating high performance plastics that are safe and sustainable.

DYNAMIC DEVELOPMENT WITH NEW OPPORTUNITIES

In general global population growth, safety concerns and rising living standards are driving the increased demand for plastics. This is opening up markets and many new opportunities for Perstorp, such as the development of polymer products for the food packaging market where we expect Capa™ for Bioplastics and Akestra™ to play a significant role.

FOUR NEW PRODUCTS SUCCESSFULLY LAUNCHED

Our three main specialist plastic materials niches are in elastomers, plasticizers and plastic additives. 2013 was a big year for our plastic materials offer with no fewer than four major new products successfully launched at the K 2013 international trade fair in Germany.

Perstorp is increasingly contributing to the raising of living standards in emerging markets through several specialist areas of PU, PVC and Polyester plastics technology, creating high performance plastics that are safe and sustainable.

Pevalen™, a new non-phthalate plasticizer for sensitive indoor and close contact applications, such as flooring has combined well with Emoltene™ 100 to provide a complete outdoor and indoor plasticizer offer. The market for non-phthalate flooring in particular is growing at over 10% per year. During 2013 many customers successfully tested Pevalen™, and 2014 will see the full marketing rollout as the investment in the Stenungsund plant gradually comes on-stream.

The introduction of the new plastic grades of Capa™ is capitalizing on the strong and growing global trend for bioplastics and biodegradable products. Underlining Perstorp's commitment to sustainable plastic solutions 2014 we will also launch renewable grades of Capa™ Polyol and Thermoplastic to target markets where customers see the competitive value in having a green image.

Akestra™ was launched as a more sustainable alternative to polycarbonate and polystyrene, and is targeting food containers, trays and films. New Charmor™ PM40 Care, which facilitates halogen-free intumescent systems, was also launched and is aimed at preventing fire and smoke spreading in applications such as plastic protection panels on subway trains.

PERSTORP PLASTICS SET FOR SUSTAINABLE GROWTH

Whether it is to boost the lifetime of products, provide renewable alternatives, or replace toxic elements, our chemistry is making a real difference to people's lives and the environment in which they live. Perstorp is globally well placed in 2014 and beyond, with matching advanced technology, unique chemistry and resources to fully capitalize on sustainability trends in fast growing plastic market segments.

perstorp.com/plasticmaterials

Coatings & Resins

Building blocks to coating success

Coatings & resins account for more than one third of the Perstorp Group's business. Our success is built on core building block products, and innovative derivatives where often we are the only producer. Even though this is a mature segment we are successfully targeting high growth markets, such as radiation curable coating resins (Radcure), Polyurethane Dispersions (PUDs), and high performance waterborne resins.

The global mega trend for greater sustainability and lower environmental impact puts Perstorp at the forefront of future coating succes

POSITIONED FOR LONG-TERM GROWTH

The largest part of the €100billion coatings market – decorative paint – has matured, which has led to consolidation. Perstorp is addressing this by focusing strongly with our broad portfolio of products on the companies that lead the globalization and consolidation trend. Emerging markets are continuing to grow at around 10%, per annum, but mainly by replicating existing technologies rather than through novel chemistry. However Perstorp is particularly well placed to exploit several exciting growth sectors, such as PUD's, radcure and waterborne resins with innovative chemistry and a strong global support organization in place.

A WINNING FORMULA – HIGH PERFORMANCE COATINGS WITH SUSTAINABILITY

Perstorp is best in class for sustainability across the entire coatings & resins product range. Our technology products for Radcure and PUD are widely accepted as the most sustainable products, because they use minimal energy, reduce or eliminate the need for solvents and replace toxic alternatives. The global mega trend for greater sustainability and lower environmental impact puts Perstorp at the forefront of future coating success where high performance and sustainability are the customer priorities.

INNOVATION INCREASES OUR COMPETITIVENESS

Our core manufacturing platforms neo-polyols (pentaerythritol, trimetylol propane and neopentyl glycol), caprolactone and oxo (2-ethyl hexanol and butanol) provide the basis from which we have developed a broad array of differentiated derivatives for the coatings and resins industry. The combination of leading manufacturing ability and application knowledge make this very hard for competition to follow or replicate.

Our leading technologies, such as Bolton™, Capa™, Charmor™, CTF, and Ymer™, are particularly suited to the high-growth sub-segments of UV-curable coatings, polyurethane dispersions, intumescent coatings and low-solvent and water-borne coating resins.

Capa™ has been successful in developing new opportunities in radcure, PUD's and industrial protective coatings sub-segments in 2013. A good example is the use of Capa™ in the wind power industry where the toughest abrasion resistant coatings are demanded. Ymer™ also had a very good 2013 within PUD's where sustainable and solvent free solutions are sought, and Ymer™ N120 won the prestigious Ringier Technology Innovation Award 2013. Charmor™ saw significant growth within the Middle East where the demand for fire protection in the construction industry has driven its success.

NEO CAPACITY EXPANDED TO MEET FUTURE GLOBAL DEMAND

The new state-of-the-art Neopentyl Glycol (Neo) plant in Asia underlines both Perstorp's commitment to the fast growing Asian powder coatings market and to globally providing fast access to this important building-block raw material. The plant became fully operational in 2013, and has significantly strengthened our market leading position in Neo. Strategically sited in China the plant is ready to take full advantage of the rapidly growing demand for powder coatings in the Chinese market making 2014 potentially a year of significant growth in volume sales of Neo.

perstorp.com/coatingsandresins

Synthetic lubricants

Strengthening our world leading position

Perstorp is the global leader in supplying polyols to the synthetic lubricant market. Synthetic lubricants are an important and fast growing market segment for Perstorp, where today our complete portfolio of intermediate products makes us an important strategic supplier. The unqualified benefits of synthetic lubricants over petroleum lubricants, in environmental, safety and performance terms, make this a niche segment set for continued future growth.

Synthetic lubricants are highly specialized and are used as refrigerant lubricants for compressors, in aero engines, hydraulic fluids and metal working fluids

Perstorp's strategic importance in this segment is as the leading supplier of key intermediates

INCREASING GLOBAL DEMAND AND APPLICATIONS

The increasing demand for synthetic lubricants is based on their ability to offer longer service intervals, less energy consumption and better biodegradability. Environmentally this also extends to the replacement of CFC's in refrigeration equipment. Quality is often critical in selection as they are used in many high performance and challenging environments, such as electric train transformers where durability is key along with reducing maintenance costs and finding more sustainable solutions. Perstorp's strategic importance in this segment is as the leading supplier of key intermediates used in synthetic lubricant manufacturing.

A COMPLETE PORTFOLIO OFFERING SUPERIOR PERFORMANCE

Synthetic lubricants are highly specialized and are used in compressors for air-conditioning, refrigeration and industrial cooling, as well as for in aero engines, hydraulic fluids and metal working fluids. When it comes to formulating synthetic lubricants with optimal performance, Perstorp has the most complete product portfolio of polyol esters intermediates to choose from, which includes Penta, Neo, TMP, 2-EHA and Di-Penta. The products add durability, controlled viscosity and good temperature control. Production takes place in the United States, Europe and Asia to ensure global availability and a high service level.

RECORD YEAR & AN EXPANDING HORIZON

2013 was an excellent year for Perstorp's synthetic lubricants intermediates as sales were at a record level. Penta achieved a volume growth of 15% in 2013 compared to 2012, and our other products all achieved double-digit growth. Growth globally was consistently good with Asia in particular achieving a 29% increase year-on-year. The main growth applications were in refrigerant compressors, hydraulic fluids, air compressors, metal working fluids and aviation oils.

While industries such as aviation and home appliances can fluctuate significantly year-on-year, depending on the status of the world economy, the need for environmentally sustainable solutions will in all likelihood continue to grow. Perstorp's challenge moving forward is therefore to maintain and strengthen its leading global position in the synthetic lubricants segment by continuing to offer a wide range of high quality products through a global presence and availability. As part of our strategy to maintain and strengthen our market leader position our synthetic lubricant polyol portfolio will be expanded with the addition of valeric acid in 2015, in Stenungsund, Sweden. This will help us continue to expand our segment sales globally for the foreseeable future.

perstorp.com/syntheticlubricants

Fuels

Better fuel, better environment, better future

Scandinavia is widely recognized as the most environmentally advanced region in the world, with sustainable solutions forming a natural part of people's daily lives. It is no surprise that Sweden is at the forefront of the development of renewable energy, reducing dependence on fossil fuels and promoting greater sustainability. Perstorp is the largest supplier of renewable fuels made from rapeseed oil (RME) in Scandinavia with a long-term commitment to environmental innovation within the segment.

Perstorp is the largest supplier of renewable fuels made from rape-seed oil (RME) in Scandinavia

DRIVING A SUSTAINABLE DIFFERENCE

The rising cost of oil and the new biodiesel tax incentives now make biodiesel a very attractive choice from both a climate and economic perspective. Biodiesels represent the best alternative to fossil fuels, both from a sustainable perspective and as high quality transport fuel. Transport vehicle emissions can be immediately cut by up to 60% using Perstorp Verdis Polaris™ biodiesels without costly conversions, helping to reduce the environmental impact today rather than waiting for future options to emerge.

SECOND GENERATION VERDIS POLARIS™ LAUNCHED

Verdis Polaris™ B100, biodiesel is used for blending with fossil diesel at service stations and for use as a 100% renewable fuel for buses and lorry fleets with in-house diesel tanks and pumps. It is also perfectly adapted for colder climates, which is a key reason why it has taken off across Sweden, and has proven to be very popular with municipalities, lorry fleets, paper mills and breweries. As part of Perstorp's ongoing commitment to environmental innovation Verdis Polaris™ Aura was successfully launched in July 2013 as a partly second-generation biodiesel that is made from RME and non-fossil based methanol making it a uniquely clean and sustainable solution.

TOWARDS A CLEANER AND GREENER FUTURE

Biodiesel sales of Verdis Polaris™ B100 continued to grow in 2013, with an impressive market development and sustained margins. Perstorp already has 35-40% of the high blend Swedish market, and prospects for 2014 look particularly bright with a predicted volume growth of 30%.

In 2013 decisions were made on proposed legislation at the EU and Swedish governmental levels that were beneficial to Perstorp and the biodiesel industry. The suggested introduction of a higher 6% biodiesel quota in low blends will increase the volume growth potential for blended in Perstorp biodiesels, and the higher blend tax incentives are predicted to drive the future growth of high blend RME, where Perstorp is already the clear market leader.

Perstorp is looking to the future development of biodiesels as a replacement for fossil based oils in industrial and energy heating applications and Fossil Free Farming. This could include district heating, industrial scale greenhouses, asphalt sites and other equipment applications that require considerable heat energy. Perstorp is also participating in renewable energy oil development initiatives that are specifically looking at using algae and developing new forest-based raw materials for biofuels.

perstorp.com/fuels

Feed & Food

You are what you eat

The importance of food safety cannot be overstated in a global economy. Of equal importance is the quality of what we eat and drink in order to maintain a healthy and active life. Perstorp plays a vital role in ensuring the meat and eggs you eat, and the milk you drink comes from healthy animals. We protect and preserve the quality of feed and protect and promote animal health.

Perstorp is at the forefront of developing innovative, efficient and sustainable acid based feed solutions

BOOSTING PERFORMANCE, PRESERVING QUALITY, SAFEGUARDING HEALTH

Perstorp produces a complete range of essential organic acids, and nutritional feed additives that maintain and increase the value of feed, and protect animal health and welfare. Improving nutrient availability, inhibiting mold growth, antibacterial treatment and improving gut health are just a few of the benefits of the feed additives, ensiling agents and preservatives from Perstorp. Together they boost the productivity and quality of meat, milk and egg production.

PROMOTING INNOVATIVE & SAFE ORGANIC ACID SOLUTIONS

Perstorp is at the forefront of developing innovative, efficient and sustainable acid based feed solutions. We are currently strengthening our position in this market sector through the investment in a Multi Purpose Acid plant in Sweden for butyric acid, which will be fully operational in 2014.

The global organic acid market for preservatives and feed acidifiers continues to grow at between 4-6% per annum, and this was reflected in our propionic acid sales, which performed particularly well during 2013. Formic acid was approved as a feed additive in the USA in 2013. Organic acids such as formic acid are commonly used to support antibiotic free animal production. The current debate about totally removing antibiotics from animal feed will considerably boost Perstorp's market opportunities in the US if this goes ahead.

FULLY INTEGRATED PRODUCER & BLENDER OF FEED ADDITIVES

Nutritional additives represent the highest growth potential in Feed & Food, and continue to grow ahead of GDP on a global basis. Perstorp has an 8% global market share, and we are well placed for future growth as one of the few feed & food additive companies that is fully integrated.

Pursuing our strategy of long-term geographic expansion, especially within emerging markets, is strengthening Perstorp's position within this sector. This strategy achieved notable success in Brazil in 2013 with sales of feed additives more than doubling in a year.

In particular ProPhorce™PH has been successful in fast growth economies, and ProPhorce™ SR, an innovative product range that promotes gut health, continued its impressive growth in 2013, and is expected to show a double-digit growth in 2014. We will launch our feed additive product portfolio in China during 2014 and expand our new product offerings to other parts of SE Asia helping to strengthen our presence in the region.

perstorp.com/feedandfood

Social responsibility report

To Perstorp the concept of responsible business is founded on three important aspects – environment, society and economy. It's about taking care of the environment, the society around it and the people employed without neglecting the economic objectives.

We also pursue to differentiate not only by the unique products we produce, but also by how these products and services can have a low impact on the environment and its resources, people and society during their entire life cycle.

Responsible business

Perstorp is now taking a natural next step fulfilling the ambition to be a responsible company doing responsible business, the development of a Responsible Care function. The traditional Environment, Health and Safety management scope has been transferred into a full Responsible Care scope, in which Product Stewardship, Environment & Sustainability, Process safety, Occupational Health and Safety as well as Governance and Incident management are developed and staffed. This to provide adequate focus on the topics inside and outside the Perstorp organization in the area's related to Responsible Care during the full product life cycle, to create sufficient guidance, collaboration and momentum throughout the Perstorp organization, our suppliers and customers while making optimum use of the local talents and specialist for these global Responsible Care improvement developments.

PERSTORP'S POLICIES

Perstorp is participating in the UN Global Compact since 2004, supporting the initiative and its 10 principles on human rights, the environment, the working environment and anti-corruption.

Perstorp's responsible way of working is clarified in print in the Group's Code of Conduct, which is available for all employees. It covers the four areas of Business Principles, Products & Environment, Working Conditions and Human Rights. A specific Anti-Bribery Policy has been issued early 2014 and training started for its full implementation.

In addition to the Code of Conduct, the Perstorp Group has a policy on the environment, health and safety. These basic policies are published on www.perstorp.com

With the focus on responsibility Perstorp has other policies covering inter alia areas such as Information, Quality, Purchasing and Competition Matters.

MANAGEMENT SYSTEM

Perstorp's management system is digitalized and available through the Group's intranet, describing both global and local processes and the organization of the head office, sales offices and production units. A part of this management system is an internal standard for work on safety, health and the environment based on international standards for working environment management (OHSAS 18001) and environment management (14001), and general guidelines for process safety and fire protection.

