Perstorp Annual & Sustainability Report 2010

Chemistry makes the world go round

Perstorp
WINNING FORMULAS

Leadership in market segments & manufacturing platforms

Strategic growth segments in focus

In 2010, Perstorp finalized its work in developing strategies for priority growth segments that overlap with the core manufacturing platforms and expertise. Now, focus is on the seven market segments of paints and coatings, materials, adhesives, feed and food, synthetic lubricants, formalin technology and fuels markets in 2011 and beyond.

Perstorp's activities include prioritizing product development, launching new products, expanding capacities and making strategic acquisitions to support the customers, enabling them to capitalize on the strong growth in these market niches.

PAINTS & COATINGS
As a key solution supplier for the global paints and coatings market, Perstorp´s offer covers everything from critical building blocks to high value specialties. For Perstorp´s future growth, focus is specifically on a number of high-growth subsegments: water-borne polyurethane dispersions, UV curing resins and resins for low solvent coatings systems (which are all about environmentally benign coatings) and the rapidly expanding uses to coat trains, aeroplanes and plastic parts. Working in partnership with participants throughout the entire value chain, Perstorp enables coatings systems with low environmental impact and high performance to meet customer, end-user and regulatory demands.

ADHESIVES
Adhesives literally hold things together in our daily life – from the shoes and clothes that we wear, the cars that we drive, the electric goods that we use and the packaging for our foods. Perstorp provides essential ingredients to adhesive manufacturers, such as 2-ethylhexanol for acrylic adhesives, isocyanates and caprolactone polyols for polyurethane adhesives, thermoplastic caprolactones for polyester hot-melt adhesives and pentaerythritol to make tackifying additives.

FEED & FOOD
Improving nutrient content, inhibiting mould growth, antibacterial treatment and aiding digestion are just a few of the benefits of the feed additives, ensilage agents and preservatives that Perstorp manufactures from formic acid and propionic acid. Together they boost the productivity and quality of meat, milk and egg production – since long in Europe but now also in emerging markets.

SYNTHETIC LUBRICANTS
This is a market with an above average growth, driven – among other things – by environmental legislations and the recovery of the aviation segment after the financial crisis. The increasing demand for synthetic lubricants is based on their ability to offer longer service intervals, less energy consumption and greater environmental capability. Perstorp has a strategically important position in this segment as a supplier of key intermediates used in synthetic lubricant manufacturing.

PRODUCTION PLANTS

1. Bruchhausen
2. Castellanza
3. Freeport
4. Gent
5. Perstorp (Headquarters)
6. Pont-de-Claix
7. Stenungsund
8. Singapore
9. Toledo
10. Vapi
11. Warrington
12. Waspik
13. Zibo

Operational leadership is the target

Perstorp works with six different manufacturing platforms: oxo products, polyalcohols, isocyanates, isophthalic acid, caprolactones and RME (Rapeseed Methyl Ester).

There are natural co-products in production from several of these manufacturing platforms. Thanks to focused innovation and marketing efforts, these are today products in their own right, adding to Perstorp´s specialty portfolio. Perstorp´s uniqueness stems from having such complex, developed production trees; this complexity leads to competitive advantages regarding cost, flexibility and new product development.

MATERIALS
Materials is a diverse segment covering Perstorp´s products for many type of plastics and composites. The products for foams and elastomers enhance the performance of many everyday items such as furniture, automotives and shoes providing better comfort, esthetics and durability. Perstorp´s plastic additives and plasticizers enhance and customize the properties of plastic end products, for example to make hard materials softer, soft materials more stable and brittle materials more durable. Perstorp is well positioned in this segment with strong concepts in environmentally preferred solutions and in safety driven end usages.

FORMALIN TECHNOLOGY & CATALYSTS
Perstorp's world-leading Formox business supports customers with a unique long-term partnership model, covering the design and supply of formalin plants, the development and supply of catalysts, the offer of active technical support for all Formox customers. This enables cost-efficient production of high-strength formalin with high consistency, for significant advantages in all downstream applications, including boards and insulation for the construction industry, plastic and foam components for the automotive industry and stretch fibers for the textile industry.

FUELS
Legislation which is favoring biofuels, as well as the increasing interest among customers, provides good growth opportunities for Perstorp's biodiesel (RME). Perstorp is the largest producer of RME in Scandinavia producing high quality RME from rapeseed oil, for blending with up to 7% with fossil diesel (B7) and for use as a 100% renewable fuel (B100) for diesel driven vehicles. Perstorp also produces superior quality grades of RME, for example the Verdis Polaris™ is suitable for blending with fossil diesel in the Nordic climate. Perstorp also manufactures 2-ethylhexanol, used in fuel additives to help cleaner combustion and lower particle emissions.

Facts about Perstorp

■ GLOBAL

Perstorp has grown from once being a small Swedish family business into a world leading Group with approximately 2,200 employees and manufacturing units in eleven countries in Asia, Europe and North America. Sales in 2010 amounted to SEK 14,561 m. The Perstorp Group is owned by the French private equity fund PAI partners since 2005.

■ EVERYWHERE

The specialty chemicals Perstorp produces are added to a wide range of products used everyday 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 providing certain planned and desired characteristics.

■ SOLUTION PROVIDER

Perstorp can today be described as a differentiated specialty chemicals company with a unique position on the market. This is possible through an offer of everything from key chemical building blocks to semi-specialty chemicals and pure specialty products that together with a solution providing approach add maximum value for Perstorp's customers.

■ SUSTAINABLE

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. And this is achieved through innovative chemistry which maximizes performance and minimizes environmental impact at the same time. Over 80% of Perstorp's R&D work is focused on developing more efficient and environmentally sound products and processes. Perstorp is systematically mapping the carbon footprints and lifecycle impact of our main products.

WINNING FORMULAS ALL YEAR ROUND

Chemistry is all around us, even though we might hardly give it a thought. Our shoes are held together by adhesives with caprolactones. LCD displays are made scrath-resistant with polyols. And paints are made more sustainable with renewable Penta.

The United Nations has declared 2011 The International Year of Chemistry.

At Perstorp we have decided to take the opportunity of celebrating chemistry highlighting the role it plays in everyday life and how it can solve global problems. Sustainability and focused innovation are key to Perstorp´s business. We develop winning formulas that make the world go round.

Perstorp
WINNING FORMULAS

CONTENT

"Sustainability and focused innovation are key to Perstorp´s business. We develop winning formulas that make the world go round.

A year in review

KEY FIGURES IN SUMMARY

	2010	2009
Net sales	14,561	12,542
Operating earnings before depreciation (EBITDA)	1,649	986
EBITDA adjusted for non-recurring items	1,745	1,100
% of net sales	12.0	8.8
Working capital, average	1,661	1,493
Turnover rate, working capital	8.8	8.4
Cash flow from operating activities	814	260
Investments excl. acquisitions	806	611
Capital employed, average	15,238	16,099
Net debt, excl. shareholder loan, end of the year	10,515	11,513

Q1

Perstorp saw a strong recovery in the first quarter in the oxo products, caprolactones and other specialty chemicals products that were particularly in demand. Formox, Perstorp's business in formalin technology, sold its first turbocharged formalin plant.

Q2

The strong recovery continued in the second quarter with almost all markets and product segments reporting favourable volume trends. Perstorp successfully launched the world's first renewable Penta, Voxtar™, a product that can cut carbon footprint by up to 75%.

Q3

Perstorp launched the specialty polyol Holtac™, a product that will contribute to the phasing out of lead used as a stabilizer in PVC plastics. A decision was taken this quarter to invest in capacity expansion for HDI derivatives. The positive progress in volumes continued.

Q4

The strong volume trend was also seen in the final quarter. Business performance in 2010 was characterized by solid growth following the global recovery, constructing a stronger platform to build upon in 2011.

■ IMPORTANT EVENTS

Strong volume growth,17%, was seen over the year with sales of SEK 14,561 m (SEK 12,542 m last year). The currency effect was -11%, but this was offset by higher prices.

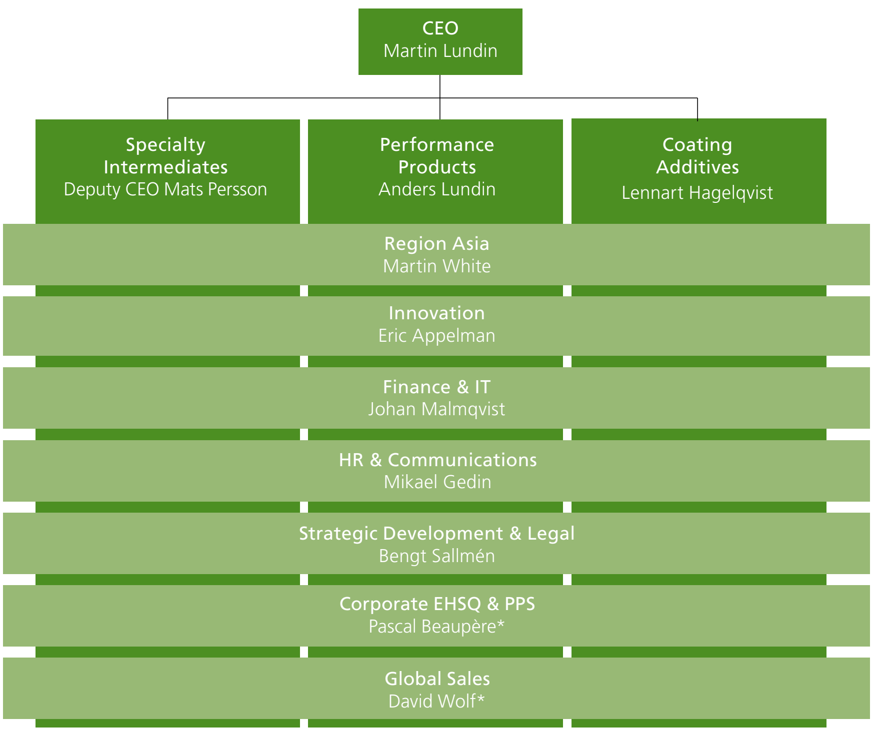
The operating earnings before depreciation and write-down, and before non-recurring items, improved to SEK 1,745 m (SEK 1,100 m). The profit increase is also a result of greater volumes, while costs have been kept under control. The year ended with a relatively strong fourth quarter.

Cash flow from operating activities was better the previous year, SEK 814 m (SEK 260 m), as a result of prudency in working capital build-up over a year characterized by strong growth.

A decision was made to invest in capacity expansion for HDI and its derivatives, while capacity expansion for caprolactones proceeded according to plan, and is expected to be ready to put into operation by fall 2011.

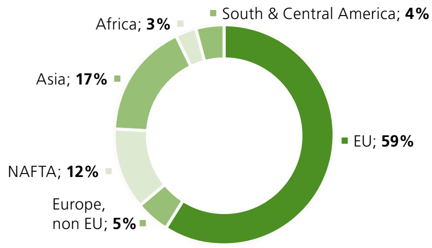
A number of product launches were implemented throughout the year, cementing the Group's strength in market segmentation and innovative solutions. Examples include turbo loaders for the formalin plants, the world's first renewable Penta and the specialty polyol Holtac™ for phasing out lead in PVC plastics.

■ PERSTORP'S ORGANIZATION

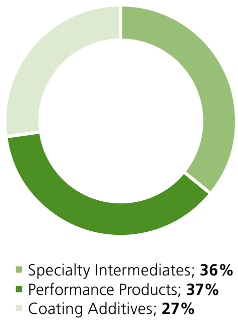


*Not represented in Perstorp Management Team, reporting to Deputy CEO Mats Persson.

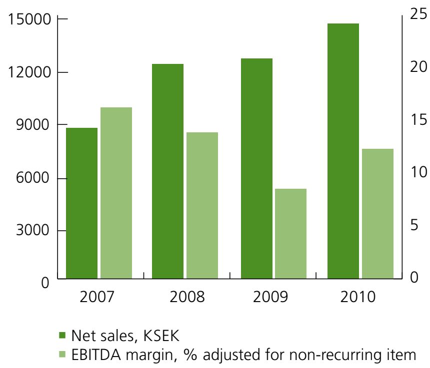
NET SALES PER GEOGRAPHIC MARKET



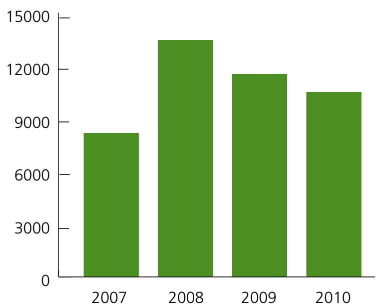
EXTERNAL SALES PER BUSINESS GROUP



NET SALES & EBITDA MARGIN*



NET DEBT EXCL. SHAREHOLDER LOANS*



* In 2008 major acquisitions were done, in Caprolactones and Coating Additives.

CEO´s comments

While the global recovery helped fuel a positive year for Perstorp, we also took proactive measures to contain costs and build a healthy performance.

> Perstorp's well-balanced product portfolio, our expanding presence in rapidly expanding emerging markets, our commitment to focused innovation and development, and our leadership in sustainable product offerings strengthened our position during the economic rebound.

KEY RESULTS

An improved year for Perstorp, 2010 was a positive move forward in our steady earnings recovery from the financial crisis in 2008 and 2009. As we continue to strive toward new profit levels, our results reflect a company with a strong underlying business model and rising earnings potential.

Most notably:

- Our volume growth climbed by 17% during the year with sales of SEK 14,561 million;
- Our earnings before depreciation and write-down (EBITDA) improved 67% compared to last year;
- Working capital continues to be very satisfying, ending the year at 10.5% of sales;
- Our cash flow from operating activities was strong at SEK 814 million; and
- We reduced our net borrowings, excluding shareholder loans, by almost SEK 1 billion on the back of a stronger Swedish currency.

KEY HAPPENINGS

We accomplished several initiatives in the year that strengthened our performance and ultimately will deliver improved, sustainable results.

Achievements to highlight this past year include:

- The continued effort in doubling our Caprolactones production, which remains on time to be on stream in 2011;
- A joint-venture investment to construct a second jetty at our Stenungsund site, which will facilitate the handling of increased volumes and ensure sufficient capacity in the future;
- Our largest ever planned maintenance shutdown in France, with an average 800-900 subcontractors on-site at any given time. This required shutdown, accomplished according to plan, helps ensure a safer, more efficient site;
- A major efficiency and cost-control program initiated in France that will strengthen the overall competitiveness of our isocyanates platform;
- The second-wave roll out of the Perstorp Performance System, adding three new sites to the system this year and already delivering notable efficiency gains;
- Completing two major SAP implementations, which brought more than a third of the business into this new, common IT platform;
- The launch of two new products, Voxtar™ and Holtac™, further complementing our range of sustainable surface solutions; and
- The development of a new process for talent management, which ensures we have a viable, robust leadership pipeline for the future.

MISSION, VISION, VALUES & STRATEGY

As we continue to execute our strategic vision, Perstorp will remain sharply focused on solidifying our position as a world-class specialty chemical company and take action to ensure a sustained market presence.

We are currently on pace to achieving our mission of being amongst the top three leading players in 85% of our business by 2015.

GROWTH MARKETS

Growth in emerging markets, particularly Asia and Latin America, spawns increasingly attractive demands for the chemical industry, thus igniting interesting growth opportunities for Perstorp.

Perstorp capitalized on growth in the Asia region during 2010. We exceeded expectations, delivering an impressive year with volume growth that rose beyond 25%.

With a quicker recovery and stronger expansion than elsewhere in the world, emerging markets continue to present good growth prospects for Perstorp. We will enhance our strategic foothold and further our position for sustained growth in Asia by increasing our market development resources and investing in our manufacturing capacity with a sharp focus on specialty products. We also will capture fast-growing demand in Latin America by continuing to allocate resources across the region and by establishing a new central sales and marketing organization in Brazil.

SUSTAINABILITY

Perstorp's focus on sustainability without sacrificing on performance and market-ability continues to advance the company.

This year we launched two exciting new products: the world's first and only renewable Penta, Voxtar™, and a new polyol that will contribute to phasing out lead as a stabilizer in PVC plastics, Holtac™.

In addition, we completed our very first REACH product registration according to new EU requirements. This exhaustive effort was completed ahead of time, attesting to Perstorp's dedication to protecting human health and the environment.

ACQUISITION

In coherence with our forward-looking strategy, Perstorp acquired Ashland's Penta business, related technologies and certain assets. This critical move plays a vital role in Perstorp's campaign to increase its polyol production and is fully in line with the company's strategies going forward.

The Penta business is a core market area within Perstorp and this acquisition demonstrates our commitment to meeting our customers' long-term needs.

FORWARD MOTION

We have set the stage in 2010 for improving operating efficiencies and growing profit margins in the year to come. We will continue to expand our product innovation pipeline, to invest heavily in market development, and strengthen the cost competitiveness of our manufacturing assets.

We also will actively participate in the ongoing restructuring of the industry, moving toward more specialty products in market niches where we deliver a positive impact.

We look forward to launching several exciting strategic initiatives in 2011 that will keep Perstorp at the forefront of the industry.

Perstorp, April 2011

Martin Lundin
President and CEO

■ STRATEGY FOR THE FUTURE

Mission, Vision, Values & Strategy

The Mission, Vision, Values & Strategy developed in 2009 has become the beacon by which Perstorp sets its strategic compass and aligns its priority setting. By defining our focus and establishing our long-term direction, Perstorp has gained an even deeper understanding of its business enabling decisions to be made that are consistent, and goals and objectives to be set that are in allegiance with our corporate direction.

As Perstorp evolves, our direction and intent are clear. Measuring directive decisions against our Mission, Vision, Values & Strategy is a powerful tool that guides and unites the company with a shared sense of purpose and accountability.

PERSTORP'S MISSION IS
to provide sustainable solutions through innovative chemistry to the selected market segments we serve. By 2015 we will be amongst the three leading players in 85% of our businesses.

PERSTORP'S VISION IS
to contribute to a better, more sustainable world through innovative chemical solutions.

PERSTORP'S CORE VALUES ARE
- Focused Innovation
- Reliability
- Responsibility

PERSTORP'S STRATEGY FOR THE FUTURE
Perstorp can be described as a differentiated specialty chemical company, meaning in practice that we have a unique position on the market, through a combination of our offer of everything from key chemical building blocks to semi-specialty chemicals and also pure specialty products that together with our solution providing approach add maximum value for customers.

> Our mission, vision and strategy coupled with our three core values are the framework for Perstorp´s path into the future.

STRATEGIES

To invest in market niches where we are or can become leader, have a competitive advantage and can achieve attractive economic returns.

To expand the specialty part of our portfolio, by greater innovation and focused sales & marketing efforts.

To differentiate the semi-specialty part of the portfolio through distinct quality grades, tailored packaging and distribution and finding new applications.

To ensure the solid market positioning and manufacturing platform excellence of our building block chemicals, so they can continue being produced at the best possible quantity and yield to support the growth of our differentiated specialty products.

To maintain our balanced portfolio of products to limit our dependence on any one end market.

Growth markets

“ The world is currently witnessing an era of unparallel change and transformation that is sweeping the globe. Record-breaking numbers are pushing markets into new territories as the population booms, the middle-class expands and urbanization rapidly increases. Given these trends, Perstorp sees substantial opportunities.

The emerging nations give rise to Perstorp’s strategically identified growth markets, with a concentrated focus on Asia and Latin America. Boosting the company’s position in these two regions will help drive the company’s sales growth and profitability.

REGION ASIA

With a solid performance, Perstorp´s Asian market expansion surpassed expectations during the course of the year. The volume growth across the region exceeded 25%, further securing Perstorp's foothold in the area.

To support the sales and marketing initiatives in Asia, Perstorp strengthened its logistical set-up by introducing new warehouses in key locations such as Malaysia, Indonesia and China. In addition, resources were added in sales and market development while making significant advancement toward customer service attention by introducing a new Customer Service Center in Shanghai.

Demand in the region remains robust across a broad range of end-applications where Perstorp´s products are present.

To this end, Perstorp will be expanding its manufacturing footprint and upgrading the laboratory facilities in the region while investing in new production capacity. In addition focus will continue to be on specialty products that leverage on the surging demand for applications from technology advancements in the region, such as within consumer electronics, appliances and transportation.

REGION LATIN AMERICA

During the past few years, Perstorp's growth in Latin America has far exceeded GDP figures for the region and proactive measures will be taken to ensure that the upward trend continues by allocating more resources and meeting market challenges.

The region's economic powerhouse, Brazil, is well-poised for future growth and that positive trend is expected to permeate into other nations in the area. The country presents all the ingredients necessary for smart capital investments and a solid climate for sustained business growth.

To ensure Perstorp is well-positioned to capitalize on anticipated growth in the region, Perstorp will establish a centralized sales and marketing organization in 2011.

As Perstorp's customers continue to expand their market footprint in Latin America, the Group will follow with calculated efforts to ensure proper structures and resources are in place to meet their needs.

Perstorp´s volume growth across the region in Asia exceeded

25%

“ Latin America is a critical and increasingly attractive market for Perstorp.

Perstorp aims to grow faster than the markets in Latin America thereby taking market share and securing our position as a leader for those markets that we serve.

New products

“ Everything we do and how we do it delivers a direct impact to our planet. In honoring its commitment to sustainability, Perstorp combines the power and creativity of science to deliver cutting-edge solutions that satisfy customer needs, answer to society’s environmental demands and offer continuous economic success.

In line with this vision, Perstorp successfully launched three products in 2010 that reduce environmental impact in downstream usage while enhancing performance and providing profitable returns.

VOXTAR™ – A GREEN PENTA

Perstorp proudly rolled out Voxtar™, the world’s first and only renewable Penta.

The development of this green pentaerythritol is a shining example of Perstorp’s unrelenting quest to develop solutions that combine high performance with low environmental impact.

The Voxtar™ product line cuts the carbon footprint by up to 75% when compared with conventional Penta products, while providing the same trusted efficiency, security and high performance.

Voxtar™ products maximize value by helping formulators and producers capitalize on the growing demand for renewable alternatives in a number of niche applications. It enhances performance and minimizes environmental impact in a wide range of end products including high performance alkyd paints and coatings, synthetic lubricants, cosmetic emollients, adhesives, and printing inks.

The raw materials used to produce Voxtar™ products are based fully or partially on renewable sources, depending on the grade. All grades are produced with renewable energy and Voxtar™ renewability is independently certified.

HOLTAC™ – A LEAD-FREE ALTERNATIVE

Perstorp also rose to the global challenge of phasing out lead from PVC plastics with its launch of the polyol product-line Holtac™.

Holtac™ is a cutting-edge, environmentally friendly synergist for Ca/Zn stabilizers that helps achieve the desired processing properties and heat resistance required by top performing PVC stabilizers.

The Holtac™ portfolio, which plays a critical role in eliminating lead in plastic, contains a range of micronized polyols composed with different melting points and hydroxyl numbers that allow for customized PVC processing needs. The polyols are milled to a precise particle size to meet the high quality demands of the market

and serve as a starting point for formulating new, specialized solutions for customers.

With Holtac™ as a co-stabilizer, the precise polyols secure high performance PVC processing in Ca/Zn systems, while simultaneously being a sustainable choice in replacing harmful lead-based alternatives without compromising performance.

In the future, Perstorp will have the capability of producing a renewable Holtac™ based on renewable raw materials and renewable-powered production, offering a competitive value with minimized environmental impact.

CHARMOR™ PP100 – AN ECO-FRIENDLY FIRE RETARDANT

As demands to protect people and property grow, Perstorp proudly launched a new product within its Charmor™ range that extends its intumescent coatings from steel to now include plastic materials.

Charmor™ PP100, has been designed specifically for thermoplastics and meets new stringent fire regulations that demand lower smoke release, non-dripping plastics and non-toxic fumes.

Charmor™ polyols are rich carbon sources to be combined with a suitable nitrogen or phosphoric acid donor for producing superior intumescent systems.

Intumescent systems are halogen free and flame-retardant and function by forming a thick, stable carbon foam barrier around substances when exposed to fire. This char-like formation then serves as a block. It decreases heat release rates and helps prevent the propagation of fire, thus adding valuable time to safely evacuate people and minimize damage.

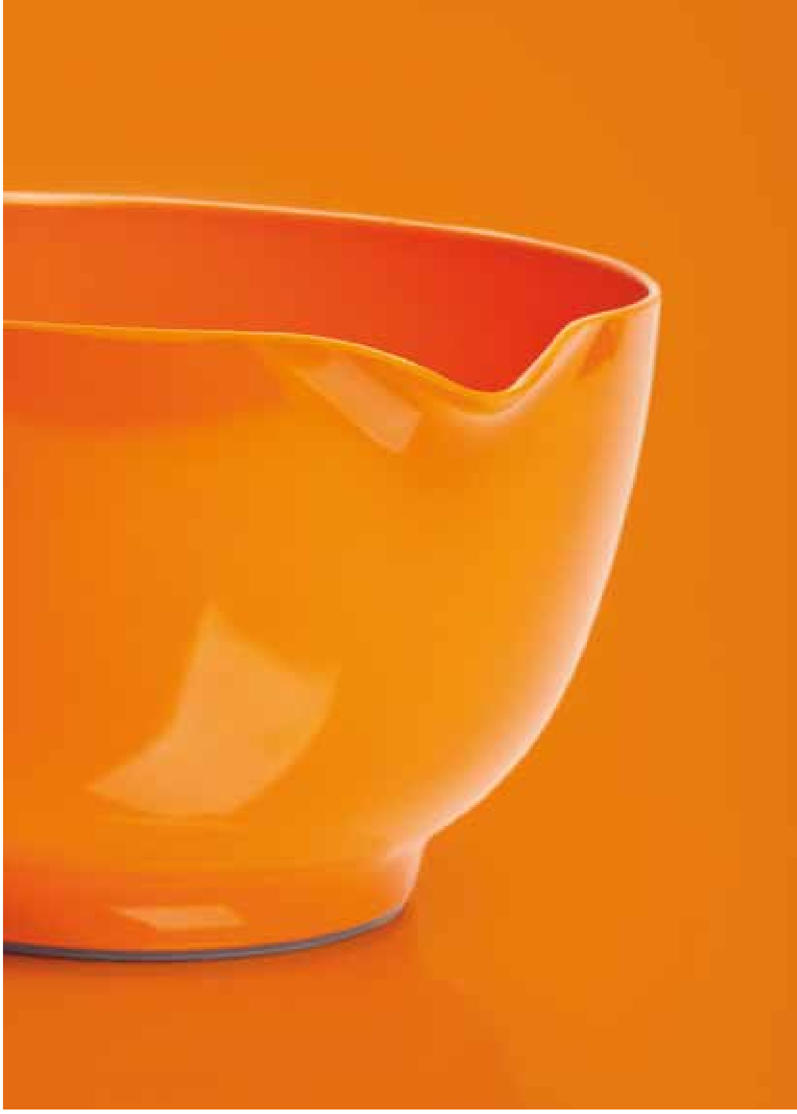
Intumescent systems are ideal as protective coatings and sealants in the construction industry and now, with Charmor™ PP100, slow combustion, cut heat and smoke release rates, and reduce melt dripping in plastic and textile materials.

