

# LEADING CHANGE

Perstorp 2015 Annual Report



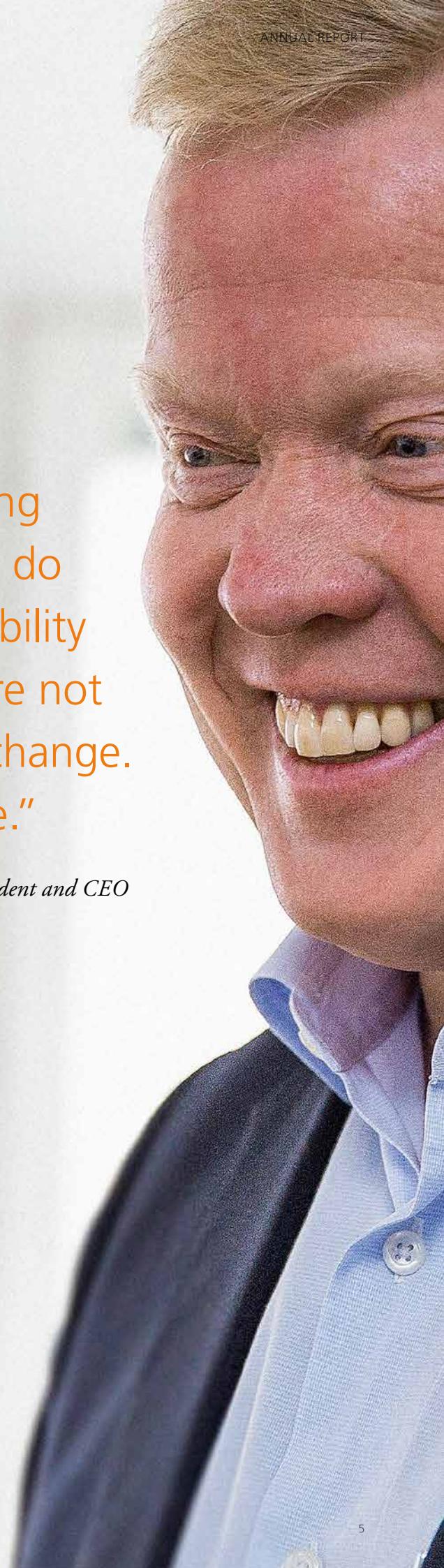
# Leading change

What do you want to hear from an innovation leader? That we're unchanged? Everything's status quo? No. You want to see us shift to meet new needs. To lead change from the inside out.

Perstorp is praised for being reliable and responsible. Yet, that goes beyond delivering on quality and expectations. Rely on us to push boundaries. Rely on us to break new ground. To bring out the good in our organization and polish it to reveal the GREAT – as diamonds from ordinary rocks.

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

*Jan Secher, President and CEO*

# Year in review

## KEY FIGURES IN SUMMARY

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

## ORGANIZATION



## IMPORTANT EVENTS

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

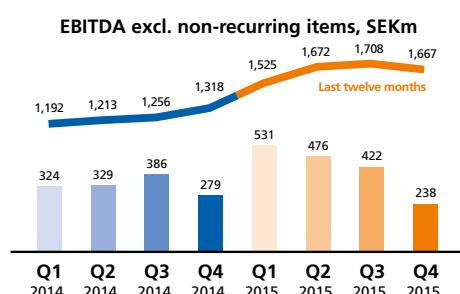
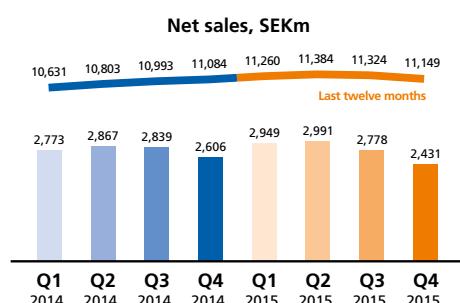
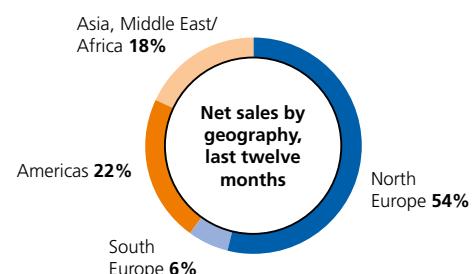
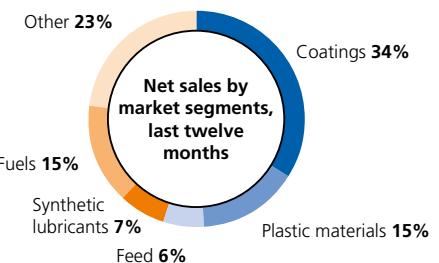
Operating earnings before depreciation and amortization (EBITDA) relating to continuing operations were SEK 1,653 m (1,269). Excluding non-recurring items, the corresponding figure was SEK 1,667 m (1,318), an increase of more than 26%.

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

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

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

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



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

# President's comments

*Anyone can sail in calm seas. But when winds pick up, it's the strong, the prepared, the ones who can quickly change course who pull ahead. The first half of 2015 saw us sailing along in good conditions. The market was with us and we saw strong results. Yet winds often change, and the market turned during the second half, with rougher conditions for everyone. Yet Perstorp continues to sail forward, well prepared and positioned to navigate the challenges of a still rather volatile market.*

## LEADING CHANGE

Today, Perstorp is a global leader in many consolidated niches with high growth. Yet being a leader isn't a time to rest. There are always storms to weather, and areas to improve. As our transformation “From Good to GREAT” continues, we're focusing more and more on leadership. Specifically, Leading Change to continually evaluate how we can improve – from upholding commercial excellence and a market-driven approach to increasing safety and environmental responsibility.

The fundamental difference between managers and leaders is that leaders don't shy away from tough decisions. They stick to their convictions. They cultivate culture over rules, instilling vision and direction to engage and motivate. And they start with themselves. Perstorp is not merely looking to manage change. We're going to lead change.

## MEETING MARKET NEEDS AND TRENDS

Central to our transformation is our market-oriented focus. We're committed to this industry long-term – focusing on meeting needs from both micro and megatrend perspectives.

- Our new pricing tool is a key factor in the sustainable margin management initiative, especially in times with unpredictable raw material prices.
- With an expert advisory board, we're at the forefront of addressing several global megatrends and identifying disruptive game-changers.

- We have a healthy pipeline of innovations and products derived from market needs in major, high-growth niches.
- We offer our customers high reliability from efficient and flexible platforms based on integrated production trees.

Even as raw material prices fell during the course of 2015 and customers showed restraint in purchasing, we saw no need to reevaluate long-term demand for our products. We've seen similar market dynamics before, and know that our market-driven approach offers the right conditions to outgrow GDP in selected niches.

**“We must do things that really matter for the market by using what we're really great at in Perstorp. That is focused innovation.”**

## INVESTING IN GROWTH

2015 marked the culmination of a period of significant strategic capex. One that now ushers us towards more historically achieved cash generation. In particular, we took advantage of a routine maintenance shutdown in Stenungsund to invest in increased production capacity for plasticizers as well as valeric acid and 2-PH. This opens new application areas such as lubricants, surfactants and the pharmaceutical industry.

A lack of raw material supply from the Borealis cracker complex, however, did delay restart of our Valerox-related facilities after the shutdown. We produced Emoltene™ 100 at reduced speed using purchased 2-PH to minimize impact for our customers, but lost volumes and margin contribution during the last two quarters.



## ACQUIRING ADVANTAGES

We continually evaluate complementary acquisitions to strengthen our position for profitable growth over time. 2015 brought two excellent opportunities:

- The Penta, Di-Penta and sodium formate businesses, along with related technology and assets, from Koei Chemical Company Ltd. who will act as Perstorp's agent in Japan to secure continued high service and partnerships in the region.
- A biodiesel plant in Fredrikstad, Norway, which allows us to enter the Norwegian market as well as new application areas such as the non-mobile segment.

## PROGRESSING FINANCIALLY

EBITDA excluding non-recurring items amounted to SEK 1,667 m, compared to SEK 1,318 m in 2014, which corresponds to an EBITDA margin of 15.0% (11.9% in 2014). Adjusted for the effects of the maintenance shutdown, our full-year EBITDA closed at SEK 1,800 m. Accounting for this adjustment, this means we wrapped up 2015 by delivering our tenth consecutive quarter with increased operating earnings. That's no small feat also considering the negative effects from the decreasing raw material prices. Many things contributed to this strong performance, in particular the combination of successful margin management, our focus on operational excellence, and continued favorable currency effects.

## RESPONSIBLE BUSINESS

During 2015, Perstorp had continuous focus on Responsible Care, with the direction of improving our position in this area. We have worked hard and succeeded with the 2015 objective set for a safer work environment, measured as OSHAR\*. We reached 1.1, compared to 1.5 in 2014 and for 2016, we have 0.8 as an even tougher target.