The Perstorp Group possesses two multisite certificates: one according to the ISO 9001 standard, including nine production units; one according to the ISO 14001 standard including six of the nine production units. The production unit in Warrington is certified in accordance with OHSAS 18001 and the production unit in Perstorp is certified in accordance with ISO 50001 (energy management).

The production site in Bruchhausen has started the implementation of an energy management system in accordance with the standard ISO 50001 and should be certified in 2014.

IMPORTANT EVENTS

At the site in Zibo several environmental investments were done in connection with building the new Neo plant such as;

- A waste water treatment plant.
- A catalytic incinerator and water scrubbers for air emission

In relative terms, the sites at Bruchhausen, Gent, Perstorp, Toledo and Stenungsund have succeeded in reducing energy consumption resulting in 4% reduction of the Group's energy consumption per ton of product over the year.

Process improvements at site Castellanza have reduced the discharge of organic substances to the waste water by 40%.

The site in Bruchhausen has started the implementation of an energy management system in accordance with the Standard ISO 50001 and should be certified in 2014

Responsibility for employees and the workplace

DEVELOPMENT & TRAINING IN THE WORKPLACE

THE PMD PROCESS

PMD, People Management & Development, is Perstorp's process for assessing and developing performance and behaviors of all employees. The PMD discussions are the structured parts of the continuous process between every manager and the people reporting to them. There should of course also be regular informal conversations throughout the year centered on performance and feed-back beside the process.

During 2013 an interactive training called Winning PMD was launched in order to support employees and managers raise the quality of their PMD talks, and to create a mutual understanding of the purpose and importance of the meetings.

360-DEGREE MANAGER EVALUATION

During 2013 about 50% of all managers (100 persons) throughout the Group went through a 360-degree manager evaluation. This tool supports managers and leaders to identify and develop improvement areas of their own leadership.

PERSTORP ACADEMIES

In 2013 the Process Academy was launched, a pilot program designed to train young technicians and engineers in Perstorp's chemistry and core processes & methodologies. In addition, Perstorp is extending our leadership curriculum to cover all levels of leaders in the company. Plans are underway to develop further Academies such as Sales Academy.

PERSTORP GYMNASIUM

The Perstorp Gymnasium is a chemical-technical school founded by the company to train and educate 16-18 year-olds and equip them for a technical, vocational career. Perstorp enjoys a good collaboration with staff and students at the school including participating in University fairs, providing work experience places at production sites and summer work. In 2013 in total 55 former students from Perstorp Gymnasium were employed by the Perstorp Group.

HEALTH & SAFETY AT WORK

TARGET FULFILLMENT SAFETY

The target for LTAR was not reached, see table below.

During 2013 the LTAR for contractors was registered for the second year. The result has improved but is not in line with the Group target. It shows that preventive actions for the safety of our contractors must be enforced. The cooperation with the contractor companies concerning safety will continue.

	Target 2013	Result 2013	Result 2012	Result 2011	Target 2014
LTAR employees	<2	2.6	2.5	4.2	<2
LTAR contractors	<5	9.9	15.9	-	<5

[1] Including discontinued operations
*LTAR= number of accidents causing more than one day of sick-leave – per million hours worked

SAFETY FOUNDATION WITHIN THE PERSTORP PERFORMANCE SYSTEM (PPS)

Perstorp Performance System, PPS, is based on safety, which has contributed to an increased awareness among all employees to carry out work in a safer way. The goal is to minimize risks in the workplace. As a result of PPS, more employees are involved in safety work such as the program on behavior-based safety, improved accident investigations, appropriate personal protective equipment, risk analyses, amongst other things.

INTERNAL REPORTING OF ACCIDENTS, INCIDENTS & RISKS

The Perstorp Group is striving for greater openness about incidents, as a high reporting rate is important for accident and injury prevention. The purpose of reporting is to learn from what has happened in order to carry out corrective and preventive action. Every employee can update the Group accidents, incidents and risks database. In 2013, 171 (224) accidents, 667 (669) incidents and 769 (547) risks were reported.

Perstorp's performance culture is underpinned by the three core values Focused Innovation, Reliability and Responsibility, values that permeate everything we do from setting our corporate goals to defining our behaviors.

Perstorp sets the standard by acting ethically and responsibly in all dealings, which is also expected from our employees expressed in the Group's Code of Conduct. Included in this is a Whistle blowing policy, allowing all employees to report any breaches of the Code of Conduct.

Every second year Perstorp actively seeks feedback from the employees through an employee survey. During 2013 no survey was conducted, the next one is planned for autumn 2014.

Environmental responsibility

Target fulfillment

TARGET FULFILLMENT ENVIRONMENT

Perstorp's target for environment during 2013 was:

- Reduce both emissions and the environmental footprint compared with 2012.

Three environmental key indicators have been selected to monitor how Perstorp has succeeded in its objective:

KPI	2010	2011	2012	2013
Energy consumption MWh/ton of product	1.41	1.45	1.40	1.34
Emissions of fossil-related ton CO2/ton of product	0.23	0.23	0.21	0.21
Amount of pollution (kg COD) in wastewater/ton of product	4.8	6.3	4.4	4.6

The energy consumption/ton of product produced has decreased over the year, but the emission of fossil carbon dioxide is stable. The amount of pollution in wastewater prior to treatment has increased compared to 2012. The target reducing the overall environmental footprint has not been achieved for 2013.

The environmental performance has improved, compared with and measured over these years the energy consumption has been reduced with 5%, emission of fossil carbon dioxide with 9% and COD to wastewater with 4% since 2010.

RESOURCES MANAGEMENT, IMPACT & EMISSIONS

For details on resources management, environmental impacts and emissions, see www.perstorp.com/Responsibility

Costs of EHS work

ENVIRONMENTAL & WORKING ENVIRONMENT COSTS

In 2013, the Group's environmental and working environment-related costs amounted to SEK 66.5 (74.8) million, corresponding to 0.6% (0.7) of Group sales.

Costs for waste disposal amounted to SEK 10.8 (11.3) million. During the year, the Group spent approximately SEK 20.7 (28.1) million on wastewater treatment and around SEK 24.9 (27.6) million on environmental administration.

These administrative costs include costs for environmental staff, maintenance of environmental management systems and external consultancy.

ENVIRONMENTAL LIABILITIES

Perstorp's financial reporting is based on the "going concern" principle, which is reflected in how environmental liabilities are reported. The Group follows verdicts handed down by the authorities while acting proactively to prevent environmental impacts and reactively in the event of an environmental disturbance.

SOIL AND GROUND WATER

At the site in Perstorp, Sweden a national project regarding soil contamination was initiated already 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 action proposals are regularly reviewed together with the relevant authority. Perstorp Specialty Chemicals has made financial reservations for possible upcoming remediation activities.

INVESTMENTS IN ENVIRONMENT, HEALTH & SAFETY

Total investments in the environment, health and safety amounted to SEK 85.9 million in 2013 (81.2). This amounts to 12% (16) of the Group's total investments.

The most extensive investments during the year have been the installation of a new wastewater treatment plant and catalytic incinerator at site Zibo, China.

INVESTMENTS IN ENVIRONMENT, HEALTH & SAFETY

MSEK	2012	2013
Safety and fire protection	46	28.8
Working environment	8.5	13.6
External environment	26.7	43.5
Total investments	**81.2**	**85.9**
% of Perstorp's total investments	16.0	12.4

ENVIRONMENTAL COSTS

MSEK	2012	2013
Waste water	28.1	20.7
Hazardous waste	8.2	7.0
Other waste	3.1	3.8
Administration	27.6	24.9
Fees to authorities	4.3	5.1
Other, EHS related	3.5	5.0
Total costs	**74.8**	**66.5**
% of net sales	0.7	0.6

Responsible relationships

SUSTAINABLE DEVELOPMENT

Perstorp is accomplishing life cycle assessments (LCA) for our products. In 2012, together with the SP Technical Research Institute of Sweden, Perstorp finalized the effort started back in 2010 to calculate the carbon footprint value (from cradle to gate) for all products. The work is based on the principles of lifecycle assessment (LCA), where the emissions from each step in the production chain is included, from the extractions of the raw material, by processing, energy use and transports to the production of the final product. The climate declarations are cradle to gate values ending at the factory gate. Thereby the user phase and the end of life phase are not included. Perstorp has followed the EPD systems general rules and guidelines, but no specific PCR (Product Category Rules) at this stage.

CUSTOMERS

Perstorp is working on:

- Customer focus, with the aim of achieving long-term relationships with our customers: recognizing customer needs and requirements, through dialogue and challenges delivering products and services in a way that increases customer satisfaction.
- Continually improving our work processes, which are the foundations of our ability to satisfy customers today and in the future.

Continuous monitoring of delivery accuracy and a developed system for handling customer complaints are important elements of this. Each year, a comprehensive measurement of customer satisfaction is also carried out, providing feedback and input into our future work.

PRODUCT SAFETY

REACH registrations for products manufactured and/or imported in the range of 100-1000 tons/year were registered at the European Chemicals Agency, ECHA before the deadline 31st of May 2013. Activities to manage and monitor the substances registered in 2010 were also made during the year. These activities consisted inter alia in generating new information, transfer the information into the Safety Data Sheets and distribute them to our customers automatically.

TRANSPORT

As a part of our efforts to reduce our environmental impact the Perstorp Group has implemented strict requirements regarding what type of engines and fuels that is preferred for our transports. We encourage our carriers to educate their drivers according to Eco driving and we use questionnaires to ensure the environmental performance of nominated carriers.

All Perstorp dedicated domestic transports in Sweden are carried out with trucks fueled with RME (rapeseed methyl ester) produced by Perstorp.As stated in the Perstorp Group Transport Strategy we strive to utilize Intermodal transport solutions in as large extent as possible. This enables us to reduce the total number of trucks and the metric ton kilometers on the road. For all shipments we strive to utilize the transport equipment to a maximum to reduce the total number of shipments and thereby reducing the environmental impact.

In Stenungsund a new harbor pier is in operation and this has improved the ability to ship products by tanker vessels as well as reduced the risk for congestion.

Perstorp is a board member and a driving force within The Clean Shipping Index. Perstorp also supports the work within NTM working group (Network for Transport and Environment).

SOCIAL DIALOGUE

Good relations are developed through communication and by creating a constructive dialogue between individuals internally and externally. Communication is an important instrument that enables us to achieve established targets, to implement decisions and gain support for them and to encourage participation and commitment within the company. Communication must be an integrated and natural part of the business. All communication activities within the Perstorp Group follow four guiding principles, no matter the stakeholder: active, open, correct and holistic.

Risk management

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

Perstorp has categorized risks into the areas of strategic, operational and financial.

STRATEGIC RISKS

Business development
Industry
Opportunity
Regulation & environment

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

OPERATIONAL RISKS

Raw material supply
Market
Production disruptions
Corporate governance

The operational risks are those that may have a direct impact on the Group's daily business up to a one-year time horizon.

FINANCIAL RISKS

Currency & interest rate
Financing & liquidity
Counterparty
Legal

Financial risks address exposure within the Group's financial operations.

Risk	Exposure	Activity
STRATEGIC RISK		
Business development and industry	Negative variances related to investments, acquisitions or divestments and/or changes in technology or competitive environment	Perstorp's strategic processes and routines safeguard that strategies are followed and investment criterias are met.
Opportunity	The company would miss opportunities and trends in the market as a result of failing to identity or capture them in the market at the right time	Perstorp´s Innovation function has a solid process in place to pick up trends and needs in the market at an early stage through a broad interface and network and bring them to the strategic process for proper resource allocation
Regulatory & environment	Increased operational cost and/or changes in competitive landscape due to changes in laws and regulations	Perstorp has routines and processes to proactively develop best practice production, whilst safeguarding compliance with environment, health and safety legislation
OPERATIONAL RISK		
Raw material	Eroded margins and/or production disturbance related to volatility in pricing and/or availability of critical raw material	Perstorp's purchasing policy requirers multiple supplies of critical raw materials alternatively to sign long-term agreements. Hedging options is assessed continuosly
Market	Perstorp has a wide range of products aimed at different market segments, and is thereby exposed to changes in supply/demand	Perstorp's broad customer base makes the Group more resilient to demand reductions. In addition, Perstorp follows the supply/demand changes on the market as key indicators for own capacity planning
Production disruption	Disruptions at Perstorp's plants may lead to loss of earnings if the Group cannot deliver as agreed to customers, and/or if this leads to substitution from other products	Perstorp's process and plant safety indicators and the development of business recovery plans makes the Group more resilient to this risk
Corporate governance (compliance risk)	The risk of decisions being taken on the wrong grounds or based on inaccurate information	Perstorp's governance model and policies safeguards compliance with external and internal rules and regulations
FINANCIAL RISK		
Currency	Currency risk is divided in; • translation exposure – risk related to the conversion of the Group's assets and profits, and • transaction exposure – risk related to the value of the Group's cash flow	Perstorp's finance policy defines acceptable currency risk and sets guidelines and hedging methods for the management of these risks
Interest rate	Interest-rate risk is the risk of a negative impact on the results due to a rise in market interest rates	Perstorp's finance policy defines acceptable interest rate risk and sets guidelines and hedging methods for the management of these risks
Funding & liquidity	Funding risk is the risk that the Group will not have access to sufficient funding, or that the funding or re-financing of existing loans becomes difficult or too costly	Perstorp's major funding consists of bonds, listed on the Luxembourg Stock Exchange, syndicated mezzanine facilities and a revolving credit facility provided by core banks. Perstorp also follows development of available funds through regular cash flow forecasts. Available funds at the end of 2013 were 1.162 MSEK
Counterparty	Counterparty risk is the risk of counter-parties failing to meet obligations in accordance with agreed terms	Perstorp has a comprehensive credit policy aiming to prevent credit losses and optimize tied-up capital
Legal	Legal risk is the risk of a negative impact on the Group's result or reputation arising from litigation, arbitration, disputes, claims or participation in legal proceedings	Perstorp's legal policy provides the framework and procedures for handling potential disputes

Corporate governance report

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

GENERAL MEETING

The General Meeting is the forum where shareholders make decisions about the urgent matters facing Perstorp Holding AB and its subgroups. The Annual General Meeting was held on 28 May 2013, at which the annual report for the 2012 financial year was adopted together with the proposal for distribution of profits. The Board of Directors was re-elected at the meeting. One Extraordinary General Meeting was held on 16 September 2013.

BOARD OF DIRECTORS

The Board of Directors consists of eight members, all nominated and elected by the company owners. The individuals re-elected to the Board at the 2013 Annual General Meeting were Fabrice Fouletier, Karin Markides, Michel Paris, Ragnar Hellenius, Martin Lundin, Claes Gard, Carl Settergren and Bertrand Monier. In addition to the aforementioned individuals the Board also includes employee representatives. At the Extraordinary General Meeting in September Martin Lundin resigned as Board Director and Jan Secher was elected as new Director of the Board.

The responsibilities of the Board are regulated by the Swedish Companies Act and the formal working procedures, which are approved by the Board once a year. These procedures outline the assignments of the Board and which decisions must be taken at Board level. The working procedures also regulate the division of responsibility between the Board, its committees and the President. The work of the Board is led by the Chairman. The division of responsibilities among Board members does not extend beyond certain special assignments for the Chairman.