IT WILL NOT STOP HERE

With Voxtar™, Holtac™, and Charmor™ PP100, Perstorp continues to assist clients in reducing their overall environmental impact, differentiate their product offerings, sharpen their competitive edge and demonstrate an unfailing commitment to their customers' success.

And it won't stop here. Protecting our planet and the people in it uncovers a myriad of opportunities that are good for the Perstorp business and great for the world.

■ MARKET SEGMENTS



Emma Davidsson
Process operator

Innovation for environment & performance

Perstorp´s offer for the paint & coating segment covers everything from critical building blocks to high value specialties. Focus is on high-growth sub-segments like waterborne polyurethane dispersions, resins for UV curing and low solvent coatings systems, transportation coatings and plastic parts.

In 2010 Perstorp launched Voxtar™, the world's first renewable pentaerythritol, cementing the Group´s position at forefront of the industry's development of environmentally responsible solutions.

OVERALL GROWTH & TREND TOWARDS GREENER SOLUTIONS

The global paints and coatings market recovered steadily in 2010, thanks to the greater demand for coatings in the recovering automotive and construction industries, as well as major government investments for developing mass transit infrastructure.

The drive towards sustainability has been particularly strong in the coatings value chain in 2010. With one aspect to reduce solvents. 2010 was a landmark year in setting the agenda for the future of the market, with new regulations coming into effect in Europe that limit the level of solvents in decorative paints. The year also saw a continued general tightening of regulations worldwide to reduce VOC content in paints and growing demands for more sustainable coatings systems.

Another aspect of sustainability is durability. Demands on performance for more long-lasting coatings, enabling longer lasting end products, continue to grow. Thus, the main growth trend in 2010 and going forward, is the move towards technology that enables coatings systems combining high performance and low environmental impact.

As wealth increases populations generally consume more paints and coatings, therefore Perstorp also expects to see geographical growth, as developing regions continue to be strong growth markets for the Group's products in the future.

SUPPORTING GROWTH WITH STRATEGIC SEGMENTS IN FOCUS

To meet demands for technical and environmental performance, and to support global growth, Perstorp focused specifically on a number of strategic areas within the paints and coatings segment in 2010: polyurethane dispersions (PUDs), plastic coatings, UV curing resins, coatings for mass transit vehicles, and resins for low solvent coatings systems.

Perstorp launched Voxtar™ in 2010, the world's first renewable pentaerythritol, cementing the Group's position at the forefront of the industry's development of environmentally responsible solutions. Voxtar™ complements our existing products for eco-friendly paints such as Ymer™ and Bis-MPA. Perstorp also increased the output of Di-Penta to meet the rapidly expanding needs of the solvent-free UV-curable paint and the high-solids architectural paint segments.

Further, to meet the growing demand for raw materials, Perstorp has continued its investment in capacity expansion of the Capa™ caprolactones at the production site in Warrington, UK.

STRATEGIC GROWTH MARKETS IN FOCUS FOR THE FUTURE

Perstorp will continue prioritizing product research and development, launching new products, expanding capacities, and making strategic acquisitions to help customers capitalize on the strong growth and profitability in the strategic growth markets.

The global paints and coatings market is Perstorp's largest end market and as a key solution supplier, Perstorp's offer covers everything from essential building blocks such as butanol, Penta, isocyanates, TMP, Neo and isophtahlic acid – to highly specialized products such as Di-Penta,

Paints & Coatings

Tolonate™ is ideal for making aesthetic
and durable concrete coatings.

HDI and caprolactones. The Group's products are essential in the production of coatings and the tailoring of specific properties and performance.

Thanks to the Group's broad technology base, Perstorp is not overly reliant in one product area. Perstorp is a strategically important supplier to many customers, with a large degree of responsibility and an ability to predict and meet customers' future needs. Perstorp is therefore investing major resources in product and market development in this segment.

Working in partnership with participants throughout the entire value chain, Perstorp enables coatings systems with low environmental impact and high performance to meet customer, end-user and regulatory demands.

TECHNOLOGY SHIFT IN POLYURETHANE DISPERSIONS SPURS GROWTH

Polyurethane dispersions, PUDs, represent the peak of high performance waterborne coatings, and are important in protecting high value end products. The use of waterborne PUDs is growing rapidly worldwide, thanks to their versatility, high performance that matches that of traditional solvent borne coatings and lower environmental impact. The shift to waterborne PUDs is underway in Asia, creating especially rapid growth rates there, and Perstorp is helping new PUD formulators in India and China to establish themselves on the market.

After a slight downturn in 2009, Perstorp saw strong recovery in 2010 and is still expanding well ahead of the market average.

COMPLETE PALETTE FOR UNCOMPROMISING PERFORMANCE

PUDs enable formulators to customize properties, such as durability, adhesion, hardness and flexibility, for each specific application. Their low environmental impact comes from a low VOC (volatile organic compound) content, as they are dispersed in water rather than organic solvents. As a result PUD coating systems are becoming increasingly attractive, being both friendlier to the environment and to the people who use them.

Perstorp's products for premium resins enable the best available performance in waterborne PUD technology today. Perstorp's flagship products for PUDs include high-end Capa™ polycaprolactones for good coating flexibility, toughness and abrasion resistance, Oxymer™ polycarbonate diols for exceptional adhesion onto many substrates and superior chemical and UV resistance, and the novel non-ionic dispersing monomer Ymer™ N120, that gives robustness and stability to PUDs since it is not sensitive to high or low pH.

Perstorp's extensive range of solutions includes polyols and chain-extenders, isocyanate monomers, dispersing monomers, and isocyanate cross-linkers, dedicated to the formulation and differentiation of the full range of PUDs. This complete palette enables the production of high performance and low impact PUDs for highly durable wood floor coatings, flexible and abrasion-resistant leather and textile coatings and weather-resistant, non-yellowing outdoor coatings and more.

PUDs are one of Perstorp's market segments with the highest strategic growth potential and the company's development team supports customers in developing and tailoring new polyurethane dispersion technology and applications.

Perstorp's work in 2010 to make the complete offer for PUDs more visible to formulators was successful. The market is more aware that Perstorp offers all the key ingredients and the formulation know-how for making PUDs. Looking ahead, the global market is expected to grow by 5 to 10% annually for the forseeable future, with leather and textile applications expanding more rapidly than other segments.

RESINS FOR LOW SOLVENT COATINGS SYSTEMS GROWING RAPIDLY

The waterborne and high-solids coatings market is growing rapidly, thanks to the high performance and low environmental impact of the systems. Both waterborne technology and high solid resins enable formulators to use less solvent in coatings and thereby reduce VOC. In recent years, the major challenge in this segment has been to make low solvent coatings systems that match the performance of solvent borne systems. This has been a major focus area in Perstorp's product development resulting in a number of solutions to achieve this. Products like Di-Penta, Ymer™ and Bis-MPA allow paint manufacturers to use fewer solvents but still retain the excellent properties of the paints.

Perstorp's new product Voxtar™ is setting a new benchmark for environmentally sound, high performance paints. Combining the renewability of Voxtar™ with the latest waterborne technology, significantly shrinks the carbon footprint of high-solid alkyd paints and alkyd emulsion paints compared to traditional petroleum-based latex paints, with identical technical performance.

While the European market drives the majority of growth in this segment, the increasing use of high solids is also notable both in South America and parts of North America, where strict limits on VOC levels are in place. High solids is a new technology with very strong growth potential. The market improved by 30% in 2010 and is expected to advance over 20% in 2011.

UV CURING RESINS

Low environmental impact and high performance are key drivers in the growing market for UV curing resins. The market continued to rapidly expand globally in 2010, particularly in South America and Asia.

An important advantage of UV curing resins is that they enable emission-free and low-energy systems since UV light is the initiator for the cure. This enables very energy efficient and low-temperature curing which is ideal from environmental and cost perspective. UV curing resins also enable instantly cured inks, letting printing presses run at very high speed, increasing productivity and reducing costs. Further, UV cured hardcoats offer the best scratch and abrasion resistance available, ideal for use on touch screens for example.

In 2010, Perstorp saw very strong market response to Boltorn™ P500, a new hyper-branched polymer for UV cured hardcoats that is an attractive complement to Di-Penta and offers performance advantages such as good balance between hardness, flexibility and excellent adhesion.

After a minor downturn in 2009, due to the effect of the recession on the electronics industry, the market rebounded and grew by double digits in 2010 to reach pre-recession levels. The global growth rate going forward is expected to be strong.

PLASTIC COATINGS

The plastic coatings market is growing rapidly, driven by the increasing use of plastic rather than metal in a wide variety of applications worldwide. In cars, packaging, toys, electronics and other consumer goods, Perstorp's products for plastic coatings enable good adhesion, abrasion resistance, soft feel performance and more tailored properties.

COATINGS FOR MASS TRANSIT VEHICLES

The market for coatings in the aerospace, rail and other mass transit segments is growing globally. The main drivers of growth in this segment include a healthy aerospace market where Perstorp has lots of potential to grow and major investments worldwide to expand railway infrastructure and build more trains.

> “ Polyurethane dispersions, PUDs, represent the peak of high performance waterborne coatings, and are important in protecting high value end products.

High solids is a new technology with very strong growth potential. In 2010 the market grew by

30%

Diverse market with many opportunities

About 30% of the products Perstorp produces are destined for the materials market, making it one of the Group´s largest market segments, as well as one of the most diverse covering foams, elastomers, plastic additives, plasticizers, unsaturated polyesters and PET.

Going forward the main drivers for Perstorp's growth in this market segment are the global market growth overall which is increasing the demand for these products and to be well positioned in markets with high growth and strong drivers for change.

Within the materials market, plasticizers in particular represent a major sector, one in which Perstorp has a strong heritage – it was the reason the plant in Stenungsund, Sweden, was built. Plasticizers represent about 40% of the oxo market and it is a major driver for expanding the production platform in Stenungsund.

This segment grew well in 2010 and recovered from the 2009 downturn, driven by the general business recovery. Plasticizers are used in a wide range of sectors like automotive, construction, consumer products and cable & wires and demand mirrored the general state of the global economy.

Plastic additives is a strategic growth market for Perstorp and focused development resulted in two market launches in 2010 – a new Charmor™ grade for fire resistant plastics and Holtac™ to meet the strong demand for lead free PVC-stabilizers.

The future also looks bright in other material markets like polyurethane elastomers, PET and biodegradable polymers with higher than GDP growth. Perstorp is especially well positioned in elastomers with its polyols and biodegradable plastics where Capa™ thermoplastics is a preferred choice. PET for packaging is the largest market for Perstorp's product PIA. Perstorp is evaluating other potential products for plastic packaging to meet the growing demand for sustainable and renewable solutions.

Going forward the main drivers for Perstorp's growth in this market segment is overall global growth. Perstorp is increasing capacity and developing technology platforms to match that growth. Perstorp is also targeting specialty niche applications where the products offers added value to the customers and increase Perstorp's sales of specialties.

FOAMS

Perstorp's vital building blocks and specialty products for foams play a critical role in enhancing the comfort in many everyday products such as furniture, mattresses and seats. The foams market partially recovered from a downturn in 2009, thanks in part to the rebound of the automotive industry. Higher demand worldwide for cars, furniture, bedding and other household goods, has had and will continue to have a positive impact on the sales of Perstorp's products for foams, including the substantial TDI business, of which 90% goes into producing foams. This growth will be especially strong in India and Africa where the standard of living is rapidly improving.

With the automotive and furniture industries continuing to recover and expand, Perstorp predicts a full recovery and some growth in 2011. TDI is complemented with specialty products like aliphatic isocyanates, alkoxylates and Boltorn™ which provides end properties like non-yellowing lingerie foam and highly comfortable car seats.

Materials

Perstorp's vital building blocks and specialty products for foams play a critical role in enhancing the comfort in many everyday products such as furnitures, mattresses and seats.

ELASTOMERS

The elastomer market requires premium end products with high demands on performance. The market is expanding quickly worldwide, and especially for consumer goods production in Asia. This market recovered much more quickly than predicted and reached full recovery by mid-2010, thanks to the great demand for Perstorp's caprolactones technology. Significant progress is predicted for 2011.

A significant part of Perstorp's caprolactone production goes into making polyurethane elastomers, which in turn are divided into thermoplastic elastomers, which can be melted and shaped, and cast elastomers, which are thermoset and therefore cannot be melted after being cast. Material that becomes less viscous by using caprolactones is highly valued by the Perstorp customers when manufacturing thermoplastic elastomers as it cuts cycle times resulting in increased capacity.

Caprolactone polyols are used to produce a wide variety of hard but elastic materials used for sports shoe soles, various components in cars, such as suspension components and gaskets, mining screens that need to withstand incredible stress conditions and rollers that feed paper in printers. Properties like increased durability and UV resistance are appreciated by the customers.

Perstorp caprolactone polyols are used in a wide variety of high density foam elastomers, such as shock absorbers in mobile telephones, affecting the elasticity and viscosity of materials, making them more durable, more resistant and easier to manufacture.

Beside Perstorp's leading position in caprolactone polyols, good growth opportunities are expected for the other specialty range of chain extender and crosslinkers, as well as solvent free aliphatic polyisocyanates to address demanding end applications like very light durable applications. The growing portfolio of specialty building block and unique products makes Perstorp a very attractive partner in developing new polyurethane systems and thermoplastic polyurethanes to meet the more stringent and tougher demand required to further develop this market.

PLASTIC ADDITIVES

Plastics, in everything from cars, electronics and construction, to packaging and medical devices, are increasingly used instead of metal and other materials, thanks to both using less resources and improving human safety. Thus, the market for plastic additives is also increasing.

In Europe, over 70% of lead-based stabilizers for PVC have now been replaced by calcium zinc stabilizers. The remaining 30% will be replaced by 2014. This is through the voluntary commitment of European producers of stabilizers to phase out lead. Producers in Asia, India and South America are increasingly phasing out lead stabilizers as well. To help the market achieve this, Perstorp launched Holtac™ in 2010 to sharpen the offer for lead-free stabilizers. Holtac™ is a co-stabilizer for calcium zinc stabilizers. Perstorp also launched a new grade, Holtac™ Poly, with top of the line performance and advantages in processability. Holtac™ Poly is designed to meet stringent REACH requirements and be easy to customize to meet future customer demands. The demand for Holtac™ is strong and the market is expected to increase by over 10% in 2011.

Perstorp also launched a new Charmor™ grade in 2010 specifically developed for enabling halogen-free intumescent systems for plastics. The new grade, Charmor™ PP100, offers a low melting point and the best polymer compatibility. This improves flow during thermoplastic processing and gives more robust, reproducible, reliable mechanical properties for superior performance and fire protection.

The market for halogen-free intumescent systems for plastics is growing rapidly to meet new fire regulations in the electrical, electronic and transportation sectors demanding lower smoke release, non-dripping plastic, and non-toxic fumes. The growth has also been driven by regulations on raw materials and recycling. Intumescent systems also enable more lightweight

“Perstorp caprolactone polyols are used in a wide variety of high density foam elastomers, such as shock absorbers in mobile telephones, affecting the elasticity and viscosity of materials, making them more durable, more resistant and easier to manufacture.

plastic than mineral-based flame retardants for significant weight savings in applications such as transportation.

SUPPORTING PLASTICIZERS WITH NEW TECHNOLOGY

PVC is a hard material, thus plasticizers are needed to make plastic softer and give it the right properties for the job at hand. The market for plasticizers saw partial recovery in 2010, and recovery is continuing into 2011. The main driver of development in this area is the phasing out of low molecular weight phthalates. In Europe this is driven by REACH regulations that will come into force in 2013.

To help the market achieve this, Perstorp has continued to drive technology boundaries forward by developing new plasticizer grades with sustainability profiles that meet market demands for performance. Current focus is on replacing DOP with Emoltene™ 100.

Perstorp increased sales of Emoltene™ 100 more than 400% in 2010. Emoltene™ 100 performs well in all major PVC applications like cables, flooring, film, coatings and coated fabrics. The low volatility, slow migration and solvent resistance are among the properties that are highly appreciated. The introduction of Emoltene™ 100 has been very successful, and Perstorp has supported many customers in switching from DOP to Emoltene™ 100. Work will continue in 2011 and thus, a further strong growth is expected for this product.

Additionally, Perstorp is working to develop plasticizers built on a very promising new chemical platform to give customers a wider choice of performance and for Perstorp to drive sustainable solutions. This plasticizer will be introduced to selected customers in 2011, with the ambition of a market launch 2012. This new chemistry will offer very attractive plasticizing performance, low environmental impact, high safety, excellent customizability and differentiation potential.

Perstorp is also gearing up research for this strategic market with an ambition to develop renewable products, that are expected to be available on the market in three to five years.

The market growth for Perstorp's 2-EHA well exceeded GDP. A major driver is the rapidly expanding market in PVB plasticizers, which are used in the plastic film present in safety glass. The demand for this has been dictated by new rules in the construction industry, controlling that, above a certain height, safety glass must be used. Another strong area of growth is in alternative energy sources. Solar cell panels require protection using safety glass. PVB is a preferred choice for achieving this. The traditional automotive market also saw strong growth in the use of safety glass for more applications than just the windshield. Perstorp will increase 2-EHA capacity by 40,000 tons at its production site in Singapore by 2013.

30%

of the products Perstorp produce are destined for the materials market, making it one of Perstorp´s largest market segments as well as one of the most diverse.

A prosperous journey ahead

Adhesives is an exciting and rapidly expanding segment were Perstorp sees significant potential for growth, driven by substituting mechanical fastening techniques like screwing, bolting and welding. The environmental trend, demanding less solvent and more safety for users, is also an important driver.

2010 showed good dynamics on the market, and – as Perstorp anticipated – significant sales.

Adhesives and sealants is a very fragmented market in terms of uses, requirements and technical solutions. By combining Perstorp's wide range of chemistries, and developing them further, a complete portfolio, dedicated to formulating of the full range of adhesives and sealants can be offered, with particular strengths towards solvent-based polyurethanes adhesives and sealants, thermoplastic and reactive hot-melt adhesives, waterborne polyurethane adhesives and sealants.

Perstorp's objective is to become a global partner for adhesive manufacturers, and enable them to supply the automotive, footwear, furniture, flooring, electronics, textile, flexible packaging, bookbinding and construction industries with the performance adhesives and sealants they demand. Perstorp contributes with highly appreciated qualities like high-strength adhesion, flexibility, quick bonding times, low VOC content and non-yellowing.

2010 – DEVELOPMENT FOR GROWTH

2010 showed good dynamics on the market, and – as anticipated – significant sales.

To meet the growing demand of two of Perstorp's key subsegments – polycaprolactone hot melts and polyurethanes – Perstorp invested in doubling the manufacturing capacity at the production site in Warrington, UK, as from fall 2011.

INNOVATIONS BRING OPPORTUNITIES

Perstorp will continue to promote the existing portfolio, and also continue to focus on development activities.

Interesting opportunities have been identified on the market for encapsulants, with a promising new isocyanate technology replacing a product reclassified as toxic. Perstorp also aims to complete the portfolio with a new ingredient for waterborne polyurethane adhesives for sport shoes. And there is hope to present a new technology for hot melt adhesives, which increases the melting spectrum to suit even more applications, in a not too far future.

PROSPEROUS FUTURE IN KEY SEGMENTS

Perstorp's direction is clear: adhesives offer tremendous opportunities, why it is classified as a strategic growth segment. The strategy is a combination of identifying the sub-segments where Perstorp can become a truly strategic supplier, and greater innovations and acquisitions to get there.

Perstorp´s Bis-MPA used in adhesives in wine corks assist when celebrating.

Adhesives

Perstorp's direction is clear: adhesives offer tremendous opportunities, why it is classified as a strategic growth segment.

Good feed – because people want good food

If we provide livestock with good feed, we also provide people in general with good food. And everyone wants good food. That simple fact, and the global trend towards longer life animal feed and greater demand for high quality feed, is what makes Feed & Food such a prosperous market for Perstorp.

In the future beyond 2011, Perstorp will introduce new products that are fully integrated within the Group from molecule to feed additive.

Perstorp's feed additives, ensilage agents and preservatives, manufactured from formic acid and propionic acid, improve nutrient content, inhibit mould and bacterial growth, and aid digestion – just to mention a few of their benefits.

The market for feed additives was stable in 2010, with a general growth of 3%, most of which took place in emerging markets such as Southeast Asia, South America, Central and Eastern Europe. Perstorp was able to grow substantially faster than the market in these regions, in general and with specialties like ProPhorce™ products. The products are not new, but greater demand for them is, driven by farmers' need to control the bacteria load in the intestines of their livestock, and seek an alternative to antibiotics.

A milestone during 2010 was the start of feed additive production at the Group's Vapi site in India, for the Asian market. Perstorp also successfully launched a new product in the ProPhorce™ range, ProPhorce™ AC299, in Europe. It will be rolled out globally in 2011.

EXPECTING FURTHER GROWTH IN 2011

Overlooking 2011, Perstorp will launch a new concept, which will help control salmonella in animals. Since salmonella is a significant problem in many countries, the concept bears great potential. In the future beyond 2011, Perstorp will introduce new products that are fully integrated within the Group, from molecule to feed additive. Overall, strong growth is expected in 2011.

THE FUTURE – DEVELOPMENT & GEOGRAPHICAL EXPANSION

Food and feed is a huge, growing market. Its strategic importance can not be overestimated. Food availability and minimized food inflation are extremely important issues in the world. Perstorp's products and ability to innovate will give a strong position in this growing, global market. Therefore Perstorp aims to increase local presence in the emerging markets – in Latin America and Southeast Asia, to be specific.

In 2050, some 9 billion people will inhabit our planet – a planet that will provide us with less resources than today to share. If Perstorp can continue to help farmers produce more from less, in a healthy and sustainable manner, the Group can most certainly look forward to strong growth.

Profina™ propionates keep bread, cakes and biscuits safe, wholesome and appealing.

Feed & Food

> Perstorp's products and ability to innovate will give a strong position in this growing, global market.

Niche segments showing great results

Synthetic lubricants, formalin technology and fuels. Niche segments, but each of them showed again in 2010 that they earn the strong positions they hold in their respective markets.

SYNTHETIC LUBRICANTS

ENVIRONMENTAL LEGISLATIONS DRIVE QUICK GROWTH

Synthetic lubricants are an important market that is growing fast. A major driver of this growth is the legislation for air-conditioning units that came into force in 2010, requiring the use of freon-free refrigerants that do not damage the ozone layer. In these units, synthetic lubricants are preferred to standard mineral oil lubricants.

Regulations and environmental issues are making this market expand rapidly and Perstorp expects it to continue this growth in the coming years. The segment is also taking market shares from mineral oil-based lubricants.

2010 was a year when many segments recovered from the effects of the recession. The aviation segment, which suffered severe losses in 2009, showed a healthy growth, as did the automotive sector and metal working fluids.

Outside the major applications, there are many smaller specialist applications, where lubricants are customized according to their purpose. Therefore Perstorp has been working on visualizing the wide range of products – Penta, Neo, TMP, 2-EHA and Di-Penta. When it comes to formulating synthetic lubricants with optimal performance, Perstorp has the most complete product portfolio to choose from.

In 2011 and beyond, Perstorp will further develop this market segment geographically and increase activities, especially in Asia and South America, whilst continuing the efforts in the traditional markets.

FORMALIN TECHNOLOGY

INNOVATION FOR EFFICIENCY & MAJOR GROWTH

Strong recovery and growth in the construction industry worldwide and the increasing replacement of metal components with plastics in autos and consumer goods were among the main growth drivers on this market in 2010.

Perstorp's Formox business continues to capitalize on its world-leading position and achieved significant growth, notably in China, this year. Catalyst sales worldwide rose by 20%, and plant sales increased from one plant in 2009 to four Formox plants and one Cathox plant in 2010. In addition, four new Formox plants and one resin plant were started in 2010, with a combined production capacity of some 550,000 tons per year.

Formox' customers continue to focus on maximizing production efficiency, consistently produce top-quality formalin and minimize both production costs and environmental impact down the value chain. A new plant range and new CAP (Catalyst Activity Profile) were launched in 2010 that enables them to do just that.

The new plant range offers more flexibility in terms of capacity, as well as a smaller footprint, improved accessibility, higher performance and a lower investment cost. The latest CAP cuts energy consumption, enables longer catalyst lifetimes, improves yield and reduces methanol content. The Formox process is also widely appreciated for producing consistent, top-quality formalin, which helps minimize formaldehyde emissions downstream.

These factors will continue to keep Formox at the forefront of market growth in 2011 and beyond, and they present a major opportunity for customers to reduce costs and differentiate their offer. Therefore, in 2011, yet another improved CAP will be launched, which offers even higher yield, and a new catalyst for the emission control system, which enables increased plant capacity without any major redesign of the emission control system.

Synthetic lubricants
Formalin technology & catalysts
Fuels

FUELS

FAST LANE TO SUSTAINABLE TRANSPORTS

Perstorp produces biodiesel from rapeseed oil, rapeseed methyl ester (RME), for blending with up to 7% into fossil diesel, and for use as a 100% renewable fuel (B100) for diesel driven vehicles. The market is regional with customers in Norway, Sweden and Finland and the production facility is located in Stenungsund, Sweden.

In 2010 sales volumes increased and they will continue to do so in 2011. This is due to increased demand for Perstorp RME, from both oil companies and public transportation companies. The Perstorp B100 is appreciated by public transportation companies as a reliable biofuel with many benefits. Recently, most major producers of trucks and buses have approved B100 as a fuel for their vehicles, which will help increase demand significantly in the B100 market segment.

In Perstorp's geographical region the competitive position is very strong, thanks to few local competitors and Perstorp´s special and very high product quality, specially developed for the Scandinavian climate.

Looking forward Perstorp sees good growth opportunities. EU requirements state that 10% of the fuel used for transportation in Europe shall be renewable by 2020, which will result in approximately a doubling of the the market for RME. A result of the legislation is that Denmark soon will start blending RME into fossil diesel, which they have not done before. Perstorp's geographical location is ideal for serving the Danish market.

States provide subsidies like e.g. tax exemptions to promote the use of biofuels. To be able to benefit from those support schemes, it is necessary for producers to prove the environmental benefits of their product. Perstorp has developed a system that safeguards the sustainability level of the Group's RME, all the way from producing the seeds at the farmer to driving with Perstorp's green fuel.