In 2015, based on a thorough materiality analysis, we also developed a new indicator for how our products and solutions stand from a sustainability perspective. This Sustainability Index, a total cradle-to-grave impact measurement, will be available for customers to use and benchmark.

## LOOKING AHEAD

Our strategy going forward is clear: continue our focus on cash-generative growth. To accomplish that, we must do things that matter for the market by using what we're great at in Perstorp. We must draw out the maximum value from our current platforms, seek out the smartest acquisitions to bolster our leading capabilities, and invest in technology to create derivatives within our product tree that open new niches. Perstorp will also increase its ambition in sustainability, seeking long-term economical development, social value from good chemistry, and true transformation towards ecological alternatives.

Finally, I must highlight our committed and market-oriented employees. It is these keen leaders moving us From good to GREAT to continually Leading Change. They are the ones who bring Perstorp's values to life – responsibility, reliability and focused innovation. They see where the market needs to go – what matters for our customers and their end users – and channel Perstorp's strengths into making it happen. As we chart an ambitious course forward, I am more than confident in our Perstorp crew.

Malmö, March 2016

Jan Secher  
President and CEO

\* Number of injuries involving lost time or medical treatment more than first aid multiplied by 200,000 and then divided by actual hours worked

# From good to GREAT

Many call for change. Fewer are willing to change. That's often what separates leaders from followers. And our Perstorp people are certainly proving to be leaders in this sense – working hard to bring about transformations within our company.

What's next? Through transformation and continuous improvement, we now soar higher on new wings, as a caterpillar to butterfly. Enabling our customers to take their products from good to great for a new generation of everyday benefits.

Join us, won't you?





*From our lead-in project Mont Blanc three years ago until today, our organization has excelled in stepping up to the challenges of our transformation “From Good to GREAT”. It speaks for our people, our leaders and our Perstorp culture. On the basis of our entrepreneurial heritage of more than 130 years, our culture has proven to be agile and quick to adapt. Every function across the organization has notched up, taking the responsibility of lifting our overall performance towards greatness.*

## WHERE WE ARE TODAY

The starting point in moving From Good to GREAT is making sure everything begins with customer needs and a true understanding of the market developments, working backwards to our own offering. Here are just a few of the transformations we've accomplished – all anchored in this outside-in perspective.

### COMMERCIAL EXCELLENCE IN PRICING

With a differentiated go-to-market strategy, depending on value proposition, we are taking steps towards higher customer satisfaction and value creation. With the PACE pricing model now in full implementation, we have gained a more granular and transparent view in pricing our products. Together with monthly insights provided via supply chain, this model has given us a better raw material market view and a leading edge for cost position, as raw material costs make up 60% of our cost base.

### SUPPLY CHAIN SWITCHYARD

Perhaps the most significant change in Perstorp is the development of a new end-to-end supply chain. Serving as the link between operations and business, supply chain plays an integral role in identifying what customers need on one side and how we can cooperate better with our suppliers in the other end, to meet those needs. To create new value, based on an holistic and balanced knowledge about both ends.

### VALEROX TAKE-OFF

As a core definition of “Make it happen”, the Valerox project was entirely developed by Perstorp people, who engineered, launched and scaled to bulk an entirely proprietary process and innovative infrastructure for a new Oxo plant. Finding a smarter way to meet market needs and leading change with our own resources.

### PERSTORP PERFORMANCE SYSTEM (PPS)

PPS is Perstorp's model for implementation of continuous improvements throughout the organization via a foundation of well trained and motivated people. Operations has adopted the PPS framework since several years as a lean-based approach to drive operational excellence and during the last years, the same principals have been developed and are being applied in the rest of the organization.

Some examples of results obtained by PPS:

- Increased asset efficiency
- Improved reliability, allowing for higher asset utilization
- Increased focus on derivatives, allowing for increased amount of by-product reworked
- Reduced accidents

### REACHING BEYOND THE TARGET OF A SAFER WORK ENVIRONMENT

Our safe work environment goals aimed high, starting the year with an OSHAR target of 1.2 and then surpassing that to reach 1.1 at the end of the year. Where we previously measured only lost-time injuries, now we cast the net wider, aiming to catch and correct smaller incidents before anyone gets hurt.

### TOP-NOTCH TALENT MANAGEMENT

Everything hinges on our people. Perstorp's accomplishments are theirs. 2015 saw deep investment via a new Talent Management program, to enable succession planning. Everyone in the talent group has an individual development plan and company support to grow in their talents and goals.

# From Good to GREAT and beyond

## WHERE WE'RE GOING

We are past the midline in our transformation. Of course, as we move forward and reach the goals we've set, we naturally set new ones. This is our new norm: a continual transformation toward greatness, relentlessly striving to understand what our customers need and how we can innovate and deliver on those needs. **From now on, we are Leading Change.**

## PERFORMANCE CULTURE = LEARNING CULTURE

To continue our momentum, we must be an organization that accepts there can be failures, as long as you learn from them. This is especially important during periods of tremendous change that, of course, create pressure within an organization.

## CONNECTING THE FUNCTIONAL DOTS

As we've lifted performance for each individual function, now it's time to connect closer as one cohesive organization for even greater effect. With end-to-end results in sight, 2016 will see us working to boost cross-functional synergies to ensure our whole system is working together for the best results.

## LEADING CHANGE

2016 will be one of the most exciting and important years for Perstorp, where we need to deliver on ambitious growth plans. This will only happen with true teamwork and constantly keeping customer satisfaction as the beacon for success. We need to step up as leaders to achieve continuous transformation. Yet, change leadership has its own demands, requiring a different mindset and an extra set of capabilities. We'll focus on Leadership the Perstorp Way, training and supporting managers to stand stronger in their change leadership, embracing a mindset of continuous improvement.

## OVERALL EQUIPMENT EFFECTIVENESS

### – A NEW PLANT PERFORMANCE MEASURE

OEE is a new plant utilization measure in relation to Max Theoretical Capacity that will help the organization to:

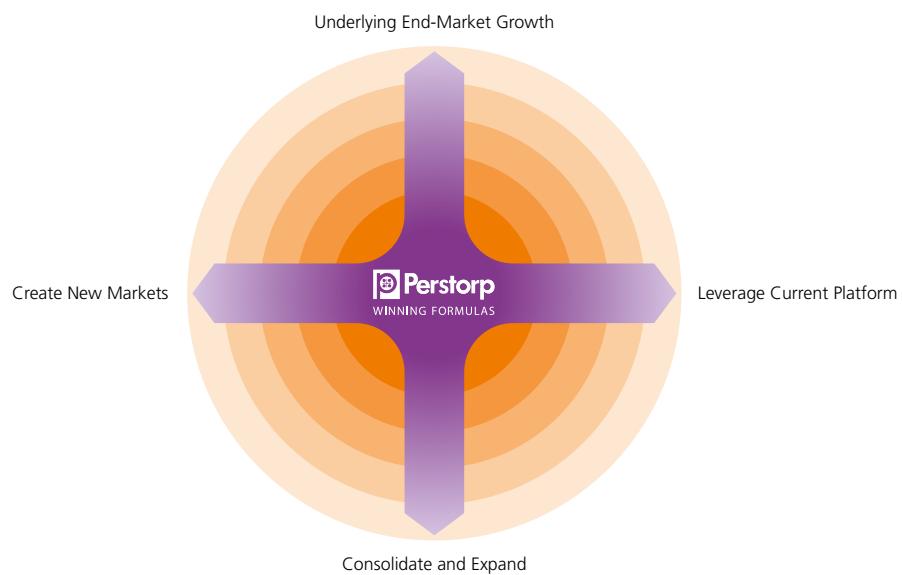
- Quantify and capture opportunities for increased plant utilization
- Prioritize improvement activities
- Provide clear payback on investments
- Benchmark similar plants as a way to find improvements
- Increase planning accuracy

The concept is based on volume accounting, which in theory means that all volumes are allocated to seven different categories and that these allocation categories will provide a basis for performance measures for different functions.

# A strategy to lead growth

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As we focus on serving our customers within niche markets, our strategy has set us on an ambitious track towards cash-generative growth based on four strong cornerstones. Simply put, by doing things that matter for the market using what we're great at in Perstorp, we will find success. And so will our customers.



