

Sydsvenska Kemi AB (publ)

ANNUAL REPORT 2001



Sydsvenska Kemi AB (publ)

Parent Company of Perstorp

Sydsvenska Kemi is the Parent Company of an international group of specialty chemicals companies. At the end of June 2001, the company acquired Perstorp and Neste Oxo, two specialty chemicals groups. The new Group had sales of slightly more than SEK 7 billion (pro forma) during its first fiscal year, with approximately 2,600 employees.

The Group's operations were integrated during the year and, as of 2002, are all marketed under the well-established Perstorp trademark. The Group has world-leading positions in several specialized chemical markets and manufacturing units in eight countries in Europe, North America and Asia.

Sydsvenska Kemi is controlled by Industri Kapital 2000 Fund. Industri Kapital is one of Europe's leading private equity investment companies with equity totaling approximately SEK 30 billion under management from Nordic and international investors. Part of the payment for the acquisition of Perstorp consisted of a subordinated loan that is registered on Stockholmsbörsen.

Contents

Highlights of 2001	2
Statement by the CEO	3
Presentation of operations	5
Financial overview, pro forma	8
Business areas	11
Perstorp Coating Intermediates	11
Perstorp Oxo Intermediates	12
Perstorp Performance Chemicals	13
Business processes	14
Perstorp Engineering Materials	15
Perstorp Formox	16
Employees	17
Environment	18
Report of the Board of Directors	19
Legal accounts	23
Accounting principles and notes	30
Audit Report	36
Board of Directors and Auditor	37
Corporate Management	38
Glossary	39



Highlights of 2001

Since the Group was not formed until the end of June 2001, only the accounts for the second half of the year pertain to actual results.

● Acquisition of Perstorp and Neste Oxo

During its first fiscal year, Sydsvenska Kemi acquired Perstorp AB, an exchange-listed specialty chemicals group, through a public offer. Through a shareholder contribution, the Group also received all of the shares in Oxo Holding AB, including the business operations of Neste Oxo.

● Operating earnings amounted to SEK 221 m (pro forma 12 months)

The Group's operating earnings amounted to SEK 221 m (299). Accordingly, the operating margin narrowed to 3.1% (4.3). The earnings decline derived mainly from reduced margins, due to the weak business climate, combined with high raw-material prices.

● Net sales rose 2% to SEK 7,068 m (pro forma 12 months)

Net sales during the year amounted to SEK 7,068 m. In relation to 2000, this corresponded to an increase of 2%, of which reduced volume accounted for minus 6 percentage points and price/currency effects for plus 8 percentage points.

● Cash flow from continuing operations after the Group's formation amounted to SEK 462 m

Cash flow from continuing operations amounted to SEK 462 m between the Group's formation in June 2001 and year-end, of which a reduction in working capital accounted for SEK 337 m.

● Ongoing action program provides solid platform for profit improvements

During the second half of the year, the operations of Perstorp and Neste Oxo were integrated and a large number of change oriented projects were initiated. The projects cover all aspects of operations, including measures to boost revenues, reduce costs and increase the effectiveness of capital utilization. In total, it is expected that the measures will generate improvements in operating earnings exceeding SEK 100 m during 2002.

Group, pro forma		2001	2000
SEK m			
Net sales		7,068	6,923
Operating earnings before depreciation/amortization		845	904
Operating earnings		221	299
Operating margin before depreciation/amortization, %		12.0	13.1
Operating margin, %		3.1	4.3
Net debt		5,305	-
Equity/assets ratio %		31	-
Investments		355	902
Average number of employees at year-end		2,561	2,756

Statement by the CEO

Sydsvenska Kemi has only existed as an operating group since mid-year 2001. Through its two cornerstones, Neste Oxo and Perstorp, however, the operations have a much longer history on which to build.

A new management team was appointed in conjunction with the Group's establishment. Following a rapidly completed analysis, management's first task was to formulate a new Group-wide vision, clearly defined goals and an action plan to consolidate the two main areas of activity. The goal during this first phase was to prepare for the Group's future development based on the strengths of both areas of activity and establish a platform to increase the Group's profitability to a level that facilitates a sustainable favorable trend. Our goal is to create a world-class specialty chemicals group. We will not settle for anything less!

Comprehensive integration

The integration work was started already in July and, during the autumn, we initiated more than 200 restructuring projects of various sizes designed to:

- Integrate Perstorp and Neste Oxo to create operations with shared goals and ambitions
- Structure and staff a new organization in which we have clearly decentralized responsibilities and decision-making powers
- Establish functional follow-up systems to monitor and control the process of change
- Analyze the Group's various activities and initiate structural changes wherever deemed suitable
- Capitalize immediately on obvious synergies and reduce capital tied up in operations
- Rationalize and improve the efficiency of the internal service organization
- Develop and initiate a proprietary concept to secure continuous improvements in all areas of operations



Lennart Holm
President
and CEO

World-class means creating added value

Through the initiatives and projects started in the autumn, we have quickly succeeded in efforts to create a strong commitment among our employees and a positive momentum in the organization. During 2002, most of our projects will be moved to the new line organization. Old and ingrained frameworks have been changed in a short period of time, and many employees are now working in new roles and different areas of activity.

We must look to the future and implement the changes that are needed in our development toward a world-class group. An important objective is to establish a new corporate culture. A result-oriented culture with clearly defined goals, decentralized responsibility and authority, and open communications that create a strong will and powerful force in the future.

We will create added value for our customers through advanced innovativeness and determined efforts to eliminate all types of "waste" in the value chain. Our

employees, naturally, are a critical element in these efforts, and we will actively support the organization through development programs for individuals and groups of employees and introduce a new bonus system for all employees.

Operating earnings and financial stability have naturally been assigned the highest priority. Improved earnings are a critical measure of our success in efforts to change and enhance the efficiency of our operations.

