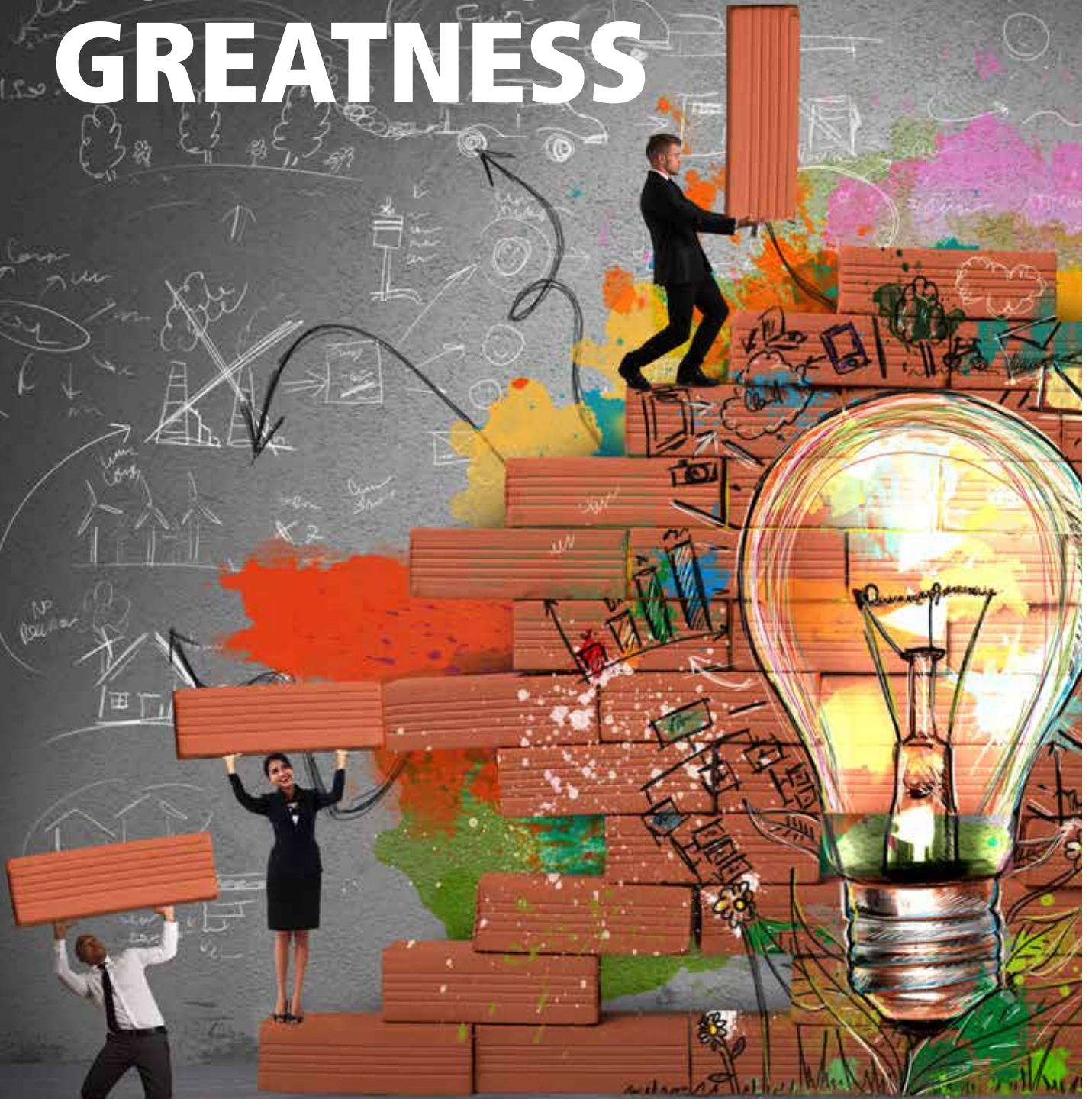


TOWARDS GREATNESS



Perstorp 2014

Annual & Social Responsibility Report

Perstorp in brief

Perstorp is a world leading specialty chemicals Group with about 1,500 employees. We have manufacturing units in Asia, Europe and North America. Sales in 2014 amounted to SEK 11,084 m. The Perstorp Group is controlled by funds managed and advised by the European 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.

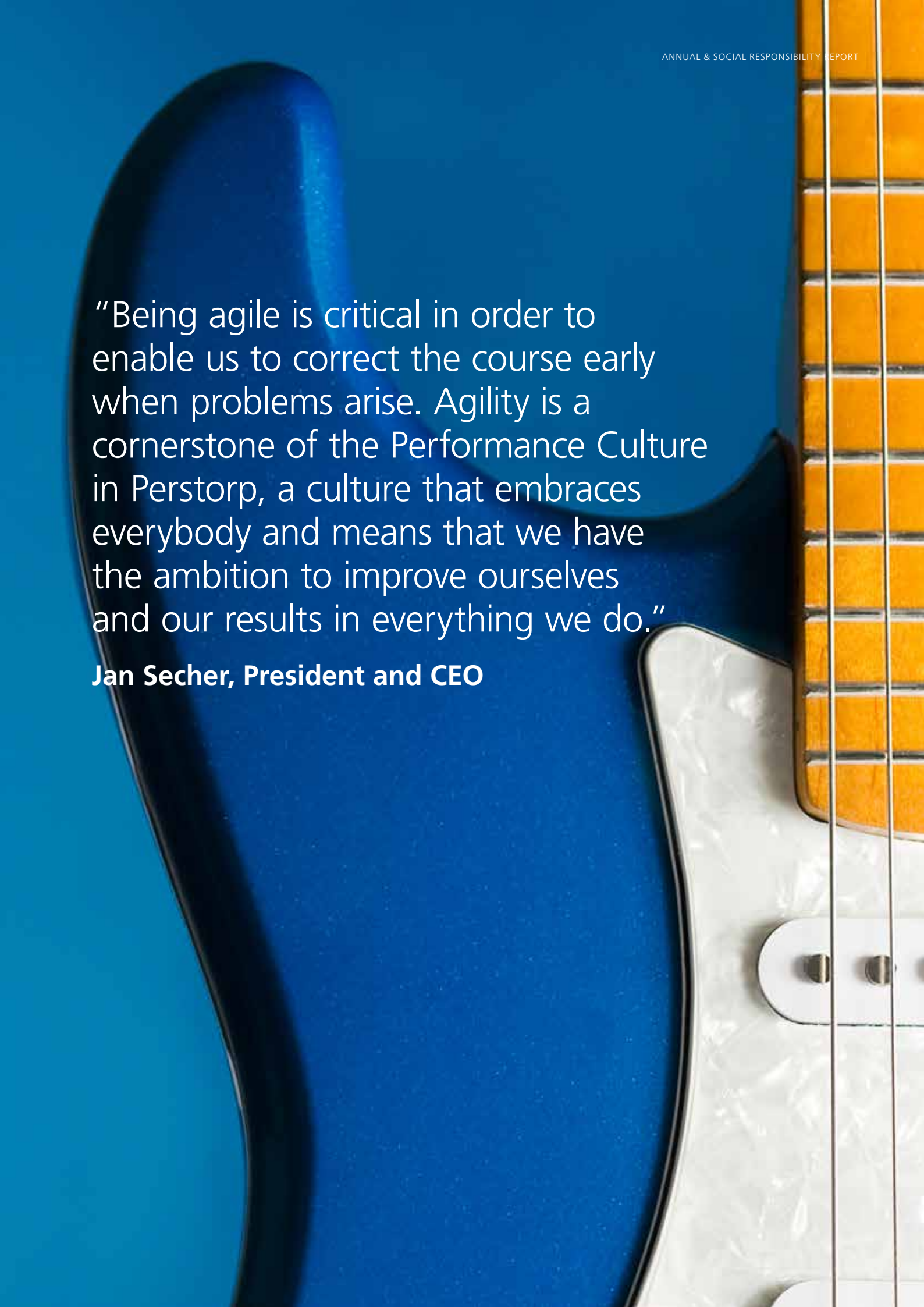
Perstorp believes in improving everyday life – making it safer, more convenient, more fun and more environmentally sound for millions of people all over the world. This is achieved through innovative chemistry that maximizes performance and minimizes environmental impact at the same time. A vast majority of all innovation efforts endorse sustainable responsibility.