## UNDERLYING END-MARKET GROWTH

- Exploit above GDP growth of select niches, driven by megatrends

## LEVERAGE CURRENT PLATFORMS

- Maximize value along the product chains
- Eliminate bottlenecks and expand

## CONSOLIDATE AND EXPAND

- Enforce global leadership position via selective, bolt-on acquisitions
- Explore growth initiatives in emerging markets

## CREATE NEW MARKETS

- Drive technology development to create further derivatives in the product tree
- Pursue niche-focused product innovation, meeting real end-market product requirements

# Our focus areas 2016

## LIFTING OUR STRATEGY FROM PAPER TO REALITY

Our overarching strategy remains constant over the long term. Yet each year, we evaluate the practical steps we need to take to move our strategy forward. Now, as we look ahead for the coming year, we will put extra focus on the following six areas:

### **1 RESPONSIBLE CARE**

Continue our efforts to become a top-quartile Responsible Care company, applying these principles deeper in our processes, products and sustainability measures, and embedding Responsible Care into the hearts and minds of everyone associated with Perstorp.

### **2 VOLUME BASED GROWTH**

Drive volume growth across our entire product portfolio by, among other things, leveraging our strong production position and speed up time to market with our exciting innovation pipeline.

### **3 HIGH PLANT PERFORMANCE**

Deliver on our growth plans via higher volume and efficiency in our production plants, leveraging our Perstorp Performance System to deliver continuous improvements in a long-term, sustainable way.

### **4 CASH FLOW AND LIQUIDITY**

Enhance our main drivers – EBITDA, working capital and capital expenditures – to improve liquidity and financial flexibility.

### **5 LEADING CHANGE**

Strengthen unity and clarity within our leadership about what it takes to lead an organizational transformation so they are well equipped to support and guide their colleagues, taking on the tough challenges to ensure we reach our company goals.

### **6 MAKE THE MODEL WORK**

Integrate the various functions of the company – commercial, sales, supply chain and operational excellence – in a more efficient way, prioritizing communication and synchronization to excel.

## Megatrends demand new chemistry

Everything is connected. What happens locally impacts the global community and vice versa. Our Focused Innovation is not just about keeping a close eye on where individual customers and markets are moving, but also where the entire global community is fundamentally shifting. That's why we've established an advisory board, consisting of a few, selected industry experts, specifically to track megatrends and assist Perstorp in translating these into concrete strategies and opportunities. This is an important element of how we ensure that we focus on the right innovations today to meet market demands of tomorrow.

GLOBAL TRENDS	IMPACT	OPPORTUNITIES
Growing and aging population	<ul style="list-style-type: none"> <li>• 9.6 billion people by 2050</li> </ul>	Perstorp's selected niches are expected to show high growth, especially within construction, building maintenance, animal health and consumer products.
Urbanization	<ul style="list-style-type: none"> <li>• 70% urban population by 2050</li> </ul>	Overall, infrastructure and logistics need to adapt for people to live and move about in small areas. Perstorp provides products and solutions for energy efficiency, reduced emissions and durability of housing, among many others.
Sustainability	<ul style="list-style-type: none"> <li>• Limited water and arable land</li> <li>• Global warming</li> </ul>	Perstorp is renowned for its focus on sustainability. We focus on sustainability-driven markets such as improving agricultural productivity and providing environmentally benign coatings and plastics.
Wealth and indebtedness	<ul style="list-style-type: none"> <li>• Growing middle class in emerging markets</li> </ul>	Overall, we'll see an increased demand for affordable housing, mobility and food. Perstorp targets this demand by contributing to safe, durable and cost-effective plastics, coatings and feed.
Digitalization	<ul style="list-style-type: none"> <li>• Connectedness with Internet of Things and Customized World</li> </ul>	Perstorp provides products used in manufacturing technologies that translate digital power into customized products, such as digital devices and 3D-printing.

## Big where we focus

With unique knowledge based on 135 years of creative chemistry, we focus on where our innovations can make the biggest difference in the market. In other words, we use our strengths where they matter most.

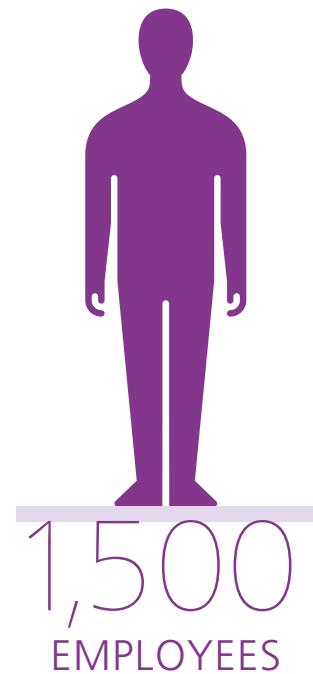
We've purposely pinpointed niches where growth is higher than in general chemical arenas. Perstorp takes a market-driven approach to these, responding to customer needs with unique innovations. This focus has led us to our current top-tier position in niche global markets. With big presence and operations within these niches, we're able to offer our customers global reliability with products specifically developed for their success.

# Perstorp is a global leader in high growth niche markets

PRODUCT GROUPS	KEY MARKET SEGMENTS
Capa™	Plastic Material, Coatings
SPPO	Coatings, Plastic Material
Penta	Plastic Material, Coatings, Synthetic Lubricants
TMP	Coatings, Synthetic Lubricants, Plastic Material
Formates	Feed
Neo	Coatings, Synthetic Lubricants
Oxo	Coatings, Plastic Material, Synthetic Lubricants, Feed
BioProducts	Fuels

#1-3  
POSITIONS  
REPRESENTING  
80% OF  
NET SALES

# Did you know?



Perstorp  
production



of winning  
formulas



Perstorp  
film clips on YouTube



Capa  
Innovation Challenge



Perstorp.com  
Average stay increased  
by 10%



Products in  
new cars today



Eiffel Tower and Burj Khalifa  
have protective color that uses  
Perstorp innovation



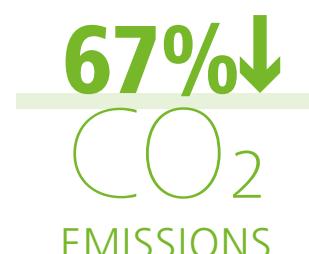
Run on 100% fossil-free RME,  
more than half use  
BioFuel from Perstorp



Per kg produced product  
Best-in-class  
carbon footprint



All BioFuels  
from Perstorp



using Verdis Polaris™ biodiesel  
(RME) instead of fossil fuel

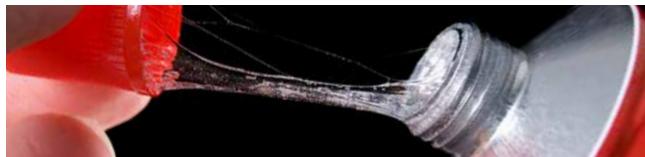


One molecule  
can change everything.



# Innovating where we're needed most

With our market-driven approach, we've organized our product offering into market segments according to how our customers look at the market. Within each of these segments, we focus on growing niches where our strengths can make the biggest impact – delivering essential properties for end-market products.



## ADHESIVES

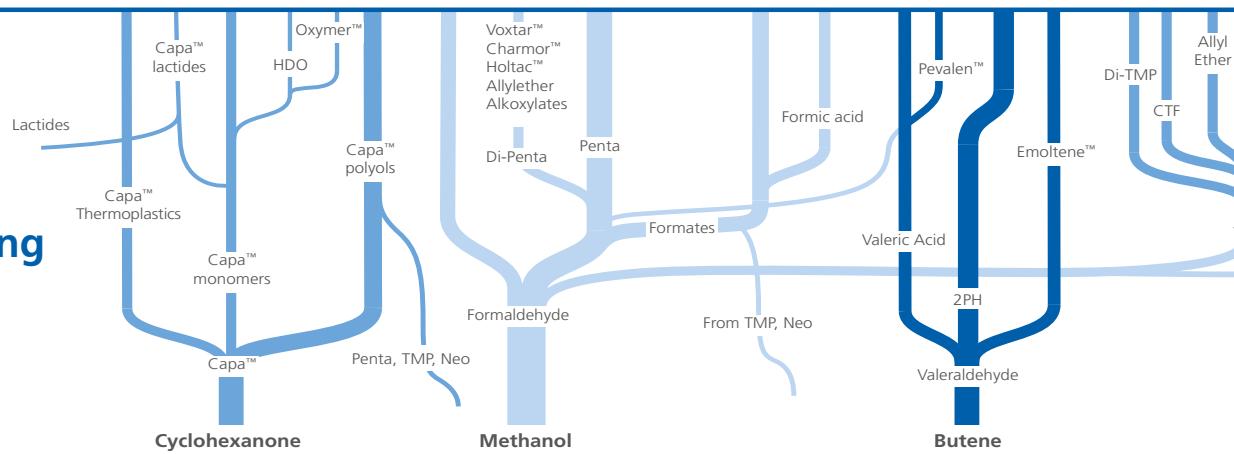
Perstorp's comprehensive portfolio allows adhesive producers to improve and fine-tune the properties of their hot-melt, reactive hot-melt and liquid PU adhesives. Our product toolbox solves key adhesive requirements across a broad spectrum of market applications, such as in packaging, transport, shoes, metal, electronics and construction.