SUSTAINABILITY REPORT

Responsible business

Responsibility is one of Perstorp's core values, permeating all activities. This has many aspects and includes taking responsibility for employees and providing good working conditions and development opportunities for everyone, being a good employer in the local community, and working for sustainable development in terms of the environment and opportunities for coming generations.

The following environmental impact aspects are most significant from a global perspective:

- Consumption of raw materials, energy and non-renewable resources
- Emissions of greenhouse gases and volatile organic substances
- Consumption and contamination of water

Perstorp therefore takes great consideration of these aspects in the development of existing plants and processes, as well as in the design of new plants. In 2010 a number of new products based on renewable raw materials were launched.

CODE OF CONDUCT & UN GLOBAL COMPACT

Responsibility in practice is also confirmed in print. A new, expanded Code of Conduct has been distributed to all employees. It covers four areas: Business Principles, Products & the Environment, Working Conditions and Human Rights. Special attention is paid to the EU's competition regulations since a lot of co-operation with competitors is taking place within the framework of the REACH legislation.

Since 2004 Perstorp is also participating in the UN's Global Compact initiative and its principles concerning human rights, the environment, working conditions and anti-corruption measures. In 2010 there have been no reported cases of discrimination, child labour or enforced labour and also no cases of corruption.

GOVERNANCE & MEASUREMENT

PERSTORP'S POLICIES

The Perstorp Group has a policy for the environment, health and safety, and a policy for Human Resources. They are available at www.perstorp.com

MANAGEMENT SYSTEM

The Perstorp Group's internal requirements cover external certification in accordance with ISO 9000 and the ISO 14001 environment management system. In 2010 some of Perstorp's plants renewed their certification. In 2010 the Pont-de-Claix unit was certified. Certification efforts will continue at Freeport in USA, Warrington in the UK and Zibo, China in 2011.

REPORTING PRINCIPLES & GRI INDEX

The annual report provides information for an assessment of how Perstorp meets Global Reporting Initiative (GRI) indicators. Perstorp is currently applying level C and has therefore decided not to report environmental data separately in 2010.

AWARDS

The plants at Freeport in USA, Zibo in China and Singapore all received recognition for their environmental initiatives from local organizations during the year.

PRODUCTION PERMITS

Most units received new permits or renewed permits during 2010. Existing permits will require renewal in 2011 at, among others, the Perstorp site in connection with the wastewater treatment plant.

KEY EVENTS 2010

Work aimed at reducing the environmental impact of process water has been successful at a number of the Perstorp Group's production sites.

Significant risk elimination and safety analyses have been carried out at the largest production sites. The Pont-de-Claix site in France has carried out an extensive risk assessment in accordance with French PPRT legislation. The French site has also received its ISO 14001 environmental certificate.

Major efforts have been carried out in connection with the EU's REACH and CLP chemicals safety legislation. Perstorp played a leading role in the registration of 18 substances produced in, or exported to, the EU. A total of 59 substances were registered in 2010.

Together with the Technical Research Institute of Sweden, SP, and in dialogue with a number of our customers, Perstorp started to establish Carbon Footprints for some of the Group's major products in 2010.

Emissions of nitrogen oxide to air have decreased in Freeport, USA, and Stenungsund, Sweden, thanks to the installation of new steam boilers.

The production sites at Perstorp, Stenungsund, Bruchhausen and Toledo have been very successful with their Take Care behaviour-based safety projects in 2010.

The environment

ENERGY USE 2010

TOTAL 3,465 GWh

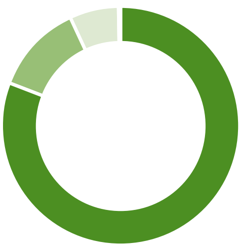
- Own-produced; **1,500 GWh**
- Bought steam; **1,185 GWh**
- Bought electricity; **780 GWh**

OWN-PRODUCED ENERGY BY TYPE

TOTAL 1,751 GWh

- Fossil fuels; **872 GWh**
- Renewable fuels; **243 GWh**
- Production waste; **281 GWh**
- Peat; **56 GWh**
- Process-related; **299 GWh**

PURCHASED ENERGY PER SOURCE



TOTAL 1,968 GWh

- Fossil fuels; **1,592 GWh**
- Nuclear energy; **241 GWh**
- Hydro-electric; **131 GWh**
- Other renewable; **4 GWh**

PERSTORP'S GOALS FOR THE ENVIRONMENT, HEALTH & SAFETY IN 2010

OUTCOMES – WORK-RELATED ACCIDENTS

The target for 2010 was to avoid a figure of LTAR exceeding 2, which means that the number of work-related accidents causing more than one day of sick leave per million worked hours should be less than two.

The number of accidents involving sick leave was 16 (14). Perstorp did not reach its LTAR target: the result was 4.2 (3.5) for 2010. Most accidents involved handling of material and equipment, and slipping. Most accidents occurred at the Perstorp and Pont-de-Claix sites. Negative development in the number of LTAs has resulted in an extensive program of training courses in safety and risk management. The goal for 2011 is LTAR of <2.

The number of Take Care observations in 2010 was 3,106 (1,860). These observations are highly valuable in work aimed at reducing risks in the working environment.

A process safety program, with zero fault tolerance will be introduced at the start of 2011 to make it easier to perform a risk assessment of various process incidents and to distribute knowledge between the Group's production sites. The program is based on the model developed in 2010 by CEFIC, the chemicals industry's trade organization in Brussels.

Perstorp aims continuously to develop plants in accordance with best available technology. This work involves continuous risk assessment after incidents occur and implementing preventive measures to avoid injury and damage. The Take Care project is an example of this. The new tools for process safety assessments will also be extremely valuable.

MANAGING RESOURCES

ENERGY

The Group's relative energy consumption per ton of product fell by around 5% compared with the previous year. The unit at Toledo has reduced relative energy consumption through increased concentration in process solutions. At Stenungsund emissions of nitrogen oxide have been reduced through the installation of a new steam boiler. At Freeport, the new steam boiler enabled consumption of natural gas to be reduced, while at Pont-de-Claix enhancements of the steam system and installation of extra heat exchanger units helped to cut relative energy consumption by around 5%.

During 2010 consumption of energy by the Perstorp Group amounted to 3,465 (3,240) GWh of which 1,968 (1,926) GWh came from external producers. Of the electricity and steam produced internally, 14 (16)% is from renewable fuel. Of externally produced energy, 7 (6)% is from renewable fuel.

RAW MATERIALS & PURIFIED WATER

During 2010, the Perstorp Group used 71 (74) million cubic meters of purified water. Of this amount, 42 (49) Mm^3 was surface water, 28 (23) Mm^3 was groundwater, 0.9 (0.9) Mm^3 was from the municipal supply and 0.5 (0.5) Mm^3 was supplied from other external sources. Of the total volume of 71 Mm^3 of purified water, 64 Mm^3 is cooling water, of which 46 (47) Mm^3 is used at the Pont-de-Claix production site.

Perstorp uses a wide variety of raw materials in its processes – for example, methanol, propylene, natural gas, sodium chloride, nitric acid and toluene. These substances are converted by Perstorp, for example to make formalin, butyraldehyde, polyols and Toluene diisocyanate.

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

EMISSIONS & ENVIRONMENTAL IMPACT

EMISSIONS TO AIR

Several production sites have succeeded in their efforts to reduce emissions to air. At Perstorp, catalytic gas treatment has been installed for production of Di-TMP. In Stenungsund a new steam boiler was started up in the spring of 2010, which meant a cut of around 6% in emissions of nitrogen oxides.

EMISSIONS OF CARBON DIOXIDE

In 2010 Perstorp's total emissions of carbon dioxide amounted to 806,000 (773,000) tons of which 88,000 (91,000) tons were carbon dioxide from renewable fuels. The production site at Perstorp produced 634 (554) GWh of energy, of which 241 (234) GWh, or 34 (43)%, was from renewable fuel.

In 2010 Perstorp's production sites in Sweden delivered district heating to local municipalities and steam to other plants on the industrial site. The total amount was 254 (206) GWh.

EMISSIONS OF OZONE-DEPLETING COMPOUNDS

The total amount of ozone-depleting compounds was 15.6 (15) tons. The spillage in 2010 amounted to 6.8 (2.3) tons, or 44 (15)% of the installed amount.

A mistake during maintenance work at the production site in Pont-de-Claix, France, accounted for 5.9 tons of this considerable increase.

EMISSIONS OF VOLATILE ORGANIC COMPOUNDS (VOC)

During 2010 VOC emissions to air by the Perstorp Group amounted to 328 (312) tons. This represents a relative reduction of around 5% per ton of product during 2010. Emissions mainly comprise Toluene diisocyanate, formic acid and other organic hydrocarbons.

EMISSIONS OF SULPHUR DIOXIDE & NITROGEN OXIDES

Perstorp's emissions of sulphur dioxide mainly come from burning sulphur-containing fuel at the Group's plants. In 2010 the Group emitted 151 (205) tons of sulphur dioxide. The production site at Zibo in China accounted for the largest decrease in emissions of sulphur dioxide. Emissions of nitrogen oxides, also from incineration operations, amounted to 286 (270) tons. This was a relative decline of around 5%, however, when measured per ton of product.

> Several production sites have succeeded in their efforts to reduce emissions to air.

WORK-RELATED INJURIES & ENVIRONMENTAL ACCIDENTS

	Result			Target
	2008	2009	2010	2011
LTAR [1]	3.2	3.5	4.2	< 2
No. of environmental accidents [2]	6	4	4	0

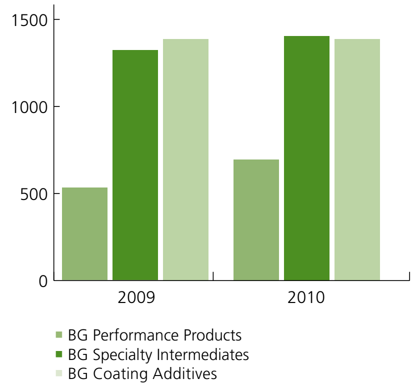
[1] LTAR (Lost Time Accident Rate) = number of accidents resulting in one day of sick leave per 1 million working hours.

[2] Environmental accidents = accidents that have an impact outside the retained area.

34%

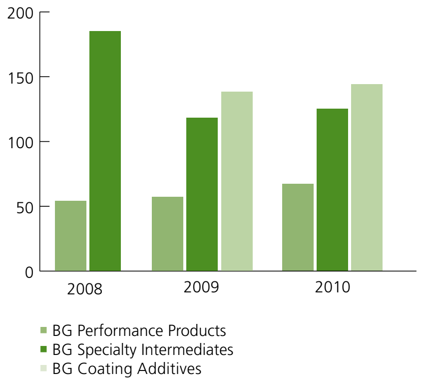
of Perstorp´s produced energy came from renewable fuel.

TOTAL USE OF ENERGY PER BUSINESS GROUP, GWH



> Perstorp is fully aware that water is becoming a limited resource and therefore makes great efforts to improve in this area.

TOTAL EMISSIONS OF VOLATILE ORGANIC COMPOUNDS PER BUSINESS GROUP, TONS



WASTE

The total amount of waste for the Perstorp Group amounted to 85,000 (67,000) tons in 2010. The increase was mainly due to maintenance work at Pont-de-Claix, France, and the closure of the wastewater treatment plant at Castellanza, Italy.

A great deal of waste is used internally within the Perstorp Group for energy recovery, for example 8,630 (6,706) tons of return methanol at Perstorp, reaction mother lye at Bruchhausen and isocyantes at Pont-de-Claix. By recycling this into energy the need for fossil fuels is reduced.

WATERBORNE CONTAMINANTS

Perstorp is fully aware that water is becoming a limited resource and therefore makes great efforts to improve in this area. Most production sites managed to reduce their consumption of water during the year and thus cut emissions of waterborne contaminants, partly by re-circulation and partly by using water streams in series for different process stages. The Group has reduced its waterborne contaminants (COD) in relative terms by around 5% per ton of product.

The sites at Toledo, Bruchhausen and Singapore have reduced COD in relative terms by around 10% per ton of product. The sites at Perstorp and Toledo account for most emissions to water within the Group. At the sites at Jurong Island in Singapore, Perstorp, Stenungsund, Vapi and Zibo, emissions are treated within the site area.

SOIL

There was no significant pollution of soil in 2010.

TRANSPORT

As part of efforts to reduce climate impact the Perstorp Group has strict requirements regarding engine and fuel types when purchasing external transport. Surveys are used to ensure the correct environmental performance profile.

A new harbour pier is being constructed at Stenungsund to reduce waiting times for ships arriving in port. As a producer of Rapeseed Methyl Ester (RME), Perstorp is working to use this fuel for truck transport.

PERSTORP & GREEN IT

During the past years Perstorp has measured the "data center power consumption" with the goal of steadily decreasing it and reducing the environmental impact of IT Services. Several virtualization project have resulted in significant results. From 2008 to 2010 the power consumption has been decreased by 22 %.

The new ambition is to actively search for at least three Green IT Goals within main IT focus areas during 2010 with focus on how Perstorp can contribute to sustainable development in IT-related areas.

Environmental economics

ENVIRONMENTAL COSTS

During 2010 the Group's environmental and working environment costs amounted to SEK 142.1 (154.6) m, or 1 (1.3)% of the Group's net sales.

Costs for handling waste amounted to SEK 54 (51.5) m. The increase from 2009 was due to costs during the major maintenance stop at Pont-de-Claix. During the year the Group paid SEK 27.2 (31) m for process water and SEK 55.5 (60.6) m for administration of environmental measures.

Administrative costs include costs for environmental personnel, maintenance of environment management systems and external consulting services.

ENVIRONMENTAL LIABILITIES

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

INVESTMENT IN THE ENVIRONMENT, HEALTH & SAFETY

Total investment in the environment, health and safety amounted to SEK 115.3 (85.9) m in 2010, or 14.3 (14.8)% of the Group's total investment.

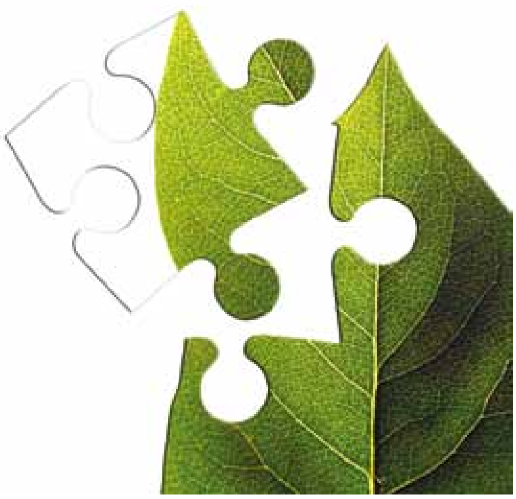
Investment is largely divided between measures focused on the working environment and process safety, improved fire safety and investment in the outer environment. A good example is the investment in reverse osmosis at the Zibo production site, which reduces emissions of waterborne contaminants, and the new process wastewater treatment plant at Stenungsund. The largest investment in environment, health and safety was made at Pont-de-Claix, France.

INVESTMENTS IN ENVIRONMENT, HEALTH & SAFETY

SEK m unless otherwise stated	2010	2009
Safety and fire protection	39.0	38.0
Working environment	29.9	17.7
External environment	46.4	30.2
Total investments	**115.3**	**85.9**
% of Perstorp's total investments	14.3	14.1

ENVIRONMENTAL COSTS

SEK m unless otherwise stated	2010	2009
Wastewater	27.2	31.0
Hazardous waste	47.3	41.7
Other waste	6.7	9.8
Soil decontamination	0.4	5.8
Administration	55.5	60.6
Fees to authorities	5.1	5.7
Total costs	**142.1**	**154.6**
% of net sales	1.0	1.3



Safety

Sick leave throughout the Group remains at a low level, 2,4%.

In 2010 Perstorp communicated intensively with customers and suppliers to ensure that Perstorp's products, and the raw materials used by Perstorp, are handled safely.

WORKING ENVIRONMENT

WORK-RELATED ACCIDENTS & SICK LEAVE

Sick leave throughout the Group remains at a low level, 2.4 (2.5)%, but the number of accidents in the workplace that resulted in sick leave increased slightly to 16 (14). This increase in accidents is unacceptable, so efforts to improve the situation will be intensified in 2011.

The new scheme for continuous improvement, Perstorp Performance System, focuses sharply on safety. The behaviour-based safety program, Take Care, is a key component.

PHYSICAL FITNESS

To promote good health and job satisfaction, strengthen team spirit and reduce sick leave, all Perstorp employees shall have access to opportunities for improving physical fitness. The production site in Perstorp, for example, has a gym, a group fitness session and a sports centre for ball sports and exercise bikes.

COMPANY HEALTHCARE SERVICES

External suppliers provide company healthcare services to Perstorp, meaning that the service provided varies at the different production sites. In addition to vaccinations and health checks based on age and working environment, great importance is attached to preventive measures that involve ergonomics and stress management. To help people get back to work after illness, swift rehabilitation measures are offered, adapted to individual requirements.

PRODUCT SAFETY

Work on product safety in 2010 focused on the extensive preparations required for registration of Perstorp's products in accordance with the EU's REACH program – Registration, Evaluation, Authorization of Chemicals. The information required for registration is submitted in a dossier that contains information about use of the substance, its physical, chemical and toxilogical properties, and a chemicals safety report with instructions to enable safe handling. The chemicals safety report presents the exposure levels that are safe for humans and the environment for the stated applications. Separate instructions for safe handling present the technical and organizational safety measures required during production and use so that handling is safe for humans and the environment.

In 2010 Perstorp communicated intensively with customers and suppliers to ensure that Perstorp's products, and the raw materials used by Perstorp, are handled safely.

Perstorp is also active in a number of consortiums and so-called SIEFs (Substance Information Exchange Forum) in which companies that must register the same substance work together to produce documentation to ensure correct registration. Perstorp has chosen to play the leading role and take complete responsibility for producing registration information for 18 substances. Perstorp registered a total of 59 substances in 2010 for which production volumes exceed 1,000 tons per year.

Alongside compliance with REACH in 2010, a new EU regulation (EC 1271/2008) concerning classification, labelling and packaging of substances and mixtures came into force in 2010. The new regulations are based on the UN's Global Harmonized System of Classification and Labelling of Chemicals (GHS). Perstorp has classified its substances and reported them to the European Chemicals Agency, ECHA, in 2010 in accordance with the new regulations. Perstorp's costs for REACH in 2010 were around SEK 23 m.

CARBON FOOTPRINT (CFP)

A Life Cycle Assessment (LCA) provides an overview of the complete environmental impact of a product during its life cycle, from extraction of raw materials via the production processes, transport and use to waste management. A Carbon Footprint (CFP) is based on an LCA, but only those emissions that affect the climate are measured. Emissions are weighted according to their strength as greenhouse gases, and then concerted to CO_2 equivalents. The three principal gases are carbon dioxide, methane and nitrous oxide.

We are noting that our customers are increasingly interested in the CFP of our products, and we view the development and use of CFP as very useful when describing environmental impact externally, as well as in our internal training and improvements. For example, we can identify where environmental impact is largest in the production chain, focus our efforts accordingly and create an efficient environmental management system. There is also a possibility to use the results of CFP in product development and marketing, for example.

Together with the Technical Research Institute of Sweden, SP, and in dialogue with a number of our customers, we started to establish Carbon Footprints for some of our major products in 2010. The methods we are using follow the standards applicable for LCAs (ISO 14040 and ISO 14044), and the standard used for a product's CFP (ISO 14067).

The full life cycle of a product is detailed, from cradle to grave, including emissions relating to raw material production, energy, production, use, destruction and all transport. The figures for our products apply from when they leave the factory gates and they can be used for an Environmental Product Declaration, EPD.

Calculations for the basic polyols – Penta, TMP and Neo – have been completed, as well as for certain products – Di-Penta, Di-TMP, sodium and potassium formate, formaldehyde, Polyol PX and propionic acid.

We will continue work on CFP calculations on a wider scale in 2011.

TRAINING IN THE ENVIRONMENT, HEALTH & SAFETY

In 2010, the total amount of training was 22,687 (30,550) hours for 3,415 participants (3,800).

Perstorp´s TMP is important in synthetic lubricants for aero engines; greater efficency means lower fuel consumption and lower CO_2 emissions.

Key relations & Society

"Perstorp strives to establish long-term relations with customers and considers that an open and honest dialogue forms the right foundation.

Open and honest communication is important for a responsible citizen such as Perstorp.

CUSTOMERS
Customer satisfaction is measured annually in surveys to help follow up and improve the level of service experienced by customers. Perstorp checks to see that deliveries are correct and that complaints are dealt with efficiently and quickly.

SUPPLIERS
The long-term view is essential in relations with suppliers. Perstorp requires that suppliers share Perstorp's view on the environment, health and safety. The company's code of conduct forms the basis for assessments of new suppliers.

INDUSTRY ORGANIZATIONS
Perstorp is active in a number of industry organizations on the national and international level, including the Swedish Plastics and Chemicals Federation and CEFIC at EU level.

COMPETITORS
Perstorp's Code of Conduct states that all departments and employees must be aware of, and act in accordance with, the company's competition policy that covers the legislative requirements and the company's own ethical rules applying to this matter. This means that Perstorp must be a strong but fair competitor.

SCHOOLS & UNIVERSITIES
Co-operation with schools and universities is important for Perstorp's long-term recruitment initiatives. Each site therefore works together with local schools. Perstorp also runs its own high school near the site in Perstorp offering a chemical-technical program.

INFORMATION TO THE GENERAL PUBLIC
Open and honest communication is important for a responsible citizen such as Perstorp. The Group provides environmental information to the general public in its reports, via the mass media and Internet and in various brochures.

OPEN HOUSE & STUDY VISITS
Open House activities are organized regularly at a number of the Group's sites for employees' families and local residents. Perstorp's sites also regularly receive visits by various interest groups including universities, colleges, politicians, companies, pensioners and various kinds of associations.

COMPLAINTS
Questions and complaints from the general public are registered and addressed in accordance with ISO14001 management system procedures. In 2010 the Stenungsund site received three complaints concerning noise. The Pont-de-Claix site registered complaints concerning noise, deposits in emitted water and bad odours from the TDI process. The Bruchhausen site received one complaint concerning noise.

AUTHORITIES
Perstorp submits safety reports and risk assessments to the authorities in accordance with current legislation. The production sites provide information about their activities to the general public at regular intervals.

■ ENVIRONMENTAL DATA

		RESOURCE EFFICIENCY			EMISSIONS TO AIR							WASTE	WATER-BORNE EMISSIONS
Plant	Year	Consumed raw materials kton/year	Total energy use GWh/year	Indirect energy use GWh/year	Fossil CO_2 kton/year	VOC ton/year	SO_2 ton/year	Nitrogen oxide ton/year	CFC kg/year	HCFC kg/year	HFC kg/year	Waste kton/year	COD before purification ton/year 3)
Group	2009	3,568	3,240	1,926	681	312	205	270	0	1,528	782	67	8,900
	2010	4,000	3,465	1,968	720	328	151	286	0	576	6,183	85	9,314
SPECIALTY INTERMEDIATES													
Perstorp (incl. Catalysts plant) 1)	2008	530	551	150	65	68	27	60	0	0	34	16	1,507
	2009	469	554	108	62	60	8	45	0	0	25	15	1,450
	2010	544	634	119	84	65	8	63	0	0	19	21	2,422
Bruchhausen 2)	2008	124	267	9	57	45	2	28	0	0	0	21	195
	2009	79	213	6	49	2	2	26	0	0	64	15	166
	2010	108	257	7	55	3	2	27	0	0	83	18	201
Castellanza 2)	2008	7	26	26	6	2	0	0	0	320	0	3	952
	2009	6	25	25	6	1	0	0	0	0	0	2	696
	2010	7	25	25	6	1	0	0	0	0	0	6	1,044
Gent 2)	2008	19	22	6	4	1	0	3	0	24	1	2	1
	2009	25	26	6	4	1	0	3	0	0	0	4	1
	2010	25	25	6	5	2	0	3	0	31	0	6	1
Singapore 1)	2008	43	192	101	61	36	152	43	0	0	0	2	1,725
	2009	47	208	116	69	38	161	73	0	0	0	1	1,693
	2010	43	199	110	66	35	141	51	0	0	0	1	1,319
Toledo 2)	2008	166	213	42	28	16	0	20	0	26	0	2	4,800
	2009	129	183	36	23	14	0	20	0	5	0	1	2,900
	2010	167	219	43	29	16	0	20	0	18	0	1	3,250
Vapi 2)	2008	22	44	6	13	17	13	–	0	6	0	0	251
	2009	0	4	1	1	2	0	–	0	6	0	0	4
	2010	0	1	0	0	2	0	0	–	0	0	0	2
Zibo 1)	2008	30	140	55	47	0	47	0	–	–	–	–	876
	2009	23	76	36	4	0	34	0	–	–	–	0	1,382
	2010	48	51	51	2	0	0	0	0	0	0	0	393
COATING ADDITIVES													
Freeport	2009	14	42	10	7	5	0	6	0	333	318	1	1
	2010	18	44	11	9	5	0	7	0	57	552	1	5
Pont-de-Claix	2009	1,936	1,342	1,342	310	132	0	28	0	1,184	332	18	340
	2010	2,040	1,354	1,354	307	139	0	38	0	470	5,430	20	369
PERFORMANCE PRODUCTS													
Stenungsund 1) 4)	2008	967	472	88	128	49	0	64	0	0	25	12	140
	2009	800	440	84	122	52	0	68	0	0	44	8	140
	2010	960	504	90	126	53	0	77	0	0	19	8	170
Warrington 2)	2008	28	160	160	32	1	0	0	0	0	0	3	125
	2009	20	126	126	24	1	0	0	0	0	0	2	127
	2010	30	153	153	31	1	0	0	0	0	81	3	138
Waspik 2)	2008	23	0	0	0	4	0	0	0	0	0	0	0
	2009	20	1	1	0	4	0	0	0	0	0	0	0
	2010	21	1	1	0	4	0	0	0	0	0	0	0

Environmental data is for the year's wholly-owned units.

A dash (–) represent unavailable data.

1) Waste water – internal treatment plant.

2) Waste water – municipal treatment.

3) Normal level of purification is over 90%.

4) Including the plant at Nol.

Human resources

THE KEY MOLECULES

Perstorp's unique corporate culture, known as Winning Formulas, consists of three core values that represent Perstorp's strengths: Focused Innovation, Reliability and Responsibility.

In recent years the Perstorp Group has grown and changed through acquisitions, new products, an unstable global economy with a recession and a remarkable corporate recovery. During 2010, Perstorp spent a lot of time and energy on Group integration and consolidation initiatives, further optimizing our global production and market footprint.