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"Being agile is critical in order to enable us to correct the course early when problems arise. Agility is a cornerstone of the Performance Culture in Perstorp, a culture that embraces everybody and means that we have the ambition to improve ourselves and our results in everything we do."

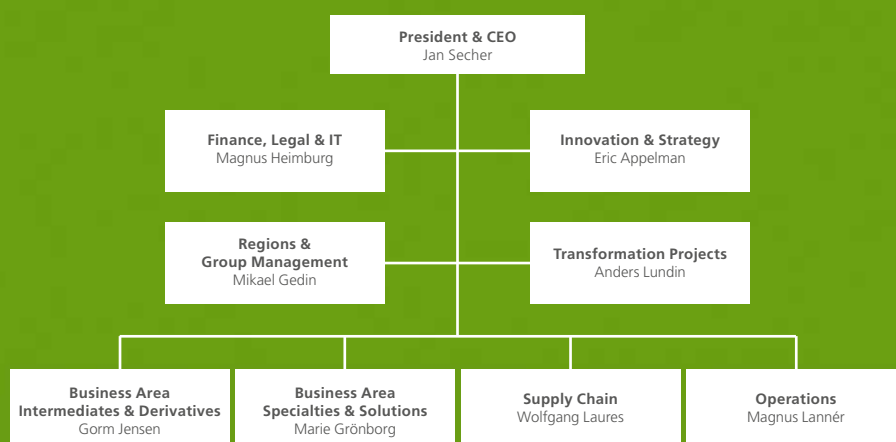
Jan Secher, President and CEO

A year in review

KEY FIGURES IN SUMMARY, CONTINUING OPERATIONS

SEK m unless otherwise stated	Full year	
	2014	2013
Net sales	11,084	10,343
Operating earnings before depreciation (EBITDA)	1,269	1,095
% of net sales	11.4	10.6
EBITDA excluding non-recurring items	1,318	1,113
% of net sales	11.9	10.8
Operating earnings (EBIT)	633	-9
% of net sales	5.7	-0.1
Free cash flow	1,201	272
Net debt excluding Parent company loan and pensions liabilities	10,514	9,092

PERSTORP'S ORGANIZATION



IMPORTANT EVENTS

For the Perstorp Group's continuing operations, sales in January to December 2014 amounted to SEK 11,084 m (10,343), which is an increase of 7% compared to the previous year and is mainly explained by stronger volumes and positive foreign exchange effects.

Operating earnings before depreciation and amortization (EBITDA) relating to continuing operations were SEK 1,269 m (1,095). Excluding non-recurring items, the corresponding figure was SEK 1,318 m (1,113), an increase of 18%.

In June, Perstorp signed an agreement with Chemko a.s. Strážske for the acquisition of its penta and calcium formate businesses, related technology and certain assets. It does not include any manufacturing facilities, real estate or employees. For Perstorp, this is part of an ambitious investment plan to increase its polyol production.

In the second quarter, Perstorp implemented an off-balance, non-recourse, trade receivables financing program related to its Swedish entities. The program will be extended in 2015 and include also entities in Germany, US and UK.

End of August, Perstorp and PTTGC International (Netherlands) B.V. agreed on a change in strategy and shareholding structure for Vencorex Holding SAS. The financial transaction is fully in line with Perstorp's long term strategy to focus on its core business activities outside the isocyanates market. After the transaction, Perstorp retains a 15% ownership of the company, and will continue to support Vencorex as the new strategy will be implemented, thereby benefitting from future value creation.

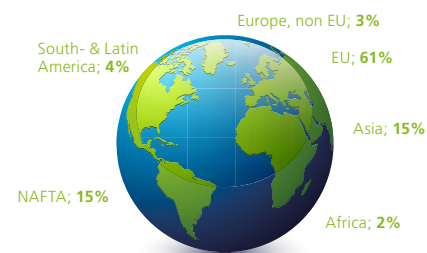
Perstorp successfully attended a number of large and important trade shows in Asia, Europe, Middle East and America over the year.

The strategic investment Valerox, a new production plant for Emoltene™ 100 and Pevalen™, was successfully started in early January 2015, on time and on budget.

The internal transformation project 'From Good to GREAT' has progressed with focus on safety and environmental responsibility together with the need to meet our future business challenges. Looking at our market situation, two business models – one for more supply/demand driven products, called Intermediates & Derivatives, and the second a more value driven, differentiated business, called Specialties & Solutions.

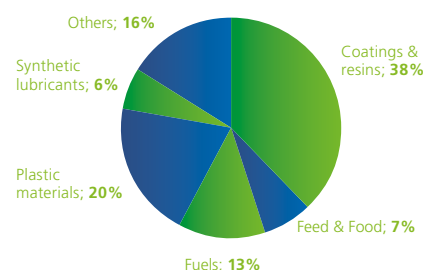
NET SALES PER GEOGRAPHIC MARKET

(continuing operations)



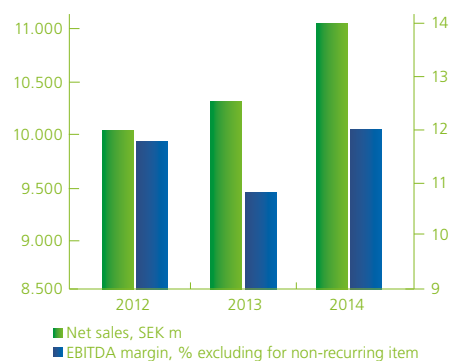
EXTERNAL SALES PER MARKET SEGMENT

(continuing operations)

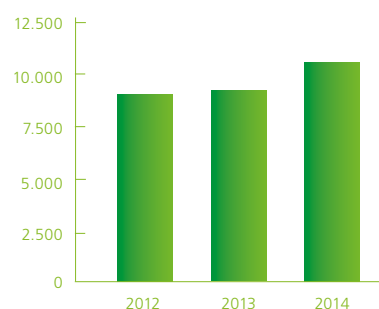


NET SALES & EBITDA MARGIN

(continuing operations)



NET DEBT EXCL. PARENT COMPANY LOAN AND PENSION LIABILITIES



The way forward

A well-defined strategy

Clear focus on markets, customers and performance excellence

Enhance leading positions by investing in niche market segments and capitalize on end-market growth drivers

Focus on continued innovation and niche product development

Optimize and leverage our integrated production platform

Expand product portfolio through selective capex

STRATEGY TAKEN INTO ACTIONS, PERSTORP'S MUST-WINS 2015

- 1 Responsible care
- 2 Investment project Valerox
- 3 Commercial excellence
- 4 Marginal contribution achievement TMP/Neo, Penta and Capa™
- 5 High plant availability
- 6 Cash flow and liquidity
- 7 Performance culture





SALES OFFICES & AGENTS

- | | |
|--------------------------|--------------------------|
| 1. Germany | |
| 2. France | |
| 3. Italy | |
| 4. Netherlands | |
| 5. Poland | |
| 6. Russia | |
| 7. Spain | |
| 8. Sweden (Headquarters) | |
| 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 |
| 5. Stenungsund |
| 6. Toledo |
| 7. Warrington |
| 8. Waspik |
| 9. Zibo |

President's comments

Perstorp is in the middle of a transformation process taking the company from Good to GREAT. In this process we never lose sight of the importance of constantly renewing our focus on safety and environmental responsibilities. During 2014 good groundwork was done by our Responsible Care unit, setting out the direction for improving our position in this area, with the objective to move from average to top quartile for OSHA recordables. Much of the preparation work is complete and we are moving into implementation as quickly as possible. Some results have already been achieved regarding bringing down accident rates. Several of our capital investments were aimed at improving environmental responsibility and as an average over the last three years, some 8-9 % of our investments have gone into improving our sustainability performance. Our target of reaching top quartile by 2017 will require certain additional investments as well as a lot of new ways of working in the years to come.