During 2013, nine scheduled Board meetings were held, as well as two statutory convening meetings, three extra board meetings and five per capsulam meetings. Minutes are kept at all meetings. On average, attendance at Board meetings for ordinary Board members has been 98%. Other employees have also attended meetings, either to make presentations or give specialist information prior to key decisions. Every month the Board receives a written report presenting and analyzing the development of the Group and the earnings and financial position. Preparatory materials are sent to Board members before each Board meeting. The President is also in continuous contact with the Chairman of the Board. The following points are addressed at each Board meeting:

EHSQ report, status report from the President; Financial position and outlook; Investment decision for projects worth more than SEK 15 m; Decisions on changes in Group structure; Other important matters. In addition to these fixed points, a number of main subjects such as the budget are addressed during the year. The extra Board meetings during the year were held to address forecasts for the business, plans for the Group, refinancing, financial structure and organizational management changes.

TECHNICAL COMMITTEE

There is a Technical Committee which shall advice and assist the Board in questions of major technical importance to the Group.

This committee consisted of seven members in 2013: Karin Markides, Eric Appelman, Tomas Andersson, Göran Axelsson, Håkan Björnberg, Bo Häggman and Stefan Lundmark. During the year this committee held one meeting.

The Board is served by an Audit Committee which focuses on securing the quality of the Group's financial reporting and risk management and the committee is therefore also close to the development of control instruments for internal control. An important activity is to follow up and assess the external audit. The committee does not have decision-making rights. Decisions shall be made by the Board. In 2013 the Audit Committee consisted of the following members: Fabrice Fouletier, Bertrand Monier and Claes Gard, plus CFO Johan Malmqvist. During the year the committee held six ordinary meetings. Minutes were taken at all meetings.

REMUNERATION COMMITTEE

The Board is also served by a Remuneration Committee. The task of this committee is to establish principles for remuneration and other employment terms for the President and senior executives. The committee also prepares the terms for global incentive schemes and makes an assessment of the schemes. The committee has no decision-making powers, it is the Board of Directors that takes the ultimate decisions in these matters. In 2013 the Remuneration Committee consisted of Board members Fabrice Fouletier, the Group's President Martin Lundin and of EVP HR & Communication Joan Pennington. The committee held one ordinary meeting during the year which was minuted.

The Remuneration Committee now consists of the Board members Fabrice Fouletier, the Group's President Jan Secher and of EVP Regions & Group Management Mikael Gedin.

PRESIDENT & EXECUTIVE MANAGEMENT TEAM

The President of the Group, Jan Secher, is also elected by the Board as the CEO of the parent company. He exercises the ongoing control of the Group. The two Business Group managers report to him along with the global heads of Finance, Legal & IT, Sales & Customer Service, HR & Communications and Innovation, Strategy & Market Development.

The President manages the business in accordance with the instructions concerning the division of responsibilities between the Board and President adopted by the Board. The work of the President and Board is assessed annually.

EXTERNAL AUDITORS

Perstorp's auditors are elected by the Annual General Meeting for a four-year period. The current period started in 2010 and runs to 2014. Auditing firm PricewaterhouseCoopers AB (PwC) has been appointed auditors of the company with Michael Bengtsson being the lead auditor. The Board's and Group Management's aim is to have a close relationship with the auditors, to the extent that they shall be kept well informed about relevant issues concerning the accounts, reporting procedures and management of the company's/Group's assets. There is therefore a continuous dialogue with the auditors and they participate in at least one Board meeting per year. The auditors receive the minutes of Board meetings, documents relating to Board decisions, and the monthly financial reports for the Group. During the year PwC performed assignments relating to the audit in addition to regular auditing work. On all of those occasions the Group has emphasized that the additional services shall not compromise the independence of the audit, which has also been carefully examined by PricewaterhouseCoopers.

INTERNAL CONTROL

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

The Group's financial reporting manual, together with the business systems, are important control instruments that enable reliable consolidation and financial reporting. Group reports are produced once a month following well-established procedures, and the outcome is always presented in a report which includes extensive analysis. Work on the year-end accounts involves a number of people at Group, department and company level, and the summarized results are reported back continually to management functions and the Board.

Each year for a number of years the Group has performed an extensive self-assessment of internal controls. All of the subsidiaries were assessed in 2013. The purpose is to identify key control points for the various departments, analyze procedures, follow development in relation to previous activity and thus ensure that internal controls are at a good level and will remain so. The assessment has been complemented with a partly expanded verification operation by the company's auditors for certain areas. In relation to this, special follow-up has been carried out from the central level within the Group. Work aimed at securing good internal control is a constantly ongoing process.

Board of Directors

ELECTED BY THE ANNUAL GENERAL MEETING

Fabrice Fouletier

Partner, PAI partners.
Board member since 2006. Born 1975.

OTHER BOARD ASSIGNMENTS
MEP S.à r.l., MEP II S.à r.l, Eva Capital BV, Lisa Capital Coöperatief UA, Door Investment SA, Gaillon Blocker S.à r.l, Financière Forêt S.à r.l and Ponant S.à r.l.

Jan Secher

President and CEO Perstorp Holding AB.
Board member since 2013. Born 1957.

OTHER BOARD ASSIGNMENTS
Board member Elekta AB (publ) and Member of the Audit Committee

Karin Markides

Professor
President and CEO of Chalmers University of Technology.
Board member since 2010. Born 1951.

OTHER BOARD ASSIGNMENTS
Chair of UNITECH International
Board member of the SP Technical Research Institute of Sweden.
Member of The Royal Swedish Academy of Engineering Sciences (IVA), The Royal Swedish Academy of Sciences (KVA).

Claes Gard

Former CFO Perstorp Group.
Board member since 2009. Active in the Group since 2001. Born 1953.

Michel Paris

Chief Investment Officer, PAI partners.
Board member since January 2010. Born 1957.

OTHER BOARD ASSIGNMENTS
Atos Origin SA, Grupo Cortefiel, Hunkemöller, Swissport, The Nuance Group, Kiloutou SA and Xella International GmbH.

Ragnar Hellenius

Partner, PAI partners.
Board member since 2009. Born 1967.

OTHER BOARD ASSIGNMENTS
Board member Solvitur AB

Carl Settergren

Investment Director, PAI partners.
Board member since 2012. Born 1978.

Bertrand Monier

Investment Officer, PAI partners
Board Member since 2012. Born 1985

DIRECTLY ELECTED REPRESENTATIVES

Ronny Nilsson

Process Operator
Board member since 2006. Appointed by the Boards of IF Metall of Perstorp and Stenungsund. Born 1969.

Anders Magnusson

Market Development Manager
Board member since 2010. Appointed by the Boards of PTK of Perstorp and Stenungsund. Born 1969.

Oleg Pajalic

Vice President Process Innovation
Board member since 2011. Appointed by the Boards of PTK of Perstorp and Stenungsund. Born 1964.

AUDITORS

Michael Bengtsson

Authorized Public Accountant – PricewaterhouseCoopers.
Born 1959.

OTHER AUDIT ASSIGNMENTS
Carnegie Investment bank, Haldex AB and Enea AB, Bure and Indutrade.

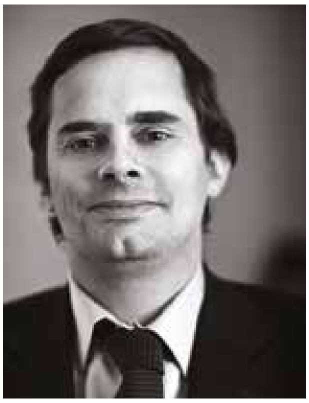
Mats Åkerlund

Authorized Public Accountant – PricewaterhouseCoopers.
Born 1971.

OTHER AUDIT ASSIGNMENTS
AAK, E.ON, Öresundsbro Konsortiet, Getinge and Nordic Aktiv Property Fund (NAPF).

DEPUTIES

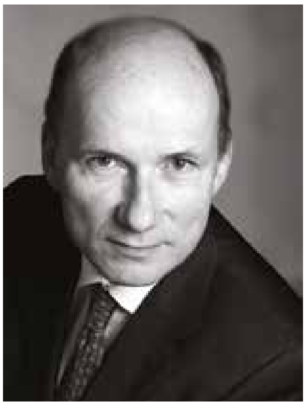
Per-Olov Hornling – Deputy trade union representative, PTK
Per Lindquist – Deputy trade union representative, PTK
Gunilla Nordberg – Deputy trade union representative, IF Metall


Fabrice Fouletier


Jan Secher


Karin Markides


Claes Gard


Michel Paris


Ragnar Hellenius


Carl Settergren


Bertrand Monier


Ronny Nilsson


Anders Magnusson


Oleg Pajalic

Executive leadership team

Jan Secher
President and Chief Executive Officer
Perstorp Holding AB.
Active in the Group since 2013.
Born 1957.

Gorm Jensen
Executive Vice President –
Business Area Intermediates & Derivatives
Active in the Group since 2014.
Born 1962.

Marie Grönborg
Executive Vice President –
Business Area Specialties & Solutions
Active in the Group since 1994.
Born 1970.

Joke Driessen
Executive Vice President – Operations
Active in the Group since 2014.
Born 1961.

Wolfgang Laures
Executive Vice President – Supply Chain
Active in the Group since 2014.
Born 1969.

Johan Malmqvist
Chief Financial Officer and
Executive Vice President – Finance, Legal & IT.
Active in the Group since 2009.
Born 1975.

Mikael Gedin
Executive Vice President –
Regions & Group Management
Active in the Group since 2009.
Born 1969.

Eric Appelman
Executive Vice President – Innovation,
Strategy & Market Development.
Active in the Group since 2008.
Born 1964.

Anders Lundin
Executive Vice President – Performance Products.
Active in the Group since 1982.
Born 1960.

Jan Secher

Gorm Jensen

Marie Grönborg

Joke Driessen

Wolfgang Laures

Johan Malmqvist

Mikael Gedin

Eric Appelman

Anders Lundin

REPORT OF THE BOARD OF DIRECTORS

The Group´s year-end accounts

Market & economic conditions

Q1 2013 saw clear improvements over Q4 2012. The US economy continued to expand as a result of the monetary policy with particular improvements in housing and automotive sectors. Asian markets are showing signs of improvement and resulting demand although at lower levels than anticipated at the beginning of the year.

The general economy in Q2 experienced an improvement when compared to Q1 but at a slower pace than anticipated. A strained economic climate in Europe persists and the region's cooler spring delayed the seasonal upturn for both the paints and coatings, and feed sectors. Q3 was in many ways a step forward from the previous quarter and also showed year-on-year improvements. Improvements have come mainly in the US but Europe (Perstorp's most important market) is also showing signs of revival. The ESI (economic sentiment indicator for the EU) has now risen for 4 months in a row narrowing the gap to the long-term average. The PMI (purchasing managers index) reached a 27-month high in September and is now in solid territory. Capacity utilization in the chemical industry is also increasing. Annual figures are still negative but Q3 showed a reversed trend with positive growth. The emerging markets have been less successful. China, as an example, has been performing less well than historically. However, PMI figures have been improving lately so the trend is positive.

In general Q4 was showing a similar pattern as the previous quarter, with a certain improvement compared to same period last year. A slightly positive development was seen in Europe, with chemical production volume increasing 0.5%. The growth was stronger in the US, partially driven by access to lower raw material- and energy costs. In absolute terms Asia is still showing solid growth, however in comparison to previous levels the rate is slowing down.

For commodities 2013 was dominated by a slight, but slow, recovery in the US and Europe and a slow-down in the Chinese economy as well as in other emerging markets. Prices for naphtha and its downstream derivatives showed a pattern of minor gains and losses from month to month, but ended close to where they started at the beginning of 2013.

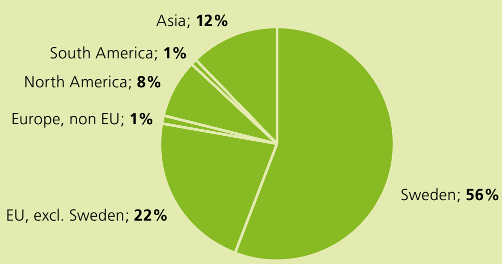
Methanol and benzene did not follow the oil and naphtha trend. 2013 was the fourth consecutive year with increased methanol prices, seeing a price rally in the last two months of the year due to severe supply disruptions putting pressure on margin for some of Perstorp's major products. The European Q1 2014 methanol contract settled at EUR 445/ton, meaning it has tripled in price since bottoming out in April 2009.

Benzene prices fell throughout 2013, dropping by EUR 300 from January to November, but half of this loss was recovered towards the end of the year. Higher demand in the US and lower refinery operating rates were catalysts for the price recovery.

PERSTORP'S MARKETS

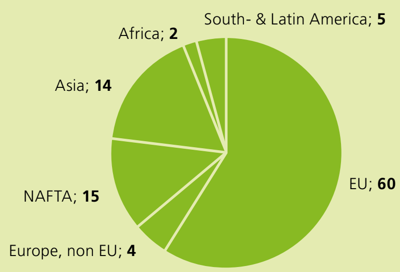
Q4 improved year-on-year demand in most of Perstorp's regions. The Americas continued to report steady improvements, as did much of Europe. Synthetic lubricants, plasticizers and polyurethane resins, three of Perstorp's five strategic market segments, showed good performance with demand being more stable in 2013 compared to earlier years.

GEOGRAPHIC DISTRIBUTION OF EMPLOYEES [1]



[1] Continuing operations

NET SALES PER GEOGRAPHIC MARKET, % [1]



[1] Continuing operations

Net sales & earnings

CONSOLIDATED INCOME STATEMENT

SEK m	Note	2013	2012
Continuing operations			
Net sales	**9**	**10,343**	**10,036**
Cost of goods sold	6, 7, 8, 20	-9,191	-8,793
Gross earnings		**1,152**	**1,243**
Selling and marketing costs	6,7,8	-450	-463
Administrative costs	6,7,8,33	-219	-214
Research and development costs	6,7,8	-72	-69
Other operating income and expenses	10,11	-425	154
Result from participations in associated companies	12	5	3
Operating earnings (EBIT)	**10,22,26**	**-9**	**654**
Net financial items	21	-1,371	-731
Result from participations in associated companies	12	-506	-70
Result before tax		**-1,886**	**-147**
Tax	23	-5	160
Net result for the year		**-1,891**	**13**
Discontinued operation	*32*		
Net sales		257	2,798
Operating earnings (EBIT)		841	420
Result before tax		826	187
Tax		-5	-21
Net result for the year		**821**	**166**
Group total			
Net sales		10,600	12,834
Operating earnings (EBIT)		832	1,074
Result before tax		-1,060	40
Tax		-10	139
Net result for the year		**-1,070**	**179**
of which, attributable to non controlling interest	14	1	4
Continuing operations			
Operating earnings before depreciation (EBITDA)		**1,095**	**1,277**
EBITDA adjusted for non-recurring items		**1,113**	**1,188**

NET SALES

Volumes increased 8% compared to last year following a stronger performance from Q2 onwards. The volume increase was evident at all business units.

The Perstorp Group's net sales for continuing operations amounted to SEK 10,343 m during 2013, compared with 10,036 m in 2012. The start-up of our new Neo plant has affected Q4´s figures positively as deliveries to customers started in the second half of September.