The Perstorp Performance System – the Group-wide way for production and performance, and the Perstorp Group HR Operating model – the Group's best practice model – are examples of such initiatives rolled out during 2010.

The Perstorp Group HR Operating model caters for the entire HR value chain in four connected group processes: Attract & Recruit, Review & Retain, Learn & Develop and Redeploy & Reward.

ATTRACT & RECRUIT

For Perstorp as a world-leading specialty chemicals company, it is important to recruit the brightest talents. Perstorp therefore works over the short- and long-term to market the process industry in general and the chemicals industry, and Perstorp as a company, in particular to young people and teachers.

Most of Perstorp's production sites work with local universities and colleges. Employees give guest lectures, participate in labor market presentations and the company provides opportunities for work experience and for students to do their theses.

Perstorp also tries to encourage younger people to become interested in chemistry. In Stenungsund in Sweden, Perstorp is involved in a science centre called the Molecule Workshop where young children can get their first introduction to science. At the site in Perstorp, the company also runs Perstorp Gymnasium, with a chemical-technical program which is highly regarded in Sweden.

During 2010, Perstorp implemented Group-wide policies according to employer branding and recruitment, aligning the Group around a common resourcing strategy.

REVIEW & RETAIN

Perstorp's skills management policy builds on the principle that all employees should have equal opportunities to develop at work. Perstorp is convinced that diversity in the workplace, in terms of age, gender, nationality or level of education, create a climate that results in greater creativity, productivity and job satisfaction.

Group activities are based on the UN's Global Compact principles. The initiative is run more structurally in countries where there is legislation to follow, such as the US with its diversity laws, plus Sweden and Germany that have equality laws, but all production sites follow the Group's policy in this issue.

Work on developing employees' skills takes place within the framework of a Group-wide Performance Management – PMD process (People Management & Development).

The process emphasizes employees' participation and consists of annual career development talks. During which the employees' role and objectives are discussed from a company perspective, e.g. what the company expects from the employee and the individual discusses what skills they need to achieve their set goals and how they personally perceive their future development. This process was further developed with a structured methodology assessing both results and behaviors and was fully implemented throughout the Group in 2010.

During 2010, a Group-wide Leadership Competency Assessment model, designed together with Egon Zehnder International, was integrated in the PMD process to further focus on uniform leadership development within the Perstorp Group.

Perstorp carries out employee surveys annually for reviewing the total state of performance across the Group.

The employee survey in 2010 was the first one carried out for two years, since it was decided to postpone the employee survey in 2009 due to the ongoing Group-wide cost cutting initiative. The survey in 2010 was also the first one ever comprising the entire Perstorp organization. The overall response rate was 81.4%, a high rate in comparison with Perstorp's industry peer groups, but a lower response rate than in previous years – 91.9% in 2008 and 90.4% in 2007. This was mainly due to the relatively low response rate at our site in France, but the majority of the Perstorp Group sites reported response rates well above 90%.

Perstorp measures two overall goals – Total Performance and Total Leadership:

- Total Performance: 75% of all teams shall have a Total Performance Index > 3.7 (A value of > 3.7 indicates that the employees have good working conditions from a performance perspective.)
  Outcome 2010: Group total 3.6 and 34% of all teams have a Performance Index better than 3.7
- Total Leadership: 90% of all teams should have a Total Leadership Index better than 3.5 (A Total Leadership Index > 3.7 means the potential for improvements in leadership from a performance perspective (the employees' performance) is small or very small.)
  Outcome 2010: 44% of all teams have a Total Leadership Index better than 3.5

> Work on developing employees' skills takes place within the framework of a Group-wide Performance Management – PMD process (People Management & Development).

The analysis of the drop in results for the Employee Survey 2010, is mainly assigned to the activities linked to the necessary Group-wide cost cutting scheme, introduced in 2009 and 2010, impacting the workload and organization throughout the Group. The aim is to improve and return back to previous year's levels, which is why measures for activities are ongoing throughout the Group and will be focused on in 2011.

LEARN & DEVELOP

Talent Management is a scheme that aims at taking advantage of the company's various forms of expertise by providing employees with special, potentially varying, career paths depending on their strengths and qualifications. The identification phase is based on the individual development plans available to employees in the annual PMD process, linked to the results the employees have been able to show. Employees considered to possess potential will be able to take part in special activities and training in order to further develop in their respective roles. All employees are expected to close their skills gaps agreed on in the PMD individual development plans either through vocational training or in any of the Group's internal or external development programs.

Three different career paths have been developed – staff management, project management and specialist functions – and each path provides separate levels with clear criteria.

Using Talent Management, the company ensures an internal recruitment base and increases the target group when key personnel are being selected. This process also ensures that all development is in line with the company's future skills requirements.

REDEPLOY & REWARD

During 2010 a Group-wide Talent & Succession review process was introduced, called the Perstorp People & Organization review. This process has been set up to ensure an aligned and structured Group, internal mobility and succession planning.

All Group Key Management Positions (GKMP's) have been assessed and reviewed, individual development plans assigned to the annual PMD process and successors announced.

21 Top and High potentials have been developed into new positions during 2010, as an outcome and an annual Group Talent Review has been introduced in Group management team meetings as well as in Perstorp Board.

Alignment of the Group Compensation and Benefits structure has also continued during 2010 introducing common reward structures across the group.

Göran Karlström
Operator

■ OTHER

Risk management principles

The objective of the Perstorp Group's risk management process is to work systematically and proactively in identifying, evaluating and managing risks as early as possible in order to achieve short-term operational and long-term strategic goals.

▪ STRATEGIC RISKS

Business development
Industry
Regulation & environment

Strategic risk management deals with ensuring that the Group develops in line with previously set strategies.

▪ OPERATIONAL RISKS

Raw materials
Market
Production disruptions
Corporate governance

Operational risk management deals with making sure the Group's core business is functioning.

▪ FINANCIAL RISKS

Currency & interest
Financing & liquidity
Counterparty
Legal

Financial risk management deals with ensuring the Group's finances are sound.

Perstorp has a documented risk management process that ensures that the Group's risk landscape is routinely reviewed. There are a number of policies and frameworks that regulate the risks and compliance audits are frequently carried out in appropriate governing forums.

As part of the risk management process, Perstorp has categorized the identified risks into the areas of strategic, operational and financial.

Strategic risks are those that could have a negative impact or pose as a threat against the Group's ability to develop in line with previously set strategies covering up to a five year timeframe. These risks are reviewed during the strategic planning process and are related to unfavourable mid- to long-term development of the industry paradigms, competitive landscape and regulatory environment.

The operational risks are related to the Group's core business functions – that the facilities can produce and that there are customers to buy the products. These include risks that may have a direct impact on the Group's daily business operations up to a one-year time horizon.

Financial risks address exposure within the Group's financial operations associated with areas such as liquidity, currency, interest rate, credit and legal, the majority of which are regulated through the finance policy which provides guidelines to Perstorp's Treasury department for dealing with financial risks.

STRATEGIC RISK MANAGEMENT

BUSINESS DEVELOPMENT

Business development risk is the risk of unexpected negative variances related to major investments, acquisitions or disposal of assets. To minimize this risk, Perstorp has a well-defined strategy for how the company will develop, as well as processes and routines that safeguard that investments follow this strategy and meet the given criteria.

INDUSTRY RISK

Industry risk is defined as the risk of a paradigm shift in the industry stemming from a change in technology or competitive environment that has a potential negative impact on the Group. Perstorp has developed a market segmentation approach which analyses and monitors the different dynamics of our products' end applications taking into account mega trends and potential structural changes in the industry. This information is then incorporated into the strategic planning process in order to safeguard Perstorp's sustainable development.

REGULATORY & ENVIRONMENT

There is a risk that a change in laws or regulations made by the government or a regulatory body could increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape. Major efforts have been carried out by Perstorp in connection with EU's REACH chemicals safety legislation as well as the legislation being introduced concerning Classification Labeling and Packaging (CLP). Perstorp also works proactively with the environment, health and safety by continuously developing production units in accordance with best available technology.

OPERATIONAL RISK MANAGEMENT

AVAILABILITY & PRICING OF RAW MATERIALS

There is a risk of volatility in raw material prices and a lack of availability of raw materials leading to decreased margins and production disturbances. In order to safeguard supplies of raw materials and spread risks, the Group's purchasing policy requires the supplies of critical raw materials to be made by several suppliers where possible, alternatively signing long-term agreements where this is not possible.

The price of crude oil and natural gas, which the majority of the Group's raw materials are based upon, fluctuate constantly. To provide stability in the shorter perspective, Perstorp purchases raw material using pricing formulas based on quarterly or monthly prices on each market where the raw material is used, with discounts and special terms negotiated. Opportunities for hedging raw materials prices are assessed continuously. This requires a very strong correlation between the raw material price and the Group's own selling price.

MARKET RISK

Perstorp has a wide range of products aimed at a number of different market segments. There is inherently a risk of negative changes to end markets and customers or major changes in the supply/demand balance in terms of production capacity causing prices to fall. Due to the Group's broad customer base it is therefore resilient to demand reductions in certain segments. In addition, Perstorp closely monitors risk of production capacity rising on the market and takes it into consideration when planning for its own capacity.

PRODUCTION DISRUPTION

Disruptions at Perstorp's plants may lead to a loss of earnings in the short term if the Group cannot deliver agreed volumes to customers and in the long-term if this leads to alternative

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As part of the risk management process, Perstorp has categorized the identified risks into the areas of strategic, operational and financial.

RISK

products taking over for the same application. Process and plant safety indicators in combination with regular technical inspections performed at production sites are monitored in order to minimize these risks. Suitable insurance is in place in the event of disruptions.

CORPORATE GOVERNANCE (COMPLIANCE RISK)

Corporate governance risk is the risk of decisions being taken on the wrong grounds or based on inaccurate information. Perstorp has a well-defined governance model and a number of policies carefully monitored through internal controls. In addition, the concept of internal control is fundamental to Perstorp and involves the Group's capability of implementing an effective system for control and follow up of the company's activities. The operational subsidiaries, along with a number of holding companies, are routinely subject to extensive internal assessments, which involve ensuring compliance with external legislation/regulation and internal guidelines/control documents in areas such as financial reporting, fraud, information security and authorisations. This is supplemented by a Code of Conduct where regular training is conducted throughout the Group.

FINANCIAL RISK MANAGEMENT

CURRENCY RISK

The currency risk is the risk that the Group's earnings and net assets will be adversely affected by fluctuations in exchange rates. Currency risk is defined partly as translation exposure – risk of a reduction in value when converting the Group's assets and profits denominated in foreign companies due to changes in exchange rates, and partly as transaction exposure – risk of the value of the Group's commercial and financial flows being adversely affected by exchange rate fluctuations. Perstorp's finance policy regulates the financial risks the Group is prepared to take, and guidelines for management of these risks.

INTEREST-RATE RISK

Interest-rate risk is the risk of a negative impact on the results due to a rise in market interest rates. The Group's financial policy stipulates interest hedging for most of the bank loans to mitigate this risk.

FINANCING & LIQUIDITY RISK

Financing risk is the risk that new financing of overdue loans is difficult or too costly. Most of the Group's financing consists of senior credits guaranteed by Svenska Handelsbanken, Nordea, DnB NOR and HSH Nordbank, as well as second lien and mezzanine facilities syndicated to a number of financiers. The loan agreements extend over two to three years. There are covenant ratios connected to the bank loans.

Management of liquidity risk is about ensuring sufficient liquid funds to cover current investments and the effect of unexpected losses through agreed credit facilities. Perstorp's senior executives follow ongoing forecasts of Group liquidity very closely, including unutilized loan commitments and liquid funds, on the basis of expected cash flow.

COUNTERPARTY RISK

Counterparty risk is the risk of a counterparty failing to meet its obligations in accordance with agreed terms. The Perstorp Group has a comprehensive credit policy whose aim is to prevent credit losses and optimize tied-up capital. The credit policy sets the framework and procedures for approval and monitoring of credit risks.

LEGAL RISK

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. The legal policy provides the framework and procedures for handling potential disputes.

Corporate governance report

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

GENERAL MEETING

The General Meeting is the forum where shareholders make decisions about the urgent matters facing Perstorp Holding AB and its subgroups. The Annual General Meeting was held on 18 May 2010, at which the annual report for the 2009 financial year was adopted together with the proposal for distribution of profits. The Board of Directors was elected at the meeting. An Extra general Meeting was held on 8 January, at which new articles of association were adopted. The main change in the latter was an increase in the number of directors from six to seven.

BOARD OF DIRECTORS

The Board of Directors consists of seven members and two deputies, all nominated and elected by the company owners. The individuals elected to the Board at the 2010 Annual General Meeting were Lennart Holm, Fabrice Fouletier, Karin Markides, Michel Paris, Ragnar Hellenius, Martin Lundin and Claes Gard. Bo Dankis resigned as Chairman and also left the Board. Lennart Holm was appointed as the new Chairman of Perstorp Holding AB. Prior to this appointment, Lennart Holm was deputy Chairman of the Board and was previously President of the Perstorp Group. Karin Markides, President and CEO of Chalmers University of Technology, was voted onto the Board, together with Michel Paris, a member of PAI partners' Executive Committee.

Carl Settergren and Gaëlle d'Engremont were elected as deputy members, the latter being re-elected for an additional period. Carl Settergren is a member of the PAI partners Nordic team. 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. In practice the work of the Board is lead by the Chairman. The position of Chairman was held by Bo Dankis up to the Annual General Meeting, when he was replaced by Lennart Holm. The division of responsibilities among Board members does not extend beyond certain special assignments for the Chairman.

During 2010, ten scheduled Board meetings were held, as well as the statutory first convening meeting and one extra 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: 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; Financial structure issues;

Structural and organizational issues; 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 meeting during the year was held to address forecasts for the business, plans for the Group, refinancing, financial structure and organizational management changes.

TECHNICAL COMMITTEE

There is a Technical Committee which shall advice and assist the Board in questions of major technical importance to the Group. This committee consisted of six members in 2010: Karin Markides, Lennart Holm, Eric Appelman, Tomas Andersson, Pascal Lecroq and Lars Lind. During the year this committe held one meeting.

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 2010 the Audit Committee consisted of the following members: Fabrice Fouletier, Michel Paris and Claes Gard, plus CFO Johan Malmqvist. During the year the committee held five ordinary meetings. Minutes were taken at all meetings.

REMUNERATION COMMITTEE

The Board is also served by a Remuneration Committee. The task of this committee is to establish principles for remuneration and other employment terms for the President and senior executives. The committee also prepares the terms for global incentive schemes and makes an assessment of the schemes. The committee has no decision-making powers, and it is the Board of Directors that takes the ultimate decisions in these matters. In 2010 the Remuneration Committee consisted of Board members Lennart Holm, Fabrice Fouletier, the Group's President Martin Lundin and of Mikael Gedin. The committee held one ordinary meeting during the year which was minuted.

PRESIDENT & EXECUTIVE MANAGEMENT TEAM

The President of the Group, Martin Lundin, is also elected by the Board as the CEO of the parent company. He exercises the ongoing control of the Group. The three business area managers report to him along with the global head of R&D, head of the Asia region and the heads of the finance, human resources and strategic planning departments.

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

EXTERNAL AUDITORS

Perstorp's auditors are elected by the Annual General Meeting for a four-year period. The current period started in 2010 and runs to 2014.

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

INTERNAL CONTROL

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

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

Each year for a number of years the Group has performed an extensive self-assessment of internal controls. All of the subsidiaries were assessed in 2010. 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. During 2010 special efforts were made to improve internal controls at the production company in China and to secure internal controls at the most recent addition to the Group, in France, in connection with their implementation of the SAP business system. This work will continue in 2011.

Board of Directors

■ ELECTED BY THE ANNUAL GENERAL MEETING

Lennart Holm

Chairman of the Board, Perstorp Holding AB.
Board member since 2006.
Active in the Group since 2001.
Born 1960.

OTHER BOARD ASSIGNMENTS
Lunds Tekniska Högskola, Kemiteknik, Hempel A/S (DK), Lahega Kemi, Nexam Chemical, SOS Barnbyar, VIDA AB, Croviva AB and member of Royal Swedish Academy of Engineering Science (IVA).

Karin Markides

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

OTHER BOARD ASSIGNMENTS
Chair of CESAER and AGS.
Board member of the SP Technical Research Institute of Sweden.
Member of the RIKEN Advisory Council, Royal Swedish Academy of Engineering Sciences (IVA), Royal Swedish Academy of Sciences (KVA).

Ragnar Hellenius

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

OTHER BOARD ASSIGNMENT
Polygiene AB.

Martin Lundin

President and CEO Perstorp Holding AB.
Board member since 2009.
First joined the Group in 1995.
Born 1968.

Claes Gard

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

Fabrice Fouletier

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

OTHER BOARD ASSIGNMENTS
SODIMA, YOPLAIT France, YOPLAIT Marques International, YOPLAIT SAS and Financière Forêt S.à r.l.

Michel Paris

Chairman of Investment Committee, PAI partners.
Board member since January 2010.
Born 1957.

OTHER BOARD ASSIGNMENTS
Gruppo Coin SpA, Cortefiel SA, Kwik Fit Limited, Atos Origin SA, Kaufman & Broad SA., Spie SA and Xella International GmbH.

■ 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 Broberg

Production planner
Board member since 2010.
Appointed by the Boards of PTK of Perstorp and Stenungsund.
Born 1981.

Anders Magnusson

R&D Engineer
Board member since 2010.
Appointed by the Boards of PTK of Perstorp and Stenungsund.
Born 1969.

Lennart Holm

Martin Lundin

Fabrice Fouletier

Karin Markides

Claes Gard

Michel Paris

Ragnar Hellenius

Ronny Nilsson

Anders Broberg

Anders Magnusson

AUDITORS

Michael Bengtsson

Authorized Public Accountant – PricewaterhouseCoopers.
Born 1959.

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

Mats Åkerlund

Authorized Public Accountant – PricewaterhouseCoopers.
Born 1971.

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

DEPUTIES

Gaëlle d'Engremont – Investment Director, PAI partners
Carl Settergren – Investment Officer, PAI partners
Per-Olov Hornling – Deputy trade union representative, PTK
Oleg Pajalic – Deputy trade union representative, PTK
Gunilla Nordberg – Deputy trade union representative, IF Metall

Group management team

Martin Lundin

President and Chief Executive Officer
Perstorp Holding AB.
First joined the Group in 1995.
Born 1968.

Mats Persson

Deputy Chief Executive Officer and
Executive Vice President –
Specialty Intermediates.
Active in the Group since 1992.
Born 1963.

Lennart Hagelqvist

Executive Vice President – Coating Additives.
Active in the Group since 2004.
Born 1958.

Anders Lundin

Executive Vice President – Performance Products.
First joined the Group in 1982.
Born 1960.

Martin White

Executive Vice President – Region Asia.
Active in the Group since 2007.
Born 1965.

Bengt Sallmén

Executive Vice President –
Strategic Development & Legal.
Active in the Group since 1976.
Born 1951.

Eric Appelman

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

Johan Malmqvist

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

Mikael Gedin

Executive Vice President –
Human Resources & Communications.
Active in the Group since 2009.
Born 1969.


Martin Lundin


Mats Persson


Lennart Hagelqvist


Anders Lundin


Martin White


Bengt Sallmén


Eric Appelman


Johan Malmqvist


Mikael Gedin

CORPORATE FUNCTIONS

Pascal Beaupère, EHSQ & PPS
Susanna Frennemo, IT
Anders Gahnström, Legal
Anita Haak, Financial & Business Control
Arvid Liepe, Corporate Finance
Ulf Lindh, Compensation & Benefits
Cecilia Nilsson, Communications

REPORT OF THE BOARD OF DIRECTORS

Mariette Walter
Controller

The Group´s year-end accounts

Market & economic conditions

The year 2010 saw a very strong recovery in demand for nearly all Perstorp's products. Raw material prices rose constantly, but the strong growth provided room for price increases across the portfolio, meaning a relative balance in margin developments, whereas the stronger Swedish krona has had a negative effect on the Group's earnings.

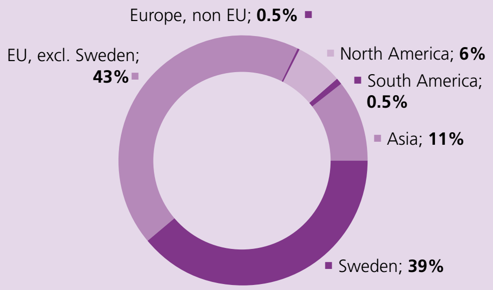
Turbulence at the beginning of the year surrounding the Euro and its underlying causes in the form of debt crises and spending cuts, led to certain nervousness, mainly in the southern European market, while the northern European market saw significantly stronger growth. Demand in the US was relatively good over the year, despite a slowdown in the housing and auto markets. South America continues to be a strong market, particularly Brazil, where the Group has now decided to reinforce its sales organization for the region. Asia saw strong growth in 2010, mainly as a result of strong domestic demand, although there were certain weaker periods over the year.

The price of most of Perstorp's important raw materials rose constantly throughout the year. Crude oil prices exceeded USD 90 a barrel towards the end of the year, meaning a doubling over a two-year period. A number of refineries and crackers were hit by production problems at the start of 2010, leading to a lack of products and soaring prices. This applied to olefins and aromatic hydrocarbons. New production capacity was introduced in 2010 for methanol, but there was also a major increase in methanol consumption for various reasons, particularly in China and South East Asia.

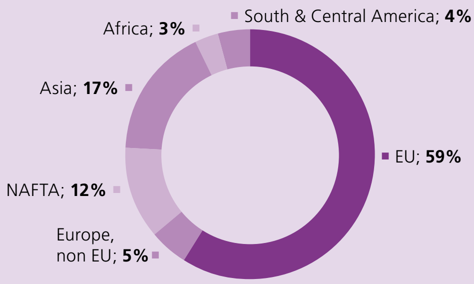
Demand was high in the fourth quarter compared with recent years due to fewer lengthy production stoppages in the industry. The Chinese market saw a slowdown towards the end of the quarter. The northern hemisphere was hit by extremely cold weather towards the end of the year, once again leading to a rise in natural gas and crude oil prices, which has continued into 2011.

The Perstorp Group has a high exposure to movements in the Euro and the US dollar exchange rates, since both net inflows and loans are primarily in those currencies. The two currencies have been on average about 10% weaker against the Swedish krona compared to last year. Negative currency effects were also reported in the fourth quarter. The currency effect on the operating earnings for the year was SEK -100 m, compared to the preceding year. On the other hand, the currency effects at the same time positively affected net debt in Swedish krona.

GEOGRAPHIC DISTRIBUTION OF EMPLOYEES



NET SALES PER GEOGRAPHIC MARKET



Net sales & earnings

INCOME STATEMENT

SEK m	Note	2010	2009
Net sales	**9**	**14,561**	**12,542**
Cost of goods sold	6, 7, 8, 20	-12,652	-11,215
Gross earnings		**1,909**	**1,327**
Selling and marketing costs	6, 7, 8	-646	-577
Administrative costs	6, 7, 8, 33	-337	-413
Research and development costs	6, 7, 8	-145	-103
Other operating income and expenses 1)	10, 11	-457	-501
Result from participations in associated companies	12	-3	-3
Operating earnings/loss (EBIT)	**10, 22, 26**	**321**	**-270**
Net financial items 2)	21	-1,301	-1,019
Earnings/loss before tax		**-980**	**-1,289**
Tax	23	24	505
Net earnings/loss for the year		**-956**	**-784**
of which, attributable to non controlling interest	14	3	-12
EBITDA		**1,649**	**986**
EBITDA adjusted for non-recurring items		**1,745**	**1,100**

1) Includes SEK 360 m in write-down (241 m).

2) Net financial items in 2009 include SEK 309 m in capital gain relating to the Group financing.

NET SALES

Sales climbed 16% during the year to SEK 14,561 (12,542) m. Volume growth was an impressive 17%, while the currency effect of -11% was offset by higher prices.

With just a few exceptions Perstorp's entire operations saw a good recovery in 2010. TMP and caprolactones accounted for the strongest increase. In terms of price, oxo products have seen the greatest growth, driven by the high price of the basic raw material propylene and favourable market conditions. The TDI market has stabilized and the price trend for this product improved for the year.

EARNINGS

Operating earnings before depreciation and write-down (EBITDA) were SEK 1,649 m, compared to SEK 986 m for the corresponding period last year, which was affected by the financial crisis. Just as last year, the Group was hit by items affecting comparability, of SEK -96 (-114) m, mainly for restructuring the business. Excluding these costs EBITDA was SEK 1,745 (1,100) m.

The improved earnings are predominantly due to volume increases. Meanwhile, overall efficiency improved in line with the rationalization schemes that were implemented recently. Availability was high in most of the production plants over the year. A major planned maintenance shutdown was seen in France in the second quarter, which together with suppliers' Force Majeure, negatively effected volumes and production efficiency. The currency effect on operating earnings was around SEK -100 m compared with the previous year.

Operating earnings before interest and tax (EBIT) amounted to SEK 321 (-270) m. This contains depreciation and write-down of SEK 1,328 (1,256) m. Exceptional write-down of fixed assets is included at SEK 360 (241) m.

Reported loss before tax was SEK 980 (loss 1,289) m. Interest costs fell to SEK 1,343 (-1,394) m, explained by significantly lower debt, offset to a certain degree by increasing interest rates. Currency gains were SEK 42 (66) m and there was an exceptional financial income in 2009 of 309 m. The main reason for the lower debt was a conversion of shareholder loans into equity, amounting to 1 billion SEK.

The net loss was SEK 956 m, compared to SEK -784 m for the same period last year. A restrictive approach has been applied to the build-up of further tax loss deductions in 2010.