During the autumn, we also initiated a program to intensify and improve the strategies of our five business areas, and to present the strategies in concrete goals and business-based action plans for the next two-three years. We are strengthening our R&D and sales processes to develop new products and services and expand programs of cooperation with our customers. The clear ambition reflected in these efforts is to achieve a significant increase in our knowledge of the present and future needs of our direct customers and end-users.

Increased growth and profitability

As a result of measures that have already been implemented, and additional measures now being planned, I am convinced the Group will show both increased growth and higher profitability. Our financial goal is to reach a level of earnings before depreciation and financial expenses (EBITDA) in excess of 20% within the next few years, and growth that is clearly higher than average growth for the industry over a complete business cycle.

In 2002, I expect a significant improvement in operating earnings as a consequence of gradually improving economic conditions and positive effects of more than SEK 100 m from the measures we initiated during the autumn.

Perstorp, March 2002

Lennart Holm
President and CEO

“We will create added value for our customers through advanced innovativeness and determined efforts to eliminate all types of ‘waste’ in the value chain.”

Presentation of operations

Sydsvenska Kemi AB (publ) is the Parent Company of an international specialty chemicals group. At the end of June 2001, the Group acquired Perstorp and Neste Oxo, two chemical groups. Sales by the new Group during its first year of operations amounted to slightly more than SEK 7 billion (pro forma), with approximately 2,600 employees.

Through year-end 2001, the operations of Sydsvenska Kemi comprised five divisions, which are described in brief below. A new operational organization was established at the beginning of 2002, which is presented in greater detail on page 7.

Percentage of net sales by Divisions, 2001,	%
Perstorp Specialty Chemicals	43
Neste Oxo	24
Perstorp Chemitec	24
Perstorp Composites	6
Perstorp Formox	3

Perstorp Specialty Chemicals is a world leader in various market segments for polyols. The division's main products are intended primarily for the coatings industry, while end-users are companies in the construction, automotive and printing industries.

Neste Oxo manufactures chemical intermediate products that are upgraded and used in the coatings and plastic processing industries.

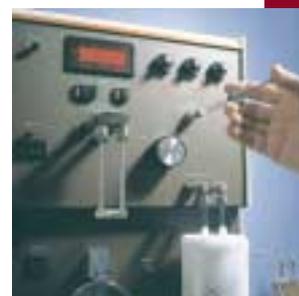
Perstorp Chemitec conducts operations in three areas comprising resins, compounds and seamless flooring (Construction Chemicals). Customers consist of companies in several industrial sectors, including the automotive, construction and engineering industries.

Perstorp Composites manufactures products based on fiber-reinforced materials that combine low weight with high performance. They are used increasingly today to replace metals in sectors such as the automotive, aerospace, electronics and sport products industries. The division is active in market segments with strong underlying growth.

Perstorp Formox is the world's leading supplier of formalin production plants, with a substantial share of the market for both production plants and catalysts.

The new Perstorp

The activities of Perstorp and Neste Oxo were integrated during the second half of 2001. By combining the two companies, the platform was created for a



PRESENTATION OF OPERATIONS

group with a strong technological base and long value-added chains in selected areas of specialty chemicals. The merger also provides more effective production and creates potential for intensified research and development. In the marketplace, the merger provides greater resources to work in close cooperation with advanced customers in all parts of the world.

Beginning in fiscal year 2002, the operational activities of Sydsvenska Kemi will be conducted under one name, Perstorp.

The new Group has leading positions for several specialty chemical products and chemical intermediate products, primarily for customers in the coatings and plastic processing industries. Formalin technology, sophisticated composite materials and thermosets are examples of areas in which the Group has established leading positions.

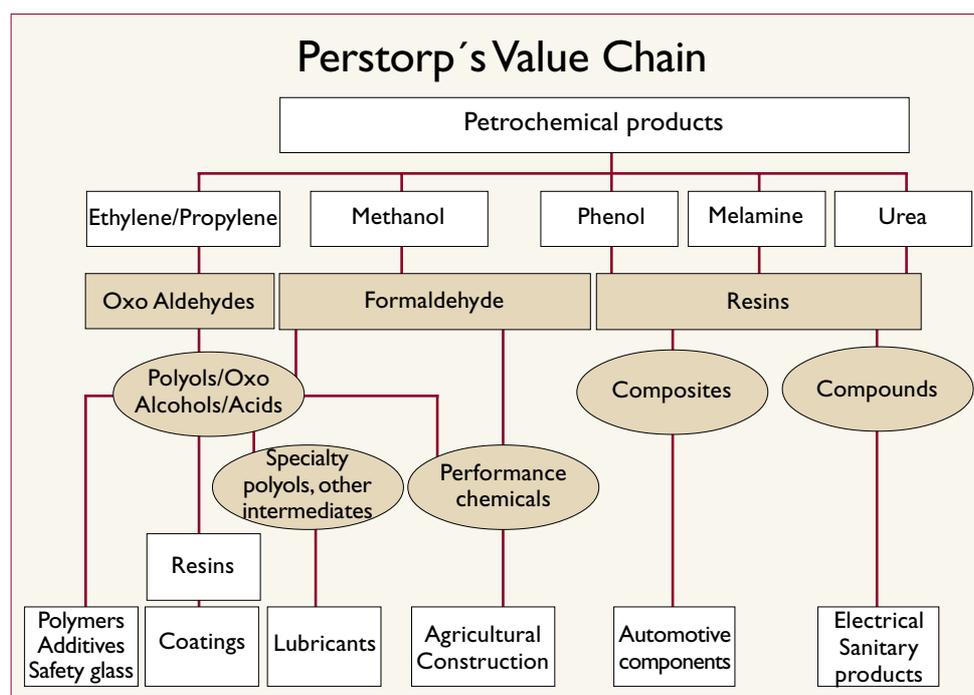
As of the beginning of 2002, the Group has production units in eight countries in Europe, North America and Asia. Production operations are characterized by technically advanced and, in many cases, patentprotected processes.