ON OUR WAY TOWARDS GREATNESS

The central aspects of Perstorp's ongoing transformation is to put more focus on safety and environmental responsibility together with the need to meet our future business challenges. After having identified an untapped potential in the company, and also a need for a more market and customer driven organization, the transformation project Mont Blanc was started in the fourth quarter of 2013. Now it is becoming a reality, with the internal transformation process 'From Good to GREAT'. Right from the early beginning this was a white paper approach. We did not just want to make some changes and see where that took us, but we wanted to define where we needed to go and find a way to build that bridge. During the fourth quarter of 2013 and the first part of 2014, we did a lot of analysis and groundwork. During the rest of 2014, we prioritized and worked on extensive improvements, basically in all areas of the value chain.

A NEW OUTSIDE-IN BUSINESS MODEL

Looking at our market situation, we identified two business models – one for more supply/demand driven products, called Intermediates & Derivatives, and the second a much more value driven, differentiated business, called Specialties & Solutions. Our sales force is now redefined to fit into these two business models. We have also introduced a professional supply chain function in the company. Additionally, new very experienced people were hired in critical areas, representing new talents that are already making valuable contributions to our organization and business.

A LONG-TERM AIM FOR REAL CHANGE

This transformation is just as much about hard and measurable financial results as a culture change, which takes time. We have given ourselves a timespan of 3-4 years, in terms of financial goals, but also to see sustainable effects from the cultural transformation. Along that timeline we have several milestones. The ones we have reached up until now are more activity based rather than results based. In November 2014 we launched a sales and operational planning process, a required base for GREAT performance. We have also put a new forecasting system in place, moving the responsibility from product management to sales, and giving them tools to work with. In December we rolled out a new price management system for the sales people, providing a data driven approach to margin management. In other words, 2014 has been the year when we have accomplished these types of activities, and 2015 will be the first year when we expect to see tangible results from this work.

UNDERSTANDING THE BIG PICTURE

As part of the Mont Blanc project, we put a functional organization in place. That always involves a risk that people will work in a blinkered way, and not appreciate the cross-functional perspective. To counter this we assigned a group to work across all the functions, called Performance Excellence. This group is responsible for driving and implementing the strategic goal alignment process, which will assure that all people in the organization understand the bigger picture and how they fit into that. All the other ongoing change management initiatives will as well serve as vehicles for the overall change process. For example the marketing function has been rebuilt, and we brought in outside experience from other areas such as fast moving consumer goods. We truly believe that this will greatly support our transition to a market and customer oriented company.

ONE STRONG MANUFACTURING UNIT

When it comes to manufacturing, we have brought all assets together into one common operations function under new management. They are now operating as one unit where they can share best practice and KPI's, and work on what we can do jointly to drive the group as a whole. This set up also strongly enables and supports the focus on Responsible Care. During 2014 we naturally had strong focus on the gamechanging project Valerox, the single largest strategic investment in Perstorp's history. We completed this multi year project during 2014. The new plant



was successfully started in January 2015, ahead of schedule and under budget.

CREATING A PERFORMANCE CULTURE

In short we are taking the strategy, breaking it down into measurable goals and identifying activities, which we then follow up on a monthly basis. This way of working makes it very tangible for people within the organization and it creates a link between the long-term goals and the daily activities. We have high expectations and are starting to see some positive results from the hard work that we have put into this, in terms of :

- Greater success in the market (volumes and pricing)
- More efficient supply chain and working capital management
- Higher availability at cost efficient levels from our operations
- Further clarity and evidence of Perstorp's performance culture

RESULTS CLEARLY ABOVE LAST YEAR

To summarize, 2014 has been a two-pronged approach. One has been to prepare for the future, and one to deliver on the numbers for the actual year. From a performance point of view, we have during 2014 been helped by the currency effect, in particular the strong dollar, which has helped our bottom line performance. But this also leads to a negative effect on our net debt, which has gone up. The underlying organic growth is still positive, so given

the macro environment, particularly in Europe, but also in the US and Asia, we have reason to be satisfied. With a 7% volume growth and an 18 % improvement in EBITDA from 2013 to 2014 we can be proud of our achievements. For 2015 we expect at least the same, if not significant better result. The recent drop in raw material costs, continued tailwind from currencies and the organic improvements from the business will keep us on the long-term plan that we have set.

I am extremely energized by the amount of work, commitment and belief that I sense in the organization. I think everybody can see that we have turned a corner, and that success feeds success in that sense. We have started the transformation. The train is leaving the station and I am very happy to see that people are onboard. I have great confidence in the direction we are heading in.

Malmö, April 2015

Jan Secher
President and CEO

Towards GREATNESS

Today's pace of change in business conditions is historical but like most things in business, rapid change is a two-edged sword - a threat but also an opportunity. Adapt to rapid change better than competitors and you can make great strides; ignore rapidly changing circumstances and expect to be far less successful.

Last year's extensive internal self-evaluation revealed significant untapped potential within Perstorp. To harvest this value and advance from a good company into a GREAT performing company, Perstorp initiated an internal transformation that first and foremost was enabling an undeniably stronger customer interface.

The mechanics of this transition were grounded in four primary cornerstones, under which a lot of various activities have been conducted and implemented in the course of 2014:

1. SAFETY FIRST

Within the transition it was decided to renew the focus on safety and environmental responsibilities. During 2014 good groundwork was done by our Responsible Care unit, setting out the direction for improving the position in this area. Much of the preparation work has been completed and some results have started to show.

2. DRIVE PERSTORP FORWARD FROM A CUSTOMER-CENTERED PERSPECTIVE UNDER THE GUIDE OF A NEW BUSINESS MODEL

During 2014, Perstorp has been re-organized from an outside-in perspective, 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 business is conducted, including a differentiated and tailored customer service approach to meet the varying commercial, technical and application expectations.

Perstorp's products have been reallocated into two Business Areas that reflect its major product segments while distinguishing between its two primary customer audiences. This fundamental change has enabled a specific and effective go-to-market approach for each of the areas:

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

3. LAUNCH OF A NEW ORGANIZATIONAL STRUCTURE

Perstorp has changed from a divisional-based structure into a functional organization as a means of delivering on its overarching strategy. This essential shift has stimulated new and more effective ways of working throughout the organization, increased cross-unit collaboration with clear interfaces, and driven top-level efficiency across its functions. In order to further underline this change, the headquarter was moved during 2014 from Perstorp to new premises in Malmö.

EXAMPLES IN ACTION

- a) It was decided to introduce a dedicated supply chain function, which has now been transformed into the strong interface between business areas and operations that is required to serve our customers in a differentiated but also more cost efficient way in a very competitive environment. Furthermore, procurement has been reinforced as a consequence of the company's striving for tighter control over procurement activities and to support improved margin management.
- b) Through implementation of the two milestone-initiatives Pricing Excellence and Sales Academy, Perstorp will obtain a more effective pricing performance. The pricing management tool, PACE, is a fundament, which will support implementation of a far more data driven approach to doing business. In addition, the underlying processes that are affected by this new way of working have been identified and amended accordingly, which is equally important.
- c) Manufacturing has dedicated 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.