## COATINGS

The essence of Perstorp's offer for coating formulators is to create safer and more sustainable solutions. Our specialty products include Capa™ polyols – helping reduce VOC and achieve unmatched durability – and Charmor™ polyols – the essential carbon source for intumescent systems to keep people and property safe. Our complete range also includes productivity-increasing oxetane and premium coalescing agents for paint.

## Main manufacturing platforms





## FEED & FOOD

Improving nutrient content, inhibiting mold growth, providing antibacterial treatment and supporting 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.



## BIOPRODUCTS

Strong trends towards sustainability are leading to a fast-growing market for BioFuels. Perstorp has extensive experience in producing BioFuels, and we're the leading supplier in Scandinavia today. We offer solutions for both renewable fuels as well as fuel additives that reduce the health effects of diesel engine exhaust.



## PLASTIC MATERIALS

Perstorp's products for plastics and composites enhance performance of many everyday items – from furniture to automobiles to shoes – providing better comfort, esthetics and durability. With our R&D, technical resources and production set-up, we're the perfect partner in developing next-generation plastics.



## RESINS

Perstorp is a world leader in supply and development of building blocks for resins, including alkyd, powder polyester, unsaturated polyester, liquid polyester, UV curable, PUD and PU resins. With unrivaled knowledge and experience as well as strong R&D capability, we help customers not only improve current processing properties, but also develop new, sustainable resins.



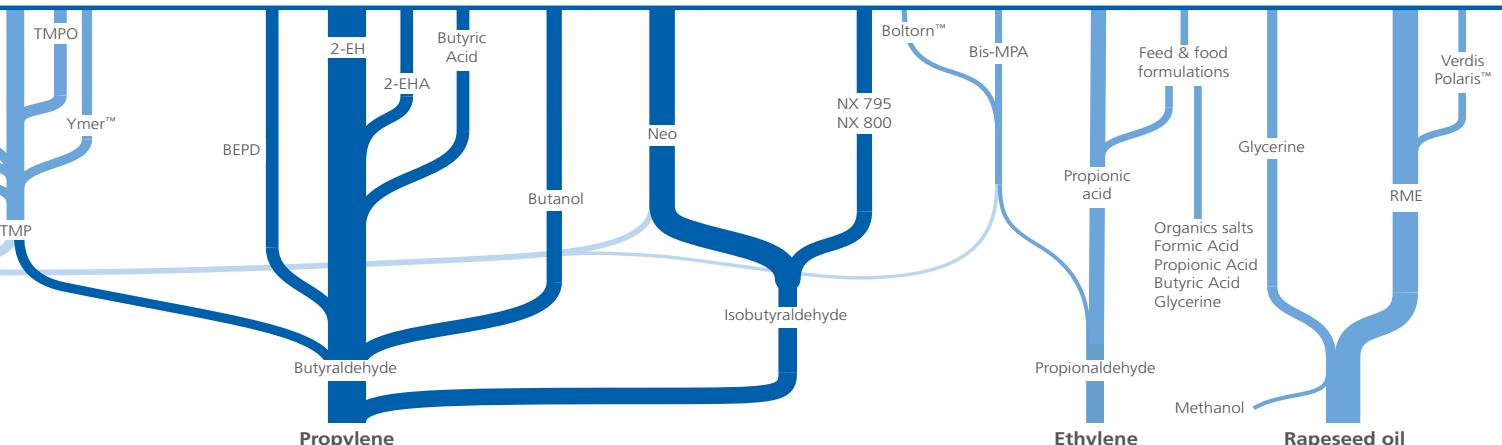
## SYNTHETIC LUBRICANTS

Driven, among other things, by environmental legislation, this is a market with above average growth in which Perstorp holds a strategically important position. We are the global leader in producing essential intermediates for development of Group V polyol ester base stock for synthetic lubricant manufacturing. Our neopolyol portfolio is second-to-none and we're the only supplier offering a complete range.



## COMPLEMENTARY

Most industrial segments and sub-segments make use of specialty chemicals. Some of the key sub-segments that lend themselves to Perstorp's unique specialty and building-block chemical portfolio include: bleaching, oil drilling and completions fluids, runway de-icers, surfactants/detergents and tanning.





# BUSINESS AREA Specialties

## Delivering on strategy ahead of schedule

2015 brought success not due to one single achievement, but as a result of focus and progress in many areas – from meeting customer needs in high-growth niches to leveraging our technology tree. However, we're not satisfied yet. We have great plans for 2016, focused on continued advances, both in our way of working and our offerings to our customers.

### Highlights

#### FEEDING GROWTH

We continued the transformation of our Feed business towards becoming the perceived leader in Preservation and Gut Health. Our new specialty product portfolio based on glycerol esters, Prohorce™ SR and ProSid™ MI 700 range, saw good growth. We also entered the Chinese and US markets.

#### 40TH ANNIVERSARY OF CAPA™

Industry buzz and new leads were drawn by initiatives like our Perstorp Focused Innovation Challenge, special webinars for bioplastics and the launch of our Capa™ Lactides. In fact, we had 7,045 visits to the Capa Innovation Challenge, with Taiwan, Sweden and the USA generating most visits.

#### CHARMOR™ STRENGTHENS ITS POSITION

During 2015, Charmor™ increased its position in major markets. By insulating steel constructions from heat with paint containing Charmor™ from Perstorp, you can delay the collapse of a building by up to two hours.

# & Solutions

## **Capa™ (caprolactone)**

Capa™ is a multi-performance enhancer with built-in sustainability used in a wide range of applications in coatings and plastic materials. Perstorp is the undisputed market leader, with installed capacity three times the nearest competitor in growing niche markets.

## **Specialty Polyols**

With niche products and solutions, we offer cost-efficient, safe, environmentally friendly and next-generation technology alternatives to applications in coatings and plastic materials. Today, Perstorp is the global market leader and typically first or second in our key markets.

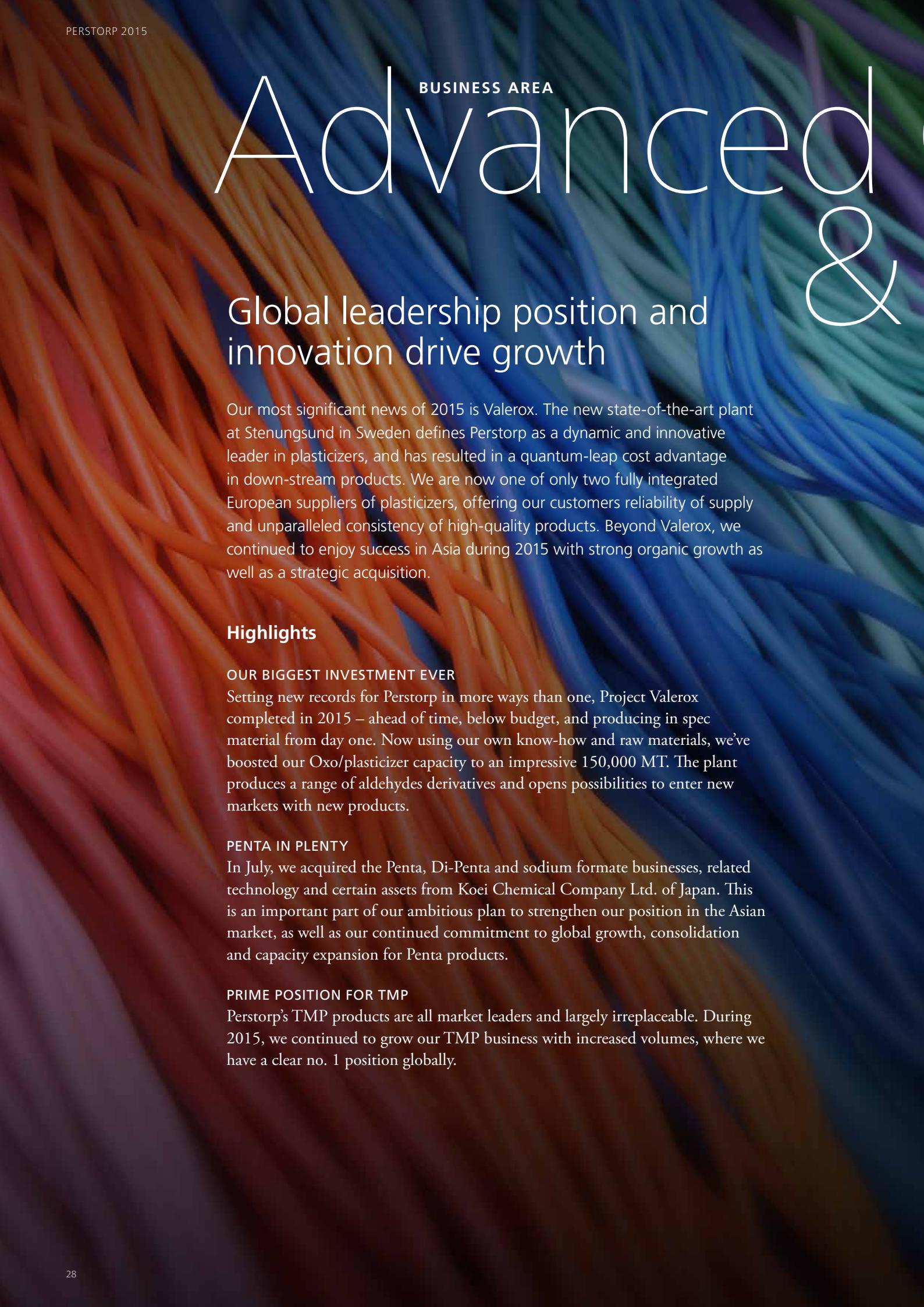
## **Feed & Food**

As an integrated player present in acid-based derivatives, we serve the agricultural market with formulations that help preserve feed, grain and silage quality.