Perstorp's value chain and key application areas are shown in the illustration below and are described in greater detail in the business area presentations.

Measures to improve earnings

During the second half of 2001, more than 200 projects were started to boost operating efficiency and create greater potential for future growth.

The projects cover all aspects of Group operations and comprise measures to increase revenues, reduce costs and achieve more effective capital utilization. Important



The integration of Perstorp and Neste Oxo provides the Group with a strong technology base and creates long value-added chains.

PRESENTATION OF OPERATIONS

areas targeted for improvements include efforts to replace external deliveries with internal raw materials and improvements in purchasing procedures, mainly for raw materials and transports.

A Group-wide program focused on productivity improvements is under way in production, marketing and sales, and will be expanded to include other functions. The program will strengthen the effects of the changes made in the Group's internal service resources during the

autumn of 2001, following the divestment of the flooring company Pergo and other units. The combined effects of these measures are expected to generate earnings improvements in excess of SEK 100 m during 2002.

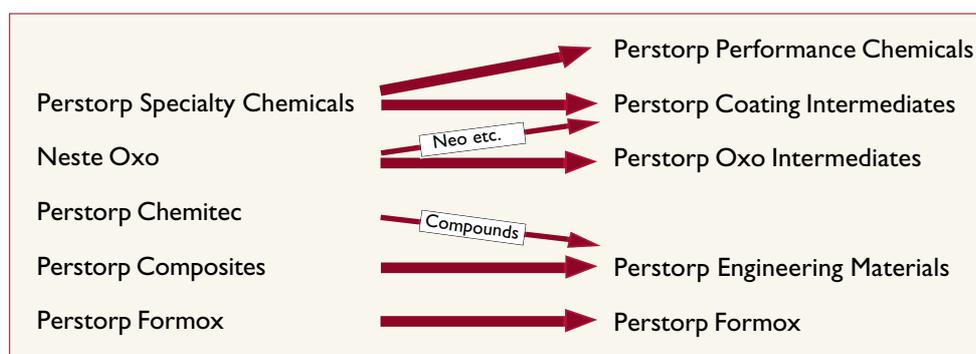
New organization as of 2002

A new operational organization was introduced at the beginning of the 2002 fiscal year. The presentations of the Group's operating activities in the Annual Report (pages 11–16) are based on the new structure, which consists mainly of five business areas.

The first three business areas each comprise parts of the integrated operations of the former Perstorp Specialty Chemicals and Neste Oxo. The operations of Perstorp Formox will continue with virtually no changes, while Perstorp Engineering Materials comprises Perstorp Composites and the activities within Compounds that were previously included in Perstorp Chemitec.

Seamless flooring operations – Construction Chemicals – will be conducted as a separate unit outside the business areas.

New business areas from 2002	Net sales in 2001, pro forma, SEK m
Perstorp Coating Intermediates	2,493
Perstorp Oxo Intermediates	1,664
Perstorp Performance Chemicals	529
Perstorp Engineering Materials	875
Perstorp Formox	600
Other units and Group eliminations	907
Group total	7,068



Effective from the 2002 fiscal year, the Group's operational activities are structured in five business areas, based on Perstorp's four former divisions and Neste Oxo. The resins operations of the former Perstorp Chemitec have been sold, and the seamless flooring operations are now conducted in a separate unit outside the business areas.

Financial overview, pro forma

Pro forma accounts

Since the Sydsvenska Kemi Group was not formed until the end of June, when the acquisitions of Perstorp and Neste Oxo were completed, only the accounts for the second half of the year pertain to actual results.

In order to provide an accurate impression of historical developments, pro forma consolidated income statements for 2001 and 2000 are presented below.

The pro forma accounts have not been adjusted for the effects of the two German acquisitions – Degussa-Hüls's polyol operations and Plasta Erkner's phenolic resins operations – effected in May and June 2000, respectively. If these two companies had been part of the Group since the beginning of 2000, sales during the first half of 2000 would have been approximately SEK 200 m higher.

When preparing the pro forma consolidated income statement, it was assumed that Neste Oxo's and Perstorp's chemical operations had been part of the Group since January 1, 2000. Accordingly, Pergo is not included in the pro forma consolidated income statements. In the pro forma consolidated income statements, profit is only reported down to the level of operating earnings, since it was not considered meaningful to reconstruct net financial items and tax charges for this period. In the pro forma accounts, profit has been charged with amortization of goodwill and surplus value in accordance with the acquisition analysis used as the basis for the consolidated balance sheet. Revenue and cost items that were adjudged to affect comparability between the periods have not been included in the pro forma accounts.

Income statement

Net sales amounted to SEK 7,068 m. In relation to 2000, this corresponded to an increase of 2%, of which reduced volume accounted for minus 6 percentage points and price/currency effects for plus 8 percentage points. In addition to the general economic slowdown, the reduced volumes were mainly attributable to:

- A lower share of exchange and trading operations within the Oxo subgroup
- A decline in the Perstorp subgroup's sales volumes to Pergo and Surface Materials (units that have now been divested)
- Fewer invoiced sales of formalin plants from Perstorp Formox, compared with a high level in 2000.

Other operating revenues and expenses consist mainly of exchange-rate gains.

Depreciation, which amounted to SEK 624 m (605), includes SEK



FINANCIAL OVERVIEW, PRO FORMA

259 m (252) for the amortization of goodwill and consolidated surplus value attributable primarily to Sydsvenska Kemi's acquisition of Perstorp and the Neste Oxo operations.

Operating earnings amounted to SEK 221 m (299). Accordingly, the operating margin narrowed to 3.1% (4.3). The main reasons for the decline in earnings were reduced margins, due to the weak business climate, combined with high raw-material prices.