4. IMPLEMENT A PERFORMANCE CULTURE

Another very important conclusion from the self-evaluation was the need for a more articulated performance culture. Not that Perstorp has not performed well in the past, but this is about creating a systematic, consistent and companywide process for how to define performance, setting transparent and relevant objectives and to follow-up and also quickly implement corrective measures when things are not going in the right direction.

A systematic process has been implemented companywide; The Strategy and Goal Alignment Process. This process defines how objectives are set, activities defined and cascaded to the next level in the organization. Via the simple structure, all objectives and activities can then be cascaded upwards or downwards in the chain where it becomes clearly visible how they relate to each other in the big picture.

Successful start-up of the new major Oxo investment in Sweden

Production of key raw materials for Perstorp's innovative products such as general purpose PVC plasticizers, at a major extension to its current main plant in Stenungsund, has successfully begun on time. The new Oxo plant, which produces aldehydes and derivatives, is a testament to Perstorp's commitment to the PVC industry.

With the conclusion of the largest plant investment ever, the total Oxo capacity has increased by 150,000 tonnes per year and Perstorp has developed a new production platform to supply the markets from. This improved production position, in combination with logistics centers in several countries, means that customers can now be provided with improved access to market-leading high performance, sustainable and cost effective plasticizers.

This investment strengthens the market position, and since the new Stenungsund plant is fully integrated upstream, Perstorp can offer its customers a very high level of reliability, consistency and customization. The new Oxo plant is a great example of Swedish innovation in sustainable process solutions. It has been built to the highest environmental and safety standards and Perstorp now has probably the most up-to-date and competitive plasticizer production platform in the industry.

The new Oxo plant produces:

- Emoltene™ 100 (Di-Propyl Heptyl Phthalate), a C10 plasticizer is designed for outdoor durable applications where flexibility and durability are key to meet the toughest conditions required in cables, wires and roofing membranes.
- Pevalen™, a unique and innovative non-phthalate plasticizer especially created to meet the safety and performance requirements of indoor PVC applications such as flooring and coated fabrics. It provides unbeatable softness and UV stability.
- Valeric acid, with unique properties for lubricant formulators and as a pharmaceutical intermediate.
- 2-propyl heptanol (2-PH) as a raw material for surfactants, adhesives and lubricants, as well as for plasticizers.

Our goal has been 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. 2014 has been the year of transition and change. 2015 will be the year for take-off and delivery on all the projects that we have committed to – simply to Make it Happen!

Group structure & our market segments

Intermediates & Derivatives

Specialities & Solutions

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

BioFuel

Biodiesel (blended and pure)

Caprolactone

Automobile OEM paints
High-end waterborne PU coatings and elastomers

Feed & Food

Grain preservation
Animal health promoters

Specialty Polyols

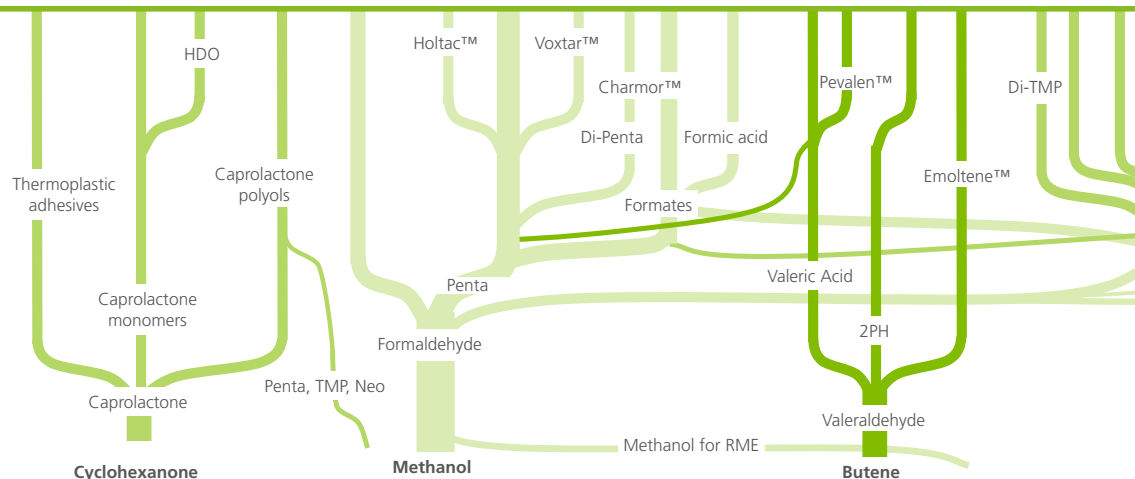
Industrial coatings
Fire protection
Polymer additives

Business Development

De-icing

Market Segments

Main manufacturing platforms





Plastic materials

Perstorp's products for plastics and composites enhance the performance of many everyday items such as furniture, automobiles and shoes providing better comfort, esthetics and durability. Perstorp's plastic additives and plasticizers improve 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 enable 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 legislation. 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. Our flagship product, Verdis Polaris™ Flora, is used for blending with up to 7% fossil diesel and for use as a 100% renewable fuel.



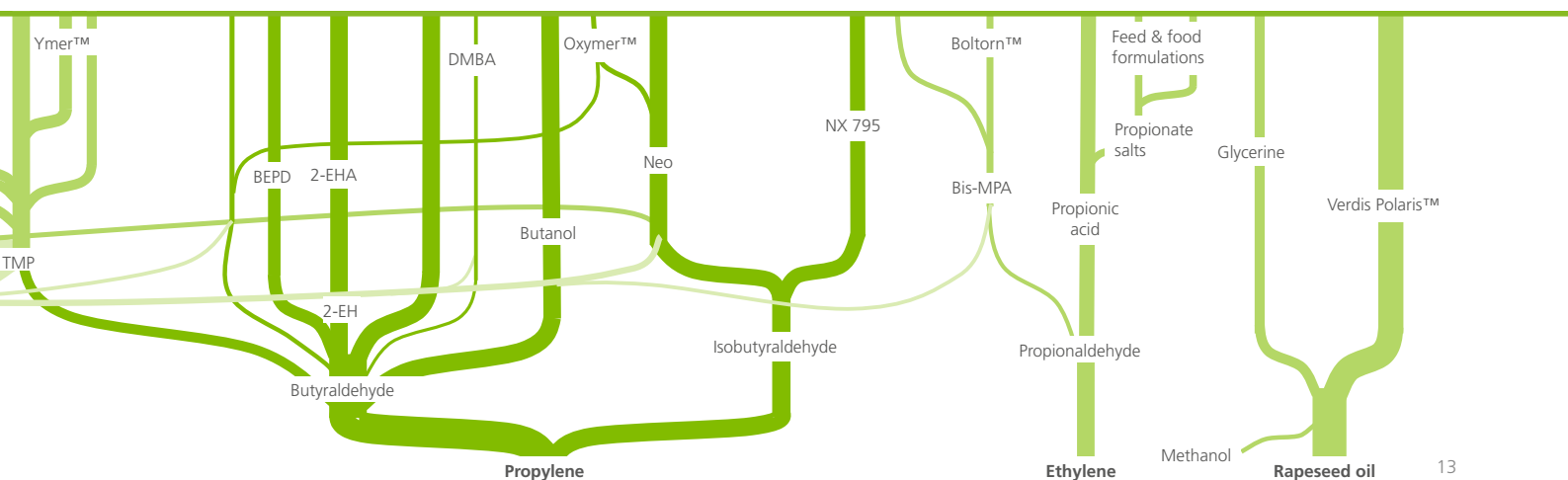
Feed & Food

Improving nutrient content, inhibiting mold 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.