## **Providing essential properties for everyday life**

- Flexibility
- Resistance
- Reactivity
- Adhesion
- Durability
- Biodegradability and compostability
- Food safety
- VOC-free and environmentally friendly technology
- Heat and fire resistance
- Mold prevention





# Business Area Advanced & Global leadership position and innovation drive growth

Our most significant news of 2015 is Valerox. The new state-of-the-art plant at Stenungsund in Sweden defines Perstorp as a dynamic and innovative leader in plasticizers, and has resulted in a quantum-leap cost advantage in down-stream products. We are now one of only two fully integrated European suppliers of plasticizers, offering our customers reliability of supply and unparalleled consistency of high-quality products. Beyond Valerox, we continued to enjoy success in Asia during 2015 with strong organic growth as well as a strategic acquisition.

## Highlights

### OUR BIGGEST INVESTMENT EVER

Setting new records for Perstorp in more ways than one, Project Valerox completed in 2015 – ahead of time, below budget, and producing in spec material from day one. Now using our own know-how and raw materials, we've boosted our Oxo/plasticizer capacity to an impressive 150,000 MT. The plant produces a range of aldehydes derivatives and opens possibilities to enter new markets with new products.

### PENTA IN PLENTY

In July, we acquired the Penta, Di-Penta and sodium formate businesses, related technology and certain assets from Koei Chemical Company Ltd. of Japan. This is an important part of our ambitious plan to strengthen our position in the Asian market, as well as our continued commitment to global growth, consolidation and capacity expansion for Penta products.

### PRIME POSITION FOR TMP

Perstorp's TMP products are all market leaders and largely irreplaceable. During 2015, we continued to grow our TMP business with increased volumes, where we have a clear no. 1 position globally.

# Chemicals Derivatives

## Oxo

Provides important properties for durable plasticizers, safety glass, diesel fuel additives and synthetic lubricants, where the key growth drivers are Emoltene™ 100 for durable plasticizers and valeric acid for synthetic lubricants.

## Penta

Provides the vital backbone for products that must be stable against heat, oxidation and UV in the coatings and synthetic lubricants market segments.

## TMP/Neo

Perstorp offers, for example, resin producers and integrated paint producers a first-class portfolio of building blocks.

## Formates

Value maximization of Formates co-products from manufacturing of Penta, TMP and Neo focusing on leather tanning, runway de-icing, oil drilling, concrete additives and detergents.

## Providing essential properties for everyday life

- Environmentally friendly products addressing global issues
- Longer lifetime and increased end-product safety
- Design freedom and innovation in application development
- Quality of life – color, clothing, housing, electricity



# BioProduct

## Brand-building for a strong regional position

Overall, our BioDiesel business has shown stable growth for the last three years, with a healthy mix adjustment towards high-blend products. The last year, however, has been tough, with competition from all-time-low prices on fossil fuel. At the same time, tax conditions in the Swedish market are not agile enough to create a fair environment under these volatile conditions.

During 2015, we focused on brand awareness based on quality. Now, Perstorp's premium product brands Verdis Polaris Flora™ and Verdis Polaris Aura™ are widely recognized as the superior-quality products among all producers of RME (Rapeseed Methyl Ester). With know-how that's widely recognized in the industry, we've established ourselves both as a market leader and as an opinion leader, with high influence to lead change.

### Highlights

#### GROWING NORDIC BIOFUELS

Despite the current competitive situation, we have ambitious growth plans for biofuels as we see how demand will increase with global climate challenges. With the acquisition of a plant in Fredrikstad, Norway in 2015, we can almost double our current production capacity and grow our premium-branded products Verdis Polaris™ Flora and Verdis Polaris™ Aura unconstrained.

#### LAUNCHING BIOCALEO™

Coming up in 2016, Perstorp will launch a new product for those who want to quickly and easily switch to sustainable heat. Used directly in your existing central heating boiler, switching from fossil fuel oil to BioCaleo™ more than halves your carbon emissions. Plus, it's biodegradable and is 100% exempt from energy and CO<sub>2</sub> taxes.

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<p><b>BioDiesel</b> is currently the best and most widely available transport fuel for those who want to make a sustainable, climate-saving difference. Perstorp is a leading player in Scandinavia for BioDiesels based on RME, both in low blend and as a high-performance, 100% BioDiesel (Verdis Polaris™). Perstorp is also looking into the area of non-crop based biofuel as a future potential.</p>	
<p><b>Verdis Polaris™ Flora</b> The classic green one. This 100% clean biofuel can reduce CO<sub>2</sub> emissions by more than 55% and can be used directly in most diesel vehicles today. Not only is it made from renewables, but as a fuel it also decomposes quickly in nature, contains no poisons and is very safe in use.</p>	
<p><b>Verdis Polaris™ Aura</b> The advanced green one. With the same excellent properties as Flora, Aura offers even better climate benefits. In addition to containing a base of rapeseed, Verdis Polaris™ Aura contains renewable methanol. It benefits the climate by enabling carbon reduction of over 60%.</p>	
<p><b>RME – Perstorp BXN</b> A low-blend (5%–7%), renewable biofuel ready for mixing with standard diesel, and available for distribution through fuel stations.</p>	
<p><b>Perstorp BioCaleo™</b> Perstorp BioCaleo™ is a bio-based oil that provides sustainable heating in existing oil-fired boilers. The product has a very high and consistent quality, and since the fuel can be used directly in existing oil-fired boilers, the readjustment costs are very low. Perstorp BioCaleo™ is biodegradable and “non-rated” and therefore easy and safe to handle and store. By using BioCaleo™ instead of a fossil alternative, the carbon dioxide emissions are reduced by 50%.</p> <p><b>Providing essential properties for everyday life</b></p> <ul style="list-style-type: none"> <li>• CO<sub>2</sub> efficiency</li> <li>• Winter operability</li> <li>• Sustainability track record</li> <li>• High degree of supply security</li> </ul>	

Innovation is everyone's job.  
Relentlessly focusing all our  
strengths on creating things  
that really matter.



# Bringing innovation to the bottom line

Innovation is deeply anchored in our culture. Throughout our history, we've had many challenging, if not critical, times to which the company has invariably responded with effective new technologies, new products and new uses.

"Focused Innovation" is one of Perstorp's three core values. And these words were chosen for good reason.

**Focused** because we look for how we can use our strengths where they'll make the biggest impact for the prosperity of our customers, their customers and ourselves.

**Innovation** because we're not simply talking about fancy inventions, but about new ways to serve real customer needs by means of true technical strengths.

A careful look through Perstorp's innovation pipeline demonstrates exactly this. All new developments link a true customer need with a true technical strength. We offer technology to effectively produce meat without antibiotics, or to make plastic bags easily biodegradable. And we do so by intelligently using the products we make better than anybody else. This simple approach has brought success for our company through the years.



## CREATING A TRUE RECEIVING END FOR INNOVATION

The From Good to GREAT initiative, which kicked off in 2013, truly embedded Focused Innovation in our way of working by aligning all functions and resources. By establishing a market-led commercial organization as well as dedicated Supply Chain and Operations functions, we now ensure that our great innovations are also effectively produced, supplied and sold, and that we are rewarded at the bottom line. This also safeguards that we don't start anything we cannot carry forward all the way.

A steady increase in our sales of young products (those introduced less than five years ago) is proof of our great strides in these areas. In 2015, about 5% of our total volume fell into that category, which is a tripling versus 2012. Also, several major developments hit the market last year, reaching bulk sales with repeat customers.

## VALEROX – A TRIUMPH OF FOCUSED INNOVATION

The prime example of focused innovation in 2015 was the Valerox project. First, because it was primarily driven by a real customer need – in this case for PVC additives that are safe to use. The Valerox investment provides formulators with Emoltene™ 100 for durable outdoor products like cables, and with phthalate-free Pevalen™ for sensitive indoor applications. Second, Valerox builds on our true technical strength in hydroformulation technology.