Pro forma income statement, Group

SEK m	2001	2000
Net sales	7,068	6,923
Cost of sold goods	-5,822	-5,641
Gross profit	1,246	1,282
Selling, administration and R&D costs	- 828	- 790
Other operating revenues and expenses	62	59
Amortization of intangible fixed assets	- 259	- 252
Operating earnings	221	299

Developments within the divisions

The general business climate deteriorated during the year and increased uncertainty regarding the future became noticeable as of September. Demand declined in virtually all markets, with the exception of China. Lower raw-material prices towards the end of year had a favorable

effect on the Group's margins, while inventory run-downs at customer level ahead of the New Year resulted in lower volumes.

The depreciation of the Swedish currency benefited exports from Sweden, and also had a positive effect on the translation of sales into SEK.

Within Perstorp Specialty Chemicals, the demand trend resulted in a volume decline for certain products, basic polyols in particular, while the volume trend for specialty polyols remained essentially unchanged. The prices of sold products were higher than in the preceding year due to higher raw-material costs. A number of measures were implemented during the year to reduce the division's costs. During the fourth quarter, prices for input materials decreased and the division's margins increased.

Perstorp Chemitec increased its volumes compared with 2000. The division succeeded in improving its margins, as a result of productivity improvements, and – during the latter part of the year – falling raw-material prices. The earnings trend for resin operations was favorable during the year, mainly as a result of improved margins for the segment's technical applications and the fact that key customers continued to develop favorably. Operations in the compounds segment continued to invest in new products and launched two new injectable grades. Construction Chemicals noted a modest increase in sales and implemented cost-cutting measures.

As expected, Perstorp Formox's sales of formalin plants were lower than in 2000, which was a record-breaking year, although the effect on operating profit was much less noticeable. Perstorp Formox received five orders for new formalin plants during the year, of which two were received during the fourth quarter, as well as two orders for rebuilding projects. The orders were from customers in Europe, North and South America and Asia and included Perstorp's first-ever Russian order for a formalin plant, which is an important breakthrough order in a market expected to be of significance in the future.

Income statement by quarter (partly pro forma)

SEK m	2001				Full year
	Q1	Q2	Q3 ¹⁾	Q4	
Net sales	1,827	1,863	1,760	1,618	7,068
Cost of sold goods	-1,511	-1,522	-1,472	-1,317	-5,822
Gross profit	316	341	288	301	1,246
Selling, administrative and R&D costs	-228	-221	-183	-196	-828
Other operating revenues and expenses	32	16	4	10	62
Amortization of intangible fixed assets	-64	-66	-65	-64	-259
Operating earnings	56	70	44	51	221
Operating earnings before depreciation/amortization	219	230	203	193	845
% of sales	12.0%	12.3%	11.5%	11.9%	12.0%

¹⁾ The acquisition balance sheets were amended during the fourth quarter in order to better reflect the actual conditions at the date of acquisition.

Net sales by market area

SEK m	2001	2000
EU	4,426	4,387
Rest of Europe	411	385
NAFTA	1,103	1,104
Asia	669	647
South and Central America	317	307
Africa	114	71
Australia and Oceania	28	22
Total	7,068	6,923

FINANCIAL OVERVIEW, PRO FORMA

Perstorp Composites showed healthy growth, even after adjustments for exchange-rate effects, although its margins declined due to high costs for glass fiber and certain types of carbon fibers. Favorable volume growth was shown for products within Engineering Phenolics, which accounts for most of the division's sales. A large number of new projects, for, among others, BMW, offset a general decline in the automotive industry. The second largest product group, Advanced Composites, showed a sharp increase in sales, deriving mainly from new products for the aerospace industry and from an increase in the number of satellite projects initiated during the year.

Neste Oxo's trends were favorable during the year and the division was able to increase its margins despite overcapacity in the market. This was a result of the strategy of developing niche products and of the division's ability to increase its sales efficiency through cooperation with other Sydsvenska Kemi operations. Lower raw-material prices also had a favorable impact on margins. Specialty products, whose share of total volume has risen to more than one third, contributed to the increased margin. The volume of sold products declined due to a decrease in the share of exchange and trading operations.

Operating cash flow

The full-year cash flow from operations amounted to SEK 840 m. Working capital was reduced by SEK 350 m, as a result of active work to reduce capital tied up in operations, particularly in accounts receivable.

Investments

The Group's investments, which totaled SEK 335 m, related to a large number of projects within all divisions. Investments during the year were mainly accounted for by Perstorp Specialty Chemicals, which increased its production capacity, particularly for various types of specialty polyols. These investments included new or

expanded plants for the production of polyol acids and other specialty polyols in Castellanza, Italy, and di-penta and concrete admixtures in Toledo, Ohio, USA, as well as other polyols at the plants in Perstorp, Toledo and Bruchhausen, Germany.

Notable investments in other divisions included expansion of capacity for the production of composites at Vyncolit's plant in Belgium and a plant at Neste Oxo's complex in Stenungsund, Sweden, for a new product, n-propanol.

Financial position

Intangible fixed assets totaled SEK 4,685 m, of which SEK 4,216 m pertained to goodwill resulting from the acquisitions of Perstorp and Neste Oxo.

Minority interest totaled SEK 40 m. Most of the minority interest, or SEK 39 m, corresponds to Perstorp shares outstanding. Following fiscal year-end, Sydsvenska Kemi was granted the right of first refusal regarding these shares.

Provisions include SEK 25 m pertaining to the integration of Perstorp and Neste Oxo (including costs for initiated workforce reductions). The total amount includes SEK 196 m for pensions, SEK 558 m for deferred tax liabilities and SEK 236 m for other items.

The Group's net debt amounted to SEK 5,305 m and the equity/assets ratio was 31%.