Net Income
Total Assets
80000
60000
20000
0

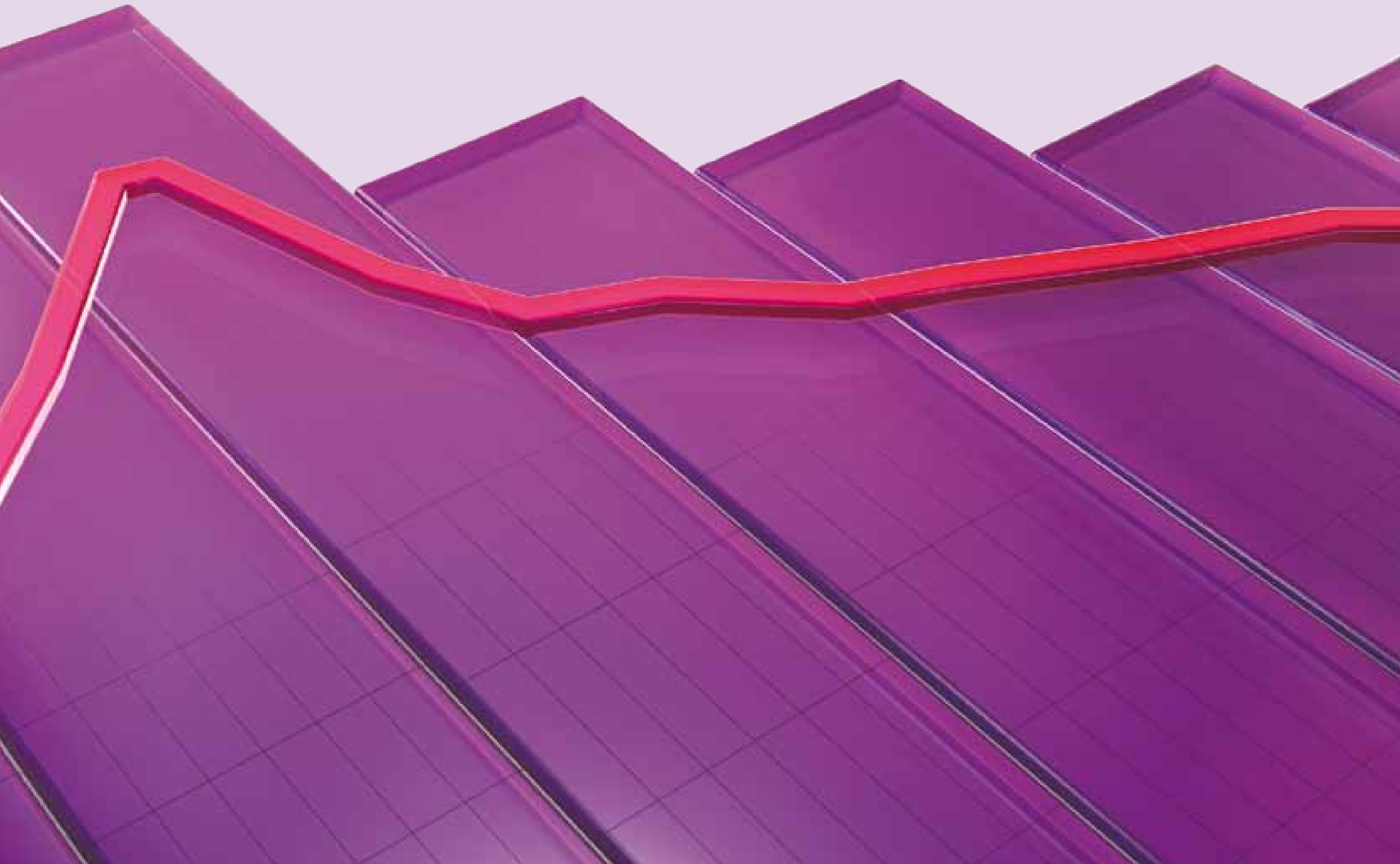
Financial position

The strength of the Swedish krona led to a lower capital level. Net receivables increased as a result of sales growth. Inventories have also increased, partly due to higher prices. Working capital at year-end was SEK 1,526 m (1,406 m last year).

Net borrowings excluding shareholder loans fell by around SEK 1 billion over the year. Currency translation essentially accounts for the entire drop, as most net borrowings are in Euros and US dollars. Total net borrowings, including shareholder loans, have also been supported by the conversion of loans to equity, worth SEK 1 billion.

The Perstorp Group increased its interest rate hedges in 2010, in the form of interest swaps. Thus, over 60% of external loans are interest-hedged until 2012, after which the proportion of hedged loans will fall.

Equity strengthened during the period, from SEK 1.2 billion to SEK 1.3 billion. This increase is due to the conversion of shareholder loans amounting to SEK 1 billion, and an additional capital contribution of SEK 69 m, while the comprehensive loss was SEK 919 m, almost entirely due to the period's net loss.



BALANCE SHEET

SEK m	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Fixed assets			
Tangible fixed assets	6	6,305	6,742
Intangible fixed assets	7	6,744	7,829
Financial fixed assets			
Deferred tax assets	23	793	1,162
Participations in associated companies	13	1	20
Other, minor holdings in companies [1]		64	–
Long-term receivable, associated companies		17	–
Direct pension, endowment insurance	22	73	66
Other interest-bearing, long-term receivables	16, 21	2	6
Interest-free, long-term receivables	16	31	23
Total financial fixed assets		**981**	**1,277**
Total fixed assets		**14,030**	**15,848**
Current assets			
Inventories	20	1,511	1,478
Accounts receivable	18	2,124	1,969
Operating receivables, associated companies		41	41
Tax receivables		34	60
Other operating receivables	18	388	379
Other current financial receivables	21	8	10
Total		**4,106**	**3,937**
Current investment		3	–
Cash & cash equivalents	19, 21	395	516
Total current assets		**4,504**	**4,453**
Total assets		**18,534**	**20,301**
SHAREHOLDERS’ EQUITY & LIABILITIES			
Shareholders’ equity			
Share capital (1,000 shares, par value of SEK 100 each)		0	0
Other capital contributions		4,276	3,207
Reserves		-341	-375
Retained earnings		-1,674	-906
Net earnings/loss for the year		-959	-772
Sum		**1,302**	**1,154**
Non controlling interests	15	20	18
Total equity		**1,322**	**1,172**
Long-term liabilities			
Deferred tax liabilities	23	1,505	1,867
Direct pension	22	74	66
Pension liability, others	21, 22	379	414
Long-term liabilities, Parent Company	21	2,018	2,899
Long-term interest-bearing liabilities [2]	21	9,415	10,497
Other liabilities, provisions	24	88	83
Total long-term liabilities		**13,479**	**15,826**
Current liabilities			
Accounts payable	25	1,390	1,311
Tax liabilities		22	6
Other operating liabilities	25	1,147	1,144
Accrued interest expense		343	201
Other financial liabilities	21	831	641
Total current liabilities		**3,733**	**3,303**
Total shareholders´ equity & liabilities		**18,534**	**20,301**
Contingent liabilities	27	180	207
Assets pledged	28	12,361	13,685

[1] Refers to shares in Exeltium, 4% – a consortium of electricity-intensive companies. This is valued at aquisition cost.
[2] The amount includes expenses for loan financing in connection with Perstorp Holding AB’s acquisition of sub-groups in Germany, Sweden, UK, France, Singapore and the Netherlands. The amount was SEK -315 (-493) m.

Comprehensive earnings & shareholders´ equity

COMPREHENSIVE EARNINGS REPORT, INCL. NON CONTROLLING INTEREST

SEK m	2010	2009
Earnings/loss for the year	**-956**	**-784**
Other comprehensive results		
Translation effects	-252	-217
Hedging of net investments	266	185
Market valuation of interest swaps	108	24
Market valuation of forward contracts	31	140
Tax relating to other comprehensive results	-116	-92
Other comprehensive earnings net after tax	**37**	**40**
Comprehensive earnings for the year	**-919**	**-744**
Comprehensive earnings attributable to:		
Parent Company's shareholders	-921	-729
Non controlling interest	2	-15

SHAREHOLDERS' EQUITY 2010

SEK m	Share capital	Other capital contributions	Translation reserves	Hedge reserves	Retained earnings	Net earnings/loss for the year	Sum	Non controlling interest	Total shareholders' equity
Opening balance, January 1, 2010	**0**	**3,207**	**-266**	**-109**	**-906**	**-772**	**1,154**	**18**	**1,172**
Transfer of preceding year's results	–	–	–	–	-772	772	0	–	0
Shareholder' contribution/Capital contribution	–	1,069	–	–	–	–	1,069	–	1,069
Net earnings/loss for the year	–	–	-68	102	4	-959	-921	2	-919
Closing balance, December 31, 2010	**0**	**4,276**	**-334**	**-7**	**-1,674**	**-959**	**1,302**	**20**	**1,322**

SHAREHOLDERS' EQUITY 2009

SEK m	Share capital	Other capital contributions	Translation reserves	Hedge reserves	Retained earnings	Net earnings/loss for the year	Sum	Non controlling interest	Total shareholders' equity
Opening balance, January 1, 2009	**0**	**1,244**	**-188**	**-230**	**-290**	**-616**	**-80**	**42**	**-38**
Transfer of preceding year's results	–	–	–	–	-616	616	0	–	0
Shareholder' contribution/Capital contribution	–	1,963	–	–	–	–	1,963	–	1,963
Acquired non controlling interest	–	–	–	–	–	–	–	-9	-9
Net earnings/loss for the year	–	–	-78	121	–	-772	-729	-15	-744
Closing balance, December 31, 2009	**0**	**3,207**	**-266**	**-109**	**-906**	**-772**	**1,154**	**18**	**1,172**

Cash flow

Cash flow from operating activities over the year was SEK 814 (260) m. The major improvement is due to the positive earnings trend and lower interest payments, counteracted by the build-up of working capital, while stock levels fell dramatically last year from an unusually high level at the start of 2009 in the wake of the global financial crisis.

Cash flow from investment activities was SEK -965 (-552) m, mainly attributable to investments in tangible fixed assets. As previously reported, the largest single project is the expansion of caprolactone capacity at the facility in the UK. This expansion is expected to be ready to be put into operation by mid-2011, and follows plan. Shares in the energy consortium Exeltium were acquired in 2010, which guaranteed our French operations direct access to energy. The acquisition of subsidiary assets accounted for SEK -83 m, relating to the supplementary and final purchase price for previously acquired businesses.

On the financing side, SEK 69 m was added in the form of shareholder contributions.

SEK 262 m was amortized over the year. Available funds including liquid funds and letter of credit facilities, amounted to SEK 931 (1,224) m at the end of the period.

CASH FLOW STATEMENT

SEK m	2010	2009
Operating activities		
Operating earnings	321	-270
Adjustments:		
Depreciation and write-down	1,328	1,256
Other	70	7
Interest received	2	3
Interest paid	-673	-984
Income tax paid	-23	-37
Cash flow from operating activities before change in working capital	**1,025**	**-25**
Change in working capital		
Increase (-) Decrease (+) in inventories	-118	293
Increase (-) Decrease (+) in current receivables	-304	174
Increase (+) Decrease (-) in current liabilities	211	-182
Cash flow from operating activities	**814**	**260**
Investing activities		
Acquisition of net assets, subsidiaries	-83	22
Acquisition of shares in associated companies	–	-19
Acquisition of minor holdings in companies	-69	–
Acquisition of non controlling interest	–	-9
Acquisition of tangible and intangible fixed assets	-806	-582
Sale of tangible and intangible fixed assets	–	34
Change in financial receivables, external	-7	2
Cash flow from investing activities	**-965**	**-552**
Financing activities		
Shareholders' contribution	69	1,821
Change in credit utilization	-15	-1,289
Cash flow from financing activities	**54**	**532**
Change in cash & cash equivalents, incl. short-term investments	**-97**	**240**
Cash and cash equivalents in the opening balance, incl. short-term investments	516	286
Translation difference in cash and cash equivalents	-24	-10
Cash & cash equivalents, end of period	**395**	**516**

The Parent Company year-end accounts

INCOME STATEMENT

SEK m	Note	2010	2009
Net sales		**47**	**38**
Gross earnings		**47**	**38**
Sales and marketing costs		-7	-7
Administration costs	33	-114	-84
Other operating income and expenses	11	-10	-18
Operating earnings (EBIT)	22, 26	**-84**	**-71**
Group contribution received		357	576
Dividends, Group companies [1]		-1,298	64
Net financial items	21	-217	-565
Earnings/loss before tax		**-1,242**	**4**
Tax	23	-17	14
Net earnings/loss for the year [2]		**-1,259**	**18**

[1] Comprises dividends from Group companies of SEK 0 (64) m and write down of shares in and financial receivables versus subsidiaries of SEK -1,298 (0) m.
[2] Comprehensive income equals Net earnings/loss for the year

BALANCE SHEET

SEK m	Note	Dec. 31, 2010	Dec. 31, 2009
ASSETS			
Financial fixed assets			
Deferred tax assets	23	–	14
Shares in Group companies	17	7,783	7,878
Long-term receivables, Group companies	21	349	799
Direct pension, endowment insurance	22	60	54
Total fixed assets		**8,192**	**8,745**
Current assets			
Operating receivables, Group companies		12	65
Tax receivables		5	3
Other operating receivables	18	35	24
Financial receivables, Group companies	21	4,105	4,659
Other current financial receivables	21	8	4
Total		**4,165**	**4,755**
Cash and cash equivalents	19, 21	113	234
Total current assets		**4,278**	**4,989**
Total assets		**12,470**	**13,734**
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital (1,000 shares, par value of SEK 100 each)		0	0
Retained earnings		3,237	2,150
Net earnings/loss for the year		-1,259	18
Total shareholders' equity		**1,978**	**2,168**
Long-term liabilities			
Direct pension	22	60	54
Long-term liabilities, Parent Company	21	2,018	2,899
Long-term interest-bearing liabilities [1]	21	4,560	5,339
Other liabilities, provisions	24	15	13
Total long-term liabilities		**6,653**	**8,305**
Current liabilities			
Accounts payable	25	8	5
Tax liabilities		4	–
Other operating liabilities, Group companies		3	3
Other operating liabilities	25	33	31
Accrued interest expense, interest-free		320	142
Financial liabilities, Group companies	21	2,958	2,893
Other financial liabilities	21	513	187
Total current liabilities		**3,839**	**3,261**
Total shareholders´ equity & liabilities		**12,470**	**13,734**
Contingent liabilities	27	6,270	6,675
Assets pledged	28	7,842	7,931

[1] The amount includes expenses for loan financing in connection with Perstorp Holding AB's acquisition of sub-groups in Germany, Sweden and the Netherlands. The amount was SEK -129 (-187) m.

CASH FLOW STATEMENT

SEK m	2010	2009
Operating activities		
Operating earnings	-84	-71
Interest received	267	259
Interest paid	-415	-817
Dividends received from Group companies	–	64
Group contribution received	576	1,649
Realized exchange rate profit/loss	-17	113
Adjustment, change in provisions	2	–
Cash flow from operating activities before change in working capital	**329**	**1,197**
Changes in working capital		
Increase (-) Decrease (+) in current receivables	41	-15
Increase (+) Decrease (-) in current liabilities	6	-28
Cash flow from operating activities	**377**	**1,154**
Investing activities		
Shareholder contribution to Group companies	–	-1
Change in internal financial receivables	-238	-801
Cash flow from investing activities	**-238**	**-802**
Financing activities		
Shareholder contribution from Parent Company	69	1,821
New loans, external	47	10
Amortization of loans, external	-174	-413
Amortization of loans, Group companies	-201	-1,605
Cash flow from financing activities	**-259**	**-187**
Change in liquid funds, incl. short-term investments	**-121**	**165**
Liquid funds opening balance, incl. short-term investments	234	69
Liquid funds, end of period	**113**	**234**

SHAREHOLDERS' EQUITY 2010

SEK m	Share capital	Retained earnings	Net earnings/ loss for the year	Total shareholders' equity
Opening balance shareholders' equity, January 1, 2010	**0**	**2,150**	**18**	**2,168**
Transfer of preceding year's results	–	18	-18	0
Shareholders' contribution	–	1,069	–	1,069
Net earnings/loss for the year	–	–	-1,259	-1,259
Closing balance shareholders' equity, December 31, 2010	**0**	**3,237**	**-1,259**	**1,978**

SHAREHOLDERS' EQUITY 2009

SEK m	Share capital	Retained earnings	Net earnings/ loss for the year	Total shareholders' equity
Opening balance shareholders' equity, January 1, 2009	**0**	**1,232**	**-1,045**	**187**
Transfer of preceding year's results	–	-1,045	1,045	0
Shareholders' contribution	–	1,963	–	1,963
Net earnings/loss for the year	–	–	18	18
Closing balance shareholders' equity, December 31, 2009	**0**	**2,150**	**18**	**2,168**

Other

EMPLOYEES

At year-end, the Group's headcount was 2,190, an increase of 36 since the start of the year.

CHANGES TO THE PERSTORP BOARD

Bo Dankis resigned as Chairman and thereby left the board in the second quarter. Lennart Holm was appointed as the new Chairman of Perstorp Holding AB. Prior to this appointment, Lennart Holm was vice Chairman, and has also been CEO of the Perstorp Group.

Karin Markides, President and CEO of the Chalmers University of Technology, was elected as a new member of the board. Michel Paris, member of PAI partners´ Executive Committee, replaced Bertrand Meunier as a director and Carl Settergren took over from Julio Varela as deputy director. Carl Settergren is part of PAI partners' Nordic team.

ACQUISITION OF SHARES TO SECURE ENERGY SUPPLY

The Perstorp Group acquired shares in Exeltium in 2010, representing a stake of about 4%. Exeltium is a consortium of 28 electricity-intensive companies, thereby assuring direct access to energy. The company in turn buys its energy through a long-term contract with EDF. Perstorp France is now part-owner of Exeltium, thereby securing between 21 and 30 MW annually for its production facilities in Pont-de-Claix.

THE ENVIRONMENT

The production within Perstorp Group affects the external environment through emissions in air and water, and through the generation of waste and noise. From a global perspective, the most important environmental factors are the consumption of raw materials, energy and non renewable resources; emissions of greenhouse gases and volatile organic substances; and consumption of and contamination of the water. In the development of new and already existing plants, Perstorp Group pays extra attention to these factors.

Each unit within the Group submits an annual environment report to be approved by the inspection authorities. The Group has production in eleven countries. The major production sites in the Group are situated in Sweden and France. Most of Perstorp's activities in Sweden require permits, primarily polyalcohols, formalin, formic acid and other acids and alcohols. A proactive environmental work has been performed locally at the sites in Sweden for very many years. A national project regarding soil contamination has been initiated, aiming at a classification of industry land into different categories (MIFO). In Perstorp Industripark the classification has been done and some parts of the land shall need to be restored during the years to come.

At the site in Stenungsund there was an investment in new waste water treatment facilities in 2010. Also at the site in Pont-de-Claix, France, there were major environmental investments in 2010. Extensive risk analyses have been carried out, according to the French legislation PPRT. The site in Pont-de-Claix obtained the ISO 14001 certificate during the year.

Also in other countries, outside Sweden and France, Perstorp follows national and local requirements. In China, Perstorp invested in the technology reversed osmosis at the site in Zibo. This will further reduce the emissions to the water.

Regarding REACH, a very extensive work has been done for the Perstorp products. The Group had a leading role for the registration of 18 substances that are produced within or imported to the EU. In total, 59 Perstorp products were registered in 2010.

The Perstorp units in Freeport USA, Zibo China and Singapore got awards from local organizations for their environmental work, in 2010.

INNOVATION

2010 was a year of stability for Perstorp's group function Innovation. The benefit of combining technical sales and service, market development and R&D within one function materialized. A further highlight was the definition of strategic growth markets, which has provided strong focus for the efforts in Innovation.

A major trend in 2010 has been the strong development of high-solids coatings in the architectural coatings market, with Perstorp's Di-Penta as a key constituent, but also other products. In the strategic growth market of radiation curable resins, Perstorp successfully launched its hyperbranched Boltorn™ P500 product that allows customers to produce the very resistant, yet flexible coatings for for instance electronic touch panels. Also for this market, technology for urethane acrylates was developed, which is a nice illustration of how Perstorp combines the recently acquired product platforms of caprolactones and isocyanates to complement its already strong offer to a core market. Perstorp launched its Charmor™ product range as flame retardant for plastics and saw adoption across the full spectrum of plastic materials. The Holtac™ product range of additives for PVC stabilization was also launched. Continued technical support helped to almost double the sales of new PVC plasticizers with an improved environmental profile and research has lead to a very promising next generation of products that we expect to launch in 2011.

In 2010 Perstorp significantly increased its research capabilities with investments in a new high-pressure process laboratory and an application laboratory for PVC compounding.

KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

Perstorp Group has injected another SEK 25 m in capital into the associated company PetroPort Holding AB, at the start of 2011. Its affiliate Petroport AB has responsibility for the construction of the harbor in Stenungsund, which began in 2010. Perstorp Oxo AB will reach an agreement concerning use of the harbor.

Perstorp has, through its subsidiary Perstorp Polyols Inc., signed an agreement with Hercules Inc, a subsidiary of specialty chemicals company Ashland Inc., for the acquisition of its Penta business, related to technology and certain assets. The deal does not include the manufacturing plant in Louisiana, any real estate or employees.

In addition, Perstorp has also taken a decision to extend its capacity for 2-EHA, a product used in applications such as safety glass and synthetic lubricants, in Europe and in Asia by establishing production at the Group's manufacturing unit in Singapore with production start planned for 2013.

It also has been announced that the Perstorp Board of Directors has decided to move forward with the investment in a new plant for valeraldehyde and its derivatives 2-PH alcohol and a new plasticizer DPHP. The investment is planned to be on stream by 2014.

NOTES

DEFINITIONS

CAPITAL RATIOS

Average capital
Based on monthly balances during the year.

Capital employed
Total assets less interest-free liabilities.

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

NOTE 1. GENERAL INFORMATION

Perstorp Holding AB and its subsidiaries (jointly designated the Group) produce and sell specialty chemicals. At the end of the report period the Group had 13 (13) manufacturing units in 11 (11) countries in Europe, North America and Asia. These geographic areas comprise the Group's main markets for sales, with the main focus in Europe.

The Group was formed at the end of 2005 when the private equity company, PAI partners, became the owner through Perstorp Holding AB. Since this time PAI partners has controlled the Group through Luxembourg-based Financière Forêt S.à r.l., corp. reg. no. R.C.S. Luxembourg: B 111 888, which owns 100% of Perstorp Holding AB. The acquisition balance sheet for the Group was completed as of 2006.

The Parent Company is a limited liability company that is registered and has its Head Office in Perstorp, Sweden. The address to the head office is 284 80 Perstorp, Sweden.

The Board approved this report for publication on April 6, 2011.

NOTE 2. SUMMARY OF MAJOR ACCOUNTING PRINCIPLES

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

2.1 BASIS FOR PREPARING THE ACCOUNTS

Group

The consolidated accounts for Perstorp Holding AB have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation concerning Supplementary Accounting Rules for Groups (RFR 1.3) and International Financial Reporting Standards (IFRS) and IFRIC interpretations as approved by the European Commission. (IFRS has been applied by the Group since 2005.) The consolidated accounts have been prepared in accordance with the acquisition value method, apart from matters applying to financial assets held for sale and financial assets and liabilities (including derivative instruments) that are fair valued via the income statement.

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

Standards (IAS/IFRS), changes and interpretations (IFRIC) now in effect that are applicable for the 2010 financial year and are applied by the Group:

IAS 27 (revised) "Consolidated and separate financial statements" (applicable from July 1, 2009). The change means that all transactions involving shareholders, including shareholders without any decisive influence, are reported under shareholders' equity on condition that the transaction does not change the decisive influence and no longer gives rise to goodwill or profit/loss. In the event of partial sale where the decisive influence ends, the remaining owned part is re-assessed to fair value at the time the decisive influence ends according to agreement. The re-assessment impacts in full on the income statement. Formerly owned participations are also re-assessed at fair value in the income statement at later acquisitions. There was no substantial impact on the Group's accounts in 2010, coming from this standard.

IFRS 3 (revised) "Business combinations" (applicable from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. Among other matters, the purchase amount at the time of acquisition shall be reported at fair value and ensuing contingent consideration shall be classified normally as liabilities/provisions. These liabilities are then re-evaluated as necessary via the income statement and do not therefore retroactively affect the acquisition value of the asset. The reason is that the re-evaluation is not considered to be related to the acquisition, but instead represents a changed situation after the acquisition. The non-controlling interests in the acquired business may be valued optionally for each acquisition either at fair value or at the non-controlling interest´s proportional share of the acquired activity's net assets. Furthermore, all transaction costs shall be reported in the income statement directly they are no longer considered to represent a value in the acquired unit.

The Group has applied IAS 27 (revised) and IFRS 3 (revised) prospectively to transaction occurring on or after 1 January 2010. As a consequence, no adjustment was necessary to any of the amounts previously recognized in the financial statements. There were no acquisitions made in 2010.

IFRIC 16 "Hedges of a net investment in a foreign operation" (applicable from July 1, 2009). The interpretation is directed at treatment of hedging of net investment. The consideration is that hedges of net investments refer to the difference in functional currency and that hedge instruments can be used by any company within the Group as long as hedge reporting is in agreement with IAS 39. This standard had no significant influence on the Group's financial reporting for 2010.

Parent Company

The Parent Company's financial reports are produced in accordance with the Annual Accounts Act and recommendations from the Swedish Financial Reporting Board concerning Reporting for legal entities (RFR 2.3). The starting point for RFR 2.3 is that the Parent Company shall implement all of the EU-approved standards and interpretations as far as possible within the framework of the Annual Accounts Act, the Swedish law safeguarding pension commitments and with consideration for the relationship between accounting and taxation. The main differences between the Group's and Parent Company's accounting principles are as follows:

Subsidiaries

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

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

Group contribution & shareholders' contribution

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

Financial instruments

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

Pensions

The Parent Company reports pension commitments in accordance with the Swedish law safeguarding pension commitments. Adjustments are made to the accounts at Group level in accordance with IFRS/IAS19.

Leasing

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

2.2 CONSOLIDATED ACCOUNTING

Subsidiaries

Subsidiaries are all companies in which the Group has the right to devise financial and operating strategies in a manner normally associated with a shareholding amounting to more than half of voting rights. Subsidiaries are included in the consolidated accounts from the date on which the Group gains this decisive influence. Subsidiaries are excluded from the consolidated accounts from the date on which the decisive influence ceases.

The group uses the acquisition method. The cost of an acquisition of a subsidiary compromise the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group.

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

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

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

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

When the group seizes to have control of a subsidiary it recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost. The change in the carrying amount is recognized in income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to income statement.

Associated companies

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

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

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

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

When the Group seizes to have a controlling influence over an associate it shall account for the investment in accordance with IAS 39 from that date, provided the associated does not become a subsidiary. On the loss of the controlling influence the investment is measured at it´s fair value. The change in the carrying amount is recognized in income statement.

Joint ventures

Joint ventures refer to a relationship founded on an agreement in which two or more partners operate an economic activity together and have a joint deciding influence over the activity. Holdings in joint ventures are reported using the equity method, as with holdings in associated companies. Classification of profit shares are also reported in the same way as with associated companies as a result of business focus. Accounting principles for joint ventures have been changed in places to guarantee the consistent and appropriate application of Group principles. When the Group seizes to have joint control it shall account for the investment in accordance with IAS 39 from that date, provided the associated does not become a subsidiary. On the loss of the joint control the investment is measured at it´s fair value. The change in the carrying amount is recognized in income statement.