Not to mention our strengths in highly inventive ideas and processes: we built on a licensed patent for another use, designed and built a first-of-its-kind process, and started it all up ahead of the time-schedule and below budget.

## Supply chain switchyard linking operations and business

As customer needs and our own products more and more crisscross Business Areas, plants, etc., we've focused on building a supply chain that brings balance. One in which we can create unique value for the company and our customers based on a holistic, end-to-end view. This is perhaps the most significant change in Perstorp during 2015. With this development, we link operations and business to identify what our customers need on one side and how we can cooperate better with our suppliers on the other end to meet those needs.

## HIGHLIGHTS 2015

### APPLYING INTEGRATED BUSINESS PLANNING (ADVANCED S&OP)

Each month, Supply Chain meets with the Executive Leadership Team to align on the numbers going forward. We've gained much more transparency around demand and capacity, with a consensus view from our Sales Organization, Business Units and Operations.

### RAW MATERIAL MARKET VIEW

On a monthly basis, we provide insight to our organization about raw material trends and where this leads us on our cost position, as raw material cost makes up 60% of our cost base.

### GLOBAL SPEND DATABASE AND CATEGORY MANAGEMENT

Here, Supply Chain creates transparency by supplier and product category to avoid "maverick" buying and to strengthen our procure-to-pay process. During 2015, focus has been on indirect spend with our category managers to generate savings, and we have implemented a world-class Category Management to address non-product-related spend.

### INTEGRATED CUSTOMER SERVICE

Supply Chain is now leading the connections with customers as well as suppliers in a true end-to-end setup. We focus to eliminate interfaces and create more accountability for the customer service organization, which now also takes over full accountability for customer-related issues.

### REVAMPING OTIF (ON TIME IN FULL) DELIVERED

To better serve our customers, we made a significant change in how we measure our OTIF delivered. Rather than measuring our deliveries based on departure, we've shifted to on-site confirmations, which will be fully realized for all sites in 2016. We'll also implement slot booking and a complete Transport Management System.

### HIGH AMBITIONS 2016

2016 is the year of process improvement for Supply Chain, as well as making the model and interfaces work within our whole company. We started looking into Order-to-Cash and Procure-to-Pay process already end of 2015, and will continue to implement continuous improvement within our Supply Chain organization.

# Optimizing production to deliver added value



Leading change is not necessarily about building something new from the ground up. Smart change leaders focus on making better use of the strengths they already have. For Perstorp, 2015 has focused on developing existing production platforms to not only deliver innovation value, but to do so in increasing measure – identifying every molecule of efficiency and potential in our sites, our technology, our derivatives, and our people.

## STRATEGIC PRODUCTION FOOTPRINT

For each business area, we've invested strategically in all our production platforms to cover exactly what we need, where we need it. Our focus is on actively increasing our efficiency and agility to bring maximum benefit for each of the customers we serve worldwide. This includes not only technology and infrastructure, but also strategically positioning our in-house competencies close to technology and production.

## ELIMINATING BOTTLENECKS

We've seen tremendous power in making smaller investments in our current sites – yielding high gains in efficiency in terms of volume vs. capital invested. Alongside this, we have focused on leveraging our way of working with continuous improvements via our Perstorp Performance System (PPS). As a result, education along with new technology at our Warrington site have substantially decreased variable cost. We've also seen a significant reduction in unplanned maintenance at our Stenungsund site, which has allowed for increased production of aldehydes. This means that reliability of delivery has improved and added to the marginal contribution level.



## DERIVING ADDED VALUE

We don't believe in waste, only in potential solutions waiting for a need. The Di-Penta derivative, for example, has a higher per-unit value than Penta. Operational excellence improvements enable Perstorp to extract more of this valuable derivative than others in the market. Using cross-functional teams, we've developed unique technology and know-how to increase the derivative stream, which has added to the contribution margin level.

## NEW PROCESSES FOR NEW PRODUCTS

As we identify new market needs and derivatives in our production that meet those needs, we have to find smart, efficient, self-sufficient ways to bring them to market. And that is truly where Perstorp excelled in 2015. From lab scale-up to a full-scale unit using our own technology, resources and know-how, our people pulled off a tremendous feat with the Valerox project. It allows Perstorp to realize quick margin enhancement in a large, highly attractive market by replacing more externally sourced raw materials with raw materials produced internally via a proprietary process.

## VALEROX PROJECT

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**700,000**

INTERNAL AND  
EXTERNAL HOURS  
INVESTED

**28 km**

NEW PIPES  
INSTALLED

**1 billion**

SEK INVESTED

Going forward into 2016, we continue to look for new ways to bridge innovation and operations using our own in-house resources to their full effect.



# A culture of care

Responsible care is more than operations and onsite safety.

Responsible care is everywhere within Perstorp. Since we launched our new Responsible Care scope in 2014, we've focused on integration. On cultivating a culture of care that permeates everything we do. One in which each person sees the connections – how it affects not only big decisions in our organization, but also the small, daily decisions and behaviors of our everyday work. And why it matters.

## STARTING WITH LEADERSHIP

Every incident, every deviation has a leadership element. What's encouraged? Where are people hesitant to act or unclear about their individual goals and responsibilities? During 2015, we implemented Responsible Care training for our Executive Leadership Team and our Perstorp Leadership Team. Now, from top leadership and out to every member of our team, we're seeing support for our ambitions. And the effects are showing. For example, for OSHAR (Recordable Occupational Health and Safety Accidents), which includes Lost Time Incidents, Restricted Work Cases and Medical Treatments, we surpassed our target of 1.2 to reach 1.1 by the end of 2015.

## SETTING HIGH AMBITIONS

With a growing level of leadership, learning and prevention-focus, we have high goals in place for 2016. Our closure of Process Safety corrective actions showed only 33% done on time and in full (OTIF) for 2015, which we are actively working to improve. With Process Safety events going up rather than down, we've also changed our way of following through on serious incidents. We also intend to lower our OSHAR target even further to 0.8 in 2016, 0.4 in 2017 and 0.32 in 2018.

We can sum up Perstorp's work with Responsible Care in two words: high ambitions. We haven't chosen the easy way. We've chosen the right way. Because nothing can be counted a success if it causes harm.

## HIGHLIGHTS FROM OUR FIVE RESPONSIBLE CARE SUB-PILLARS

For Perstorp, Responsible Care goes beyond company philosophy. It is part of our practical organization. As we've set a high ambition, we've also put specific elements in place to make it happen. Under our main company pillar of Responsible Care, we have five sub-pillars with cross-functional teams. These teams made tremendous progress within each sub-pillar in 2015, lifting our overall Responsible Care efforts.

PRODUCT STEWARDSHIP	PROCESS SAFETY
<ul style="list-style-type: none"> <li>REACH – In connection with the European legislation for chemical safety, we've developed internal processes so nothing goes unseen. Everyone knows what needs to be done for compliance in order to make correct business decisions for product testing.</li> <li>CLP – As the legislation for Classification, Labeling and Packaging changed in 2015, our Perstorp team did a tremendous work globally in all languages to meet the deadline.</li> <li>Product launches – With a stage-gate decision process from innovation to development to scale up, we align legal development with all the process steps to bring new products to market successfully in full compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting and rating system – Our new structure puts solid incident investigation at the forefront. Going into 2016, we're also working on a Process Safety Lifecycle Management System, encompassing a full cycle – from rough process design to risk assessment to safety designs to operational implementation to evaluation – with a continuous assessment loop. In parallel, we'll focus on learning from incidents and accidents, preventing re-occurrence.</li> </ul>
ENVIRONMENT & SUSTAINABILITY	OCCUPATIONAL HEALTH & SAFETY
<ul style="list-style-type: none"> <li>Sustainability Index – What is a product's environmental footprint and end-of-life fate? Will it go to a waste dump? Will it be incinerated? Can we reuse or recycle it? Our index allows customers to compare product-to-product against competitors – highlighting how successful we are in reducing the impact during the manufacturing process and bringing products back into cycle at their end of use. This aligns well with the CEFIC (European Chemical Industry Council) program for sustainable development where circular economy is a key element. Our goal for 2016 is to have 60% of our material products evaluated, with more to come in 2017.</li> </ul>	<ul style="list-style-type: none"> <li>Life Saving Rules – We implemented our two most important rules during 2015: <ul style="list-style-type: none"> <li>Safe work permit – risk assessment of all non-routine jobs</li> <li>Lock-out, Tag-out, Try-out (LoToTo) – controlling all energy sources</li> </ul> </li> </ul> <p>Eight more are in the works. In addition, we'll focus on a behavioral-based safety culture called Take Care. This engages people in open dialog while observing their work, helping to increase awareness, develop a learning organization, and encourage a culture of taking care of each other.</p>
GOVERNANCE & INCIDENT MANAGEMENT	
	<ul style="list-style-type: none"> <li>Responsible Care Dashboard Management System – Live as of January 2016, our new transparent reporting system enables more preventive assessments of at-risk situations and near misses. Tracking trends and correlations, the objective system zooms in on the most important incidents and situations to prevent more serious ones. Furthermore, we'll focus on multi-level learning to find the root causes in our systems and culture, creating robust Responsible Care performance.</li> </ul>



## The proof is in our people

Change is not inevitable for companies. Only the need to change is. Processes, products, performance won't change themselves. People make it happen. People innovate, improve, push boundaries and enable growth.