Cash flow from operations, pro forma

SEK m	2001
Operating earnings	221
Reversal of depreciation/amortization	624
Investments	-355
Change in working capital	350
Cash flow from operations	840

Balance Sheet

SEK m	Dec 31, 2001
Intangible fixed assets	4,685
Tangible fixed assets	3,535
Deferred tax receivable	313
Other financial fixed assets	338
Inventories	703
Current receivables	1,450
Cash and bank balances	96
Assets	11,120
Shareholders' equity	3,386
Minority interest	40
Provisions	1,015
Debenture loan	1,050
Other long-term financial liabilities	3,982
Current operating liabilities	1,300
Current financial liabilities	347
Shareholders' equity and liabilities	11,120

Coating Intermediates

Perstorp Coating Intermediates is a world-leading manufacturer of several types of polyols, polyol acids and other intermediates, primarily for the coating industry. The products are used in paint and varnish systems, liquid adhesives, plastic additives and lubricants and as building blocks in several other chemical products.

The business area's operations were previously included in the Perstorp Specialty Chemicals division. They have been supplemented in Perstorp Coating Intermediates by several products from Neste Oxo that are intended for the same application areas, while the former division's performance chemicals now comprise the base of a separate business area, Performance Chemicals. If Perstorp Coating Intermediates had conducted operations during 2001, its net sales would have amounted to SEK 2,493 m.

Strong market positions

Perstorp Coating Intermediates is unique among its competitors as the only player with polyol production plants on three continents, and the business area holds strong positions in several market segments. The business area's strategy is to defend and strengthen its leading market position in the basic polyols segment, maintain a high growth rate in specialty polyols and develop additional input materials for the coating industry.

Production units are situated in Sweden, Italy, Germany, the US and India, and production is based on technically advanced processes, many of which are protected by patents. Formalin from Perstorp Formox and oxo aldehydes from Perstorp Oxo Intermediates are important raw materials and the business area also delivers finished products to Perstorp Performance Chemicals. These internal and, through integration with Neste Oxo, extended value chains enhance the competitiveness of the Group and the new business areas.



Bengt Sallmén
Business Area Manager

Demand in 2001 for the operations now comprising the business area resulted in lower volumes for certain products, mainly basic polyols, while demand for specialty polyols was largely unchanged. Prices for sold products were higher, compared with the preceding year, due to higher raw material prices. Prices for raw materials used by the business area declined during the fourth quarter and the business area's margins increased.

Several measures targeted for implementation are expected to reduce costs and increase productivity in 2002 and beyond. Penta production in Europe has been concentrated to Sweden and Germany, and production capacity has been increased in Italy, among other countries, to meet growing market demand, primarily for BisMPA (a polyol acid).

Coating systems with new properties

Perstorp's dendritic polymers, which are marketed under the trademark Boltorn™, achieved a market breakthrough during the year and are expected to reach strongly improved volumes during 2002 and subsequent years.

The need for new paint systems that are more environmentally compatible, more cost-effective and offer new technical properties is increasing constantly. Accordingly, Perstorp Coating Intermediates anticipates favorable long-term growth and development in the market for its specialty polyols and other products that satisfy these needs.



Paint and other coatings for vehicles constitute a key application area for polyols, as do lubricants and plastic components. In the event of a fire, micronized penta in paints provided by the business area form a coat that protects steel structures.

Oxo Intermediates

Perstorp Oxo Intermediates manufactures chemical intermediate products that are subsequently processed in the coating and plastic processing industries. They consist primarily of monomers for paint resins and solvents, plasticizers for vinyl and safety glass, and agricultural chemicals such as propionic acid, which is used in livestock feed, among other applications. Oxo Intermediates is one of the world's three leading suppliers in many of its product areas, and the world's largest supplier of plasticizers for safety glass. The business area consists basically of all operations previously conducted by Neste Oxo.

The major production operation is situated in Stenungsund, Sweden, together with the two smaller plants in Sweden and Belgium. Production comprises a substantial percentage of bulk products and combined annual volume totals approximately 300,000 tons. If the business area had conducted operations during 2001, net sales would have amounted to SEK 1,664 m.

Developing specialty products

Perstorp Oxo Intermediates has made several substantial investments during the past 10 years to upgrade and differentiate its product range. The investments have focused on butanol, 2 ethyl-hexanoic acid and propionic acid, in addition to a production plant for ester-alcohol in Belgium. The integration with Perstorp, which was formerly a major customer for different aldehydes for its polyol production operations, is another step in line with this long-term ambition.

Perstorp Oxo Intermediates' operations noted strong business trend during the year and increased its margins despite overcapacity in the market. The business area's



Lars Lind
Business Area Manager

favorable performance is a result of the strategy of developing niche products and success in broadening and increasing the efficiency of sales activities through integration with Perstorp. The margins were also affected favorably by lower raw-material prices.

Increasing capacity

During 2001, Perstorp Oxo Intermediates expanded its production capacity for several products and launched a new product, n-propanol, which is used in printing ink and other applications. A decision was also made to convert the primary process raw material to natural gas for the plant in Stenungsund in 2003, which will increase productivity and improve environmental performance.

As a result of a determined focus on specialty products, these products increased their share of total volumes during the year and amount now to about 35%. Through continued investments in new products and new capacity, the business area is striving to increase the proportion of specialty products to about 50% and thereby further strengthen its profitability.



As a result of several major investments, Perstorp Oxo Intermediates has sharply increased the portion of specialty products in its range and strengthened its market positions.

Performance Chemicals

Perstorp Performance Chemicals was established as a separate business area in order to sharpen the focus on the different products in the former Perstorp Specialty Chemicals division. The products include sodium formate, for which Perstorp is the world's largest producer, as well as smaller products for more clearly defined markets. The goal is to strengthen the business area's margins and the growth of existing products, while strengthening efforts to develop new and supplementary products.