Sales prices were 3% lower than last year, primarily impacted by a competitive market sentiment for some of our product lines. Raw material prices were more or less on the same level as last year for olefins, whereas the price of methanol rose during the year and was on average 16% higher in 2013 than 2012. The stronger Swedish krona, especially against the US dollar, has had a negative effect on sales of 2% compared to last year.

EARNINGS

For the full year 2013, operating earnings before depreciation and amortization (EBITDA) for continuing operations reached SEK 1,095 m (1,277). Excluding non-recurring items, EBITDA amounted to SEK 1,113 m (1,188).

The appreciation of the Swedish krona affected the results negatively when comparing January to December 2013 with the same period last year. Currency effects amounted to approximately SEK -20 m relating to both translational and transactional effects from flows in USD and EUR. The decline in earnings compared to last year has besides negative currency effects mainly been driven by margin pressure following high feedstock prices in combination with a competitive market for some product lines.

Operating earnings before interest and taxes (EBIT) were SEK -9 m (654) for the full year, including a write down of assets of SEK 462 m related to goodwill. Depreciation was on the same level as last year, 634 m (623).

Result before tax amounted to SEK -1,886 m (-147) m. The decline compared to last year can be explained by a combination of items; less positive currency effects when revaluating financial liabilities in foreign currencies and higher financial expenses compared to last year as a result of the new capital structure. Also, participations in associated companies contributed with a loss of SEK 506 m, including a write down of SEK 322 m for the full year 2013, compared to a loss of SEK 70 m last year.

Financial position

Working capital for continuing operations rose SEK 188 m during the year. The increase related to higher accounts receivables following stronger sales in the last quarter 2013 compared to the previous year. Inventory levels were on satisfactory levels, and slightly lower than end of last year.

Working capital for continuing operations amounted to SEK 1,379 m at the end of the year compared to SEK 1,191 m at the end of 2012. In Q1 2013, Perstorp divested its formaldehyde technology and catalyst business, Formox (Formox AB) to Johnson Matthey (Johnson Matthey Plc), for SEK 1,050 m, which strengthened the financial position of the Group.

The decrease in total assets primarily relates to the write down of shares in the associated company Vencorex and goodwill. The Group's available funds, including liquid funds and unused credit facilities, were SEK 1,162 m at the end of the period, compared with SEK 975 m at the end of the previous year.

CONSOLIDATED BALANCE SHEET

SEK m	Note	Dec. 31, 2013	Dec. 31, 2012
ASSETS			
Non current assets			
Tangible fixed assets	6	4,497	4,281
Intangible fixed assets	7	4,845	5,943
Deferred tax assets	23	187	329
Participations in associated companies	13	506	981
Direct pension, endowment insurance		91	87
Other interest-bearing, long-term receivables	16, 21	1	1
Other interest-free, long-term receivables	16	22	31
Total non current assets		**10,149**	**11,653**
Current assets			
Inventories	20	1,231	1,375
Accounts receivable	18	1,420	1,294
Operating receivables, associated companies		13	32
Tax receivables		72	52
Other operating receivables	18	168	325
Other current financial receivables	21	37	21
Cash & cash equivalents	19	905	678
Total		**3,846**	**3,777**
Assets held for sale	32	-	430
Total current assets		**3,846**	**4,207**
Total assets		**13,995**	**15,860**
EQUITY & LIABILITIES			
Share capital (100,000 shares, par value of SEK 5 each)		0	0
Other capital contributions		5,951	5,951
Reserves		-491	-453
Retained earnings		-5,289	-4,265
Equity attributable to owners of the parent		**171**	**1,233**
Non controlling interests	15	46	44
Total equity		**217**	**1,277**
Non current liabilities			
Deferred tax liabilities	23	897	1,049
Direct pension	22	113	106
Pensions liability, others	21,22	330	407
Long term liabilities, Parent Company	21	626	1,271
Long-term interest-bearing liabilities [1)]	21	9,688	9,169
Other liabilities, provisions	24	64	62
Total Non current liabilities		**11,718**	**12,066**
Current liabilities			
Accounts payable	25	774	901
Other operating liabilities, associated companies		11	26
Tax liabilities		8	20
Other operating liabilities	25	716	958
Accrued interest expense		429	356
Other financial liabilities	21	122	82
Total		**2,060**	**2,343**
Liabilities held for sale	32	-	174
Total current liabilities		**2,060**	**2,517**
Total equity & liabilities		**13,995**	**15,860**
Contingent liabilities	27	295	320
Assets pledged	28	10,410	12,479

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -225 (-303) m.

Consolidated statement of comprehensive income

SEK m	Note	2013	2012
Net result for the period		**-1,070**	**179**
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plan	22, 32	47	-32
Items that may be subsequently reclassified to profit or loss			
Currency translation effect		-44	-103
Market valuation of interest swaps		–	4
Market valuation of forward contracts		7	-4
Other comprehensive income net after tax		**10**	**-135**
Total comprehensive income for the year		**-1,060**	**44**
Attributable to:			
Owners of the parent		-1,062	41
Non controlling interests	14	2	3
Total		**-1,060**	**44**
Total Comprehensive income attributable to equity shareholders arises from:			
Continuing operations		-1,804	-23
Discontinued operations	32	744	67
Total		**-1,060**	**44**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY						
SEK m	**Share capital**	**Other capital contributions**	**Other reserves**	**Retained earnings**	**Total**	**Non controlling interest**	**Total equity**
Opening balance, January 1, 2012	**0**	**5,652**	**-351**	**-4,347**	**954**	**24**	**978**
Effect of changes in accounting principles, IAS19R	–	–	–	-61	-61	–	-61
Adjusted opening balance, January 1, 2012	**0**	**5,652**	**-351**	**-4,408**	**893**	**24**	**917**
Net Result for the period	–	–	–	175	175	4	179
Other comprehensive income	0	0	-102	-32	-134	-1	-135
Transaction with owners, recognised directly in equity	–	299	–	–	299	17	316
Adjusted closing balance, December 31, 2012	**0**	**5,951**	**-453**	**-4,265**	**1,233**	**44**	**1,277**
Opening balance, January 1, 2013	**0**	**5,951**	**-453**	**-4,265**	**1,233**	**44**	**1,277**
Net Result for the period	–	–	–	-1,071	-1,071	1	-1,070
Other comprehensive income	0	0	-38	47	9	1	10
Transaction with owners, recognised directly in equity	–	–	–	–	–	–	–
Closing balance, December 31, 2013	**0**	**5,951**	**-491**	**-5,289**	**171**	**46**	**217**

Cash flow

Cash flow from operating activities was SEK 13 m (167) for the period January to December 2013. The lower cash flow from operating activities can primarily be explained by higher interest payments related to the refinancing at the end of 2012, lower earnings and a slightly higher build-up of working capital.

Cash flow from investment activities amounted to SEK 239 m (580) for the full year. The decline compared to last year reflects primarily our increased spending in the Valeraldehyde and derivatives project in Stenungsund, Sweden, which is scheduled to be finalized during Q1 2015. During the year, Perstorp has divested the formaldehyde technology and catalyst business, Formox to Johnson Matthey.

Liquid funds increased by SEK 220 m mainly due to the proceeds from the divestment of Formox. The Group's available funds, including liquid funds and unused credit facilities, were SEK 1,162 m at the end of the period, compared with SEK 975 m at the end of the previous year.

CONSOLIDATED CASH FLOW STATEMENT

SEK m	Note	2013	2012
Operating activities			
Operating earnings		-9	654
Adjustments:			
Depreciation and write-down		1,104	623
Other		-49	-70
Operating activities in discontinued operations		23	-17
Interest received		12	5
Interest paid		-785	-468
Income tax paid		-48	-43
Interest and taxes paid in discontinued operations		-22	-133
Cash flow from operating activities before change in working capital		**226**	**551**
Change in working capital			
Increase (-) Decrease (+) in inventories		54	-258
Increase (-) Decrease (+) in current receivables		-81	-49
Increase (+) Decrease (-) in current liabilities		-124	225
Change in working capital in discontinued operations		-62	-302
Cash flow from operating activities[1]		**13**	**167**
Investing activities			
Acquisition of supplier contract		-45	–
Acquisition of shares in associated companies		–	-1
Acquisition of tangible and intangible fixed assets		-690	-490
Sale of net assets, subsidiaries	32	1,018	–
Sale of interest in subsidiary to non-controlling interest		–	1,046
Sale of tangible and intangible fixed assets		–	117
Change in financial receivables, external		-32	-15
Discontinuing operations		-12	-77
Cash flow from investing activities		**239**	**580**
Financing activities			
New loan, external		–	6,944
Change in loan from Parent Company		-61	345
Shareholders' contribution		–	299
Amortization of loans, external		–	-7,753
Change in credit utilization [1]		34	-342
Cash flow from financing activities [1][3]		**-27**	**-507**
Change in cash & liquid funds, incl. short-term investments		**225**	**240**
Cash and liquid funds opening balance, incl. short-term investments		685	454
Translation difference in cash and cash equivalents		-5	-9
Cash & liquid funds, end of period [2]	**19**	**905**	**685**

[1] Including payment of bank fees, SEK - (381) m relating to refinancing of senior debt
[2] Including SEK - (7) m classified as assets held for sale
[3] Whereof discontinuing operations SEK 10 (322) m

The Parent Company year-end accounts

INCOME STATEMENT

SEK m	Note	2013	2012
Net sales		**57**	**52**
Gross earnings		**57**	**52**
Sales and marketing costs		-6	-10
Administration costs	33	-121	-113
Other operating income and expenses	11	-22	-2
Operating earnings (EBIT)	**22, 26**	**-92**	**-73**
Group contribution received		811	637
Earnings from participations in Group companies [1)]		-1,265	-57
Net financial items	21	-845	-436
Result before tax		**-1,391**	**71**
Tax	23	-1	-38
Net result for the year [2)]		**-1,392**	**33**

[1)] Comprises of capital loss/gain sale of shares and financial receivables subsidiaries of SEK -349 (41) m, reversal of previous years write down financial receivables of SEK 461 m and write-down of shares in subsidiaries and associated companies and financial receivables versus subsidiaries of SEK -1,377 (-98) m.

[2)] Comprehensive income equals Net result for the year.

BALANCE SHEET

SEK m	Note	Dec. 31, 2013	Dec. 31, 2012
ASSETS			
Non current assets			
Intangible fixed assets	7	5	4
Shares in Group companies	17	6,947	7,731
Long-term receivables, Group companies	21	4,756	4,709
Participations in associated companies	13	455	1,046
Direct pension, endowment insurance		78	74
Total non current assets		**12,241**	**13,564**
Current assets			
Operating receivables, Group companies		8	8
Tax receivables		11	13
Other operating receivables	18	14	12
Financial receivables, Group companies	21	876	2,273
Other current financial receivables	21	36	21
Total		**945**	**2,327**
Cash & cash equivalents	19	110	550
Total current assets		**1,055**	**2,877**
Total assets		**13,296**	**16,441**
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital (100.000 shares, par value of SEK 5 each)		0	0
Retained earnings		2,390	2,357
Net earnings/loss for the year		-1,392	33
Total shareholders´equity		**998**	**2,390**
Non current liabilities			
Direct pension		97	92
Long-term liabilities, Parent company	21	626	1,271
Long-term interest bearing liabilities [1)]	21	9,684	9,162
Total non current liabilities		**10,407**	**10,525**
Current liabilities			
Accounts payable	25	6	57
Tax liabilities		1	2
Other operating liabilities, Group companies		5	2
Other operating liabilities	25	28	39
Accrued interest expense, interest free		425	355
Financial liabilities, Group companies	21	1,426	3,068
Other financial liabilities	21	-	3
Total current liabilities		**1,891**	**3,526**
Total shareholders´ equity & liabilities		**13,296**	**16,441**
Contingent liabilities	27	624	563
Assets pledged	28	12,304	13,646

[1)] The amount includes expenses for loan financing in connection with Perstorp Holding AB´s refinancing of senior debt. The amount was SEK -225 (-303) m.

CASH FLOW STATEMENT

SEK m	2013	2012
Operating activities		
Operating earnings	-92	-73
Interest received	591	173
Interest paid	-830	-322
Group contribution received	637	629
Realized exchange rate profit/loss	0	-22
Income tax paid	0	-7
Adjustment, change in provisions	1	1
Cash flow from operating activities before change in working capital	**307**	**379**
Change in working capital		
Increase (-) Decrease (+) in current receivables	-2	10
Increase (+) Decrease(-) in current liabilities	-58	-26
Cash flow from operating activities	**247**	**363**
Investing activities		
Sale of net assets, subsidiares	8	1,089
Changes in internal financial receivables	-1,964	-5,831
Acquisition of intangible assets	-1	-3
Cash flow from investing activities	**-1,957**	**-4,745**
Financing activities		
Shareholder contibution from parent company	–	299
New loans external	–	7,029
Amortization of loans, external	–	-2,735
New loans Group companies	2,366	–
Amortizations of loans, Group companies	-1,035	-318
Change in loan from parent company	-61	345
Cash flow from financing activities	**1,270**	**4,620**
Change in liquid funds, incl.short-term investments	**-440**	**238**
Liquid funds opening balance, incl short term investments	550	312
Liquid funds, end of period	**110**	**550**

SHAREHOLDER´S EQUITY 2013, PARENT COMPANY

SEK m	Share capital	Retained earnings	Net earnings/loss for the year	Total shareholders´ equity
Opening balance shareholders´equity, January 1, 2013	**0**	**2,357**	**33**	**2,390**
Transfer of preceding year's results	–	33	-33	–
Net earnings/loss for the year	–	–	-1,392	-1,392
Closing balance, December 31, 2013	**0**	**2 390**	**-1 392**	**998**

SHAREHOLDER´S EQUITY 2012, PARENT COMPANY

SEK m	Share capital	Retained earnings	Net earnings/loss for the year	Total shareholders´ equity
Opening balance shareholders´equity, January 1, 2012	**0**	**3,618**	**-1,560**	**2,058**
Transfer of preceding year´s results	–	-1,560	1,560	–
Shareholders´contribution	–	299	–	299
Net earnings/loss for the year	–	–	33	33
Closing balance, December 31, 2012	**0**	**2,357**	**33**	**2,390**

Other

EMPLOYEES

The number of FTE (full time equivalents) in the continuing operations at the end of the period was 1,524, which is 62 more than at year-end 2012.

THE PERSTORP BOARD

At an Extraordinary General Meeting in September Martin Lundin resigned as Board Director and Jan Secher was elected as new Director of the Board.

THE ENVIRONMENT

The production by 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 important environmental factors are the consumption of raw materials and energy; emissions of greenhouse gases and volatile organic substances; and consumption of and contamination of the water.

Each unit in the Group submits an annual environment report to be approved by the inspection authorities. The Group has production in eight countries. The major production sites in the Group are situated in Sweden. Proactive environmental work has been carried out locally for many years. The Perstorp Group possesses two multisite certificates of which one is according to the ISO 14001 standard including six of the nine production units.

The environmental performance has improved; compared with 2010 the energy consumption in 2013 was reduced by 5%, emission of fossil carbon dioxide with 9% and COD to wastewater with 4%.

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. Perstorp Specialty Chemicals has made financial reservations for possible upcoming remediation activities.

At the Zibo site in China several environmental investments were made in connection with building the new Neo plant such as a waste water treatment plant, catalytic incinerator and water scrubbers for air emission.