Other

Perstorp's potassium and sodium formates are uniquely adapted for clear brine drilling and completion fluids in High Pressure High Temperature (HPHT) deep oil and gas wells. They also provide an environmentally strong solution that is becoming increasingly attractive.



Plastic materials

Pevalen™

An uncompromising innovation

Perstorp is world leading in several specialist areas of PU, PVC and polyester technology, creating high performance plastics that are safe and sustainable



Plasticized PVC is all around us. We come into contact with it when we go to work, when we shop, in our homes and when we go out and about. Flexible PVC impacts nearly every aspect of our life, so it is important that general-purpose plasticizers are safe to use especially when PVC is used in close proximity to people. This has been a subject of debate and in particular the role of low molecular weight phthalate plasticizers.

Pevalen™ represents the next generation of plasticizers. It is an innovative genuine non-phthalate general-purpose plasticizer that delivers safe and uncompromising performance.

PERFORMANCE AND SAFETY GO HAND-IN-HAND

Pevalen™ is a high performance polyol ester plasticizer based on well-proven and reliable chemistry. It is designed for close-to-consumer applications where safety issues can be of concern. Apart from securing the safety of the PVC product Pevalen™ provides uncompromising performance, unbeatable softness and UV stability. Pevalen's ability to produce flexible PVC formulations that are soft and durable, as well as highly resistant to cleaning

chemicals, makes it ideal for flooring in public buildings, hospitals and domestic environments. It is also well suited to coated textile applications.

Processing is simple as Pevalen™ is much easier and faster to process than phthalates. With its low volatility and high plasticizing efficiency less plasticizer is required, compared to alternatives, making Pevalen™ popular from a cost perspective too.

INVESTING IN THE FUTURE OF HIGH PERFORMANCE & SAFE PLASTICIZERS

Perstorp's largest investment ever in the Oxo site in Stenungsund, Sweden, has underlined the company's position as a trustworthy European market leader in general-purpose plasticizers. This modern plant is fully integrated from raw material to finished plasticizer. This gives customers capacity, reliability and fast access to Pevalen™ for sensitive applications, and Emoltene™ 100 for tough outdoor applications, such as cables and roofing membranes.

Pevalen™ remains one of Perstorp's Top 3 R&D investments with continuous development underway. 2014 saw production start at Stenungsund supported by additional technical resources to help with the commercialization of the product. The continued trend towards non-phthalate plasticizers means that Pevalen™ is well positioned to take full advantage of this trend, especially in the flooring and coated fabric segments where customers are looking for non-phthalate solutions. The commercialization of Pevalen™ is keeping pace with expectations, with many trials already in full swing, which augurs well for 2015. The market potential for non-phthalate plasticizers is estimated to be around 150,000 metric tons within a total European plasticizer market of some 1 million metric tons. Pevalen™ is expected to grow not just in Europe, but also in North America during 2015.

With a clear trend towards non-phthalate plasticizers and a fast commercialization process already underway Pevalen™ is set for success in 2015.



Coatings & Resins

Capa™ for coatings

Targeting precision performance & lifelong advantages

Capa™ is a multi-talented polyol. It offers coating formulators almost endless opportunities to pre-define coating properties and achieve the precise product performance they require. The desire for different properties such as soft-feel coatings often contrasts with those that must exhibit extreme durability or flexibility across a wide temperature range. Capa™ has a full spectrum of innovative properties designed to unleash a product's capabilities, and extend lifetime performance.

Advanced coating technologies are becoming increasingly important across an ever-expanding range of high performance products and applications. Capa™ is a vital component in formulations that include not just coatings and resins, but adhesives, bioplastics and elastomers too.

COVERING THE HARSHTEST AND SOFTEST COATING APPLICATIONS

This flexible coating component is easy to process and provides strong sustainability benefits by adding long-life performance. Capa™ is proving itself in the harshest environments. It is preferred in high performance coating technologies, for example, for composite wind turbine blades, where coatings need to promote trouble-free performance over many years. Incorporating the caprolactone polyol in a blade coating system produces a more flexible and elastic coating that has higher resistance to impacts and abrasion, and which has proved in practice to be significantly more crack resistant. In addition, Capa™ increases the color stability of the coating, so the blades retain their white appearance for longer.


Another major coating trend is soft-feel coatings for high-end electronic products, such as mobile phones and tablets, and for dashboards in the automotive industry. Getting the balance right between soft-feel and durability is something the new liquid Capa™ Lactides range has been perfected for. Capa™ Lactides also have impressive green credentials being partially renewable, biodegradable, and they promote solvent-free formulations.

40 YEARS OF WINNING FORMULAS

As the world leader in caprolactone technology Perstorp is celebrating 40 years of unrivalled Capa™ success. Since doubling the capacity in 2011 Capa™ has grown significantly on a global basis. 2014 saw a record year with a 14% increase in volume and 10% increase in sales. Whilst Europe still is the biggest market for Capa™ demand is growing strongly in North America and Asia. The take off in sales in 2014 is continuing at the same pace in 2015, which is in part due to the marketing and greater awareness of Capa™ globally.

Resources have been put in place to increase the level of innovation and help customers to rapidly improve their formulations. This includes a new pilot plant that was added in 2014, and a globally restructured sales and technical support service designed to provide a rapid response to customer requests. In addition new marketing materials and an online Capa™ Product Selector have been introduced to help potential customers to fully understand the relevance and benefits of Capa™ to them.

Capa™ is providing coatings with endurance and long-life performance that polyester alternatives find hard to match. It is a coating technology with an innovative soul and a sustainable heart ready to meet the coating challenges of the future.



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

Synthetic lubricants

Valeric Acid

An outside-in success

Perstorp is already a world leader in supplying polyols to the synthetic lubricant market. With arguably the best and most complete portfolio, the company has carved out a very strong position for itself. Yet polyols represent only half the equation in formulating synthetic lubricants.

The other half of the esterification process requires carboxylic acid. Encouraged by discussions with leading customers we saw a strategic win:win from the production of Valeric Acid (a carboxylic acid) as part of Perstorp's major investment in the Oxo site in Stenungsund, Sweden. Valeric Acid would immediately strengthen the Perstorp portfolio and give customers a highly competitive alternative supply.

NATURAL GROWTH BUILT IN

Apart from strengthening the commercial relationships with existing customers, the main application areas for Valeric Acid have a lot of growth built in. In compressors, HCFC refrigerants are being phased out and replaced by alternative refrigerants that require compatible polyolester (POE) based lubricants with low flammability and low explosion risk. This phasing out process is creating a natural annual growth of 5-6%. High performance POE synthetic lubricant applications, such as jet engines are also growing steadily as travel becomes cheaper and the volume of travellers continues to grow year-on-year. Growth in this area is comfortably exceeding GDP.

Perstorp's polyols for synthetic lubricants have seen an impressive growth in value of 7% in 2014. In particular Asia has contributed significantly to this. The fastest growing sub-segment was transformer oil used in electric trains, where biodegradability of oils and lowering the risk of fire are the main drivers for train and rolling stock operators. Voxtar™,

our renewable penta, also scored a commercial breakthrough in 2014 within the synthetic lubricants segment, where the use of renewable energy has significantly reduced the carbon footprint throughout the customer value chain.

LISTENING TO OUR CUSTOMERS & STRENGTHENING OUR POSITION

The Oxo plant investment has enabled Perstorp to supply Valeric Acid to its multi-national customers on a global basis. The world supply of Valeric Acid is limited to a handful of players; so leading synthetic lubricant customers were keen for Perstorp to become a strategic supplier in this critical area. This gives customers greater security and reliability of supply.

Perstorp's Valeric Acid is produced out of an innovative process based on C4 chemistry. The decision to "backward integrate" the manufacture has created a strong competitive advantage. It means that we can offer a competitive product, reliable supply and the stability our customers are looking for.