Paul Österberg
Business Area Manager

Higher margins and growth

If Performance Chemicals had conducted operations during 2001, net sales would have amounted to SEK 529 m. The operations comprise three business units:

Formates includes such products as sodium and calcium formates, formic acid and sodium sulfate, which are marketed globally to customers primarily in the leather and textile industries. Production plants are situated in Sweden, Germany, the US and India.

Although the business unit focuses mainly on marginal optimization, it has also opportunities for expansion and supplying new products in certain market segments.

Food & Feed comprises products that include silage agents, acetic acid and Creosan®, with most sales attributable to agriculture and the food industry in Scandinavia. These areas are characterized by growth and, in the long-term perspective, offer opportunities for the introduction of new products, particularly in view of a growing trend toward healthier animal husbandry and higher feed quality.

Concrete Admixtures comprise liquid and powder concrete admixtures ("superplasticizers") that are used in the construction industry to improve the flow properties of concrete, which affect the finished structure in terms of strength, form and production speed. Most customers for the business unit's liquid products are situated in Scandi-

navia and Germany, while powder products are sold in all parts of the world. Production operations are conducted in Sweden, Germany and the US. In Toledo, USA, production of liquid products was started up during 2001.

Developing new technologies

In addition to marginal optimization, Concrete Admixtures also focuses strongly on growth and new technologies. A technological transition is now in progress in the field of superplasticizers. This process originated in the Japanese construction industry and is driven by extremely high demands for structural resistance to earthquakes. The new technology is spreading rapidly to other markets, and Perstorp now plans to introduce the technology in Europe.

The fiscal year was characterized by growth in specialty product areas such as silage agents and powder concrete admixtures, and stable volumes for other products. The margins were adversely affected by high raw-material prices, for such products as melamine.

Through greater focus on present products and application areas, Perstorp Performance Chemicals intends to generate increased growth and thus contribute actively to the Group's profitability.



Promyr® and Proens® are used in the agricultural sector as silage, in order to control the preservation of animal feed.



Peramin® is an additive that has enabled the development of new, more effective screeding techniques.

Business processes

The three business areas that have their origins in Perstorp Specialty Chemicals and Neste Oxo are closely related in terms of technologies, products and marketing. To capitalize on synergies between these business areas, common business processes have been introduced for sales operations and research, technology and development.



David Wolf, Business Process Manager, Sales (NAFTA)

John Ekström, Business Process Manager, Sales (other markets)



Sales

A joint sales organization has been created for Coating Intermediates, Performance Chemicals and Perstorp Oxo Intermediates. One section of the organization is responsible for the North American market and another is responsible for other markets, which include Europe, Asia, South America and other regions. The sales organization provides sales and administrative resources and serves as the primary contact point between the company and its customers, while each business area is responsible for its strategies, pricing and business priorities.

The organization will secure a uniform approach to customers and generate powerful sales activities. It consists of two main functions,



Lars-Peter Lindfors, Business Process Manager, New offerings

order generation and order fulfillment, which encompass sales as well as sales planning, customer service and delivery.

Research, Technology and Development

A common process for Research, Technology and Development (RTD) has also been established for the three business areas. The new RTD organization is flexibly structured and conducts its customer-oriented activities in close contact and continuous cooperation with pertinent units in the business areas. Activities that can be planned with a horizon of at least three months are conducted in a project structure, whereby results and allocated resources are reviewed every month and compared with the goals, time frame and resource allocations in the project plan. Every project is led by a project manager and consists of a team of people with relevant skills and expertise, in order to achieve the project's targeted results in cooperation between the business area and the RTD organization.

The organization has its own management group and about 70 employees working at development centers in both Sweden and Finland. It includes units for Industrial Chemistry, which consists of organic chemistry and analytical chemistry, Process Technology, Applications Technology, comprising applications development and applications technology support, and Intellectual Property, which includes patents and information retrieval. A special management group has been formed to continuously evaluate and monitor new concepts and ideas in close cooperation with the business areas.

The integrated operations have provided the Group with a solid base that extends its value chain and broadens its competencies, enabling it to manage everything from process technology to new products and applications. The new RTD organization mainly focuses on further improvements in the efficiency of the Group's production concept, the launch of new products in the softener segment and a greater differentiation of polyols to create specialty products, primarily for applications in the resins industry.

The other two business areas, Perstorp Engineering Materials and Perstorp Formox, are responsible for their own research and development into materials technology and thermoset chemistry, and formalin catalyst technologies, respectively.

The Group's total R&D costs in 2001 amounted to SEK 111 m, corresponding to 1.6% of net sales.

Engineering Materials

The Group's know-how in composite technology and thermoset chemistry forms the foundation of the Perstorp Engineering Materials business area. The operations include fiber-reinforced composite materials that are used to replace metals in advanced applications within the automotive and aerospace industries, as well as compounds that satisfy strong demands for durability and heat resistance, such as electrical and interior-design components.

The business area consists of the former Perstorp Composites division, supplemented by Perstorp Chemitec's compounds operations. If the new business area had conducted operations during 2001, net sales would have amounted to SEK 875 m, with composites and compounds accounting for about 50% each.

The business area's strategy is to be the leader, in terms of both innovation and positions, in selected market segments characterized by strong growth.

Vyncolit, a subsidiary in Belgium, is the largest engineering phenolics (fiberglass-reinforced phenolic molding compounds) company in Europe and holds strong positions in the global market. The company achieved a breakthrough for its products in the US during 2001.

YLA, an American subsidiary, is the leader in advanced composites (carbon-reinforced composite materials) for the aerospace industry, with a share of about half of this rapid-growth market, most of which is based in the US.

Perstorp is the world leader in the compounds segment, with about 15% of the market for amino-based compounds, which are produced by the Group in Sweden, Italy and the US.

Leading positions

Composite products are characterized by strong growth. As a result of their low weight and high performance, composites are being used increasingly to replace metals in advanced applications. Strong growth has also been noted in new application areas for thermoset chemistry, while growth for conventional, amino-based compounds is lower.