Non-controlling interest

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

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

Saleable financial assets

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

2.3 CURRENCY TRANSLATION

Functional currency & reporting currency

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

Transactions & balance sheet items

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

Group companies

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

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

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

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

2.4 REVENUE RECOGNITION

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

Revenue per category is reported as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

Technological know-how was identified as a balance sheet item in connection with the allocation of acquisition values in 2006 and its acquisition value has linear depreciation to divide the costs over the assessed utilisation period of 30 years. At the acquisition of Coating Additives in 2008, part of the value was identified as being technological know-how. This is depreciated over 15 years. Testing of possible impairment requirements is performed annually.

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

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

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

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

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

From 2009 this also includes borrowing costs attributable to acquisitions of fixed assets that take a significant amount of time to complete for use (these were previously charged directly). Additional expenses are added to the asset's reported value or reported as a separate asset, depending on which is appropriate, but only if it is probable that the future economic benefits associated with the asset accrue to the Group and the asset's acquisition value can be measured reliably. Reported value for replaced parts is deducted from capitalized value. All other forms of expenses for repairs and maintenance are reported as costs in the income statement during the period they arise.

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

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

Land and construction in progress are not depreciated.

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

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

2.8 LEASING

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

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

Some of the Group's leasing contracts pertain to vehicles and computers, which have been reported as operational leasing. In addition, there is operational leasing of pipelines and storage facilities at the unit in Singapore and of steam production and other facilities at the site in Pont-de-Claix, France. Payments made during the leasing period are carried in the income statement linearly over the leasing period.

2.9 FINANCIAL INSTRUMENTS

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

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

Financial instruments assessed at fair value via the income statement

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

Loans & accounts receivable

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

Cash & cash equivalents

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

Borrowings

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

Accounts payable

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

2.10 IMPAIRMENT

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

A test for an impairment requirement is performed for financial assets at the end of the report period. Impairment is performed as soon as there is objective evidence that events have taken place which indicate that estimated future cash flows from an asset will be lower than the reported balance sheet total. The impairment amount is calculated as the difference between the asset's reported value and assessed future cash flow (current value is calculated for instruments classified as fixed assets). If there are observable market prices for the instrument, the impairment calculation is based on this fair value. In connection with the test an assessment is also made if events have occurred, and objective evidence is available, which mean that a previously carried out impairment shall be returned fully or partly.

2.11 INVENTORIES

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

2.12 EMPLOYEE BENEFITS

Pensions

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

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

Actuarial calculations of defined-benefit pension plans are performed at the end of each year. Pension costs pertaining to these plans are calculated in accordance with the Projected Unit Credit Method, which allocates costs over the employees' anticipated working life. Actuarial gains and losses outside what is known as the 10% corridor are allocated over the remaining anticipated term of employment for those employees who are part of the various plans. With the help of a discount rate, pension commitments are valued at the present value of the future anticipated payments. The discount rate corresponds to the interest on first-class corporate bonds or treasury bills with a remaining term that corresponds to the commitments concerned. The liability that arises is adjusted for reported actuarial profit and loss, and for unreported costs for service in previous years. In the consolidated balance sheet, the pension commitments for the funded plans are reported net, after a deduction for the fund assets for the plan. In cases where a net asset arises, this is reported as a financial interest-bearing receivable. The entire commitment is carried as a liability and included in the calculation of net debt.

The Group's payments for defined-contribution pension plans are reported as a staff cost during the period when the employee performed the services to which the contributions pertain. For defined-contribution plans, the interest effect and return on plan assets attributable to the plan are reported in net financial items, while other costs are included in operating profit.

Remuneration for redundancy

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

Other remuneration & bonus plans

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

2.13 PROVISIONS

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

2.14 DERIVATIVE FINANCIAL INSTRUMENTS & HEDGE MEASURES

Derivative instruments are reported in the balance sheet on the contract date and are assessed at fair value, both initially and upon ensuing assessments. The method for reporting the profit and loss that arises at re-assessment depends on whether the derivative is identified as a hedge instrument, and – if such is the case – the character of the hedge item. The Group uses the following hedge instruments:

- Cash flow hedges in the form of interest swaps and electricity forward contracts, in order to hedge interest rates, currencies and electricity prices. For further details see section 3, Risk Management.
- Equity hedge – loans in foreign currency, for hedging of net investments.

When the transactions take place, the Group documents the relationship between the hedge instrument and the hedged item, as well as the Group's targets for risk management and the strategy for the hedge. The Group also documents its assessment of the efficiency of the hedge instrument, both when entering the hedge and continually during the duration of the hedge. Changes in the hedge reserve in shareholders' equity are presented in the equity table. All of the fair value of the derivative used as the hedge instrument is classified as a fixed asset or long-term liability when the hedged item's remaining maturity is greater than 12 months, and as a current asset or short-term liability when the hedged item's remaining maturity is less than 12 months.

Cash flow hedging

The effective part of the change in fair value of a derivative instrument that is identified as cash flow hedging and that meets the conditions for hedge accounting, is reported in comprehensive income. At the end of the year this effect amounted to SEK -7 (-110) m with a maturity within 12 months. This amount is divided between SEK -28 (-108) m in interest swaps, SEK 21 (-1) m in electricity forward contracts and SEK 0 (-1) m in currency hedges. The profit or loss attributable to the ineffective part is reported immediately in the income statement. Accumulated amounts in shareholders' equity are returned to the income statement in the periods when the hedged item affects earnings (e.g. when the forecast event that is hedged takes place). The profit or loss attributable to the effective part of the interest swap that hedges loans with variable interest is reported in net financial items in the income statement.

When a hedge instrument falls due, is sold or when the hedge no longer meets the criteria for hedge accounting and accumulated profits or losses relating to the hedge are in equity, the profits/losses remain in equity and are capitalized at the same time that the forecast transactions are finally reported in the income statement. When a forecast transaction is no longer expected to occur, the accumulated profit or loss reported in equity is transferred immediately to the income statement.

Hedging of net investments

Hedging of net investments in foreign businesses is reported in a similar way to cash flow hedging. The share of profit or loss in a hedge instrument assessed as an efficient hedge is reported in other comprehensive income. The profit or loss attributable to the ineffective part is reported immediately in the income statement. The part of the Group's borrowings in foreign currency identified for hedge accounting amounts to EUR 0 (295) m, since the equity hedge seized to exist during the year. The accumulated currency results for translating these sums amounted to SEK -2 (190) m at the end of 2010.

Derivatives assessed at fair value via the income statement; currency swaps

Changes in fair value for currency swaps are reported immediately in net financial items in the income statement. The primary purpose of currency swap contracts is to hedge the treasury's currency risk exposure in different currencies. The contracts have therefore been classified in different portfolios depending on which category of currency exposure will be hedged. In general, the categories cover the treasury's intra-Group borrowings and loans in different currencies with determined maturities as well as the daily borrowings and loans in currency accounts at various banks. The maturities vary, up to three months. Currency accounts are hedged with one-month maturities.

2.15 NEW & AMENDED IFRS STANDARDS & IFRIC INTERPRETATIONS

The following standards, amendments and interpretations were effective during 2010 but are not applied since deemed not applicable for the Perstorp group:

IFRIC 15 – Agreements for the construction of real estate

IFRIC 16 – Hedges of a net investment in a foreign operation

IFRIC 17 – Distributions of Non cash assets to owners

IFRIC 18 – Transfers of assets from customers

IAS 32 – Financial instruments: Classification

The following standards, amendments and interpretations will be effective after December 31 2010 and will affect Perstorp group to some extent:

- IFRS 9 "Financial Instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group´s financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group has not yet assessed the full impact of IFRS 9.
- IFRIC 19, "Extinguishing financial liabilities with equity instruments, effective date 1 July 2010. The group will apply the interpretation from 1 January 2011, subject to endorsement by the EU. The interpretation clarifies the accounting by an entity when the terms of financial liabilities are renegotiated and result in the entity issuing equity instruments to a creditor. The change is not relevant for the group as of the closing of 2010.

NOTE 3. RISK MANAGEMENT

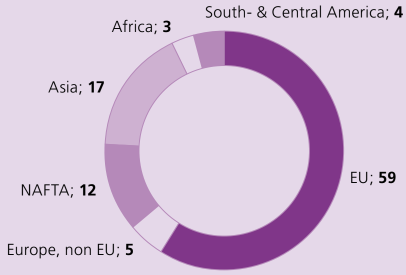
3.1 FINANCIAL RISK FACTORS

The Group's finance policy stipulates the division of responsibility for financial operations. The policy also governs the financial risks the Group is prepared to take and stipulates guidelines for how the risks should be managed. Corporate Finance has global responsibility for the Group's financing activities.

Currency risk

The currency risk is the risk that the Group's earnings and net assets will be adversely affected by fluctuations in exchange rates. The Group has considerable flows, earnings and assets in foreign currency, primarily in EUR and USD. As the accompanying diagram shows, a major proportion of sales is made in Europe, of which only 9 per cent in Sweden. In principle, all invoicing is in EUR or USD, which is also the case for purchases of raw materials. However, a large portion of costs is in SEK, as a result of one third of the Group's employees being based at plants in Sweden.

NET SALES PER GEOGRAPHIC MARKET, %



The predicted transaction and consolidation exposure was not hedged at the end of 2010.

The Group handles some of its exposure by borrowing in USD and EUR. This means that net inward flows of EUR and USD are reduced, as a result of interest payments.

EXPOSURE PER CURRENCY, FORECAST FOR 2011

	Net sales	Operating costs	EBITDA	Financial payments	Net	Translated to SEK m*
USD	750	–560	190	–22	168	1,143
EUR	1,100	–900	200	–18	182	1,638
GBP	35	–40	–5		–5	–53
Total						**2,728**

* rate on closing day.

At the end of 2010 there was positive exposure in SEK concerning net assets per currency. This is because a large part of the intangible assets that existed when PAI partners acquired Perstorp was in SEK and in GBP due to the acquisition of the caprolactones business not being financed through loans in GBP, see below. Exposure of net assets in EUR and USD are correspondingly negative because the Group has raised loans in both those currencies to a greater extent than that which corresponds to assets.

Net assets per currency, before & after loans in foreign currency

SEK m	Net assets per currency, before loans in foreign currency	Loans in foreign currency, Swedish companies	Non-local currency loans in foreign companies	Exposed net assets
EUR	-63	-3,026	964	-2,125
USD	-313		-919	-1,232
GBP	295		846	1,141
SEK	1,267	3,026	-891	3,402
Other currencies	116			116
Total	**1,302**	**0**	**0**	**1,302**

Financing risk

The financing risk is the risk that the refinancing of loans will be impeded or will become costly. The Group's main financing consists of senior loans that have been guaranteed by Svenska Handelsbanken, Nordea, DnB NOR and HSH Nordbank, and second liens and mezzanine facilities that were syndicated to over 20 financiers in 2006. These loan agreements have terms of seven to eight years and stipulate financial covenants pertaining to the fulfillment of key indicators in terms of net debt in relation to EBITDA, and EBITDA in relation to interest payments. During the year new capital was added (SEK 69 m) from the Parent Company in Luxembourg, Financière Forêt S.à r.l., and additionally a shareholder loan conversion of SEK 1,000 m into equity took place. The shareholder loan carries a 10 percentage interest which is being capitalized.

	Group	
	Dec. 31, 2010	**Dec. 31, 2009**
Senior loans	7,253	7,904
Second lien	579	666
Mezzanine loans	2,385	2,648
Revolver	66	18
Other financial liabilities, excluding loans from Parent Company	277	395
Financial liabilities, excl. Parent Company loans & pension liabilities	**10,560**	**11,631**
Interest-bearing pension liabilities, net	380	414
Loan from Parent Company	2,018	2,899
Total interest-bearing liabilities	**12,958**	**14,944**
Cash and cash equivalents	–395	–516
Other interest-bearing receivables, long and short-term	–30	–16
Interest-bearing assets	**–425**	**–532**
Net debt including pension liabilities	**12,533**	**14,412**

Liquidity risk

Liquidity risk is managed by checking that the Group has sufficient liquid funds and short-term investments as well as sufficient financing through agreed credit facilities. Management monitors forecasts of Group liquidity closely. The forecasts comprise unutilized promises of loans and liquidity on the basis of estimated cash flow.

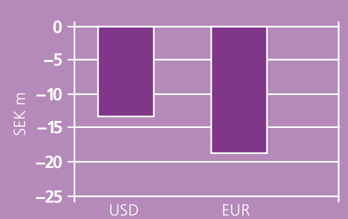
The table below shows the Group's financial liabilities and derivative instruments that constitute financial liabilities, distributed across the time remaining after the closing date up to the agreed due date. The amounts shown are agreed, undiscounted cash flows.

LIABILITIES, INTEREST RATES & FINANCIAL INSTRUMENTS, PER DUE DATE

As of 2010-12-31		0–1 years	1–2 years	2–5 years	>5 years
Bank loans	Amortization	–831	–7,268	–2,456	–6
	Interest*	–414	–754	–252	
Derivative instruments	Interest swaps	–41	-6		
	Currency swaps	23	7		
Accounts payable & other liabilities		–2,558			

*The numbers relate to the current financing situation, with loans falling due 2012 and 2013.

EFFECT ON EBITDA OF 1 % STRONGER SEK



Interest-rate risk
The interest-rate risk is the risk that an increase in market interest rates will have an adverse impact on earnings. Interest-rate hedging is applied to fix interest rates for slightly more than half of the bank loans in accordance with the financial policy. On December 31, 2010, the average fixed-interest maturity was 227 days. The table below shows interest levels, fixed periods and sensitivity per currency. Sensitivity to interest rate changes is also shown in the diagram below. Interest hedges radically reduced the interest rate risk, with a total of SEK -35 m per year for a 1 per cent rise in interest, from a level of SEK -106 m if no hedges had been made.

	Local currency	SEK m	Effective rate balance sheet date, %	Duration, days before interest hedging	Actual duration, days
SEK	3,070	3,070	4.9	80	276
EUR	490	4,410	9.0	36	82
USD	443	3,012	5.4	47	391
Other currencies		69	4.8	103	103
Total *		**10,560**	**6.7**	**52**	**227**

* Financial liability excluding shareholder loans and pension debt.

The effective rate and remaining days show an average of the interest rate on the respective loans, interest on outstanding interest rate swaps as well as forward start interest rate swaps. The effective rate and the remaining days are calculated as of the balance sheet day. Hence, the weighting of the average interest rates and the remaining days does not take forward start swaps into account. The Group has forward start swaps of SEK 4,809 m starting in the spring of 2011 with an average duration of 446 days.

Counterparty risk/customer sensitivity
Counterparty risk relates to the credit risk that may arise when a counterparty cannot fulfil its commitments and thus causes a financial loss to the Group.

A Group-wide credit policy is applied within the Perstorp Group, which all Group companies are obliged to follow, the main purpose of which is to establish standard procedures in order to efficiently prevent credit losses, minimize customer losses and optimize capital maturities in ways beneficial for the Group. Among other things, the credit policy sets a framework for approving credit, who has responsibility and how deliveries may be approved in the event of a limit being exceeded or of a customer having credit that falls due for payment. Internal guidelines also include procedures for monitoring outstanding receivables before and after the maturity date depending on materiality and the individual customer's risk profile. In practice this is continually an intensive activity.

The Group's outstanding customer receivables on the closing date amounted to SEK 2,124 (1,969) m. The amount has risen due to growth in 2010 following the financial crisis of 2009. The amounts reported are those that are expected to be repaid by customers based on an individual assessment of outstanding receivables and thereby including a reservation for expected/stated customer losses amounting to SEK 21 (34) m.

To highlight the credit quality of receivables that have either fallen due for payment or have been written down, a maturity analysis is presented below (see note 18 for a maturity analysis of all accounts receivable). The book value of accounts receivable is equal to the fair value since the effect of discounting is not considered to be material. It should also be noted that it is not uncommon for a receivables to be settled shortly after the due date, which affects the maturity interval by 1–10 days.

TIme analysis on accounts receivables	Dec. 31, 2010	Dec. 31, 2009
Accounts receivable neither due nor reserved	1,871	1,769
Accounts receivable due, but not reserved:		
1–10 days	151	131
11–30 days	37	44
31–60 days	14	9
61–90 days	3	2
91–180 days	9	7
180 days or more	7	7
Accounts receivable linked to reservation	53	34
Gross total	**2,145**	**2,003**
Reservation	–21	–34
Net total	**2,124**	**1,969**

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

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

The segment with amounts due exceeding SEK 20 m refers to 9 (10) individual customers, the segment between SEK 10-20 m refers to 20 (20) individual customers, and thereafter the number of customers increases successively. The category of customer owing the Group less than SEK 1 m on the closing date corresponds to around 82 (81)% of all counter parties.

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 108 (398) m. Of these, SEK 4 (32) m is attributable to receivables that have fallen due for payment. Of receivables that have fallen due and which are associated with a limited credit risk due to pledged securities, SEK 0 (32) m are over 30 days due.

3.2 OPERATIONAL RISK FACTORS

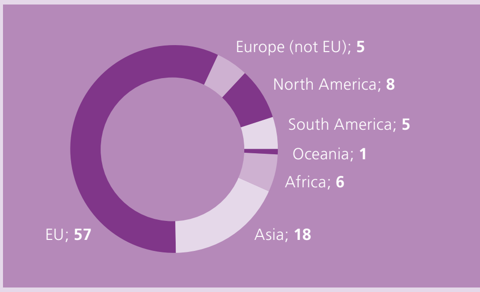
Access to raw materials
Most of the Group's raw materials (75-80%) are based on oil or natural gas. For production of biodiesel the most important raw material is rapeseed oil, while rock salt (NaCl) is a key material in the production of the chlorine and lye produced at Perstorp's plant in Pont-de-Claix in France. Many of the Group's products are both sold externally and further processed internally.

To safeguard supplies of raw materials and spread risks, the Group's purchasing policy requires that supplies of critical raw materials are made by several suppliers where possible. Supplies are secured through long-term delivery agreements. Perstorp operates on the global chemicals market with suppliers who meet the highest environmental and safety requirements, but as far as possible Perstorp aims to minimize transport by buying on local markets.

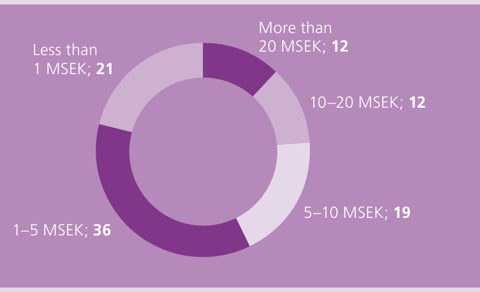
Supplies of raw materials to Perstorp's site in Stenungsund – the largest site in Sweden in terms of volumes – are primarily made via pipelines direct from nearby producers. This eliminates storage costs and minimizes freight costs although it does entail a risk of being closely tied to these suppliers. Perstorp manages this risk through a terminal agreement that gives Perstorp the right to use the supplier's infrastructure for raw materials supplied by other producers.

The price of crude oil and natural gas fluctuate constantly. To provide stability in the shorter perspective, Perstorp purchases raw materials using pricing formulas based on quarterly or monthly prices on each market where the raw material is used, with discounts and special terms negotiated.

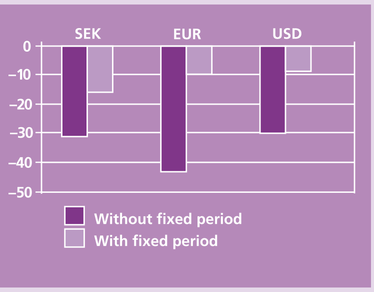
A. CONCENTRATION RISK OF ACCOUNTS RECEIVABLE DIVIDED BY GEOGRAPHIC REGION, %



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



C. GROUP SENSITIVITY FOR 1% INCREASE IN INTEREST RATE



Opportunities for hedging raw material prices are assessed continually. To make this a possible alternative, Group policy requires a very strong correlation between the raw material price and the Group's own selling price. At the end of the year no raw material prices were hedged. In the historic perspective, the Group has been very successful in passing on increases in raw material prices along the customer chain.

On the electricity market there is the possibility to secure prices for longer periods. In accordance with Group policy, electricity usage in Sweden is hedged over the coming six months at a range of 70-100% of expected usage and thereafter – for a maximum of three years – on a falling scale. From the seventh quarter the range is 0-40%. At the end of 2010 the market assessment of future electricity contracts had a positive effect on shareholders' equity of SEK 21 (–1) m after tax.

Production disruptions

Disruptions at Perstorp's plants may lead to a loss of earnings in the short term if the Group cannot deliver agreed volumes to customers and in the long term if this leads to alternative products taking over for the same application. Regular technical risk inspections are performed at production sites to minimize these risks.

Perstorp has a global function whose job is to ensure that, in case of unforeseen events, the Group has complete insurance coverage while also supporting work aimed at minimizing risks. Through a global insurance program involving different international insurance companies the Group can exploit its size for competitive advantages.

NOTE 4. SIGNIFICANT ESTIMATES & JUDGMENTS MADE FOR ACCOUNTING PURPOSE

To a certain extent, the financial statements are based on estimates and judgments about the future trend. In turn, these judgments are based on historical experience and different assumptions that are considered to be reasonable in current circumstances. Reported values may have another actual outcome if other assumptions are made or circumstances change.

The following particular areas can be distinguished where estimates and judgments are of importance to the amounts entered in the accounts and differences can have a significant effect on the Group's earnings and financial position.

Impairment testing of goodwill and trademarks: In accordance with the accounting principle described in point 2.10, impairment testing is currently performed annually through analysis of individual assets'/cash-generating units' recovery value. A number of important estimates are made during this analysis, see note 7.

Valuation of tax-loss carry-forwards: The valuation of tax-loss carry-forwards is based on an assessment that it will be possible to utilize these carry-forwards in the foreseeable future. Assessments are based on, among other matters, an assumption about future business opportunities and earnings capability. The outcome is often dependent on tax rules that are current or likely to come into effect. Tax-loss carry-forwards have been assigned values in, primarily, the Group's companies in France, Singapore, Sweden and the UK. For booked values see Note 23.

Pension benefits: The current value of the Group's future pension commitments regarding defined-benefit pension plans is based on a number of assumptions in connection with the actuarial estimate. Changes in these assumptions may affect the reported value of the pension commitment. For further details, see chapter 2.12 and note 22.

Perstorp's financial accounts are based on the going-concern principle, which is also reflected in how any environmental liabilities are assessed. The Group complies with decisions by public authorities and conducts measures both proactively to prevent environmental impact and reactively in the event that environmental disturbances arise. In 2005 independent environmental assessments were performed of all the sites. These inquiries did not result in any material environmental observations.

NOTE 5. SEGMENT INFORMATION

To a very great extent, the specialty chemicals operations are integrated both horizontally, since the same product can often be manufactured in several units/countries, and vertically, by being intermediates in the next product. Virtually all products are sold to customers that at this level are far removed from the end customers in the form of automakers, coatings producers and so forth. Perstorp Group has chosen to divide its activities into a number of market segments as its focus areas, where strategies are developed. However, the same product sold can often be used for a wide spectrum of applications. Therefore, the accounting and reporting would have great difficulties in supporting a split of results and capital by market segment.

At present there is no formal requirement for companies whose stocks are not subject to general trading to follow IFRS/IAS. This factor, together with the lack of a natural basis for dividing segments in accordance with IFRS 8, means that the Group has chosen to exclude this information.

Sales per geographical market are presented in Note 3, Risk Management.

Operating capital per currency was as follows:

Operating capital per currency at end of 2010

SEK m	Working capital	Tangible fixed assets	Intangible fixed assets	Total operating capital
SEK	–62	2,920	4,400	7,258
EUR	803	2,025	1,192	4,020
USD	840	513	526	1,879
GBP	–21	714	594	1,287
INR	–67	62	0	–5
CNY	13	70	32	115
Other currencies	20	1	0	21
Total	**1,526**	**6,305**	**6,744**	**14,575**

NOTE 6. TANGIBLE FIXED ASSETS [1]

Group	Land		Buildings, land improvements		Plant & machinery		Equipment, tools, fixtures & fittings		Work in progress incl. advance payments [3]		Total	
SEK m	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Acquisition value												
Opening balance	214	222	1,098	1,120	6,942	7,016	296	310	470	535	9,020	9,203
Investments[2]	–		2	9	347	82	2	8	419	425	770	524
Divestments and disposals	–	–	–	–11	–11	–111	–5	–2	–	–179	–16	–303
Reclassifications	–1		–8	18	238	282	14	9	–191	–296	52	13
Translation effects	–18	–8	–59	–38	–436	–327	–28	–29	–44	–15	–585	–417
Closing balance	**195**	**214**	**1,033**	**1,098**	**7,080**	**6,942**	**279**	**296**	**654**	**470**	**9,241**	**9,020**
Accumulated depreciation according to plan												
Opening balance	–1	–1	–214	–160	–1,611	–1,246	–133	–123	–	–	–1,959	–1,530
Depreciation	–	–	–54	–72	–612	–613	–38	–35	–	–	–704	–720
Divestments and disposals	–	–	2	4	9	68	5	1	–	–	16	73
Reclassifications	1	–	–	–	–50	3	–	–	–	–	–49	3
Translation effects	–	–	15	14	147	177	17	24	–	–	179	215
Closing balance	**0**	**–1**	**–251**	**–214**	**–2,117**	**–1,611**	**–149**	**–133**	–	–	**–2,517**	**–1,959**
Write-downs												
Opening balance	–6	–6	–18	–18	–287	–273	–7	0	–1	–	–319	–297
Write-downs during the year	–	–	–3	–6	–119	–33	–	–7	–2	–1	–124	–47
Divestments and disposals	–	–	1	–1	1	–1	–	–	–	–	2	–2
Reclassifications	–	–	–	6	–1	2	–	–	–	–	–1	8
Translation effects	–	–	1	1	22	18	–	–	–	–	23	19
Closing balance	**–6**	**–6**	**–19**	**–18**	**–384**	**–287**	**–7**	**–7**	**–3**	**–1**	**–419**	**–319**
Closing book value	**189**	**207**	**763**	**866**	**4,579**	**5,044**	**123**	**156**	**651**	**469**	**6,305**	**6,742**

1) Tangible fixed assets are assessed in connection with acquisition analyses. The assessments are based on replacement cost, remaining life and the difference in operating costs between newly acquired plants and existing ones.

2) No borrowing costs due to investments have been capitalized during 2010 and 2009.

3) Work in progress mainly refers to the caprolactones operation in the UK, which will be finalized in 2011.