Total investments in the environment, health and safety amounted to SEK 85.9 million in 2013 (81.2). This amounts to 12% (16) of the Group's total investments. For details on resource management, environmental impact and emissions, see www.perstorp.com/Responsibility

REACH registrations for products manufactured and/or imported in the range of 100-1000 tons/year were registered at the European Chemicals Agency, ECHA before the deadline May 31 2013. Substances registered in 2010 were also managed and monitored during the year, to ensure that new information generated was properly transferred into the Safety Data Sheets and distributed to our customers automatically.

INNOVATION

2013 was a year of unprecedented activity in Innovation, culminating at the 2013 Kunststoffmesse in Duesseldorf. One big event was the launch of Pevalen™, a new cost-competitive and high performance plasticizer for close to consumer applications built on Perstorp core technologies. Pevalen™ is specifically useful for plastisol applications like flooring. Pevalen™ will also make use of Perstorp's giant investment in oxo technology in Stenungsund, due to come on stream in the first quarter of 2015.

Also at the Kunststoffmesse, Perstorp introduced Akestra™, a new modification of PET, with a monomer pentaspiroglycol that pushes up thermal resistance of the plastic to values around and above 100C, thus enabling dishwashing and hot-fill packaging, where other materials such as glass or polystyrene had to be used. The technology has been developed by partner company Mitsubishi Gas Company, and Perstorp will contribute to the effort by developing the market in Europe, providing key raw materials, with the ultimate intent of establishing a manufacturing joint venture.

Further new launches at the Kunststoffmesse were related to product families based on caprolactone. One line includes biodegradable plastic materials, used in combination with others for applications like packaging. Another line is about partially renewable compolymers with caprolactone, which open up new performance domains for this highly convenient and versatile polymer platform.

At a market level, a strong development of innovation-driven growth markets for water-borne coatings, lubricants and feed was seen. In radiation curable paints, decent volumes were met with price pressure, and a general tapering off of business in the second half of the year. In another high-growth paint market driven by sustainability, we should mention the successful commissioning of the Neopentyl Glycol plant in China, feeding the Asian powder coatings market.

On a product level, rapid growth in volumes of products introduced less than 5 years ago was seen, reflecting strong strategic focus of a modest resource pool.

KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

At the end of March, 2014 Perstorp Holding AB received a shareholders' contribution amounting to SEK 633 m, whereof SEK 633 m has been converted from loans to equity.

During Q1 2014, Perstorp introduced a new business model, a new organizational structure, a new management team and a cost competitiveness program. These changes are the result of an extensive self-examination conducted to unlock Perstorp's full potential and to expand the Group's competitive advantage. It will also lead to the anticipated redundancies of 111 employees throughout the Group.

Notes

DEFINITIONS

CAPITAL RATIOS

Average capital
Based on monthly balances during the year.

Capital employed
Total assets less interest-free liabilities.

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 Holding AB (publ.) and its subsidiaries (jointly designated the Group) produce and sell specialty chemicals. At the end of the report period the Group had 9 manufacturing units in 8 countries in Europe, North America and Asia. These geographic areas comprise the Group's main markets for sales, with the main focus in Europe.

The Group was formed at the end of 2005 when the private equity company, PAI partners, became the owner through Perstorp Holding AB. Since this time PAI partners has controlled 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 Perstorp, Sweden. The address to the head office is 284 80 Perstorp, Sweden.

The Board approved this report for publication on April 24, 2014.

NOTE 2. SUMMARY OF SIGNIFICANT 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.

Change in Accounting priciples and disclosures

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to Group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits'. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 35 for further information.

IFRS 7, Financial instruments, disclosures' on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

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.

Financial instruments
The Parent Company does not report financial instruments in accordance with IAS 39. Financial instruments are used by the company to hedge interest rate risks and are held until the maturity date. Against this background, interest rate swap contracts, forward contracts and currency swaps are not reported at fair value in the Parent Company's balance sheet and income statement.

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 ventures

Joint ventures refer to a relationship founded on an agreement in which two or more partners operate an economic activity together and have a joint deciding influence over the activity. Holdings in joint ventures are reported using the equity method, as with holdings in associated companies. Classification of profit shares are also reported in the same way as with associated companies as a result of business focus. When the Group seizes to have joint control 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 joint control the investment is measured at its fair value. The change in the carrying amount is recognized in income statement.

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.

Sales of services & contractor assignment

Sales revenues and earnings from sales of formalin plants are reported in accordance with IAS 11, Construction Contracts, which means that income and costs are recognized in line with the completion of an assignment on the balance-sheet date. In cases where it is probable that the total cost of the assignment will exceed the total contract income, the surplus amount is reported immediately as a cost. The degree of completion is established on the basis of the assignment costs incurred on the balance-sheet date as a percentage of the estimated total assignment costs for each individual assignment. Costs incurred during the year that pertain to future work are not included in assignment costs incurred when establishing the degree of completion. These are reported as inventories.

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.

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 Group 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.

In connection with the allocation 2006 of acquisition value, actuarial gains and losses were set at zero, as a result of the opening liability being established at the present value of the obligation at the date of transition and, similarly, any related plan assets have been fair valued.

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 staff 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.

The Group's payments for defined-contribution pension plans are reported as a staff 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 or electrical forwards 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 2013, and have not been applied in preparing these consolidated financial statements. The Group is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. 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.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

NOTE 3. RISK MANAGEMENT

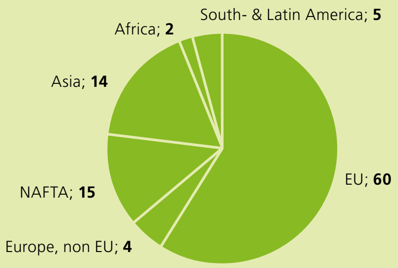
3.1 FINANCIAL RISK FACTORS

The Groups finance policy stipulates the division of responsibility for financial operations. The policy also governs the financial risks the Group is prepared to take and stipulates guidelines for how the 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. As the accompanying diagram shows, a major proportion of sales is made in Europe, of which 15 (15%) occurs in Sweden. 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 that more than half of the Group's employees being based at Swedish sites.

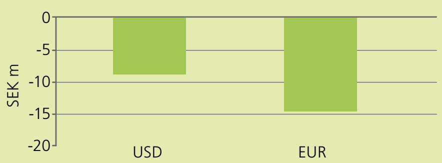
NET SALES PER GEOGRAPHIC MARKET, % [1]



[1] Continuing operations

Approximately 40% of the Group's currency exposure is hedged through borrowings in EUR and USD at the end of 2013. No other hedging processes were in place.

EFFECT ON EBITDA OF 1% STRONGER SEK



EXPOSURE PER CURRENCY, FORECAST FOR 2014[1]

	Net sales	Operating costs	EBITDA	Financial payments	Net	Translated to SEK m[2]
USD	470	-330	140	-45	95	618
EUR	710	-545	165	-74	91	814
GBP	35	-25	10	–	10	107

[1] forward-looking statements are not guarantees of future performance
[2] currency rate on closing day

At the end of 2013 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 100 million and affect the financial net.

LIQUIDITY RISK

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

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	465	-5,774	-5,309
USD	-405	-4,846	-5,251
GBP	215	-	215
SEK	-337	10,620	10,283
Other currencies	233	-	233
Total	**171**	**-**	**171**

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 initiated in November 2012.

The maturity structure of this financing is presented in note 21a. 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. Annual interest on the parent company loans is 10% and this has been capitalized.

LIABILITIES, INTEREST RATES & FINANCIAL INSTRUMENTS, PER DUE DATE

As of 31 december 2013	0–1 years	1–2 years	2–5 years
Borrowings			
Amortization (incl. Future PIK-interest)	-123	-1	-11,017
Interest	-878	-892	-1,716
Derivative Instruments			
Interest swaps	–	–	–
Currency swaps outgoing	-350	–	–
Currency swaps ingoing	349	–	–
Currency swaps net market value	-1	–	–
Accounts Payable & Other Liabilities	-1,501	–	–

INTEREST-RATE RISK

Interest risk refers to the risk of a negative impact on earnings due to a rise in market interest rates. As of December 31, 2013, 73% of total financing was restricted to fixed interest rates, and the average fixed period of interest was 917 days. The table below shows the interest rate and fixed period per currency. Interest rate sensitivity is also illustrated in the diagram below.

	Local currency	SEK m	Effective rate balance sheet date, %	Actual duration, days
SEK	0	3	0.0	0
EUR	594	5,117	11.6	593
USD	740	4,817	9.8	1276
Other currencies	–	97	5.9	172
Total *		**10,034**	**10.7**	**917**

* Financial liability excluding shareholder loans and pension debt.

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.

For financial counterparts, the exposure at year-end amounts to SEK 559 (248) m. A Group-wide credit policy is applied within the Perstorp Group. The purpose of this policy is to establish standard procedures to minimize credit losses, and optimize capital maturities in ways beneficial for the Group. Among other things, the credit policy sets a framework for approving credit, 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. In practice this is continually an intensive activity.

The Group's outstanding customer receivables on the closing date amounted to SEK 1,420 (1,294) m. The increase is mainly due to higher sales in quarter 4, 2013 compared to quarter 4, 2012. 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 reservation for expected/stated customer losses amounting to SEK 9 (24) m.

To highlight the credit quality of receivables that have either fallen due for payment or have been written down, a maturity analysis is presented below (see note 18 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 considered to be material. It should also be noted that it is not uncommon for a receivables to be settled shortly after the due date, which affects the maturity interval by 1-10 days.

Time analysis on accounts receivables	**Dec. 31, 2013**	**Dec. 31, 2012**
Accounts receivable neither due nor reserved	1,251	1,254
Accounts receivable due, but not reserved:		
1–10 days	127	88
11–30 days	40	34
31–60 days	5	7
61–90 days	1	1
91–180 days	2	0
180 days or more	-5	-2
Accounts receivable linked to reservation	8	24
Gross total	**1,429**	**1,406**
Reservation	-9	-24
Net total	**1,420**	**1,382**
Assets held for sale	–	-88
Total	**1,420**	**1,294**

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 A below.

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

The segment with amounts due exceeding SEK 20 m refers to 6 (4) individual customers, the segment between SEK 10-20 m refers to 10 (11) individual customers. The category of customer owing the Group less than SEK 1 m on the closing date corresponds to around 83 (85)% of all counter parties.

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 13 (64) m. Of these, SEK 0 (0) m is attributable to receivables that have fallen due for payment. Of receivables that have fallen due and which are associated with a limited credit risk due to pledged securities, SEK 0 (0) m are over 30 days due.

3.2 OPERATIONAL RISK FACTORS

ACCESS TO RAW MATERIALS

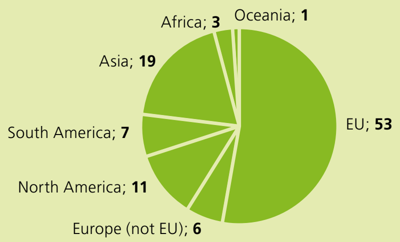
Most of the Group's raw materials (75-80%) are based on oil or natural gas. For production of biodiesel the most important raw material is rapeseed oil. Many of the Group's products are both sold externally and further processed internally.

To safeguard supplies of raw materials and spread risks, the Group's purchasing policy requires that supplies of critical raw materials are made by several 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 aims to minimize transport by buying on local markets.

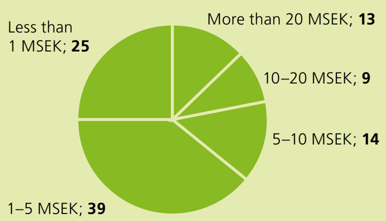
Supplies of raw materials to Perstorp's site in Stenungsund – the largest site in Sweden in terms of volumes – are primarily made via pipelines direct from nearby producers. This eliminates storage costs and minimizes freight costs although it does entail a risk of being closely tied to these suppliers. 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, with discounts and special terms negotiated.

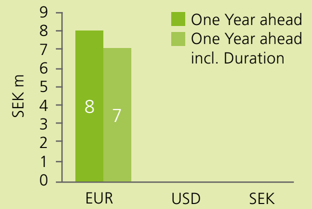
A. CONCENTRATION RISK OF ACCOUNTS RECEIVABLE DIVIDED BY GEOGRAPHIC REGION, %



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



C. GROUP SENSITIVITY FOR 1% INCREASE IN INTEREST RATE



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 the end of 2013 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 the possibility to secure prices for longer periods. In accordance with Group policy, electricity usage in Sweden is hedged over the coming six months at a range of 80-100% of expected usage and thereafter – for a maximum of three years – on a falling scale. From the seventh quarter the range is 0-50%. At the end of 2013 the market assessment of future electricity contracts had a negative effect on shareholders' equity of SEK 13 (20) m after tax.

PRODUCTION DISRUPTIONS

Disruptions at Perstorp's plants may lead to a loss of earnings in the short term if the Group cannot deliver agreed volumes to customers and in the long term if this leads to alternative products taking over for the same application. Regular technical risk 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 on its size for competitive advantages in insurance terms and cost.

NOTE 4. SIGNIFICANT ESTIMATES & JUDGMENTS MADE FOR ACCOUNTING PURPOSE

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. A number of important estimates are made during this analysis, see note 7.

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 China, Sweden and the UK. For booked values see Note 23.

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, note 22 and 35.

Perstorp's financial accounts are based on the going-concern principle, which is also reflected in how any environmental liabilities are assessed. In the end of 2012 negotiations with its senior lenders was completed on a reorganization of the Group's financing which now is secured until 2017, see note 21. The Group's ongoing activities are also 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. In 2005 independent environmental assessments were performed of all the sites. These inquiries did not result in any material environmental observations.

NOTE 5. SEGMENT INFORMATION

Perstorp's operations are divided into two business groups, Specialty Intermediates and Performance Products. Each business group is divided further into business units that are identified by the key chemical products produced. The Specialty Intermediates business group comprises Oxo, Penta & Formates and TMP & Neo, which have similar economic characteristics, chemical elements, distribution methods and customers and is centered on aldehyde production trees.

The Performance Products business group comprises Caprolactones & SPPO, Performance Additives and BioProducts business units, which share fewer economic, production or customer-related characteristics. However, to facilitate and streamline overall business administration, these business units are managed as the collective Performance Products business group.

SEK m	2013	2012[1)]
NET SALES		
Specialty Intermediates	6,886	6,700
Performance Products	3,456	3,421
Eliminations	0	-85
Total Continuing operations	**10,343**	**10,036**
EBITDA		
Specialty Intermediates	769	747
Performance Products	373	388
Other/Eliminations	-47	142[2)]
Total Continuing operations	**1,095**	**1,277**

1) The figures for 2012 is restated due to the divestment of Formox
2) Other/eliminations is mainly attributable to sale of land in India

The Group is domiciled in Sweden. The result of its revenue from external customers in Sweden is 15% (15%), and the total of revenue from external customers from other countries is 85 % (85%). No sales above 10% derived from a single external customer.

As from Q1 2014 Perstorp will report the segment information based upon two recently created Business Areas; Intermediates and Derivatives, and Specialties and Solutions to reflect the new organizational structure.