The introduction of Valeric Acid has significantly strengthened Perstorp's synthetic lubricant market position, being able to supply a complete polyol portfolio and now a new acid component alongside Perstorp's other world leading synthetic acid 2-EHA.

COMMITTED TO SYNTHETIC LUBRICANTS

Perstorp's strategic focus on and commitment to the synthetic lubricant segment is being reinforced with additional product development and R&D resources. Much of this focus will be directed at an outside-in approach that involves listening to customers, increasing support and exploring new development opportunities together. 2015 should see an increase in market share and Valeric Acid should help to increase the percentage sales to existing customers. Further growth in the Asian market, and a broadening of the portfolio to other segments will help to build a strong 2015.

Synthetic lubricants are highly specialized and are used as refrigerant lubricants for compressors, in aero engines, hydraulic fluids and metal working fluids. Perstorp is a key supplier to this segment with a complete portfolio of intermediates.



Fuels

Verdis Polaris™

In pole position

Verdis Polaris™ is a 100% biofuel (B100) that offers outstanding commercial vehicle and environmental performance. Perfected for the Scandinavian climate, this rapeseed (RME) based biofuel is pre-acclimatized at Perstorp's state-of-the-art production and development plant in Stenungsund, Sweden.

Verdis Polaris™ has quickly become the leading B100 biofuel in Sweden. It offers efficiency and environmentally conscious companies a premium solution that they can rely on in all weathers.

MAKING IT SIMPLE TO TURN YOUR TANK GREEN

Verdis Polaris™ provides the simplest and most effective way for bus fleet operators and logistics companies to go green. B100 can be used in standard diesel buses and lorries with minor modifications, so there are no expensive refits or risks for the transport owners when switching to Verdis Polaris™. For commercial owners who prioritize lower costs, B100 offers a tax incentive that clearly makes economic sense too.

Increasingly retail brands, which prioritize sustainability and see it as an important part of their brand, are turning to green


transport and logistics solutions. These companies are keen to highlight their efforts towards Fossil Free Fuels in their transportation systems, and are helping to build awareness of B100.

STAR PERFORMANCE IN THE GREEN TANK

What makes Verdis Polaris™ the star performer in biofuels is the refinement and premium quality of the fuel. The Perstorp plant in Stenungsund simulates winter conditions, so that all the elements that could cause a problem have already been eliminated or modified. For an even greater climate contribution Verdis Polaris™ Aura has replaced fossil-based methanol with bio-methanol to give a 60% reduction in CO2 compared with fossil fuel alternatives.

INNOVATION KEY TO STAYING AHEAD

Even though Verdis Polaris™ is the market leader in Sweden, Perstorp is continuing to pump a lot of innovative energy into biofuels. Apart from the continuous improvement of existing products, Perstorp is looking to introduce an even more advanced bio-methanol solution, as progress is made towards second-generation biofuel products. Other parts of this development are to replace rapeseed oil grown in Sweden with a non-crop alternative and to introduce a forest based bio-gas component into future grades.



Promising future developments helping to keep Perstorp at the forefront of second-generation biofuels include research into algae oil as a potential new fossil free biofuel. All these innovative developments highlight Perstorp's commitment to both sustainability and raw material fuel efficiency.

EXPANDING HORIZONS

The market in Sweden is set to expand, as the anticipated climate ambition is to become fossil-free by 2030. Already under the current policy large parts of the potential market have now understood there is a competitive biobased product available that is easy to introduce. The market itself grew by 60% from 2013 at around 120,000 cubic meters to 200,000 cubic meters in 2014. Perstorp has a 25-30% market share.

There is also great potential to continue to expand into heavy lorries (HGV). Tighter engine specifications on fume emissions (Euro 6) now support the conversion of transport fleet owners to the idea of biofuels. Other areas of future expansion for Verdis Polaris™ include Scandinavian countries with similar climatic conditions.

With a growing market share and expanding horizons Verdis Polaris™ is set to continue to maintain its pole position in Scandinavian biofuels.

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

Feed & Food

ProSid™ MI 700

Breaking the mold in feed preservatives

Perstorp have broken the mold of ammonia-dominated preservatives with the introduction of the ProSid™ MI 700 product family. ProSid™ MI 700 is the first in a new generation of innovative acid feed preservatives that offer safer and more effective preservation.

With a burgeoning world population the pressure on farmers to produce meat and crops has never been higher. Innovative solutions to increase yields, preserve crops better and maintain the health of animals are all vital in meeting the food challenges of today and tomorrow. In particular more than 25% of feed crops are contaminated with mycotoxins resulting from mold growth. Reducing this figure alone will have a direct and dramatic effect on increasing the volume and quality of feed as well the health of animals. ProSid™ MI 700 is at the forefront of this battle.*

STRONGER PRESERVATION EFFECT REDUCES RISKS AND COSTS

The scientific focus on mycotoxins has proven how they occur in animals and that the toxin accumulates overtime, which is eventually passed into the human food chain. Mycotoxins represent a clear risk to both human and domestic animal health. This has driven the desire for preservatives with a stronger and longer-lasting preservation effect.


ProSid™ MI 700 prevents all forms of mold and yeast growth, which substantially reduces the risk of mycotoxins contaminating the feed during storage. The unique and highly concentrated formulation consists of propionic acid and propionic acid glycerol esters. This provides a longer preservation effect with less loss due to evaporation, and is safer to handle because it is less corrosive than alternatives.

With ProSid™ MI 700 the lower total overall costs derived from more effective preservation and minimizing contamination provides farmers with a strong financial incentive. ProSid™ MI 700 also offers a more sustainable solution too as less feed crops are destroyed by mold, and less drying is required helping to reduce the carbon footprint.

POSITIONED AS A FOCUSED INNOVATOR IN FEED SOLUTIONS

Since its launch in 2012 ProSid™ MI 700 has grown successfully in Northern Europe, with the main market being Germany. Here ProSid™ MI 700 is outperforming the established market leader according to the customers, and is now starting to find success in Eastern Europe, Russia and China. The new plant producing ProSid™ MI 700 started full operation in 2014, and will be extended as growth targets are met.

The sales volume reached in 2014 was close to 1500 metric tons. Perstorp's total market share in mold inhibition equated to approximately 15%. Perstorp is now strategically well-positioned as an innovative producer of feed solutions, and to date, is the only company offering a second generation



Perstorp is at the forefront of developing innovative, effective and sustainable acid based feed solutions, such as ProSid™ MI700, which is a new second generation feed preservative.

preservative solution in the form of ProSid™ MI 700. Distributors are also positive about Perstorp's innovative product development approach, as it focuses discussions around feed solutions in a traditionally cost conscious segment.

*According to the Food and Agriculture Organization of the United Nations (FAO)

Other

Formates

Thriving under high heat & pressure

Drilling for energy raw materials is a tough and demanding business. Expensive rigs, arduous environments and difficult geological conditions make it challenging and risky. Today hydrocarbons are becoming harder to reach as we deplete our oil and gas reserves, and the pressure is on to find more sustainable methods of extraction.

The number of deep wells, both onshore and offshore is growing significantly. They are often characterized as High Pressure High Temperature (HPHT) reservoirs. Perstorp's potassium and sodium formates are uniquely adapted for clear brine drilling and completion fluids in these types of well. They also provide an environmentally strong solution that is becoming increasingly attractive.

SAVING VALUABLE TIME AND THE ENVIRONMENT

Perstorp's formates provide the perfect balance for deep drilling offering a high rate of penetration and low formation damage. Being biodegradable and non-toxic they are the environmentally preferred alternative to oil or Halide based heavy fluids. The purity of the formates and excellent delivery service are allowing Perstorp to carve out a substantial share and leading position in this vibrant HPHT segment. With HPHT well conditions becoming more common and with substantial volume of formates required per well Perstorp sees this as an important future growth market for the company.