Make no mistake, our people drive this company. They are the essence of Perstorp leading change, both in our own organization and beyond in our industry and society. That's why we poured significant effort in 2015 into helping our people develop – clearly and purposefully aligning their individual competencies, goals and tasks with Perstorp's overarching strategy and vision. Each division, each person has a direct connection to the group targets. Because people who understand why an organization does what it does and see the valuable contribution of their own everyday tasks simply achieve more.

At Perstorp, we know these aren't just abstract HR philosophies. The proof is in black and white. For a company of 1,500 to achieve net sales of 11.15 billion SEK and influence trends on a global scale is a clear testament to the power of our people.



## MAKING CHANGE HAPPEN IN 2015

2015 saw an all-out implementation of our strategy and goal alignment – taking the overarching goals of the company and breaking them down into functional, individual goals. As part of a new Talent Management program, annual and half-year performance reviews connect clearly with these goals. Developed together with top experts, our reviews measure on a 9-point scale linked to organizational values as well as universal competencies proven to empower excellence in individuals and organizations. Benchmarking against 8 million other profiles in a global database, Perstorp people are remarkable – and we're positioned well above the rest of the global chemical industry.

We've also seen the fruits of a new Sales Academy structure, in which we train our sales people in three strategic waves, as well as our investment in a powerful pricing tool – efforts that enabled our people to reach two-year projections within the first eight months.

## LEADING CHANGE

It's human nature to cling to the familiar, avoiding change to maintain the status quo. Most organizations experience roadblocks with human and organizational change issues, causing strain and stress. Therefore, we will focus more on the managerial element of change. What we call "Leading Change" is all about successfully evolving people's behavior and attitude. It's about

making our leaders more aware of what it means to lead an organizational transformation and what that transformation demands of them – identifying gaps and taking steps to bridge them.

## MAKING IT STICK IN 2016 AND BEYOND

Anyone who's noticed the difference in a gym parking lot between January and February knows that making change happen is only the beginning. Making it stick is true success. That's where we're headed.

Our Talent Management program will lead to succession management and a new Perstorp Leadership Academy in 2016. Our goals are to continually increase the level of our whole company via developing and training our people according to performance excellence, as well as via smart recruiting. Because the success of our people and our business go hand in hand.

The results from our strategy period to make change happen, during which we almost doubled our EBITDA, are just the beginning. As we work to make change stick, the results will only go up and up.

# 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 and industry
- Opportunity
- Regulatory & 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
- Funding & liquidity
- Counterparty
- Legal

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

Risks	Exposure	Activity
<b>STRATEGIC RISKS</b>		
<b>Business development and industry</b>	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
<b>Opportunity</b>	The company would miss opportunities and trends in the market as a result of failing to identify 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
<b>Regulatory &amp; environment</b>	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
<b>OPERATIONAL RISKS</b>		
<b>Raw material</b>	Eroded margins and/or production disturbance related to volatility in pricing and/or availability of critical raw material	Perstorp's purchasing policy requires multiple supplies of critical raw materials alternatively to sign long-term agreements. Hedging options is assessed continuously
<b>Market</b>	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 in the market as key indicators for own capacity planning
<b>Production disruption</b>	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
<b>Corporate governance (compliance risk)</b>	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
<b>FINANCIAL RISKS</b>		
<b>Currency</b>	Currency risk is divided in; <ul style="list-style-type: none"> <li>• translation exposure – risk related to the conversion of the Group's assets and profits, and</li> <li>• transaction exposure – risk related to the value of the Group's cash flow</li> </ul>	Perstorp's finance policy defines acceptable currency risk and sets guidelines and hedging methods for the management of these risks
<b>Interest rate</b>	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
<b>Funding &amp; liquidity</b>	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 2015 were 934 MSEK
<b>Counterparty</b>	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
<b>Legal</b>	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 certain decisions about Perstorp Holding AB and its subgroups subsidiaries. The Annual General Meeting was held on 20 May 2015, at which the annual report for the 2014 financial year was adopted together with the proposal for distribution of profits. The Board of Directors was re-elected at the meeting.

## BOARD OF DIRECTORS

At the end of 2015, the Board of Directors consists of seven members, all nominated and elected by the company owners. The individuals re-elected to the Board at the 2015 Annual General Meeting were Fabrice Fouletier, Jan Secher, Karin Markides, Michel Paris, Ragnar Hellenius, Claes Gard, Carl Settergren and Bertrand Monier. In addition to the aforementioned individuals the Board also includes three employee representatives. One Extraordinary General Meeting was held on 27 August 2015 where Tore Bertilsson (Chairman) and Brendan Cummins were elected as new members of the Board. Michel Paris, Carl Settergren and Bertrand Monier resigned then as members of the Board. On 22

September 2015 and 16 October Extraordinary General Meetings was held where a new articles of association and also a share split was resolved.

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 2015, eight scheduled Board meetings were held, as well as two statutory convening meeting, four extra board meetings and one per capsulam meeting. 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:

- Responsible Care report, status report from the President;
- Financial position and outlook;
- Investment decision for projects worth more than SEK 25 m;

The Board of Directors decided to realign Perstorp's organizational structure as part of its transformation. The biofuel business will be operated and managed in a separate and new business area – BioProducts. At the same time the business area Intermediate & Derivatives changed name to Advanced Chemicals & Derivatives. Therefore, beginning in the second quarter 2015, Perstorp has reported its financial performance based on the three reportable segments Specialties & Solutions, Advanced Chemicals & Derivatives and BioProducts.

## 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.

## AUDIT COMMITTEE

The Board is served by an Audit Committee which focuses on securing the quality of the Group's financial reporting and risk management and the committee is therefore also close to the development of control instruments for internal control. An important activity is to follow up and assess the external audit. The committee does not have decision-making rights. Decisions shall be made by the Board. In the end of 2015 the Audit Committee consisted of the following members: Fabrice Fouletier, Claes Gard, Ragnar Hellenius and Tore Bertilsson. During the year the committee held nine 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 propose principles for remuneration and other employment terms for the President and senior executives. The committee also prepares the terms for global incentive schemes and makes an assessment of the schemes. The committee has certain decision-making powers. In the end of 2015 the Remuneration Committee consisted of Board members Tore Bertilsson, Brendan Cumming, Fabrice Fouletier and Ragnar Hellenius. The committee held two ordinary meetings during the year which were minuted.

## PRESIDENT & EXECUTIVE LEADERSHIP TEAM

The President of the Group, Jan Secher, is also elected by the Board as the CEO of the parent company. He exercises the ongoing control of the Group. The EVP of the Business Area's Advanced Chemicals & Derivatives and Specialties & Solutions report to him along with the EVP Supply chain, EVP Operations, EVP Regions & Group Management, EVP Finance, Legal & IT and EVP Innovation & Strategy. 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 has previously been elected by the Annual General Meeting for a four-year period. During the year it was resolved to amend the articles of association to change the auditors term of office to one year, taking effect in 2017. 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 have participated in one Board meeting and two Audit Committee meetings during 2015. 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.

Annually for a number of years, the Group has performed an extensive self-assessment of internal controls. All of the subsidiaries were assessed in 2015. 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

### Tore Bertilsson

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

#### OTHER BOARD ASSIGNMENTS

Chairman of the Board of Directors of Försäkringsbolaget PRI pensionsgaranti, ömsesidigt, and AB Ludvig Svensson. Member of the Board of Directors of Gunnebo AB, Stampen AB, Semcon AB, Gamla Livförsäkringsaktiebolaget SEB Trygg Liv, JCE Group AB, Ingka Holding BV and Ågrenska AB.

### Jan Secher

President and CEO Perstorp Holding AB.

President, Chief Executive Officer and Executive Vice President Business Area BioProducts. CEO and member of the Board of Directors since 2013.

#### OTHER BOARD ASSIGNMENTS

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

### Fabrice Fouletier

Partner, PAI partners.

Member of the Board of Directors since 2006. Born 1975.

#### OTHER BOARD ASSIGNMENTS

Member of the Board of Directors of MEP S.à.r.l., MEP II S.à.r.l., AS Adventure Group, Euromedia Group and IPH Group.