NOTE 6. TANGIBLE FIXED ASSETS [1)]

Group	Land		Buildings, land improvements		Plant & machinery		Equipment, tools, fixtures & fittings		Work in progress incl. advance payments [4)]		Total	
SEK m	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Acquisition value												
Opening balance	178	191	844	876	5,375	6,006	293	300	484	217	7,174	7,590
Investments [2)]	4	1	59	–	94	50	2	3	546	504	705	559
Divestments of subsidiaries [3)]	–	–	–	-24	-33	-35	-33	-1	-23	-10	-89	-70
Divestments and disposals	–	-11	–	-14	-21	-61	-2	-4	0	-11	-23	-101
Reclassifications	–	–	17	33	263	166	10	4	-288	-203	2	0
Translation effects	4	-3	11	-14	64	-113	7	-7	1	-5	87	-142
Assets held for sale	–	–	–	-13	–	-638	–	-2	–	-8	0	-661
Closing balance	**186**	**178**	**931**	**844**	**5,742**	**5,375**	**277**	**293**	**720**	**484**	**7,856**	**7,174**
Accumulated depreciation according to plan												
Opening balance	–	–	-307	-273	-2,301	-2,137	-203	-183	–	–	-2,811	-2,594
Depreciation	–	–	-50	-46	-389	-383	-26	-29	–	–	-465	-458
Divestments of subsidiaries [3)]	–	–	–	–	17	–	17	–	–	–	34	–
Divestments and disposals	–	–	–	6	20	32	2	3	–	–	22	41
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–
Translation effects	–	–	-5	4	-43	54	-7	6	–	–	-55	64
Assets held for sale	–	–	–	2	–	133	–	–	–	–	–	135
Closing balance	**–**	**–**	**-362**	**-307**	**-2,696**	**-2,301**	**-217**	**-203**	**–**	**–**	**-3,275**	**-2,811**
Write-downs												
Opening balance	-5	-5	-5	-22	-62	-598	-6	-9	-4	-13	-82	-647
Reversal of previous year	–	–	–	–	–	203	–	–	–	–	0	203
Write-downs during the year	–	–	–	–	-2	-2	–	–	–	–	-2	-2
Divestments and disposals [3)]	–	–	–	5	–	–	–	–	–	–	–	5
Reclassifications	-1	–	–	-1	–	–	–	1	–	–	-1	–
Translation effects	–	–	–	2	–	26	–	-1	1	2	1	30
Assets held for sale	–	–	–	11	–	309	–	3	–	7	–	330
Closing balance	**-6**	**-5**	**-5**	**-5**	**-64**	**-62**	**-6**	**-6**	**-3**	**-4**	**-84**	**-82**
Closing book value	**180**	**173**	**564**	**532**	**2,982**	**3,012**	**54**	**84**	**717**	**480**	**4,497**	**4,281**

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 recently 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 by SEK 14 (2) m during 2013.
3) Divestment of subsidiaries during 2013 refers to the divestment of Formaldehyde technology and catalyst business.
4) Work in progress mainly refers to investment in project Valerox.

Depreciation per function	2013	2012
Cost of goods sold	457	448
Selling Cost	1	2
R & D	3	1
Administration	2	3
Continuing operations	**463**	**454**
Discontinuing operation	1	4
Total	**464**	**458**

Impairment and the result effects of scrapping are included in Other operating expenses.
Buildings and land with a value of SEK 1,606 (1,728) 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	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Acquisition value																		
Opening balance	2,514	2,569	1,461	1,461	199	244	1,268	1,269	1,558	1,574	11	10	32	27	281	280	7,325	7,435
Investments	–	–	–	–	–	0	–	–	–	–	–	1	8	4	34	11	42	16
Divestments and disposals	-241	–	-99	–	–	0	-60	–	-219	–	–	–	–	–	–	–	-619	–
Reclassifications	–	–	–	–	6	–	–	–	–	–	18	–	–	4	-18	-4	6	0
Translation effects	35	-55	–	–	1	-1	1	-1	7	-16	1	–	–	-2	5	-6	50	-81
Assets held for sale	–	–	–	–	–	-44	–	–	–	–	–	–	–	-1	–	–	0	-45
Closing balance	**2,308**	**2,514**	**1,362**	**1,461**	**206**	**199**	**1,209**	**1,268**	**1,346**	**1,558**	**30**	**11**	**40**	**32**	**302**	**281**	**6,803**	**7,325**
Accumulated depreciation according to plan																		
Opening balance	0	0	-50	-41	-70	-64	-312	-273	-601	-534	-10	-9	-2	-1	-197	-161	-1,243	-1,083
Depreciation	–	–	-9	-10	-13	-13	-40	-41	-65	-72	-4	-1	-2	-1	-38	-41	-171	-179
Divestments and disposals	–	–	2	–	–	–	14	–	52	–	–	–	–	–	–	–	68	0
Translation effects	–	–	-1	1	-1	1	-2	2	-5	5	–	–	–	–	-8	5	-17	13
Assets held for sale	–	–	–	–	–	6	–	–	–	–	–	–	–	–	–	–	0	6
Closing balance	**0**	**0**	**-58**	**-50**	**-84**	**-70**	**-340**	**-312**	**-619**	**-601**	**-14**	**-10**	**-4**	**-2**	**-243**	**-197**	**-1,362**	**-1,243**
Write–downs																		
Opening balance	-3	-3	0	0	0	-40	-10	-10	-120	-120	0	0	0	0	-6	-6	-139	-179
Write-downs during the year	-462	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	-462	0
Translation effects	3	–	–	–	–	2	–	–	–	–	–	–	–	–	–	–	3	2
Assets held for sale	–	–	–	–	–	38	–	–	–	–	–	–	–	–	–	–	0	38
Closing balance	**-462**	**-3**	**0**	**0**	**0**	**0**	**-10**	**-10**	**-120**	**-120**	**0**	**0**	**0**	**0**	**-6**	**-6**	**-598**	**-139**
Closing book value	**1,846**	**2,511**	**1,304**	**1,411**	**122**	**129**	**859**	**946**	**607**	**837**	**16**	**1**	**36**	**30**	**53**	**78**	**4,843**	**5,943**

[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	**2013**	**2012**
Cost of goods sold	47	44
Selling Cost	123	134
R & D	0	0
Administration	1	1
Total Group	**171**	**179**

Impairment is included in the Other operating costs item.

Know-how and customer relations are depreciated linearly. The remaining average life length is 21 (22) and 9 (10) years respectively. Non-compete agreements acquired in 2008 are depreciated linearly over 6 years. For further details concerning accounting principles for intangible assets, see note 2.6.

Impairment testing
The cash-generating units comprise Specialty Chemicals, Caprolactones and Bio Products.

Recoverable amounts for a cash-generating unit are established on the basis of calculations of value in use. These calculations are based on estimates of future cash flow, in accordance with financial five-year plans that have been approved by management.

Cash flows beyond this five-year period are extrapolated using an estimated growth rate of 2%. The discount interest rate amounts to 11% after tax. A sensitivity analysis, with an increase in the discount rate by 1%, has been carried out for the Group. This resulted in impairment during the year amounting to SEK 462 (-) m for goodwill in the cash-generating unit, Specialty Chemicals.

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.

SEK m	**Goodwill**	**Trademarks**	**Total**
Specialty Chemicals	1,565	1,178	2,743
Caprolactones business	281	126	407
Total	**1,846**	**1,304**	**3,150**

Parent company

	Other	
Acquisition value	**2013**	**2012**
Opening balance	4	1
Investments	1	3
Depreciation	0	–
Closing balance	**5**	**4**

NOTE 8. LEASING

Financial leasing agreements:

	Group	
Future minimum leasing fees	**2013**	**2012**
Due:		
Year 1	0	1
Year 2–5	1	0
Year 6–	0	0
Total	**1**	**1**

Operational leasing agreements:

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

Future minimum leasing fees	**2013**	**2012**
Due:		
Year 1	27	30
Year 2–5	40	36
Year 6–	1	2
Total	**68**	**68**

Operational leasing costs during the period	**2013**	**2012**
Minimum leasing fees	37	35
Variable charges	2	2
Total	**39**	**37**

NOTE 9. NET SALES

SEK m	Group	
Net sales by type of income	**2013**	**2012**
Goods	10,303	10,008
Services	40	28
Contracts (reported according to level of completion)	–	–
Continuing operations	**10,343**	**10,036**
Discontinued operations	257	2 798
Total	**10,600**	**12,834**

	Group	
Net sales by geographic region	**2013**	**2012**
EU and rest of Europe	6,645	6,422
North and South America	1,971	1,864
Asia	1,471	1,501
Africa	209	206
Oceania	47	43
Continuing operations	**10,343**	**10,036**
Discontinued operations	257	2,798
Total	**10,600**	**12,834**

The Parent Company did not report any net external sales in 2013 or 2012.

NOTE 10. BREAKDOWN OF COSTS

SEK m	Group	
Costs divided by type	**2013**	**2012**
Raw materials, goods for sale, energy, transport and packaging costs	-7,680	-7,265
Other external costs	-533	-590
Employee benefits (note 26), excl. restructuring costs	-1,085	-1,062
Depreciation (note 6, 7)	-634	-623
Other operating income & expenses (note 11)	-425	154
Earnings from participations in associated companies	5	3
Continuing operations	**-10,352**	**-9,383**
Discontinued operations	584	-2,377
Total	**-9,768**	**-11,760**

NOTE 11. OTHER OPERATING INCOME & COSTS

	Group		Parent Company	
SEK m	**2013**	**2012**	**2013**	**2012**
Insurance remuneration	4	2	-	-
Operations-related exchange-rate differences	-1	-53	-	1
Restructuring costs	-9	37	-11	–
Write-downs, disposal (note 6, 7)	-470	0	–	–
Other	51	168[1]	-11	-3
Continuing operations	**-425**	**154**	**-22**	**-2**
Discontinued operations	822	302	–	–
Total	**397**	**456**	**-22**	**-2**

[1] Including property divestment in India.

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

SEK m	**2013**	**2012**
PetroPort Holding AB, Sweden	4	2
Koei-Perstorp Company Ltd, Japan	1	2
Polygiene AB, Sweden	0	-1
Total	**5**	**3**

The companies´sales amounted to a total of SEK 417 (413) m and earnings after tax was SEK 10 (2) m.

Reported within financial items

SEK m	**2013**	**2012**
Vencorex Holding France SAS[1]	-506	-70
Total	**-506**	**-70**

[1] Including a write down of SEK 322 (–) m.

The company sales amounted to a total of SEK 3 759 (2 392) m and the loss after tax was SEK -375 (-143) 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	49	49
Koei-Perstorp Company Ltd, Japan	40/40	2	2
Polygiene AB, Sweden	30/30	2	0
Vencorex Holding France SAS	49/49	777	455
Total		**830**	**506**

	2013	**2012**
Opening book value	981	44
Earnings from participations including write down	-501	-67
Acquisitions of/new shares issue in associated companies	–	1 046
Translation difference	26	-42
Closing book value	**506**	**981**

The assets of associated companies amounted to SEK 3 383 (3 400) m at the end of 2013 and liabilities amounted to SEK 1 690 (1 394) m.

NOTE 14. NON CONTROLLING INTERESTS´ SHARE IN NET PROFIT/LOSS FOR THE YEAR

SEK m	**2013**	**2012**
Shandong Fufeng Perstorp Chemicals Co. Ltd, China	1	4
Total	**1**	**4**

NOTE 15. NON CONTROLLING INTERESTS

SEK m	**Book value Dec. 31, 2013**	**Book value Dec. 31, 2012**
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	46	44
Total	**46**	**44**

SEK m	**2013**	**2012**
Opening book value	44	24
Translation effects	1	-1
Change in the period	1	4
Contribution	–	17
Closing book value	**46**	**44**

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

NOTE 16. OTHER LONG-TERM RECEIVABLES

SEK m	**Dec 31, 2013**	**Dec 31, 2012**
Interest-bearing long-term receivables		
Other receivables	1	1
Total	**1**	**1**
Interest-free long-term receivables		
Other receivables	22	31
Total	**22**	**31**

NOTE 17. PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2013 Holding, %	2012 Holding, %	2013 Book value	2012 Book value
Perstorp Butenderivat AB	**556762-4563**	**Perstorp, Sweden**	**100**	**100**	**6,944**	**7,712**
Perstorp AB	556024-6513	Perstorp, Sverige				
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	0199-01-053962	Japan				
Perstorp (Beijing) International Trading Co Ltd [2]	11000041 028488	China				
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				
AB Klosters Fabriker [3]	556005-3489	Sweden				
Formox AB [2]	556760-4235	Sweden				
Perstorp BioProducts AB	556728-5779	Sweden				
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	s-Hertogenbosch, Netherlands				
Perstorp Specialty Chemicals BV	23091252	Netherlands				
Perstorp Specialty Chemicals Holding BV	23092336	Netherlands				
Perstorp Waspik BV	18116759	Netherlands				
Perstorp Chemicals India Private Ltd	04-32032	India				
Franklin Feed Additives SA	A62968368	Spain				
Perstorp Chemicals Korea Co. Ltd	230111-0095660	South Korea				
Perstorp Holding GmbH	**HRB 7465, Arnsberg**	**Arnsberg, Germany**	**6**	**6**	**3**	**18**
Perstorp Chemicals GmbH	HRB 1900, Arnsberg	Germany				
Perstorp Service GmbH	HRB 6542, Arnsberg	Germany				
Perstorp Holding Singapore PTE Ltd[2]	**200719657R**	**Singapore**	**–**	**100**	**–**	**0**
Perstorp Singapore PTE Ltd[2]	199607827W	Singapore				
PLS Holding PTE Ltd[2]	200717627E	Singapore				
Total book value in Parent Company			**–**	**–**	**6,947**	**7,731**

[1] This company is under liquidation.
[2] Divested March 2013, see note 32.
[3] Company was liquidated during 2013.

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	2013	2012
Opening book value	7,731	7,808
New issue of shares in Group companies	8	2,257
Sale of Group company	-8	-1,190
Reclassification to associated company	–	-1,046
Transfer of shares in Group companies	–	-7,712
Shareholder contribution	–	7,712
Write-down	-784	-98
Closing book value	**6,947**	**7,731**

NOTE 18. ACCOUNTS RECEIVABLE & OTHER OPERATING RECEIVABLES

	Group	
SEK m	Dec. 31, 2013	Dec. 31, 2012
Accounts receivable, gross	1,429	1,318
Bad debt provision	-9	-24
Accounts receivable, net	**1,420**	**1,294**
Other operating receivables		
Value added tax	54	84
Emissions credits	5	39
Receivables from suppliers	20	17
Other current receivables	14	25
Deferred income, Formox project (see table below)	–	15
Prepaid insurance premiums	4	4
Other prepaid costs and deferred income	71	141
Total other operating receivables	**168**	**325**

The Parent Company had other operating receivables totaling SEK 14 (12) m, and accounts receivable amounting to SEK 0 (0) m.