In this time-critical environment every second a rig stops producing is very costly, so having a reliable partner who can support is vital to the profitability of drilling a well. Perstorp has the capacity, production plants and logistics already in place to support drilling on a global basis with two formate plants in Europe, one in USA and one in China.

In both aspects - saving valuable time and maintaining environmental integrity- Perstorp is already providing the industry with a winning formula.

IN THE PIPELINE

Perstorp's potassium and sodium formates are unique performers as they provide ideal drilling properties, an environmentally strong solution, and are compatible with critical polymer additives. All this makes them perfect for clear brine drilling and completion fluids. These high-density fluids allow oil and gas to be harvested several kilometers below the ground or seabed under high-pressure. The fluids are pumped down to great depths and return with the cutting material, which is separated so the fluid can be recycled and reused. Generally 20-30% of the fluids are lost in each drilling job.

This process places great demands on the volume of formates required and securing the supply line to the wells in order for production to continue uninterrupted. Managing the pipeline is a key to success in this segment.

ADDING VALUE WITH TECHNICAL SUPPORT

Perstorp's market leading position in HPHT wells was enhanced in 2014 with a 50% increase in oil field volumes. In order to continue this positive trend it is important to build value towards service companies and operators. As part of this strategy Perstorp is adding "innovation resources" in 2015 designed to provide technical competence in order to help customers and end-users to solve field issues. This will allow for a greater understanding of the customers' challenges as well as allowing Perstorp to influence decision makers more directly.

Perstorp is a market leader, both offshore and onshore, in High Pressure High Temperature (HPHT) deep wells. Perstorp's formates offer ideal properties and sustainable solutions for clear brine drilling and completion fluids.



Social responsibility report

At Perstorp, we take our role in society very seriously. We bring our values - respect for the environment, the rights of people, ethical behaviors and transparency - to every aspect of our business, everywhere we do business. We constantly strive to improve our impact on the planet.

Sustainability is a way of conducting our business so that humans and nature can exist in "productive harmony". We know that the decisions we make today, in every aspect of our business, affect future generations. This responsibility to the future guides our every action.

Major changes took place within Perstorp during 2014. We continued our development of a Responsible Care culture, encompassing Product Stewardship, Environment & Sustainability, Process Safety, Occupational Health and Safety as well as Governance and Incident Management.

Perstorp celebrated its eleventh year as a signatory to the UN Global Compact, supporting the initiative and its ten principles on human rights, the environment, the working environment and anti-corruption. This agreement solidifies our commitment to make the world a better place through our business endeavors.

Perstorp's way of working is clarified in print in the Group's Code of Conduct, which is available for all stakeholders. It covers the four areas of Business Principles, Products & Environment, Working Conditions and Human Rights. A specific Anti-Bribery Policy was fully implemented in 2014.

In addition to the Code of Conduct, the Perstorp Group has a Responsible Care policy which is published on www.perstorp.com.

MANAGEMENT SYSTEM

Perstorp's management system is available through the Group's intranet, describing both global and local processes and the organization of the head office, sales offices and production units. The portion of the management system devoted to standards for safety, health and the environment are being remodeled to conform to our Responsible Care focus.

The Perstorp Group possesses two multisite certificates: one according to the ISO 9001 standard; one according to the ISO 14001 standard. The production unit in Warrington, UK is certified in accordance with OHSAS 18001; the production units in Perstorp, Sweden and Bruchhausen, Germany are certified in accordance with ISO 50001.



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. The Employee Survey we conducted 2014 showed 86% of all employees went through a PMD discussion with the respective immediate manager.

News in 2014 was new formulation of the behavior part of the discussions. As from 2015 PMD will be a vital part of the new implemented Talent Management process.

THE EMPLOYEE SURVEY

During 2014 we launched an Employee Survey. This is done every second year. 93.2% of all employees answered the survey and the result was very encouraging. The Performance Index (the overall main result) increased from 3.6 to 3.7. This shows that Perstorp as a company offers good opportunities for the employees to perform well in their daily work. The most vital part of the survey is the feed-back sessions with all employees and the improvement activities coming out as a result from the discussion.

PERSTORP ACADEMIES

In 2014 the Process Academy was continued. The Academy is a pilot program designed to train young technicians and engineers in Perstorp's chemistry, core processes and methodologies. A new group will start up in 2015.

For the Sales- and Business people within the Group Perstorp launched a new strategy based on the HAX strategic management theories and we also invested in an extended training in sales principals, methodology, pricing etc. called PACE.

In addition, Perstorp during 2014 decided to extend the leadership training both in Sweden and to our international participants.

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 2014 in total 55 former students from Perstorp Gymnasium were employed by the Perstorp Group.

HEALTH & SAFETY AT WORK

TARGET FULFILLMENT SAFETY

In prior years Perstorp has used lost-time accident rate (LTAR) as a measure of safety effectiveness. As the goal of any company should be to prevent all lost time injuries and accidents this measurement is not sensitive enough to aid us along the path toward zero injuries. Under the Responsible Care umbrella, we have embraced a new metric for the safety performance of Perstorp as a company. OSHA-recordable injury rate (OSHAIR) is a more precise measure of the outcome of our safety and health initiatives. All injuries and incidents involving lost time or any medical treatment more than first aid are recorded and aggregated for the company. According to this measurement, the performance of Perstorp companywide was 1.5 injuries per 200,000 hours worked. World-class performance is below 0.5 injuries per 200,000 hours work worked. The goal for 2015 is to reduce this rate within all of Perstorp to a level below 1.2. Injuries to all people working on our sites, direct employees and contractors alike, are recorded and contribute to this score.



Target fulfillment

TARGET FULFILLMENT ENVIRONMENT

Perstorp's target for environment during 2014 was to reduce both emissions and the environmental footprint compared with 2013. Three environmental key indicators have been selected to monitor how Perstorp has succeeded in its objective:

KPI	2011	2012	2013	2014
Energy consumption MWh/ton of product	1.45	1.40	1.34	1.32
Emissions of fossil-related ton CO ₂ /ton of product	0.23	0.21	0.21	0.19
Amount of pollution (kg COD) in wastewater/ton of product	6.3	4.4	4.6	4.9

The energy consumption/ton of product produced has decreased slightly over the past four years, but the emission of fossil carbon dioxide is essentially 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 2014.

Beginning with calendar year 2015, Perstorp will set new sustainability targets based on the environmental and social impacts of its products and business activities.

RESOURCES MANAGEMENT, IMPACT & EMISSIONS

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

ENERGY

Total energy use:	2108 (1996) GWh
Direct energy use:	1413 (1412) GWh
Total energy use per ton:	1.32 (1.34) MWh per ton

The Perstorp, Sweden production site produced 689 (697) GWh of energy, of which 249 (257) GWh – 36% (37%) – consisted of energy from renewable fuels. Perstorp's Swedish production units have supplied district heating to their respective municipalities, as well as steam to other companies within Perstorp Industrial Park at the Perstorp site. A total of 174 (201) GWh has been supplied.

Of the company's self-produced energy 15% (16%) comes from renewable fuel. Of externally-produced energy 18% (19%) comes from renewable sources.

RAW MATERIALS & AUXILIARY CHEMICALS

Total consumption of raw materials: 1897 (1862) kton

Perstorp uses a large volume of chemical raw materials in its processes – for example, methanol, propylene and natural gas. These are refined into products, some of which – such as formaldehyde and butyraldehyde – constitute important ingredients in Perstorp's further processing chain.

The Group seeks to deliver as much as possible in bulk in order to reduce the amount of packaging material.

WATER

Total water consumption: 19.6 (22.4) Mm³

Of total consumption, 14.8 (17.4) Mm³ was surface water, 3.8 (4.1) Mm³ groundwater, 0.7 (0.8) Mm³ municipal supply and 0.2 (0.1) Mm³ supply from external sources. Of the total volume, about 16 Mm³ was used as cooling water without being contaminated.