### Karin Markides

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

#### OTHER BOARD ASSIGNMENTS

Professor, Chairman of the Board of Directors of the Scientific Council for Sustainable Development under the Swedish Government and of Johanneberg Science Park AB.

### Claes Gard

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

#### OTHER BOARD ASSIGNMENTS

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

### Ragnar Hellenius

Partner, PAI partners. Head of the Nordic team.

Member of the Board of Directors since 2009. Born 1967.

#### OTHER BOARD ASSIGNMENTS

Member of the Board of ADB Safegate.

### Brendan Cummins

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

#### OTHER BOARD ASSIGNMENTS

Chairman of the Board of Directors of Viking Triangle Trust Co. Ltd. Member of the Board of Directors of Ashland Inc., Nanoco PLC, Tom Murphy Car Sales Ltd and Galtar Ltd. Chairman of The Audit Committee of Waterford City and County Audit Committee.

## ELECTED BY THE ANNUAL GENERAL MEETING DIRECTLY ELECTED REPRESENTATIVES

### Anders Magnusson

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

### Oleg Pajalic

Vice President Process Innovation  
Member of the Board of Directors since 2011, deputy board member 2010–2011.  
Appointed by the Boards of PTK of Perstorp and Stenungsund. Born 1964.

### Joakim Hansson

Process Operator and Chairman of IF Metall  
Member of the Board of Directors since 2015. Appointed by the Boards of IF Metall Perstorp and Stenungsund. Born 1983.

## AUDITORS

### Michael Bengtsson

Authorized Public Accountant – PricewaterhouseCoopers.  
Born 1959.

OTHER AUDIT ASSIGNMENTS  
Carnegie Investment Bank, Bure, Indutrade and SWECO.

### Mats Åkerlund

Authorized Public Accountant – PricewaterhouseCoopers.  
Born 1971.

OTHER AUDIT ASSIGNMENTS  
Viktoria Park, Öresundsbro Konsortiet, Flint Group and Nordic Aktiv Property Fund (NAPF).

## DEPUTIES

**Per-Olov Hornling** – Deputy trade union representative, PTK

**Per Lindquist** – Deputy trade union representative, PTK

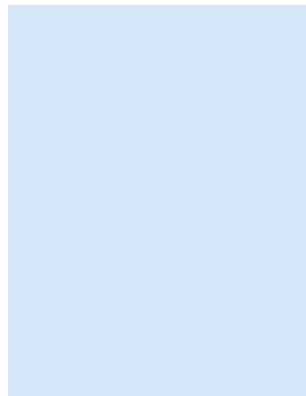
**Gunilla Dristig Nordberg** – Deputy trade union representative, IF Metall



TORE BERTILSSON



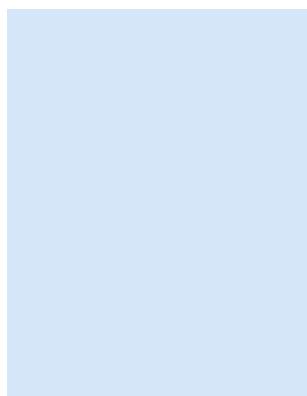
JAN SECHER



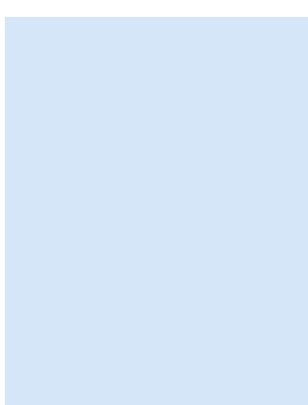
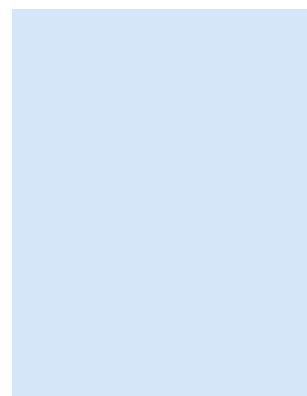
FABRICE FOULETIER



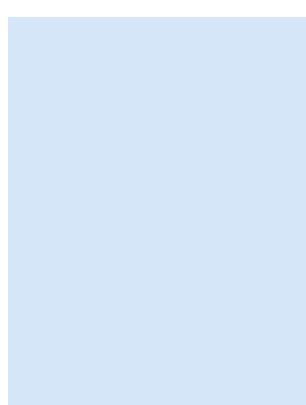
KARIN MARKIDES



CLAES GARD



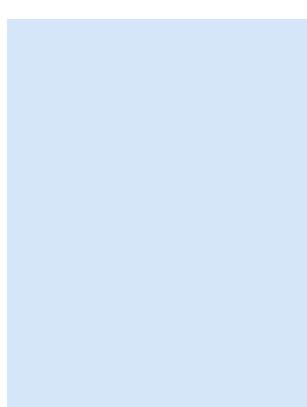
RAGNAR HELLENIUS



BRENDAN CUMMINS



ANDERS MAGNUSSON



OLEG PAJALIC



JOAKIM HANSSON

# Executive leadership team

## **Jan Secher**

President and Chief Executive Officer –  
Perstorp Holding AB  
Executive Vice President – BioProducts  
Active in the Group since 2013.  
Born 1957.

## **Gorm Jensen**

Executive Vice President –  
Business Area Advanced Chemicals & 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.

## **Magnus Lannér**

Executive Vice President – Operations  
Active in the Group since 2008.  
Born 1969.

## **Wolfgang Laures**

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

## **Magnus Heimborg**

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

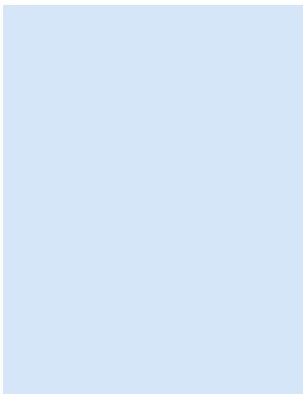
## **Mikael Gedin**

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

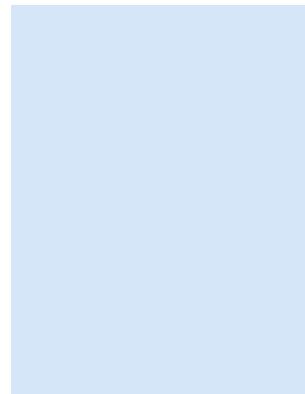
## **Eric Appelman**

Executive Vice President –  
Innovation & Strategy  
Active in the Group since 2008.  
Born 1964.





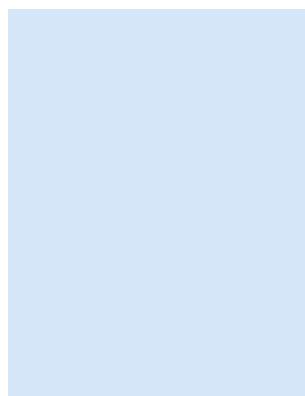
JAN SECHER



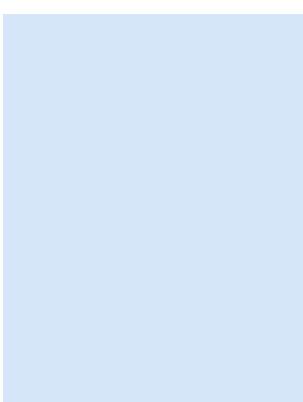
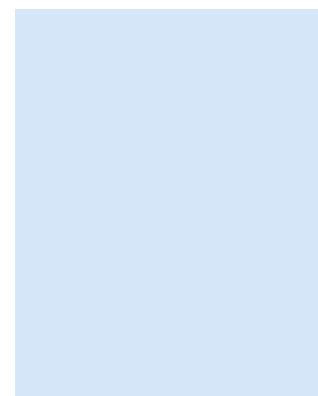
MAGNUS HEIMBURG



MARIE GRÖNBORG



GORM JENSEN



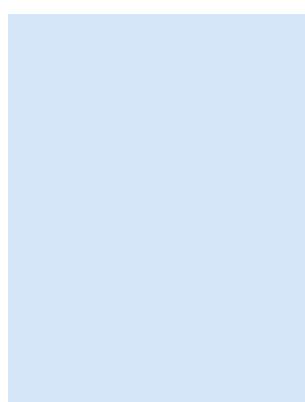
WOLFGANG LAURES



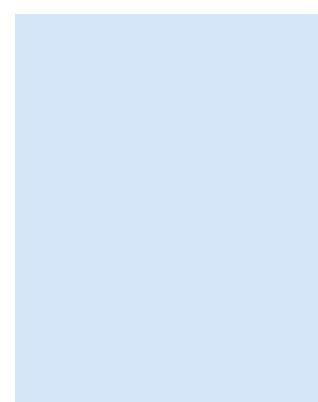
MAGNUS LANNÉR



MIKAEL GEDIN



ERIC APPELMAN





## Discover Your Winning Formula

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

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