Anders Lundin
Business Area Manager

Overall, the business area's operations showed favorable growth in 2001, even after adjustments for currency effects, but its margins declined due to high costs for certain raw materials. A large number of new projects for the automotive industry and new products for the aerospace industry contributed strongly to increased sales. Although growth for compounds was weaker, stronger trends were noted toward year-end as a result of declining raw-material prices.

Large project portfolio

A large number of development and customer projects were started or completed by all units in the business area. A new type of compound called Aminel™ was launched during the year. As in the case of thermoplastics, the new product is injectable, while offering the advantages of compounds in terms of resistance to scratches and electrical insulation properties. A prestigious order was booked for fiber-glass reinforced material to be used in variable air-intake components for BMW. The order was won in competition with other types of materials and has attracted widespread attention in the automotive industry. Research projects involving composites based on new resin systems and heat-conducting composites are also in progress.

The business area has a very large project portfolio comprising new products and applications that are expected to generate continued strong sales growth, particularly in the automotive and aerospace industries.



Composites combine high strength with low weight. As a result, they are increasingly being used as substitutes for metals in sophisticated components for satellites and vehicles.

Perstorp Formox

Perstorp Formox's operations are based on substantial knowledge of formalin and catalyst technology and the business area's own effective process for producing formalin. The business area designs and sells complete plants for the production of formalin, a key raw material for the board industry and other chemical industries. Nearly half of the global increase in formalin production capacity during the past ten years derives from plants supplied by Perstorp Formox.

An important part of the business consists of the manufacture of catalysts for formalin production. The catalysts are sold to customers who operate formalin plants supplied by Perstorp Formox, and to customers that employ other processes. Perstorp Formox thus accounts for approximately two thirds of global sales of the oxide catalysts used in the production of formalin.

Focus on environmental catalysts

In recent years Perstorp Formox has begun to focus on environmental catalysts for the efficient cleaning of industrial-solvent emissions. This activity has its origins in the VOC (Volatile Organic Compound) catalysts that were developed for Perstorp Formox's own plants and the approximately 90 formalin plants that have been sold.

The business area also produces formalin as a raw material for use by other units within the Group and – to a certain extent – for use by external customers. At the end of 2001, one of the formalin plants in Perstorp, together with "external" sales of formalin in Scandinavia, were sold in accordance with the commitment Sydsvenska Kemi made to the European Commission in connection with its acquisition of Perstorp.

Market-leading positions

Although the need for increased formalin capacity in the



Claes Lundström
Business Area Manager

world market varies over time, demand has been rising in recent years at the same time as Perstorp Formox's marketing of standardized plants has been highly successful. Perstorp Formox customers include some of the world's largest producers of chemicals and resins and some of the largest manufacturers of board products in more than 40 countries.

If Perstorp Formox had had its present structure in 2001, net sales would have amounted to SEK 600 m. As was expected, the business area's sales of formalin plants were lower than in 2000, a record year. Despite this, profitability remained favorable.

Orders for five plants

During the year Perstorp Formox received five orders for new formalin plants and two contracts for upgrades. One of the orders, the first ever from Russia, constitutes an important breakthrough into a market that is expected to become substantial in the future.

Perstorp Formox's strategy – based on continuous development of its know-how and its service to customers – is to consolidate its position as a global market leader. The business area will also exploit its knowledge of catalysts to further develop the market's most effective formalin and environmental catalysts.



Perstorp is the world leader in the market for formalin catalysts. The comprehensive service offered to customers includes the recovery and recycling of all spent catalysts.

Employees

The average number of employees in the Group (pro forma) during the fiscal year was 2,710. The workforce was distributed geographically as follows: Sweden 50%, other EU countries 30%, the US 7% and other regions 13%.

The actual number of employees at year-end 2001 was 2,561 (pro forma 2000: 2,756). The decline in the number of employees was mainly a result of rationalization measures in the internal service organization at the Perstorp unit and the divestment of resin operations in Perstorp.

During the autumn of 2001, comprehensive integration work and changes were implemented following the consolidation of Perstorp and Neste Oxo. A large number of employees in both companies have participated in joint projects to harmonize the corporate cultures as well as processes, systems, policies and tools. As part of the integration work, several employees, particularly at management level, have been assigned new jobs and new workplaces.

There is a Group-wide profit-sharing and bonus system. It is based on financial components related to each business area's budgeted goals as well as specific goals for individual units, groups or individuals. The emphasis lies on the performance of the business areas, and payments are based on the achievement of established minimum levels.

A new management-training program will be introduced in 2002, with a special focus on the creation of a performance-oriented corporate culture, securing high quality in all areas of operations and profitable growth.

In addition, internal communications regarding performance at various levels will be strengthened and a job-rotation system introduced for employees with particularly good development potential.



When fully implemented, all employees will participate in the Group's profit-sharing and bonus system.

Environment

Safety, health and the environment are priority areas within Sydsvenska Kemi. The Group strives to achieve continuous improvements toward clearly defined goals in every unit. Proactive environmental work is a prerequisite for conducting business in a responsible manner and achieving sustainable business growth.

Activities requiring permits

During the 2001 fiscal year, the Group had production units in 11 countries in Europe, North America and South America and in Asia. In Sweden, the Group conducts more than 20 activities that require permits and Perstorp Specialty Chemicals AB, Perstorp Formox and Neste Oxo have valid permits for the production of polyols, formic acid, formalin, molding compounds and acids, alcohols and certain other products. The units requiring permits comprise the majority of Group operations in Sweden. Each unit has a statutory requirement to submit annual environmental reports, which are approved by pertinent supervisory authorities.