Depreciation amounting to SEK 662 (708) m is included in cost of goods sold, SEK 9 (2) m in selling costs, SEK 26 (4) m in R&D costs and SEK 7 (6) m in administrative costs. This amount includes leasing costs amounting to SEK 9 (21) m, mainly pertaining to intangible assets (ERP system) in Coating Additives.

Write-downs and the result effects of scrapping are included in Other operating expenses.

Buildings and land with a value of SEK 2,447 (2,671) m are used as collateral for bank loans.

Tax assessment value, Swedish Group companies, December 31, 2010

	Tax assessment value	Book value
Buildings, including building fittings	697	691
Land and land improvements	78	83
Total	**775**	**774**

Tax assessment value, Swedish Group companies, December 31, 2009

	Tax assessment value	Book value
Buildings, including building fittings	679	709
Land and land improvements	77	83
Total	**756**	**792**

NOTE 7. INTANGIBLE FIXED ASSETS

Group	Goodwill		Trademarks		Patents, licenses & similar rights		Know–how		Customer relations		Development costs		Reach		Other [1]		Total	
SEK m	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Acquisition value																		
Opening balance	2,789	3,151	1,618	1,665	730	731	1,405	1,457	1,766	1,747	62	27	8	–	300	344	8,678	9,122
Investments	34	24	–	–	–	–	–	–	–	–	11	57	19	8	9	11	73	100
Divestments and disposals	–2	–	–	–	–	–	–1	–	–	–	–	–	–	–	–	–2	–3	–2
Reclassifications [2]	–	–239	–	36	–	30	–	30	–	97	10	–20	–	–	–12	–58	–2	–124
Translation effects	–256	–147	–119	–83	–67	–31	–115	–82	–146	–78	–8	–2	–	–	–24	5	–735	–418
Closing balance	**2,565**	**2,789**	**1,499**	**1,618**	**663**	**730**	**1,289**	**1,405**	**1,620**	**1,766**	**75**	**62**	**27**	**8**	**273**	**300**	**8,011**	**8,678**
Accumulated depreciation according to plan																		
Opening balance	–	–2	–23	–14	–80	–34	–210	–166	–413	–296	–5	–4	–	–	–87	–43	–818	–559
Depreciation	–	–	–10	–10	–35	–46	–45	–56	–114	–136	–18	–1	–	–	–42	–45	–264	–294
Reclassifications	–	2	–	–	–	–2	–	–	–	–	–	–	–	–	–	–	–	–
Translation effects	–	–	1	1	9	2	20	12	39	19	–	–	–	–	4	1	73	35
Closing balance	**–**	**–**	**–32**	**–23**	**–106**	**–80**	**–235**	**–210**	**–488**	**–413**	**–23**	**–5**	**–**	**–**	**–125**	**–87**	**–1,009**	**–818**
Write–downs																		
Opening balance	–3	–3	–	–	–16	–9	–6	–6	–	–	–	–	–	–	–6	–	–31	–18
Write–downs during the year	–2	–	–	–	–115	–	–	–	–120	–	–	–	–	–	–	–6	–237	–6
Divestments and disposals	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2	0
Reclassifications	–	–	–	–	–	–8	–	–	–	–	–	–	–	–	–	–	–	–8
Translation effects	–	–	–	–	8	1	–	–	–	–	–	–	–	–	–	–	8	1
Closing balance	**–3**	**–3**	**–**	**–**	**–123**	**–16**	**–6**	**–6**	**–120**	**–**	**–**	**–**	**–**	**–**	**–6**	**–6**	**–258**	**–31**
Closing book value	**2,562**	**2,786**	**1,467**	**1,595**	**434**	**634**	**1,048**	**1,189**	**1,012**	**1,353**	**52**	**57**	**27**	**8**	**142**	**207**	**6,744**	**7,829**

[1] Other intangible assets refer to tenancy rights, development costs, advance payments for intangible assets and non-compete agreements in connection with acquisitions.

[2] The acquisition analysis for Coating Additives was established in 2009 resulting in reclassifications, primarily among intangible assets, and an adjustment of the purchase amount by around EUR 8 m, which reduced intangible assets.

Depreciation costs of SEK 85 (90) m are included in costs of sold goods, SEK 166 (200) m in sales costs and SEK 13 (4) m in administrative costs. Write-downs are included in the other operating costs item.

Know-how and customer relations are depreciated linearly. The remaining average life length is 24 (25) and 12 (13) years respectively. Non-compete agreements acquired in 2008 are depreciated linearly over 6 years. For further details concerning accounting principles for intangible assets, see note 2.6.

The bank loans are secured by patents at a value of EUR 47 (47) m.

Impairment testing

The cash-generating units comprise Specialty Chemicals, Formox, Caprolactones, PIA, BioProducts and Coating Additives. Recoverable amounts for a cash-generating unit are established on the basis of calculations of value in use. These calculations are based on estimates of future cash flow, in accordance with financial five-year plans that have been approved by management. Cash flows beyond this five-year period are extrapolated using an estimated growth rate of 2%. The discount interest rate amounts to 10.5% after tax.

The impairment test in it-self did not motivate a write-down. Other impairment amounting to SEK 360 (241) m in total was performed (for both tangible and intangible assets) relating to technology, customer contracts and changed direction of business where specific technical equipment is no longer estimated to retain its book value.

Assets not depreciated – goodwill and trademarks from acquisition

Goodwill and the trademarks assigned a value in connection with the acquisition allocation following the acquisition of the Group at the end of 2005 (Perstorp and Formox) have been adjudged to have an unlimited life. Goodwill and trademarks for the acquired caprolactones business and Coating Additives were added in 2008. A summary of the allocation per cash-generating unit, for goodwill and trademarks, is presented below.

SEK m	Goodwill	Trademarks*	Total
Specialty Chemicals	2,021	1,179	3,200
Formox	241	97	338
Caprolactones business	276	153	429
PIA	–	–	–
Coating Additives	24	38	62
Total	**2,562**	**1,467**	**4,029**

* A small portion of trademarks were depreciated (net value of SEK 153 m).

NOTE 8. LEASING

The financial leasing agreements that exist are primarily for machinery and other technical equipment, and for the SAP business system that was implemented in the French business as of January 2010.

Future payment commitments for these contracts are as follows (no part is variable):

Financial leasing agreements

Future minimum leasing fees	Group 2010	2009
Due:		
Year 1	3	30
Year 2–5	23	19
Year 6–	0	0
Total	**26**	**49**

Operational leasing agreements

Future minimum leasing fees	Group 2010	2009
Due:		
Year 1	362	190
Year 2–5	1,366	677
Year 6–	481	90
Total	**2,209**	**957**

Operational leasing costs during the period	2010	2009
Minimum leasing fees	265	169
Variable charges	174	36
Total	**439**	**205**

Large parts of the operational leasing agreements are attributable to activities in France and Singapore.

During 2010 agreements with suppliers of steam and other additives have been added. These were not previously defined as operational leasing agreements. They relate to the business in France.

NOTE 9. NET SALES

SEK m	Group	
Net sales by type of income	**2010**	**2009**
Goods	14,113	12,056
Services	332	214
Contracts (reported according to level of completion)	116	272
Total	**14,561**	**12,542**

	Group	
Net sales by geographic region	**2010**	**2009**
EU and rest of Europe	9,389	8,132
North and South America	2,301	1,987
Asia	2,454	1,931
Africa	352	442
Oceania	65	50
Total	**14,561**	**12,542**

The Parent Company did not report any net external sales in 2010 or 2009.

NOTE 10. BREAKDOWN OF COSTS

SEK m	Group	
Costs divided by type	**2010**	**2009**
Raw materials, goods for sale, energy, transport and packaging costs	–9,988	–8,402
Other external costs	–1,312	–1,438
Employee benefits (note 26), excl. restructuring costs	–1,512	–1,454
Depreciation (note 6, 7)	–968	–1,014
Other operating income & expenses (note 11)	–457	–501
Earnings from participations in associated companies	–3	–3
Total	**–14,240**	**–12,812**

NOTE 11. OTHER OPERATING INCOME & COSTS

	Group		Parent Company	
SEK m	**2010**	**2009**	**2010**	**2009**
Operations-related exchange-rate differences	–74	–171	–	1
Restructuring costs	–83	–45	–10	–8
Write-downs, disposal (note 6, 7)	–360	–241	–	–
Other	60	–44	–	–11
Total	**–457**	**–501**	**–10**	**–18**

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

SEK m	**2010**	**2009**
Koei-Perstorp Company Ltd, Japan	0	1
Polygiene AB, Sweden	–3	–4
Total	**–3**	**–3**

The companies' sales amounted to a total of SEK 459 (411) m in 2010 and the loss after tax was SEK –8 (–12) m.

NOTE 13. PARTICIPATIONS IN ASSOCIATED COMPANIES & JOINT VENTURES

	Share of capital/ voting rights, %	**Group's share of shareholders' equity**	**Book value, Group**
PetroPort Holding AB, Sweden	50/50	0	0
Koei-Perstorp Company Ltd, Japan	40/40	3	0
Polygiene AB, Sweden	37/37	1	1
Total		**4**	**1**

	2010	**2009**
Opening book value	20	0
Earnings from participations	–3	–3
Acquisition of/new share issue in associated companies	2	22
Divestment of associated company	–19	–
Translation difference	1	1
Closing book value	**1**	**20**

The assets of associated companies amounted to SEK 271 (255) m at the end of 2010 and liabilities amounted to SEK 263 (211) m.

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

SEK m	**2010**	**2009**
Shandong Fufeng Perstorp Chemicals Co. Ltd,China	3	–12
Total	**3**	**–12**

NOTE 15. NON CONTROLLING INTERESTS

SEK m	**Book value Dec. 31, 2010**	**Book value Dec. 31, 2009**
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	20	18
Total	**20**	**18**

SEK m	**2010**	**2009**
Opening book value	18	42
Translation effects	–1	–3
Change in the period	3	–12
Acquisition of non controlling interest	–	–9
Closing book value	**20**	**18**

In 2007 Perstorp entered a joint venture in China and the agreement now gives the Group an ownership share of 68.3 (68.3) % of Shandong Fufeng Perstorp Chemicals Co., Ltd.

NOTE 16. OTHER LONG-TERM RECEIVABLES

	Group	
SEK m	**Dec 31, 2010**	**Dec. 31, 2009**
Interest-bearing long-term receivables		
Other receivables	2	6
Total	**2**	**6**
Interest-free long-term receivables		
Electricity certificates	0	4
Market value of electricity hedge contracts	7	2
Other receivables	24	17
Total	**31**	**23**

NOTE 17. PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2010 Holding, %	2009 Holding, %	2010 Book value	2009 Book value
Perstorp AB	556024-6513	Perstorp, Sweden	100	100	7,203	7,203
Perstorp Quimica do Brasil Ltda	NIRE 35.218.522.982	Brazil				
Perstorp SA	RUT 76.448.840-7	Chile				
Perstorp OY	1882513-1	Finland				
Perstorp Sales France	442650768 R.C.S. Nanterre	France				
Perstorp SpA	171 467	Italy				
Perstorp Japan Co Ltd	0199-01-053962	Japan				
Perstorp (Beijing) International Trading Co. Ltd	11000041 028488	China				
Perstorp (Shanghai) Chemical Trading Co.,Ltd	310000400587711	China				
Shandong Fufeng Perstorp Chemical Co. Ltd	782323786	China				
Perstorp Chemicals Asia PTE Ltd	199905508W	Singapore				
Perstorp UK Ltd	02715398	UK				
AB Klosters Fabriker	556005-3489	Sweden				
Formox AB	556760-4235	Sweden				
Perstorp BioProducts AB	556728-5779	Sweden				
Perstorp Butenderivat AB	556762-4563	Sweden				
Perstorp Fastighets AB	556571-3798	Sweden				
Perstorp Oxo AB	556041-0895	Sweden				
Perstorp Oxo Belgium AB	556579-4244	Sweden				
Perstorp Specialty Chemicals AB	556247-6290	Sweden				
Perstorp Holding (U.S.) Inc.	26-3020217, Delaware	USA				
Perstorp Coatings Inc.	26-3020193, Delaware	USA				
Perstorp Polyols Inc.	34-1386676, Delaware	USA				
Perstorp Holding GmbH	HRB 7465, Arnsberg	Arnsberg, Germany	100	100	307	307
Perstorp Chemicals GmbH	HRB 1900, Arnsberg	Germany				
Perstorp Service GmbH	HRB 6542, Arnsberg	Germany				
Perstorp Holding B.V.	34089250	s-Hertogenbosch, Netherlands	100	100	272	272
Perstorp Specialty Chemicals BV	23091252	Netherlands				
Perstorp Specialty Chemicals Holding BV	23092336	Netherlands				
Perstorp Waspik BV	18116759	Netherlands				
Perstorp Chemicals India Private Ltd	04-32032	India				
Franklin Feed Additives SA	A62968368	Spain				
Perstorp Chemicals Korea Co. Ltd	230111-0095660	South Korea				
Perstorp Holding Singapore PTE Ltd	200719657R	Singapore	100	100	0	0
Perstorp Singapore PTE Ltd	199607827W	Singapore				
PLS Holding PTE Ltd	200717627E	Singapore				
Perstorp Holding France SAS	504867300 R.C.S. Lyon	Lyon, France	100	100	0	95
Chloralp	411129612 R.C.S. Grenoble	France				
Perstorp TDI France SAS	504868183 R.C.S. Lyon	France				
Perstorp France	444187884 R.C.S. Paris	France				
Pernovo-Perstorp New Business Development AB	556016-0946	Sweden	100	100	1	1
Total book value in Parent Company					**7,783**	**7,878**

All companies are wholly-owned by the Group with exception of Shandong Fufeng Perstorp Chemical Co. Ltd. The Group´s participating interest in this Chinese company is 68.3 (68.3)%

Perstorp Construction Chemicals Ltda was liquidated during the year.

SEK m	2010	2009
Opening book value	7,878	7,877
New issue of shares in Group companies	393	–
Acquisition of Group companies	–	1
Write-down	-488	0
Closing book value	**7,783**	**7,878**

NOTE 18. ACCOUNTS RECEIVABLE & OTHER OPERATING RECEIVABLES

	Group	
SEK m	Dec. 31, 2010	Dec. 31, 2009
Accounts receivable, gross	2,145	2,003
Bad debt provision	–21	–34
Accounts receivable, net	**2,124**	**1,969**
Other operating receivables		
Value added tax	174	200
Emissions credits	66	67
Receivables from suppliers	8	4
Market value of electricity hedge contracts	23	2
Other current receivables	36	15
Deferred income, Formox project (see table below)	2	4
Prepaid insurance premiums	3	15
Other prepaid costs and deferred income	76	73
Total other operating receivables	**388**	**380**

The Parent Company had other operating receivables totalling SEK 33 (24) m, and accounts receivable amounting to SEK 1 (0) m.

Deferred income, Formox project	Dec. 31, 2010	Dec. 31, 2009
Deferred costs plus profit mark-up	43	91
Advance payments from customers	–41	–87
Total deferred income Formox project	**2**	**4**

Analysis of accounts receivable	Dec. 31, 2010	Dec. 31, 2009
Not due	1,871	1,771
Due:		
1–10 days	170	135
11–30 days	48	45
31–60 days	22	10
61–90 days	12	4
91–180 days	18	8
181 days or more	4	30
Accounts receivable, gross	**2,145**	**2,003**
Reservation for bad debts	–21	–34
Accounts receivable, net	**2,124**	**1,969**
Proportion of accounts receivable due	12.8 %	11.6 %
Proportion of accounts due over 60 days	1.6 %	2.1 %
Reservation in relation to total accounts receivable	1.0 %	1.7 %

For more details about the credit risk in outstanding receivable, see the section on counterparty risk in note 3.

Allocation for bad debts	2010	2009
Allocation, opening balance	–34	–29
Recovered predicted customer losses	4	3
Established customer losses	24	8
Reservation for predicted customer losses	–13	–16
Exchange rate effects and other	–2	0
Allocations at year-end	**–21**	**–34**

NOTE 19. CASH & CASH EQUIVALENTS

	Group		Parent Company	
SEK m	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Deposit account	85	147	77	124
Overdraft facility	310	368	36	110
Cash	0	1	–	–
Total	**395**	**516**	**113**	**234**

NOTE 20. INVENTORIES

	Group	
SEK m	Dec. 31, 2010	Dec. 31, 2009
Raw material and consumables	469	482
Products in progress	27	33
Finished goods and goods for resale	1,055	1,006
Work in progress on behalf of others	–3	–2
Advance payment to suppliers	9	11
Impairment reserve	–46	–52
Total	**1,511**	**1,478**

	2010	2009
Impairment reserve, opening balance	–52	–55
Provision utilized during the year	2	9
Allocation for the year	–2	–8
Translation effects	6	2
Impairment reserve, closing balance	**–46**	**–52**

Of the total value of inventories, SEK 11 (23) m is assessed at net sales value. During the assessment of net sales price, impairment that affects earnings has arisen (Cost of sold goods) amounting to SEK 0 (5) m. The net value of the year's allocations/provisions utilized during the year affects earnings for the year.

NOTE 21. BORROWINGS & FINANCIAL COSTS

A. Specification net debt

	Group		Parent Company	
SEK m	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Senior loans	7,253	7,904	1,795	1,970
Second lien	579	666	579	666
Mezzanine loans	2,385	2,648	2,744	3,046
Revolver	66	18	66	-47
Inter-company financial liabilities	–	–	2,958	2,893
Other financial liabilities, excluding loans from Parent Company [1]	277	395	18	78
Financial liabilities, excl. shareholder loans and pension liabilities	**10,560**	**11,631**	**8,160**	**8,606**
Interest-bearing pension liabilities, net	380	414	–	–
Loan from Parent Company	2,018	2,899	2,018	2,899
Total interest-bearing debt	**12,958**	**14,944**	**10,178**	**11,505**
Cash and cash equivalents	–395	–516	–113	–234
Inter-company financial receivables	–	–	–4,454	–5,458
Other interest-bearing receivables, long and short-term	–30	–16	–8	–4
Interest-bearing assets	**–425**	**–532**	**–4,575**	**–5,696**
Net debt including pension liabilities	**12,533**	**14,412**	**5,603**	**5,809**

[1] Of which, current financial leasing liabilities accounted for SEK 3 (29) m and long-term leasing liabilities for SEK 23 (20) m.

The Net debt includes secured loans (bank loans and other borrowing against collateral) of SEK 2,447 (2,671) m pertaining to buildings and land, SEK 423 (486) m relating to patents and SEK 1,372 (1,555) m pertaining to chattel mortgages. Shares in the Group's larger companies have been pledged. See note 28 for pledged securities.

B. Maturity structure

	Group		Parent Company	
SEK m	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Between 1 or 2 years	7,268	681	1,945	496
Between 2 and 3 years	2,428	7,484	2,744	1,984
Between 3 and 4 years	7	2,799	–	3,046
Between 4 and 5 years	20	21	–	–
More than 5 years	6	5	–	–
Long-term borrowing, excl. shareholder loans & pension liabilities	**9,729**	**10,990**	**4,689**	**5,526**
Short-term borrowing, 0–1 year	831	641	513	187
Inter-company financial liabilities			2,958	2,893
Financial liabilities, excl. shareholder loans & pension liabilities	**10,560**	**11,631**	**8,160**	**8,606**

These loan agreements include quarterly key indicators linked to net debt in relation to EBITDA, EBITDA in relation to interest payments, and the level of investments and available credit facilities. The level of net debt compared with EBITDA is also of importance for the interest level in certain loans.

C. Currency composition, interest rates & duration

	Local currency	SEK m	Effective interest on balance sheet date, %	Duration days before interest hedging	Actual duration days
SEK	3,070	3,070	4.9	80	276
EUR	490	4,410	9.0	36	82
USD	443	3,012	5.4	47	391
Other currencies		68	4.8	103	103
Financial liabilities, excl. shareholder loans & pension liabilities		**10,560**	**6.7**	**52**	**227**

In accordance with the Group's finance policy, interest rate hedging is applied in order to fix the interest rates for at least half of the bank loans. 67% of the interests were hedged at the end of the year for an average period of around ten months. Accordingly, the actual period of fixed interest is 227 days. At the end of 2010, market valuation of the interest rate hedging contracts had a negative impact of SEK 28 (–108) m after tax on the Group's shareholders' equity. In addition to these loans, loans from the Parent Company in Luxembourg amount to SEK 2,018 m, which have a duration of up to 10 years, but which are extended automatically during up to five periods assuming that none of the parties concerned terminate the agreement. The interest rate amounts to 10%.

The effective rate and remaining days show an average of the interest rate on the respective loans, interest on outstanding interest rate swaps as well as forward start interest rate swaps. The effective rate and the remaining days are calculated as of the balance sheet day. Hence, the weighting of the average interest rates and the remaining days does not take forward start swaps into account. The Group has forward start swaps of SEK 4,809 m starting in the spring of 2011 with an average duration of 446 days.

At the end of 2010 there was positive exposure in SEK concerning net assets per currency. This is because a large part of the intangible assets that existed when PAI partners acquired Perstorp was in SEK and in GBP due to the acquisition of the caprolactones business not being financed through loans in GBP, see below. Exposure of net assets in EUR and USD are negative because the Group has raised loans in both those currencies to a greater extent than that which corresponds to assets.

D. Net assets per currency, before & after loans in foreign currency

SEK m	Net assets per currency, before loans in foreign currency	Loans in foreign currency, Swedish companies	Non-local currency loans in foreign companies	Exposed net assets
EUR	-63	-3,026	964	-2,125
USD	-313	–	-919	-1,232
GBP	295	–	846	1,141
SEK	1,267	3,026	-891	3,402
Other currencies	116	–	–	116
Total	**1,302**	**0**	**0**	**1,302**

E. Unutilized credits

The Group's available credit limits at year-end, in addition to those available in the form of cash and cash equivalents, totalled SEK 598 (622) m.

F. Financial income & costs

	Group		Parent Company	
SEK m	**2010**	**2009**	**2010**	**2009**
Interest income	2	3	0	1
Interest income, Group companies	–	–	269	240
Capital gain, re-purchase of loan receivable	–	309	–	–
Total financial income	**2**	**312**	**269**	**241**
Bank loans	–747	–775	–458	–470
Loans from Parent Company	–228	–280	–228	–280
Periodized borrowing costs	–149	–124	–58	–44
Pension costs, interest	–14	–27	–	–
Currency gains and losses from financing measures, net	42	66	484	264
Interest income and costs from interest swaps	–172	–185	–172	–185
Interest costs, Group companies	–	–	–25	–93
Write down of financial receivable	6	4	–	–
Other financial costs	–41	-10	–29	2
Total financial costs	**–1,303**	**–1,331**	**–486**	**–806**
Net financial items	**–1,301**	**–1,019**	**–217**	**–565**

G. Market valuation of financial instruments

The Group arranges its loans on market terms. For external loans, interest terms are based on underlying official market rates plus an interest margin. When these loans are not subject to organized trading, an objective market assessment is not possible.

The fair value of financial instruments traded on active markets is based on listed market prices on the closing date. Assessment techniques, such as calculation of discounted cash flows, are used to establish fair value for remaining financial instruments. The fair value of interest swaps is calculated as the present value of assessed future cash flows. The fair value of electricity hedge contracts are established through the use of listed rates for electricity contracts on the closing date. The reported value, after provisions, of accounts receivable and accounts payable are judged to correspond to fair value, as these items are short term.

NOTE 22. PENSION OBLIGATIONS & COSTS

The Group has both defined-contribution and defined-benefit pension plans. During the year costs for these plans had an accumulative effect on earnings of SEK 202 (212) m, of which SEK 169 (160) m is attributable to defined-contribution plans and SEK 33 (52) m to defined-benefit plans. Pension costs attributable to restructuring of SEK 3 (1) m are included in the accumulated amount. The distribution of costs in the income statement is as follows:

A. Pension costs the income statement

SEK m	2010	2009
Cost of sold goods	97	92
Sales and marketing overheads	34	36
Administrative costs	41	45
Research and development costs	12	11
Non comparable items	3	1
Net financial items	15	27
Total	**202**	**212**

Defined-contribution pension plans

There are defined-contribution pension plans in most of the countries in which the Group is active. In the Swedish units, these mainly consist of state pension contributions and negotiated pensions for blue-collar workers. In the United States, such plans are called 401K and in Germany they are called Staatliche Rente and Pensionskasse, etc. The costs that are capitalized during the year attributable to defined-contribution pensions plans can be classified as follows:

B. Pension costs, defined contribution plans

SEK m	2010	2009
State pension plans	62	59
Other defined-contribution pension plans	56	53
ITP, insured through Alecta	51	48
Total, pension costs, defined-contribution plans	**169**	**160**

Most of the Group's Swedish companies have secured their obligations for old-age and family pensions via pension insurance with Alecta. In accordance with a statement by the Swedish Financial Accounting Standards Council, UFR3, this is a defined-benefit plan that covers several employers. For the 2010 and 2009 financial years the Group did not have access to information that enabled it to report this plan as a defined-benefit pension plan, so it is therefore reported as a defined-contribution pension plan. The surplus at Alecta may be divided between the plan provider or the insured. At year-end 2010, Alecta's surplus in the form of its collective funding ratio amounted to 146% (141). The collective funding ratio equals the market value of Alecta's assets, in percentage of the insurance obligations as computed in accordance with Alecta's actuarial calculation assumptions; this does not comply with IAS 19.

Defined-benefit pension plans

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

C. Provisions for pensions, defined benefit plans

SEK m	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Unfunded pension plans					
Defined-benefit obligations	342	365	350	187	193
Unrecognized actuarial gains and losses	4	11	19	24	8
Unrecognized costs for past service	–3	–3	–	–	–
Salary taxes	8	9	9	9	9
Total unfunded pension plans	**351**	**382**	**378**	**220**	**210**
Funded or partly funded pension plans					
Defined-benefit obligations	282	275	277	220	217
Fair value of plan assets	–222	–206	–184	–202	–205
Net value	**60**	**69**	**93**	**18**	**12**
Unrecognized actuarial gains and losses	–31	–37	–59	11	17
Total funded or partly funded pension plans	**29**	**32**	**34**	**29**	**29**
Net liability concerning defined-benefit pension plans	**380**	**414**	**412**	**249**	**239**

Commitments are divided as follows by region:	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Sweden	149	151	146	141	136
France	122	140	140	–	–
Other EU	82	90	94	80	75
USA	25	28	29	25	26
Other countries	2	5	3	3	2
Net liability concerning defined-benefit pension plans	**380**	**414**	**412**	**249**	**239**

The plan assets presented here relate primarily to Group companies in the US, 95 (94)%, of which 63 (66)% are invested in stocks and 37 (34)% in bonds as interest-bearing securities. The expected return is assumed to be 9.0 (9.0)% and 5.0 (4.6)% respectively, which is based on historic returns. The actual return on plan assets in 2010 was SEK 29 m (34).