Costs of Environmental, Health and Safety work & investments

ENVIRONMENTAL & WORKING ENVIRONMENT COSTS

In 2014, the Group's environmental and working environment related costs amounted to SEK 81.9 (66.5 in 2013) million, corresponding to 0.7% (0.7% in 2013) of net sales.

Costs for waste disposal amounted to SEK 13.4 (10.8 in 2013) million. During the year, the Group spent approximately SEK 27.1 (20.7 in 2013) million on wastewater treatment and around SEK 32.79 (24.9 in 2013) million on environmental administration.

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

INVESTMENTS IN ENVIRONMENT, HEALTH & SAFETY

Total investments in the environment, health and safety amounted to SEK 54.3 million in 2014 (85.9 in 2013). This amounts to 6.5% (12.4% in 2013) of the Group's total investments. It should be pointed out that in 2014, Perstorp made the largest investment in its history in the Valerox project.



Perstorp's vision

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

Environmental responsibility



Impact & emissions 2014 (2013)

EMISSIONS OF CARBON DIOXIDE

- Total CO₂ emissions: 399 (408) kton
- Direct CO₂ emissions: 345 (358) kton
- CO₂ from renewable fuels: 95 (100) kton
- Other greenhouse gases (N₂O, CFCs): 2.7 (<10) kton CO₂ equivalent

A significant part of Perstorp's climate impact is caused by direct emissions of carbon dioxide from burning fossil fuels, and indirectly through the consumption of purchased electricity and steam. The emission of fossil carbon dioxide is slightly lower than that of 2013. The company has improved emissions of greenhouse gases per unit product by increasing the amount of renewable energy used at our European plants.

EMISSIONS OF OZONE-DEPLETING SUBSTANCES

The total quantity of ozone-depleting substances used was 2.1 (2.4) tons. The leakage rate in 2014 was approximately 304 (102) kg.

OTHER AIR EMISSIONS

- VOC: 140 (136) tons
- Sulphur dioxide: 6 (5) tons
- Nitrogen oxides: 158 (179) tons

Perstorp's emissions of volatile hydrocarbons (VOC) are process related and the major specific substances are dimethyl ether, propylene and methanol.

Perstorp's emissions of sulphur dioxide and nitrogen oxides come primarily from the Group's power plants.

WASTE

- Total waste: 53 (48) kton
- Hazardous waste: 41 (36) kton
- Non-hazardous waste: 12 (12) kton
- Total amount of waste per ton of product: 33 (32) kg/ton of product
- Total amount of waste per ton of product put to landfill: 5.4 (4.9) kg/ton of product

Certain waste is recycled internally for energy recovery within the Perstorp Group, for example, 6330 (6060) tons of return methanol at the Perstorp site, 16000 (15700) tons of reaction mother lye at site Bruchhausen and distillation residues at site Warrington and site Stenungsund amounting altogether to 6580 (6950) tons. By recycling them as energy source, the need for fossil fuels is reduced.

WATERBORNE POLLUTANTS

COD before treatment: 7800 (6900) tons

At the sites in Perstorp, Stenungsund and Zibo emissions are purified in internal wastewater treatment plants and others are connected to other industrial or municipal treatment plants

Sustainable development

SUSTAINABLE DEVELOPMENT

Perstorp has conducted life cycle assessments (LCA's) for our products for over 15 years. Over the past five years, these LCA's have been verified by several outside parties, most notably SP Technical Research Institute of Sweden. Perstorp continues to work with SP on the development of lifecycle assessments for new and emerging products in our innovation pipeline.

Life cycle assessments are a systematic approach to measuring emissions and impacts at each step in the production chain, from the extractions of the raw material, processing, energy use and transports to the production of the final product. Climate Declarations made based on these assessments follow internationally recognized standards.

SUPPLY CHAIN

In 2014 Perstorp continued its focus on supply chain, including efforts to reduce our environmental impact by maximizing transport efficiency, increasing the use of recycled materials, recycling of used packaging and reuse of pallets. Perstorp has also implemented requirements regarding the type of engines and fuels that are 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.

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

SOCIAL DIALOGUE

Perstorp's Toledo, USA site continued its active involvement in the community, sponsoring two high school science teachers for the Ohio Chemistry and Technology Council's education program. Many sites participate in non-governmental organizations involved in water quality improvements. This type of social engagement enhances Perstorp's understanding of and relationship with the communities in which we operate. Community members remain critical stakeholders in our success as a company.



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
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 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
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 requires multiple supplies of critical raw materials alternatively to sign long-term agreements. Hedging options is assessed continuously
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; <ul style="list-style-type: none"> 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 2014 were 1.119 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 certain decisions about Perstorp Holding AB and its subgroups subsidiaries. The Annual General Meeting was held on 14 May 2014, at which the annual report for the 2013 financial year was adopted together with the proposal for distribution of profits. The Board of Directors was re-elected at the meeting. PricewaterhouseCoopers was re-elected as auditors for a four-year period at the meeting.

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 2014 Annual General Meeting were Fabrice Foulletier, 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 employee representatives.

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 2014, six scheduled Board meetings were held, as well as one statutory convening meeting, six extra board meetings and three 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.

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 2014 the Audit Committee consisted of the following members: Fabrice Foulletier, Bertrand Monier, Claes Gard and, CFO Magnus Heimburg. 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 certain decision-making powers. In 2014 the Remuneration Committee consisted of Board members Fabrice Fouletier and Ragnar Hellenius, the Group's President Jan Secher and EVP Regions & Group Management Mikael Gedin. The committee held one ordinary meeting during the year which was 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 two Business Area report to him along with the EVP Supply chain, EVP Operations, EVP Finance, Legal & IT, EVP Innovation & Strategy and EVP Transformations projects.

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 2014 and runs to 2018. 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.

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 2014. 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.

INTERNAL CONTROL

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 Cooperatief 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), CEFIC (The European Chemical Industry Council) 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
Chair of Johanneberg Science Park,
Board member of the SP Technical Research Institute of Sweden.
Member of The Royal Swedish Academy of Engineering Sciences (IVA) and
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

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

OTHER BOARD ASSIGNMENTS
Atos Origin SA, Grupo Cortefiel, Hunkemöller, Swissport,
EMG, IPH, Kiloutou SA and Xella International GmbH.

Ragnar Hellenius

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

OTHER BOARD ASSIGNMENTS
Board member Solvit 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

OTHER BOARD ASSIGNMENTS
Board member Lilas France SAS

ELECTED BY THE ANNUAL GENERAL MEETING 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, Bure and Indutrade.

Mats Åkerlund

Authorized Public Accountant – PricewaterhouseCoopers.
Born 1971.

OTHER AUDIT ASSIGNMENTS
AAK, E.ON, 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 Nordberg – Deputy trade union representative, IF Metall



Fabrice Fouletier



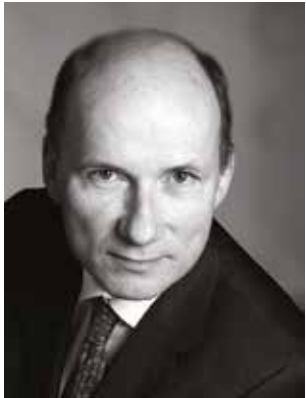
Jan Secher



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.

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.

Anders Lundin

Executive Vice President – Transforming Projects.
Active in the Group since 1982.
Born 1960.



Jan Secher



Gorm Jensen



Marie Grönborg



Magnus Lannér



Wolfgang Lares



Magnus Heimborg



Mikael Gedin



Eric Appelman



Anders Lundin





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.

Discover your winning formula at www.perstorp.com