Deferred income, Formox project	Dec. 31, 2013	Dec. 31, 2012
Deferred costs plus profit mark-up	–	170
Advance payments from customers	–	-155
Total deferred income Formox project	**–**	**15**

Analysis of accounts receivable	Dec. 31, 2013	Dec. 31, 2012
Not due	1,252	1,168
Due:		
1–10 days	128	87
11–30 days	40	35
31–60 days	0	9
61–90 days	6	2
91–180 days	2	1
181 days or more	1	16
Accounts receivable, gross	**1,429**	**1,318**
Reservation for bad debts	-9	-24
Accounts receivable, net	**1,420**	**1,294**
Proportion of accounts receivable due	12.4%	11.4%
Proportion of accounts due over 60 days	0.6%	1.4%
Reservation in relation to total accounts receivable	0.6%	1.8%

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

Allocation for bad debts	2013	2012
Allocation, opening balance	-24	-11
Recovered predicted customer losses	2	2
Established customer losses	15	0
Reservation for predicted customer losses	-1	-16
Assets held for sale	–	0
Exchange rate effects and other	-1	1
Allocations at year-end	**-9**	**-24**

NOTE 19. CASH & CASH EQUIVALENTS

	Group		Parent Company	
SEK m	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Short-term deposits	81	117	67	85
Cash and Bank	824	568	43	465
Total	**905**	**685**	**110**	**550**
Assets held for sale	–	-7	–	–
Continuing operations	**905**	**678**	**110**	**550**

NOTE 20. INVENTORIES

	Group	
SEK m	Dec. 31, 2013	Dec. 31, 2012
Raw material and consumables	336	334
Products in progress	23	22
Finished goods and goods for resale	877	974
Work in progress on behalf of others	-2	4
Advance payment to suppliers	6	52
Impairment reserve	-9	-11
Total	**1,231**	**1,375**

	2013	2012
Impairment reserve, opening balance	11	14
Provision utilized during the year	-5	-1
Allocation for the year	3	2
Translation effects	0	0
Asset held for sales	–	-4
Impairment reserve, closing balance	**9**	**11**

Of the total value of inventories, SEK 56 (0) m is assessed at net sales value. During the assessment of net sales price, impairment that affects earnings has arisen (Cost of sold goods) amounting to SEK 10 (0) m. The net value of the year's allocations/provisions utilized during the year affects earnings for the year.

NOTE 21. BORROWINGS & FINANCIAL COSTS

A. Specification net debt

	Group		Parent Company	
SEK m	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Senior secured notes/loans	4,888	4,802	4,888	4,802
Second lien secured notes/loans [1)]	2,408	2,411	2,408	2,411
Mezzanine loans	2,678	2,335	2,678	2,335
Revolver	0	0	0	0
Inter-company financial liabilities	–	–	1,426	3,068
Other financial liabilities, excluding loans from Parent Company [1)]	60	6	-67	-80
Financial liabilities, excl. shareholder loans and pension liabilities	**10,034**	**9,554**	**11,333**	**12,536**
Interest-bearing pension liabilities, net	330	263	–	–
Loan from Parent Company	626	1,271	626	1,271
Total interest-bearing debt	**10,990**	**11,088**	**11,959**	**13,807**
Cash and cash equivalents	-905	-685	-110	-550
Inter-company financial receivables	–	–	-5,632	-6,982
Other interest-bearing receivables, long- and short-term	-37	-21	-36	-21
Interest-bearing assets	**-942**	**-706**	**-5,778**	**-7,553**
Net debt including pension liabilities and shareholder loan	**10,048**	**10,382**	**6,181**	**6,254**

[1)] Second Lien recorded at a discount at the time of listing. The difference between the issue price and par value amounts to -64 (-82) 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 28 for further information.

B. Maturity structure

	Group		Parent Company	
SEK m	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Between 1 and 2 years	1	2	–	–
Between 2 and 3 years	1	1	–	–
Between 3 and 4 years	9,909	1	9,907	–
Between 4 and 5 years	0	9,468	–	9,465
More than 5 years	–	–	–	–
Long-term borrowing, excl. shareholder loans & pension liabilities	**9,911**	**9,472**	**9,907**	**9,465**
Short-term borrowing, 0–1 year	123	82	–	3
Inter-company financial liabilities	–	–	1,426	3,068
Financial liabilities, excl. shareholder loans & pension liabilities	**10,034**	**9,554**	**11,333**	**12,536**

These loan agreements include quarterly key indicators linked to net debt in relation to EBITDA, EBITDA in relation to interest payments.

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 have been 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.

C. Currency composition, interest rates & duration

	Local currency	SEK m	Effective interest on balance sheet date, %	Actual duration days
SEK	0	0	0.0	0
EUR	594	5,117	11,6	593
USD	740	4,817	9,8	1,276
Other currencies		97	5,9	172
Financial liabilities, excl. shareholder loans & pension liabilities		**10,034**	**10,7**	**917**

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 the parent company in Luxembourg. See not 30. There was no hedge contract at the end of 2013.

D. Unutilized credits

Available funds at the end of the year amount to SEK 1,162 (975) m where the Group's available credit limits amounts to SEK 400 (503) m.

E. Financial income & costs

	Group		Parent Company	
SEK m	**2013**	**2012**	**2013**	**2012**
Interest income	11	4	7	1
Interest income, Group companies	–	–	588	226
Group contribution, received from discontinuing operations	–	28	–	–
Capital gain, re-purchase of loan receivable	–	–	–	3
Total financial income	**11**	**32**	**595**	**230**
Bank loans	-1,087	-686	-1,094	-568
Loans from Parent Company	-71	-88	-71	-88
Periodized borrowing costs	-78	-175	-78	-112
Pension costs, interest	-13	-17	–	–
Currency gains and losses from financing measures, net	-117	276	-129	190
Interest income and costs from interest swaps	–	-26	–	-26
Interest costs, Group companies	–	–	-44	-21
Amounts capitalised on qualifying assets	14	2	–	–
Other financial costs	-30	-49	-24	-41
Financial costs	**-1,382**	**-763**	**-1,440**	**-666**
Net financial items	**-1,371**	**-731**	**-845**	**-436**
Discontinued operations	-15	-233	–	–
Total financial costs	**-1,397**	**-968**	**-1,440**	**-666**
Total	**-1,386**	**-964**	**-845**	**-436**

F. Market valuation of financial instruments

The Group has negotiated its loans on market terms.

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.

NOTE 22. PENSION OBLIGATIONS & COSTS

The Group has both defined-contribution and defined-benefit pension plans. During the year costs for these plans, excluding discontinuing operations had an accumulative effect on earnings of SEK 198 (197) m, of which SEK 170 (165) m is attributable to defined-contribution plans and SEK 28 (32) m to defined-benefit plans. Pension costs attributable to restructuring of SEK 3 (2) m 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	**2013**	**2012**
Cost of sold goods	95	89
Sales and marketing overheads	37	35
Administrative costs	38	43
Research and development costs	12	11
Non comparable items	3	2
Net financial items	13	17
Total, Continuing operations	**198**	**197**
Discontinued operations	3	26
Total	**201**	**223**

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	**2013**	**2012**
State pension plans	62	59
Other defined-contribution pension plans	63	58
ITP, insured through Alecta	45	48
Total, Continuing operations	**170**	**165**
Discontinued operations	3	11
Total, pension costs, defined-contribution plans	**173**	**176**

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 2013 and 2012 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 2013, Alecta's surplus in the form of its collective funding ratio amounted to 148 (129)%. 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, 2013**	**Dec. 31, 2012**
Unfunded pension plans		
Defined-benefit obligations	105	115
Total	**105**	**115**
Funded or partly funded pension plans		
Defined-benefit obligations	510	527
Salary taxes	5	7
Fair value of plan assets	-290	-242
Total	**225**	**292**
Net value	**330**	**407**

Commitments are divided as follows by region:	Dec. 31, 2013	Dec. 31, 2012
Sweden	152	168
Germany	91	89
Other EU	13	9
USA	70	136
Other countries	4	5
Net liability concerning defined-benefit pension plans	**330**	**407**

The plan assets presented here relate primarily to Group companies in the US, 95 (95)%, of which 72 (68)% are invested in stocks and 28 (32)% in bonds as interest-bearing securities. The expected return is assumed to be 9.0 (9.0)% and 4.3 (4.3)% respectively, which is based on historic returns. The actual return on plan assets in 2013 was SEK 34 (26) m.

In addition to the above, so-called direct pensions are included under assets and liabilities at SEK 113 (106) 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 COMMITWMENTS, PLAN ASSETS, UNREALIZED ACTUARIAL GAINS & LOSSES & PAST SERVICE COSTS

	2013			2012		
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	**260**	**381**	**-237**	**362**	**367**	**-222**
Costs for current year service	5	8	-34	16	9	-16
Expected return on plan assets	–	–	–	–	–	–
Interest expense	9	14	–	11	15	–
Divestment of subsidiaries	–	–	–	-142	–	–
Fees from employer	–	–	-25	–	–	-15
Disbursement	-10	-11	11	-8	-13	12
Actuarial profit/loss	-17	-28	–	27	26	-11
Translation effects	4	–	–	-6	-23	15
Closing balance	**251**	**364**	**-285**	**260**	**381**	**-237**

E. NET PENSION PROVISIONS, CHANGES DURING THE YEAR

SEK m	2013	2012
Opening balance	407	523[1)]
Pension costs during the year	27	47
Divestments	0	-124
Disbursements during the year	-35	-29
Gains/losses from change in demographic assumptions	15	–
Gains/losses from change in financial assumptions	-59	–
Experience gains/losses	-5	–
Change in asset ceiling	-24	–
Translation effects	4	-10
Closing balance, provision for pensions, net	**330**	**407**

1) Restated according to IFRS 19

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

F. PENSIONS COST, DEFINED-BENEFIT PLANS

SEK m	2013	2012
Costs for current year service	14	14
Expected return on plan assets	-9	-16
Amortization of actuarial profit/loss	0	10
Interest expense	23	24
Continuing operations	**28**	**32**
Discountinuing operations	–	15
Total pension costs, defined-benefit plans	**28**	**47**

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

G. KEY ACTUARIAL ASSUMPTIONS

	2013	2012
Discount rate, %	3.7	3.6
Future salary increases, %	3.0	2.4
Anticipated return on plan assets, %	3.9	7.3
Anticipated average remaining employment term, year	16.3	14.3

H. PARENT COMPANY

The parent company reports a pension expense of SEK 19 (20) 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 2 (1) m of the cost attributable to restructuring which is included in Other income and expenses.

NOTE 23. CURRENT & DEFERRED INCOME TAXES

A. Income taxes in the income statement

	Group		Parent Company	
SEK m	2013	2012	2013	2012
Current tax	-33	-49	-1	-2
Deferred tax	28	194	–	-36
Total, Continuing operations	**-5**	**145**	**-1**	**-38**
Current tax	-3	-5	–	–
Deferred tax	-2	-1	–	–
Total, Discontinuing operations	**-5**	**-6**	**–**	**–**
Total Group	**-10**	**139**	**-1**	**-38**

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	
	2013	2012	2013	2012
Pretax earnings	-1,060	40	-1,391	71
Tax computed on basis of national tax rates applying in each particular country	245	-44	306	-19
Non-taxable revenues	296	148	25	11
Non-tax-deductible costs	-389	-18	-332	-27
Re-measurement of deferred tax	-113	–	–	–
Impact of change in tax rate on deferred tax	–	140	–	–
Tax loss carry-forwards for which no deferred tax asset has been recognized	-17	-70	–	–
Tax cost not related to current year's profit/loss and other tax expenses	-32	-17	–	-4
Tax cost	**-10**	**139**	**-1**	**-38**

The effective tax rate for 2013 is judged to be 23%.

B. DEFERRED INCOME TAX, NET CHANGE

	Group		Parent Company	
SEK m	2013	2012	2013	2012
Opening balance, net deferred tax liability	770	967	–	36
Exchange-rate differences	4	-2	–	–
Tax recognized in the income statement (table A)	-28	-194	–	-36
Tax recognized in shareholders' equity	-24	-1	–	–
Divestment	-12	–	–	–
Closing balance	**710**	**770**	**–**	**–**

C. DEFERRED TAX ASSETS, SPECIFICATION

SEK m	Group Dec. 31, 2013	Group Dec. 31, 2012	Parent Company Dec. 31, 2013	Parent Company Dec. 31, 2012
Intangible fixed assets	–	61	–	–
Loss carry-forwards	111	140	–	–
Provisions	44	27	–	–
Forward contracts	6	8	–	–
Other liabilities	26	42	–	–
Total	**187**	**278**	**–**	**–**

D. DEFERRED TAX LIABILITY, SPECIFICATION

SEK m	Group Dec. 31, 2013	Group Dec. 31, 2012	Parent Company Dec. 31, 2013	Parent Company Dec. 31, 2012
Tangible fixed assets	370	453	–	–
Intangible fixed assets	527	610	–	–
Other receivables	–	-14	–	–
Total	**897**	**1,049**	**–**	**–**

E. TAX LOSS CARRY-FORWARDS, CONTINUING OPERATIONS

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 474 (366) 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 relate tax loss carry-forwards mainly in China, Sweden and the UK. To some extent these may be matched against deferred tax liabilities.

NOTE 24. OTHER LIABILITIES, PROVISIONS

SEK m	Group Dec. 31, 2013	Group Dec. 31, 2012	Parent Company Dec. 31, 2013	Parent Company Dec. 31, 2012
Pension obligations, interest-free	8	13	–	–
Market value, hedge contracts [1]	8	17	–	–
Provision for environmental measures	20	15	–	–
Provision for divested operations	20	–	–	–
Other provisions	8	17	–	–
Other liabilities, provisions	**64**	**62**	**–**	**–**

[1] SEK 8 (17) m is attributable to forward contracts.

NOTE 25. ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

SEK m	Group Dec. 31, 2013	Group Dec. 31, 2012	Parent Company Dec. 31, 2013	Parent Company Dec. 31, 2012
Accounts payable	**774**	**901**	**6**	**57**
Other operating liabilities				
Value added tax	6	24	0	–
Advance payments	10	165	0	–
Payroll tax	14	16	1	2
Other operating liabilities	112	122	1	–
Accrued wages, salaries and social security costs	208	201	21	17
Market value of forward contracts	9	9	–	–
Allocation for restructuring costs	2	3	–	0
Other accrued costs and prepaid income	355	418	5	20
Total other liabilities	**716**	**958**	**28**	**39**

NOTE 26. EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

AVERAGE NUMBER OF EMPLOYEES

Country	2013 Total employees	2013 of which men	2012 Total employees	2012 of which men
Sweden				
Parent company	36	17	36	19
Subsidiaries	852	589	859	595
Belgium	41	32	44	35
France	5	4	262	205
Italy	31	23	34	26
The Netherlands	38	30	36	28
Spain	3	1	4	2
Poland	1	–	1	–
The UK	89	77	87	75
Germany	124	112	125	113
Total EU	**1,220**	**885**	**1,488**	**1,098**
Turkey	2	–	2	–
Russia	7	3	7	3
Total non-EU Europe	**9**	**3**	**9**	**3**
Brazil	12	6	15	8
Argentina	1	1	1	1
USA	119	96	134	110
Total North & South America	**132**	**103**	**150**	**119**
India	24	20	29	25
Japan	7	3	5	3
China	145	96	106	63
Singapore	23	13	82	59
Dubai	3	1	2	–
South Korea	6	3	5	2
Total Asia	**208**	**137**	**229**	**152**
Total average no. of employees	**1,569**	**1,127**	**1,876**	**1,372**
Of which discontinued operations	34	27	427	336
Proportion of men, %		71.8		73.1

WAGES, SALARIES & OTHER REMUNERATION, BY COUNTRY

SEK m	2013 Board and CEO	2013 Other employees	2012 Board and CEO	2012 Other employees
Sweden				
Parent company	8	28	10	24
Subsidiaries	8	429	10	455
Belgium	–	22	–	23
France	–	4	–	114
Italy	–	14	–	15
The Netherlands	–	22	–	20
Spain	–	2	–	3
Poland	–	1	–	1
UK	1	40	3	38
Germany	–	65	0	69
Total EU	**17**	**627**	**23**	**762**
Turkey	–	1	–	1
Russia	–	4	–	4
Total non-EU Europe	**0**	**5**	**0**	**5**
Brazil	–	6	0	6
Argentina	–	2	0	2
USA	–	59	0	65
Total North & South America	**0**	**67**	**0**	**73**
India	1	3	1	3
Japan	–	5	0	4
China	–	18	0	15
Singapore	–	12	7	34
Dubai	4	2	0	2
South Korea	1	1	1	1
Total Asia	**6**	**41**	**9**	**59**
Total	**23**	**740**	**32**	**899**

REMUNERATION TO EMPLOYEES

SEK m	Group 2013	Group 2012	Parent Company [1] 2013	Parent Company [1] 2012
Salaries and other remuneration	764	931	38	35
Pension – defined-contribution (note 22)	173	176	19	20
Pension – defined-benefit (note 22)	28	47	–	–
Social fees	144	196	9	8
Total	**1,109**	**1,350**	**66**	**63**
OF WHICH DISCONTINUED OPERATIONS				
Salaries and other remuneration	17	196	–	–
Pension – defined-contribution (note 22)	3	11	–	–
Pension – defined-benefit (note 22)	0	15	–	–
Social fees	4	65	–	–
Total	**24**	**287**	**–**	**–**

[1] Cost reported in accordance with IFRS.