In addition to the above, so-called direct pensions are included under assets and liabilities at SEK 74 (66) m. The asset is capital insurance, with assets and liabilities reported separately at gross amounts. Healthcare insurance is not included in pension commitments.

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

D. Changes during the year in commitments, plan assets, unrealized actuarial gains & losses & past service costs

SEK m	2010 Defined-benefit plans, unfunded plans	2010 Defined-benefit plans, funded or partly funded	2010 Plan assets	2009 Defined-benefit plans, unfunded	2009 Defined-benefit plans, funded or partly funded	2009 Plan assets
Opening balance	365	275	–206	350	277	–184
Costs for current year service	12	7		13	8	–
Expected return on plan assets	–	–	–15	–	–	–13
Interest expense	13	16	–	20	16	–
Sales and divestments	–	–	–	–	–	–
Fees from employer	–	–	–10	–	–	–14
Disbursement	–20	–9	9	–17	–11	12
Actuarial profit/loss	12	11	–14	7	5	–22
Past service costs	–	–	–	3	–	–
Translation effects	–40	–18	14	–11	–20	15
Closing balance	**342**	**282**	**–222**	**365**	**275**	**–206**

	2010 Unrecognized actuarial earnings, unfunded plans	2010 Unrecognized actuarial earnings for funded or partly funded plans	2009 Unrecognized actuarial earnings, unfunded plans	2009 Unrecognized actuarial earnings for funded or partly funded plans
Opening balance	11	–37	19	–59
Changed assumptions for outstanding commitments	–20	–11	–8	–5
Changed assumptions for outstanding commitments based on experience	12	–	1	–
Difference between expected and actual return on plan assets	–	15	–	21
Amortization	1	–	–	3
Translation effects	–	2	–1	3
Closing balance	**4**	**–31**	**11**	**–37**

	2010 Unrecognized past service costs unfunded plans	2009 Unrecognized past service costs unfunded plans
Opening balance	–3	–
Changed assumptions for outstanding commitments	–	–3
Closing balance	**–3**	**–3**

E. Net pension provisions, changes during the year

SEK m	2010	2009
Opening balance	415	412
Pension costs during the year	33	52
Sales and divestments	–	0
Disbursements during the year	-29	-33
Translation effects	-39	-16
Closing balance, provision for pensions, net	**380**	**415**

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

F. Pensions cost, defined-benefit plans

SEK m	2010	2009
Costs for current year service	19	24
Expected return on plan assets	-15	-13
Amortization of actuarial profit/loss	0	4
Interest expense	29	37
Total pension costs, defined-benefit plans	**33**	**52**

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

G. Key actuarial assumptions

	2010	2009
Discount rate, %	4,7	4,7
Future salary increases, %	3,1	3,2
Anticipated return on plan assets, %	7,3	7,3
Anticipated average remaining employment term, year	14,8	15,4

H. Parent Company

The parent company reports a pension expense of SEK 24 (18) m, which is solely based on defined-contribution plans as there were no benefit-based pension plans at the end of the two most recent financial years. For classification reasons, the entire amount is reported as administration costs in the income statement. It should also be noted that SEK 3 (0) m of the cost is attributable to restructuring.

NOTE 23. CURRENT & DEFERRED INCOME TAXES

A. Income taxes in the income statement

	Group		Parent Company	
SEK m	2010	2009	2010	2009
Current tax	–45	–6	–3	–
Deferred tax	69	511	–14	14
Total	**24**	**505**	**–17**	**14**

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

Tax cost	Group		Parent Company	
	2010	2009	2010	2009
Pretax earnings	–980	–1,289	–1, 242	4
Tax computed on basis of national tax rates applying in each particular country	285	412	326	–1
Adjustment for different tax rates in different countries [1]	–	5	–	–
Non-taxable revenues	126	125	–	17
Non-tax-deductible costs	–218	–23	–343	–2
Adjustment due to changed tax regulations	81	31	–	–
Adjustment due to new judgments	–8	29	–	–
Tax loss carryforwards for which no deferred tax asset has been recognized	–235	–72	–	–
Tax cost not related to current year's profit/loss and other tax expenses	–8	–2	–	–
Tax cost	**24**	**505**	**–17**	**14**

[1] The effective tax rate for 2010 is judged to be 29 (32)%.

B. Deferred income tax, net – change

	Group		Parent Company	
SEK m	**2010**	**2009**	**2010**	**2009**
Opening balance, net deferred tax liability	705	1,264	14	0
Acquisition /Acquisition adjustment	–	–82	–	–
Exchange-rate differences	–40	–62	–	–
Reclassification of fixed assets	–	8	–	–
Tax recognized in the income statement (table A)	–69	–511	–14	14
Tax recognized in shareholders' equity	116	88	–	–
Closing balance	**712**	**705**	**0**	**14**

C. Deferred tax liability, specification

	Group		Parent Company	
SEK m	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Tangible fixed assets	750	894	–	–
Intangible fixed assets	760	983	–	–
Other receivables	–5	–10	–	–
Total	**1,505**	**1,867**	**0**	**–**

D. Deferred tax assets, specification

	Group		Parent Company	
SEK m	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Intangible fixed assets	128	151	–	–
Loss carryforwards	482	791	–	14
Provisions	126	126	–	–
Forward contracts	10	39	–	–
Other liabilities	47	55	–	–
Total	**793**	**1,162**	**0**	**14**

E. Tax loss carryforwards

The value of unutilized tax loss carryforwards is capitalized in cases where it is expected that the carryforwards will be utilized in the foreseeable future. In addition, there are unutilized tax loss carryforwards totalling SEK 1,563 (754) m and temporary differences totaling SEK 15 (25) m that have not been assigned any value, since it is considered that these will not be utilized in the foreseeable future. Deferred tax assets relate tax loss carryforwards mainly in France, Singapore, Sweden and the UK. To some extent these may be matched against deferred tax liabilities.

NOTE 24. OTHER LIABILITIES, PROVISIONS

	Group		Parent Company	
SEK m	**Dec. 31, 2010**	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
Special salary tax, pension commitments	18	16	15	13
Pension obligations, interest-free	14	17	–	–
Market value, hedge contracts [1]	0	2	–	–
Provision for environmental measures	32	27	–	–
Provision for previously divested operations	–	12	–	–
Other provisions	24	9	–	–
Other liabilities, provisions	**88**	**83**	**15**	**13**

[1] SEK 0 (2) m is attributable to forward contracts.

NOTE 25. ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

SEK m	Group Dec. 31, 2010	Group Dec. 31, 2009	Parent Company Dec. 31, 2010	Parent Company Dec. 31, 2009
Accounts payable	**1,390**	**1,311**	**8**	**5**
Other operating liabilities				
VAT	63	85	–	–
Advance payments	72	112	–	–
Payroll tax	24	47	1	1
Other operating liabilities	132	117	–	–
Accrued wages, salaries and social security costs	250	250	20	12
Market value of forward contracts	0	4	–	–
Allocation for restructuring costs	119	66	5	3
Other accrued costs and prepaid income	487	463	7	15
Total other liabilities	**1,147**	**1,144**	**33**	**31**

NOTE 26. EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

Average number of employees

Country	2010 Total employees	2010 of which men	2009 Total employees	2009 of which men
Sweden				
Parent company	37	20	37	20
Subsidiaries	807	571	809	562
Belgium	39	30	40	31
Finland	2	1	2	1
France	630	519	633	526
Italy	33	25	34	26
The Netherlands	32	23	32	23
Spain	2	2	2	2
Poland	1	–	1	–
The UK	79	69	75	66
Germany	122	110	125	111
Total EU	**1,784**	**1,370**	**1,790**	**1,368**
Turkey	1	–	1	–
Russia	6	2	5	1
Total non-EU Europe	**7**	**2**	**6**	**1**
Brazil	8	5	8	5
Argentina	1	1	1	1
Chile	7	5	48	40
USA	135	113	135	113
Total North & South America	**151**	**124**	**192**	**159**
India	28	23	138	134
Japan	5	3	5	3
China	95	57	169	121
Singapore	92	68	95	71
Dubai	2	–	2	–
South Korea	7	4	11	7
Total Asia	**229**	**155**	**420**	**336**
Total average no. of employees	**2,171**	**1,651**	**2,408**	**1,864**
Proportion of men, %		76.0		77.4

Wages, salaries & other remuneration, by country

SEK m	2010 Board and CEO	2010 Other employees	2009 Board and CEO	2009 Other employees
Sweden				
Parent company	9	32	2	22
Subsidiaries	9	392	9	349
Belgium	0	21	0	21
Finland	0	0	1	0
France	0	286	0	280
Italy	0	16	0	17
The Netherlands	0	14	0	17
Spain	0	2	0	2
Poland	0	1	0	1
UK	5	34	4	32
Germany	0	70	0	71
Total EU	**23**	**868**	**16**	**812**
Turkey	0	1	0	0
Russia	0	3	0	4
Total non-EU Europe	**0**	**4**	**0**	**4**
Brazil	0	4	0	3
Argentina	0	1	0	1
Chile	0	2	0	9
USA	0	77	0	72
Total North & South America	**0**	**84**	**0**	**85**
India	1	5	2	14
Japan	0	3	0	9
China	0	9	0	11
Singapore	7	34	5	28
Dubai	0	1	0	2
South Korea	1	2	0	3
Total Asia	**9**	**54**	**7**	**67**
Total	**32**	**1,010**	**23**	**968**

Remuneration to employees

SEK m	Group 2010	Group 2009	Parent Company [1] 2010	Parent Company [1] 2009
Salaries and other remuneration	1,042	991	41	24
Pension – defined-contribution (note 22)	169	160	24	18
Pension – defined-benefit (note 22)	33	52	0	0
Social fees	290	291	8	6
Total	**1,534**	**1,494**	**73**	**48**

[1] Cost reported in accordance with IFRS.

In 2010 costs of SEK 22 (40) m are attributable to efficiency-improving measures and the implementation of long-term savings. Of reported pension costs, SEK 5 (4) m are for the Board and the CEO of the parent company. Only a small part of the amount is for defined-benefit pension plans. The costs for the parent company are presented in the table below:

Remuneration to the Group's Board of Directors & management

KSEK	Board fee	Salary	Bonus & other remuneration [1]	Pension costs [2]	Total
Chairman of the Board		292		571	863
Former chairman of the Board		1,076		1,114	2,190
Deputy chairman		200		172	372
Other Members of the Board	307	175		21	503
President		3,888	2,808	2,761	9,457
Vice President		2,462	916	907	4,285
Other members of Group management [3]		13,003	5,392	7,512	25,907
Total	**307**	**21,096**	**9,116**	**13,058**	**43,577**

[1] One bonus program has not yet been accounted for, and will be included 2011.
[2] All pension costs refer to defined-contribution plans.
[3] Bonus and remuneration includes severance pay.

The reported payments pertain to the remuneration expensed for the 2010 fiscal year, certain portions of which will be paid in 2011.

The former Chairman of the Board was employed by the company for part of the year, as reflected in salary, bonus and pension costs above. In addition to the above, the former chairman has invoiced for KSEK 100 (40) from his own company for part of the Board assignment. The Chairman of the Board has invoiced for consultancy fees of KSEK 520 (300).

Other members of Group management comprised 7 (8) persons during the year. During 2010, other members of Group Management exchanged bonus payments of SEK 0 (437) for pensions. Of the total amount concerning salary, remuneration and pensions for Group Management, SEK 0 (3,547) refer to the completed restructuring program.

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

Remuneration to the President and other members of Group management comprises basic salary, variable remuneration, company car and pensions. The President is also entitled to a bonus corresponding to a maximum of 100 (100)% of his fixed salary. Other members of Group management are covered by a bonus system that provides a maximum of 35 (35)% of their basic salary. The variable remuneration is based partly on the Group's earnings trend and cash flow and partly on the fulfillment of various function-based targets by each individual.

Pension & employment termination
An occupational pension has been taken out for the President corresponding to 44.7 (33.7)% of his basic salary. According to a special undertaking, the employment contract can be terminated by both the company and the President as of age 60. The period of employment-termination notice is one year if notice is served by the Company and six months if it is served by the President. If the Company terminates the President's employment, the President will also receive severance pay corresponding to 12 monthly salaries. If organizational changes or other changes initiated by the owners results in significant limitations on the President's responsibility or authority, the President is entitled under certain circumstances to terminate his employment and be subject to the same employment termination terms as those that would have applied if the Company had terminated his employment.

Other members of Group Management are covered by an agreement regarding pension insurance schemes, the aim of which is to enable the executives concerned to retire at age 60. The period of employment-termination notice for other members of Group Management is six months. If the Company terminates the employment of a member of Group Management, the sum total of salary during the period of notice, severance pay and corresponding benefits will be paid for 12 months to a maximum of 18 months.

NOTE 27. CONTINGENT LIABILITIES

	Group		Parent Company	
SEK m	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Guarantees	180	207	180	207
Guarantees and other contingent liabilities for subsidiaries	–	–	6,090	6,468
Total	**180**	**207**	**6,270**	**6,675**

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

NOTE 28. ASSETS PLEDGED

	Group		Parent Company	
SEK m	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Property mortgages	2,447	2,671	–	–
Chattel mortgages	1,372	1,555	–	–
Patents/technology	423	487	–	–
Shares in subsidiaries	6,313	6,601	7,782	7,877
Liquid funds	15	17	–	–
Investments, receivables, inventories	1,718	2,288	–	–
Endowment insurances	73	66	60	54
Total	**12,361**	**13,685**	**7,842**	**7,931**

Endowment insurance relates to pension commitments, see note 22.

NOTE 29. FUTURE UNDERTAKINGS

At the end of the year the Group had no material undertakings that had not been included in the accounts.

NOTE 30. TRANSACTIONS WITH RELATED PARTIES

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

Within the framework of an incentive program, PAI partners offered senior Group executives an opportunity to become shareholders in the Parent Company Financière Forêt S.à r.l. and a total of around 180 manager and others key personnel participate, with contributions amounting to around EUR 5 million. Shares and options were priced on normal commercial terms.

Perstorp Holding AB has a loan from the Parent Company corresponding to SEK 2,018 (2,899) m at year-end. The loan is subject to normal market terms and conditions. The term of the loan is ten years, which is extended automatically for up to five periods each of ten years, assuming that neither of the parties terminates the agreement. The interest rate is 10%, which is capitalized. The loan is subordinate to the senior loans, second lien and mezzanine loans.

During 2010 Perstorp Holding AB received shareholders' contribution amounting to SEK 69 (1,963) m, while SEK 1,000 m has been converted from loans to equity.

PetroPort AB was formed In 2009. Perstorp has a 50% stake, but not a controlling influence, in its Parent Company PetroPort Holding AB. In 2010, SEK 17.5 m was contributed, and then a further SEK 25 m in 2011. PetroPort AB has responsibility for the construction of the harbor in Stenungsund, which began in 2010. After the end of the financial year, PetroPort AB has signed a financing agreement. The loan is not guaranteed by Perstorp. Perstorp Oxo AB will reach an agreement concerning use of the harbor.

The receivables and liabilities in relation to associated companies are reported in the balance sheet.

Remuneration to the Group's Board of Directors and Management is reported in Note 26.

NOTE 31. SICKNESS ABSENCE

Sickness absence as a percentage of ordinary working time, %	2010		2009	
	Group	Swedish operations	Group	Swedish operations
Total	**2.4**	**1.6**	**2.5**	**2.0**
Uninterrupted sickness absence of 60 days or more	*)	0.4	*)	0.7
Sickness absence by gender				
Men	*)	1.3	*)	1.7
Women	*)	2.1	*)	2.7
Sickness absence by age				
–29 years	*)	1.4	*)	1.2
30–49 years	*)	1.4	*)	2.1
50– years	*)	1.9	*)	2.1

*) There are no confirmed figures for foreign units pertaining to the distribution among long-term and short-term sickness absence, sickness absence by gender and age distribution.

NOTE 32. PROPORTION OF BOARD MEMBERS & SENIOR EXECUTIVES WHO ARE WOMEN

	2010			2009		
	Total	of whom, women	%	Total	of whom, women	%
Board members	162	14	9	123	7	6
Other senior executives	153	35	23	130	31	24

The Board members category comprises ordinary members of the boards of all companies within the Group. The same person may be counted several times if he or she is a member of the board of more than one company.

The Other senior executives category comprises the Group's executive management team, management teams within each business area and department, and the management teams of the major companies.

NOTE 33. AUDITORS' FEES

	Group		Parent Company	
SEK m	**2010**	**2009**	**2010**	**2009**
PricewaterhouseCoopers:				
Audit assignments	9	10	2	2
Tax consultancy	2		2	
Other	2	2	2	2
Sum	**13**	**12**	**6**	**4**
Other auditing firms				
Audit assignments	1	0	0	0
Sum	**1**	**0**	**0**	**0**
Total	**14**	**12**	**6**	**4**

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

NOTE 34. CURRENCY EXCHANGE RATES

Currency	Year-end exchange rates		Average exchange rates	
	2010-12-31	2009-12-31	2010	2009
BRL	4.056	4.138	4.092	3.841
CNY	1.030	1.060	1.065	1.120
EUR	9.002	10.353	9.550	10.622
GBP	10.548	11.485	11.132	11.924
INR	0.152	0.154	0.157	0.158
JPY	0.083	0.078	0.082	0.082
KRW	0.006	0.006	0.006	0.006
SGD	5.260	5.135	5.285	5.254
USD	6.803	7.213	7.208	7.653

Proposed treatment of unappropriated earnings

	SEK
The Board of Directors and President propose that the funds available for distribution by the Annual General Meeting, as shown in the Parent Company´s balance sheet, namely:	
Retained earnings	3,237,442,300
Net loss for the year	-1,259,569,886
be distributed as follows:	
To be retained in the business	1,977,872,414

A Group contribution of SEK 183,800,000 was effectuated, to Perstorp AB. This paid Group contribution reduces the company's equity/assets ratio to 16%. With the assessment that the company expects to continue doing business at a profit, the equity/assets ratio is satisfactory. It is estimated that liquidity will also be maintained at a similarly satisfactory level.

It is the view of the Board that the paid Group contribution will not prevent the company from meeting its obligations in the short and long term, nor stop it from making appropriate investments. The paid Group contribution can therefore be justified with respect to chapter 17 section 3 paragraphs 2-3 of the Swedish companies act, and in the context of a general assessment of the company's financial status it produces an outcome that cannot be viewed as disadvantageous to the company's lenders.

Perstorp, April 6, 2011

Lennart Holm
Chairman

Martin Lundin
President & Chief Executive Officer

Fabrice Fouletier

Michel Paris

Claes Gard

Karin Markides

Ragnar Hellenius

Ronny Nilsson
(elected by employees)

Anders Broberg
(elected by employees)

Anders Magnusson
(elected by employees)

Our audit report was submitted April 26, 2011

Michael Bengtsson
PricewaterhouseCoopers AB
Authorized Public Accountant
Lead auditor

Mats Åkerlund
PricewaterhouseCoopers AB
Authorized Public Accountant

Auditors´ report

To the annual general meeting of the shareholders
of Perstorp Holding AB. Corp. Reg. No. 556667-4205.

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Perstorp Holding AB for the year 2010. The company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 54-91. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

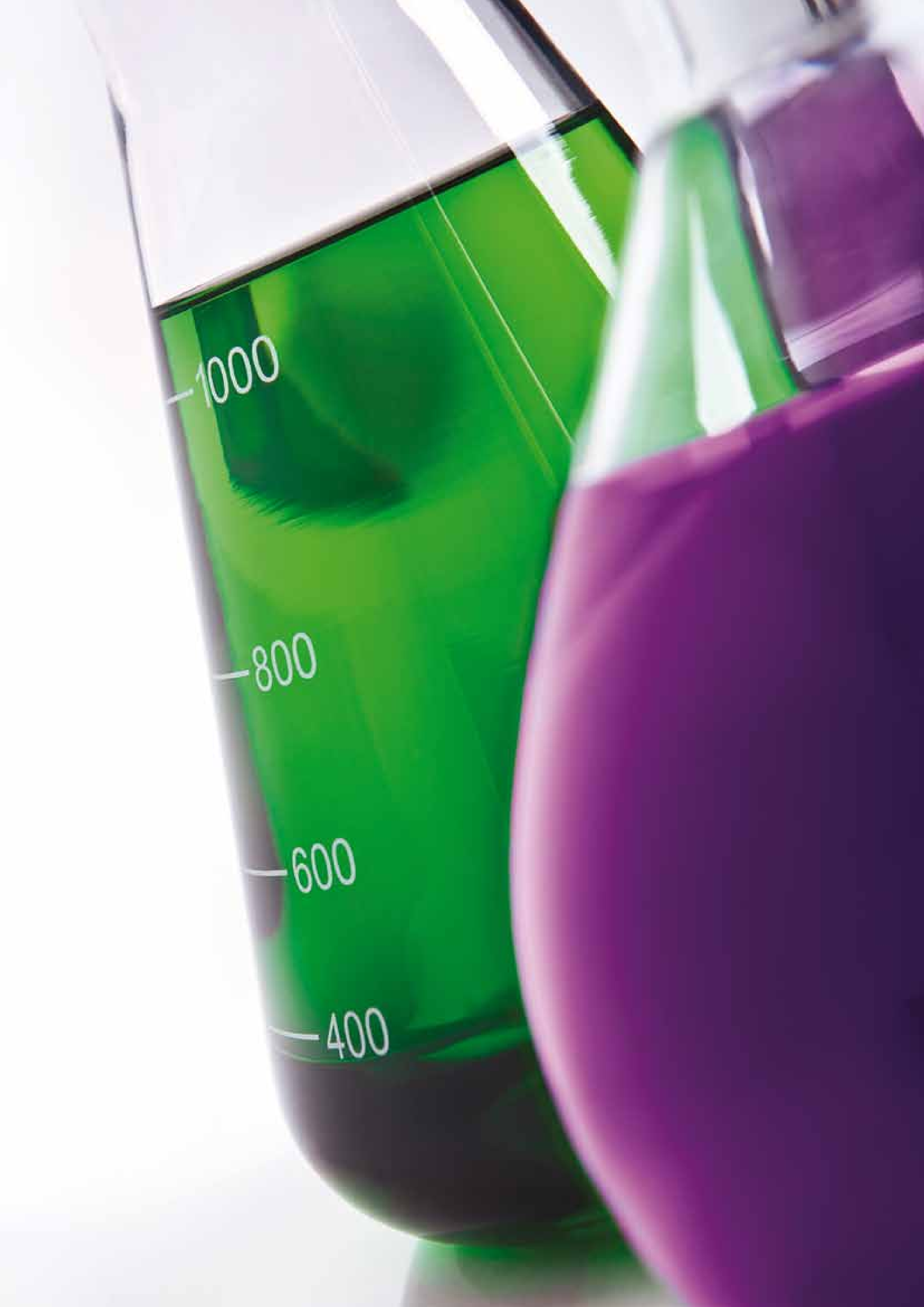
The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend that the annual general meeting adopts the income statements and balance sheets of the parent company and the group, that the profit of the parent company be allocated in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Malmö, April 26, 2011
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Lead auditor

Mats Åkerlund
Authorized Public Accountant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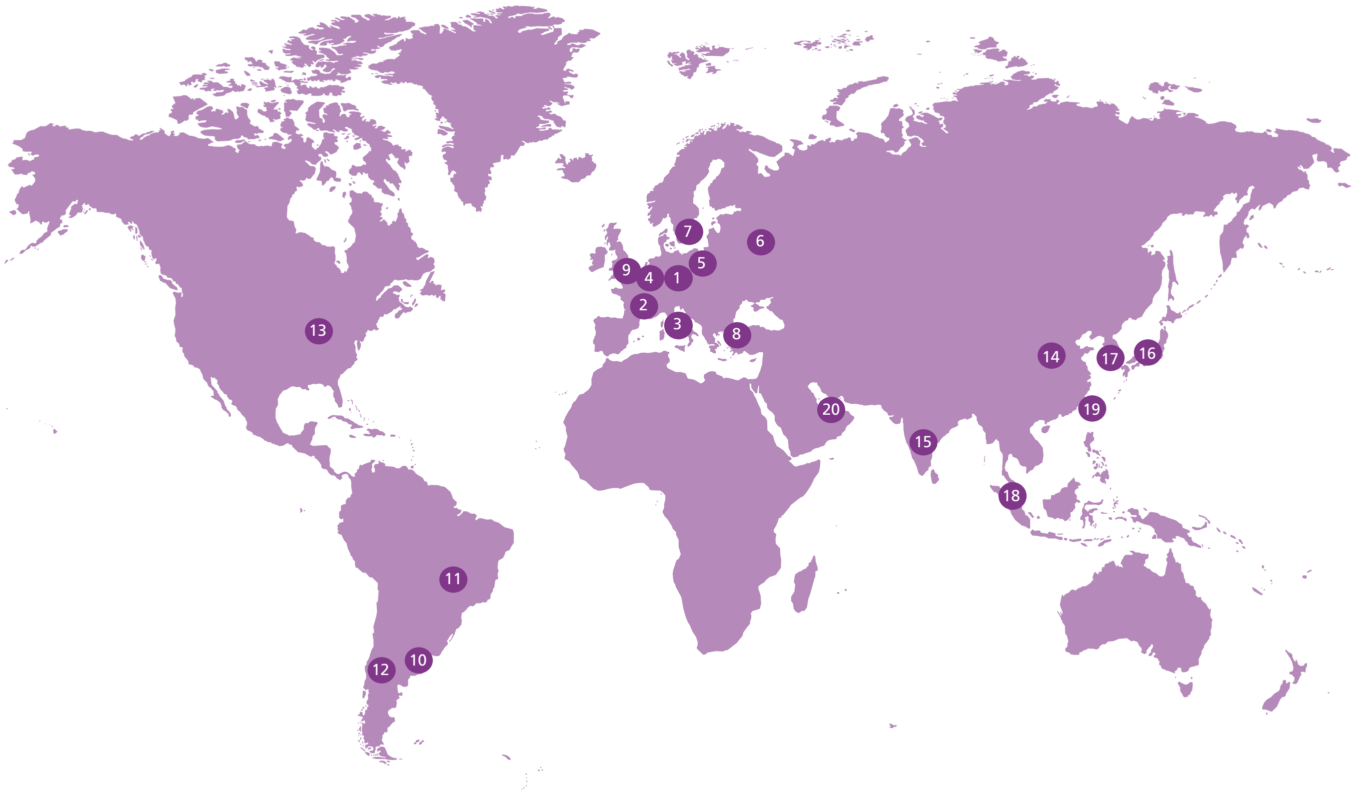

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