In 2013 costs of SEK - (3) m are attributable to efficiency-improving measures and the implementation of long-term savings. Of reported pension costs, SEK 3 (4) m are for the Board and the CEO of the parent company. The costs for the parent company are presented in the table below:

REMUNERATION TO THE GROUP'S BOARD OF DIRECTORS & MANAGEMENT

SEK m	Board fee	Salary	Bonus & other remuneration	Pension costs [1]	Total
Chairman of the Board	–	–	–	–	–
Other Members of the Board	460	350	–	40	850
President	–	2,047	800	648	3,495
Previous President	–	3,237	3,582	1,916	8,735
Vice President	–	701	–	408	1,109
Previous Vice President	–	2,028	4,640	450	7,118
Other members of Group management	–	9,702	3,893	3,965	17,560
Total	**460**	**18,065**	**12,915**	**7,427**	**38,867**

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

The former Chairman of the Board has invoiced for consultancy fees of KSEK -(307). Other members of Group management comprised 6 (8) persons during the year. Of the total bonus and other remuneration for Group Management, KSEK 7,412 refers to completed restructuring programs.

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 35 % (35) 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
An occupational 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 insurance schemes, 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 27. CONTINGENT LIABILITIES

	Group		Parent Company	
SEK m	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Guarantees	295	320	295	320
Guarantees and other contingent liabilities for subsidiaries	–	–	329	243
Total	**295**	**320**	**624**	**563**

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

NOTE 28. ASSETS PLEDGED

	Group		Parent Company	
SEK m	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Property mortgages	1,606	1,728	–	–
Chattel mortgages	1,186	1,418	–	–
Shares in subsidiaries	6,401	7,106	6,947	7,731
Shares in associated companies	455	934	455	1,046
Liquid funds	67	163	67	85
Internal financial assets (loan)	–	–	4,757	4,709
Investments, receivables, inventories	604	1,042	–	–
Endowment insurances	91	88	78	74
Total	**10,410**	**12,479**	**12,304**	**13,646**

Endowment insurance relates to pension commitments, see note 22.

NOTE 29. FUTURE UNDERTAKINGS

Perstorp retains a commitment, as part of the refinancing undertaken during the end of 2012, to support the Vencorex business for an amount up to EUR 15 m.

NOTE 30. 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 80 manager and others key personnel participate, with contributions amounting to around EUR 2 million. Shares and options were priced on normal commercial terms.

In March 2013 Financiére Forêt S.á r.l. purchased the Singapore legal units via a vendor loan, from Perstorp Holding AB. The net amount borrowed from the Parent Company corresponding to SEK 626 (1,271) 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 2013 Perstorp Holding AB received shareholders' contribution amounting to SEK 0 (299) m, whereof SEK 0 (0) m has been converted from loans to equity. After the year-end, March 2014, Perstorp Holding AB received shareholders' contribution amounting to SEK 633 m, whereof SEK 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 26.

NOTE 31. PROPORTION OF BOARD MEMBERS & SENIOR EXECUTIVES WHO ARE WOMEN

	2013			2012		
	Total	of whom, women	%	Total	of whom, women	%
Board members	130	19	15	153	24	16
Other senior executives	134	36	27	138	35	25

The Board members category comprises ordinary members of the boards of all companies within the Group. The same person may be counted several times if he or she is a member of the board of more than one company.
The Other senior executives category comprises the Group's executive management team, management teams within each business area and department, and the management teams of the major companies.

NOTE 32. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

On the 31st of May 2012, Perstorp and Thailand's largest chemical producer PTT Global Chemical completed the formation of a joint venture. PTT Global Chemical (PTT GC) holds 51% of the joint venture and Perstorp 49%. Perstorp has a put options to sell the remaining 49% holding in Vencorex and PTTGC NL has obtained a call option to buy the remaining 49% holding in Vencorex. After the transaction day, Perstops share of 49% is reported as Participation in associated companies in the balance sheet and as Result from participations in associated companies in the income statement.

In December 2012, Perstorp's Board of Directors decided to transfer Perstorp's Singapore legal units (isophthalic acid operations) to Financiére Forêt S.á r.l., parent company to the Perstorp Group, as a consequence of the refinancing process in the end of 2012. The transaction was completed in March 2013.

At the end of March 2013, Perstorp closed the sale of its formaldehyde technology and catalyst business, Formox (Formox AB) to Johnson Matthey (Johnson Matthey Plc), a global speciality chemicals company and a leader in sustainable technologies.

The financial results for Perstorp's Singapore legal units, Vencorex and Formox are consequently from January 2012 up until closing of the transactions, reported within discontinued operations. The comparative figures for 2012 have been adjusted to also include Formox.

SEK m	2013	2012
Discontinued operations		
Net sales	257	2,798
Operating earnings	841	420
Operating result before tax	826	187[1)]
Tax	-5	-21
Net result for the year [2)]	**821**	**166**

[1)] Includes a reversal of write-down of SEK 350 m for Singapore Operations.
[2)] Translation differences recognized in other comprehensive income amounts to SEK 77 (99) m.

The assets and liabilites related to Perstorp's Singapore legal units have been presented as assets held for sale in 2012.

SEK m	2013	2012
Assets held for sale		
Intangible fixed assets	–	1
Tangible fixed assets	–	196
Inventories	–	130
Accounts receivable	–	88
Other operating receivables	–	8
Cash and cash equivalens	–	7
Total	**–**	**430**
Liabilities held for sale		
Accounts payable	–	150
Other operating liabilities	–	24
Total	**–**	**174**

NOTE 33. AUDITORS' FEES

	Group		Parent Company	
SEK m	2013	2012	2013	2012
PricewaterhouseCoopers:				
Audit assignments	7	7	2	2
Tax consultancy	1	1	1	1
Other	3	8	3	7
Total [1)]	**11**	**16**	**6**	**10**
[1)] Of which discontinued operations	0	2	–	–
Other auditing firms				
Audit assignments	1	1	–	–
Other	3	10	1	8
Sum	**4**	**11**	**1**	**8**
[1)] Of which discontinued operations	0	0	–	–

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, 2013	Dec. 31, 2012	Average exchange rates 2013	2012
BRL	2.782	3.189	3.031	3.481
CNY	1.073	1.046	1.057	1.074
EUR	8.943	8.617	8.649	8.705
GBP	10.733	10.491	10.186	10.733
INR	0.105	0.119	0.112	0.127
JPY	0.062	0.076	0.067	0.085
KRW	0.006	0.006	0.006	0.006
SGD	5.130	5.328	5.206	5.421
USD	6.508	6.516	6.514	6.775

NOTE 35. CHANGE IN ACCOUNTING POLICIES

The Group has adopted IAS 19 (revised 2011), 'Employee benefits' on 1 January 2012. The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest to be calculated as the product of the net defined benefit liability and the discount rate as determined at the beginning of the year. The effects of the changes to the accounting policies are shown in the following tables.

SEK m	Dec. 31, 2012 (Previously stated)	IAS 19 (revised)	Dec. 31, 2012 (New principle)
Balance Sheet, Consolidated Group			
Tangible fixed assets	4,281	–	4,281
Intangible fixed assets	5,943	–	5,943
Participation in associated companies	981	–	981
Financial fixed assets	397	51	448
Inventories	1,375	–	1,375
Other current assets	1,724	–	1,724
Cash & cash equivalents, incl.short-term investments	678	–	678
Assets held for sale	430	–	430
Assets	**15,809**	**51**	**15,860**
Shareholders´s equity	1,370	-93	1,277
Loan from parent company	1,271	–	1,271
Pension liability, others	263	144	407
Other long-term liabilities	10,388	–	10,388
Current liabilities	2,343	–	2,343
Liabilities held for sale	174	–	174
Total purchase price	**15,809**	**51**	**15,860**

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	2,390,233,783
Net result for the year	-1,392,609,449
be distributed as follows:	
To be retained in the business	997,624,334

Perstorp, April 24, 2014

Fabrice Fouletier
Chairman

Jan Secher
President & Chief Executive Officer

Michel Paris

Carl Settergren

Claes Gard

Karin Markides

Ragnar Hellenius

Bertrand Monier

Ronny Nilsson
(elected by employees)

Oleg Pajalic
(elected by employees)

Anders Magnusson
(elected by employees)

Our audit report was submitted April 29, 2014
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Lead auditor

Mats Åkerlund
Authorized Public Accountant

Auditors´ report

To the annual meeting of the shareholders of Perstorp Holding AB (publ.), 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 (publ.) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 38-75.

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 2013 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 2013 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 (publ.) for the year 2013.

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.

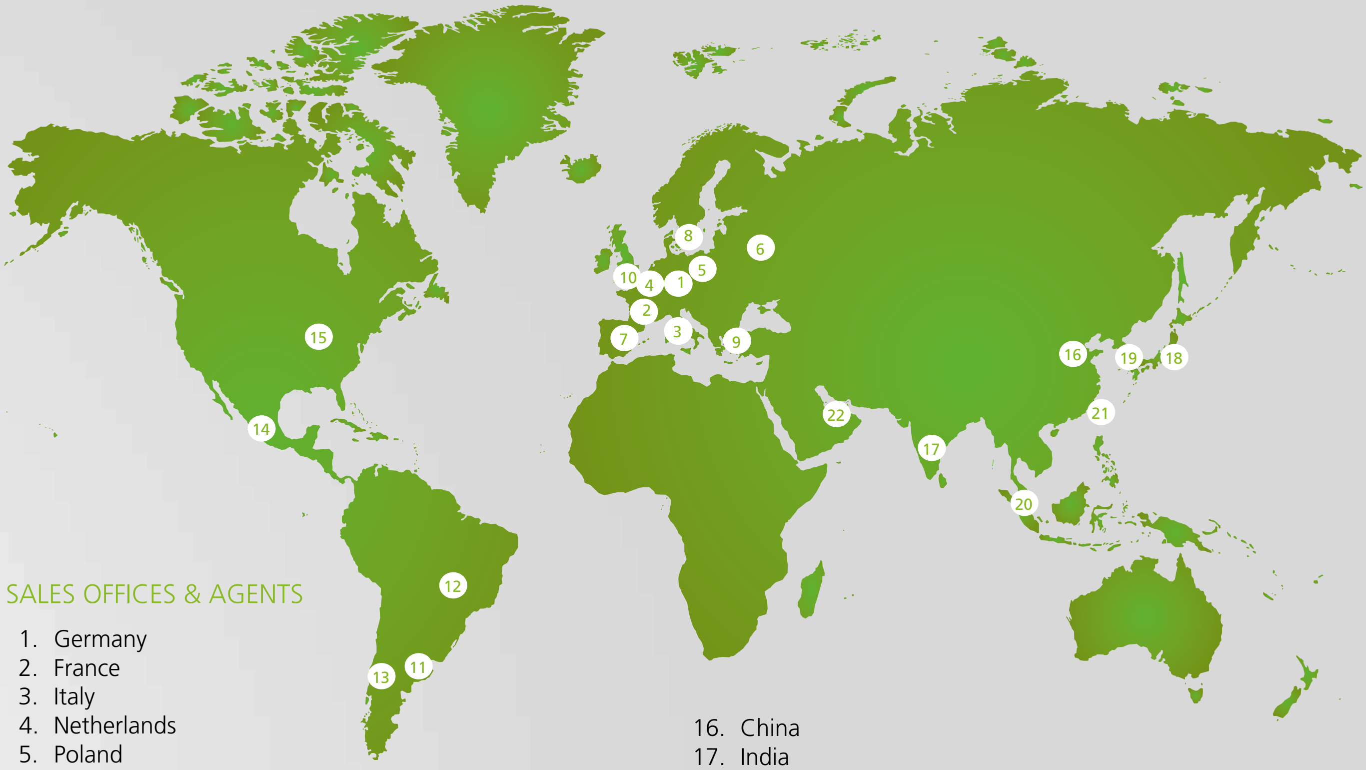
OPINIONS

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, April 29, 2014
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Lead auditor

Mats Åkerlund
Authorized Public Accountant



SALES OFFICES & AGENTS

1. Germany
2. France
3. Italy
4. Netherlands
5. Poland
6. Russia
7. Spain
8. Sweden
9. Turkey
10. United Kingdom
11. Argentina
12. Brazil
13. Chile
14. Mexico
15. USA
16. China
17. India
18. Japan
19. Korea
20. Singapore
21. Taiwan
22. United Arab Emirates

Plus 50 agents covering over 60 locations worldwide.

PRODUCTION PLANTS

1. Bruchhausen
2. Castellanza
3. Gent
4. Perstorp (Headquarters)
5. Stenungsund
6. Toledo
7. Warrington
8. Waspik
9. Zibo

Your Winning Formula

The Perstorp Group, a trusted world leader in specialty chemicals, places focused innovation at your fingertips. Our culture of performance builds on more than 130 years of experience and represents a complete chain of solutions in organic chemistry, process technology and application development.

Matched to your business needs, our versatile intermediates enhance the quality, performance and profitability of your products and processes. Present in the aerospace, marine, coatings, chemicals, plastics, engineering and construction industries, they can also be found in automotive, agricultural, food, packaging, textile, paper and electronics applications.

Our chemistry is backed by reliable business practices and a global commitment to responsiveness and flexibility. Capacity and delivery security are ensured through strategic production plants in Asia, Europe and North America, as well as sales offices in all major markets. Likewise, we combine product and application assistance with the very best in technical support.

As we look to the future, we strive for the development of safer products and sustainable processes that reduce environmental impact. This principle of innovation and responsibility applies not only to our own business, but also to our work with yours. In fulfilling it, we partner with you to create a winning formula that benefits your business – as well as the people it serves.

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