During 2001, main proceedings were held with the Environmental Court in Växjö concerning increased production of formic acid in Perstorp and a new production plant for Boltorn™. Consultations were also conducted with the County Council of Skåne and other interested parties concerning increased production of pentaerythritol

and formalin at the complex in Perstorp. An application was also submitted to the Environmental Court in Växjö concerning expansion of these production units. The plant in Stenungsund applied for a permit during the year for production of a new product (n-propanol) and increased production of organic acids. Both permits were issued by the County Council in Västra Götaland.

During 2002, the Group expects to submit additional applications for increased production permits for Perstorp Formox and Perstorp Specialty Chemicals AB, among other units.

Several new permits were also issued during the year for Group units outside Sweden, including production plants in Belgium, Italy, Germany and the US.

Environmental impact

The Group's production operations mainly impact on the external environment through emissions into the air and waterways and in the form of waste and noise.

A number of major environmental investments were made during 1999, while the rate of capital investments during 2000 and 2001 was lower, consisting of only minor projects. One example is Perstorp Support AB's wastewater treatment plant in Perstorp, which was supplemented during the year with a new compensation basin to equalize peak load levels and collect eventual spill in the event of accidents. Work was also concentrated on efforts to reduce raw-material consumption at the unit in Gent, Belgium and other units. Several plants also worked during the year to replace the R22 coolant with other media. Projects focused on better utilization/recycling and reduced amounts of waste are also under way. Work on improved safety was conducted in the form of fire-prevention measures, risk analyses, improved embankments and loading sites.

Several units in the Group are certified in accordance with ISO 14001.

Environmental Report on the Internet

During the spring of 2002, the Environmental Report for 2001 will be available on the Group's websites (www.sydsvenskakemi.se and www.perstorp.com). The Environmental Report, which will only be published on the Internet, contains more detailed information about the Group's work on safety, health and the environment.



Catalytic incineration equipment is fitted in a large number of plants in order to minimize atmospheric emissions.

Report of the Board of Directors

for Sydsvenska Kemi AB (publ) (Corp. Reg. No: 556602-2769)

Formation of the Group

Sydsvenska Kemi AB was formed in December 2000 and extended its fiscal year until December 31, 2001. At the end of June 2001, Sydsvenska Kemi acquired the exchange-listed company Perstorp AB through a public offer. At the same time, Sydsvenska Kemi assumed ownership – through a shareholder contribution – of all of the shares in Oxo Holding AB, including the company's business operations within Neste Oxo.

At the end of the fiscal year, Sydsvenska Kemi held more than 99% of the shares in Perstorp and, following fiscal year-end, was granted right of first refusal regarding the remaining shares outstanding in this company. Shares in Perstorp AB have been delisted from Stockholmsbörsen and from SEAQ International in London.

Sydsvenska Kemi is controlled by the Industri Kapital 2000 fund. Industri Kapital is one of Europe's leading private equity investment companies with equity under management from Nordic and international investors totaling approximately SEK 30 billion, divided into four funds: Industri Kapital 1989, Industri Kapital 1994, Industri Kapital 1997 and Industri Kapital 2000.

Financing

A portion of the purchase consideration for the acquisition of Perstorp took the form of a debenture loan (debentures) in an amount of SEK 959 m issued by Sydsvenska Kemi. This loan is registered on Stockholmsbörsen SOX.

In addition to the debenture loan, Sydsvenska Kemi financed the acquisition of Perstorp and Neste Oxo with shareholders' equity of SEK 3,579 m and bank financing of SEK 5,050 m. Acquisitions of the shares in Perstorp and Neste Oxo accounted for SEK 6,841 m of the total financing. The remaining amount pertained to the refinancing of Perstorp and Neste Oxo's operations. An amount of SEK 2,400 m will be amortized over five years, of which SEK 500 m had been amortized by year-end, and an amount of SEK 1,600 m has a maximum maturity of seven years. An overdraft facility accounted for the remaining portion of the interest-bearing liability. At year-end, shareholders' equity amounted to SEK 3,386 m

and the debenture loan to SEK 1,050 m after the capitalization of interest and redemption of Perstorp shares. Bank financing amounted to SEK 4,329 m.

Collateral in the form of property mortgages, chattel mortgages and shares has been deposited as security for the bank financing.

The loan agreements that Sydsvenska Kemi AB and several Group companies have concluded include financial covenants that have to be attained on a quarterly basis. These covenants pertain to operating earnings before depreciation in relation to net interest expense, net debt in relation to operating earnings before depreciation, debt-repayment capacity (cash flow in relation to interest payments and amortization) and the equity/assets ratio.

Following fiscal year-end, an agreement with a bank was reached regarding financing in 2002. The financial covenants were adjusted to reflect changes in general economic, political and other external conditions. In all essential respects, capital costs remained unchanged compared with the previous agreements.

Divestment of resin operations

In connection with the European Commission's approval of the acquisition of Perstorp, Sydsvenska Kemi undertook to divest the Swedish portion of Perstorp's resin operations and a formalin plant in Perstorp that engaged in deliveries to external customers. These units, which have annual sales of slightly more than SEK 250 m, with about 50 employees, were sold during December to Almgren & Palm AB.

Following fiscal year-end, the remaining resin operations within the former Perstorp Chemitec business area were also sold to Dynea Oy. These operations have annual sales of approximately SEK 950 m and about 340 employees. The operations, which comprise production of various advanced resins, mainly for the automotive and construction industries, are manufactured by units in the United Kingdom, France, Germany and Brazil.

The purchaser, Dynea Oy, is a leading manufacturer of industrial resins and adhesive resins. Like Sydsvenska Kemi, Dynea is controlled by Industri Kapital's funds.

Divestment of shareholdings

During the year, Perstorp sold its remaining 30% holding in Arca Systems to Industri Kapital's funds, which had controlled this company since 1988.

In December, Perstorp concluded an agreement regarding the sale of its 50% shareholding in Perstorp Clariant to the other co-owner, Clariant, a Swiss chemicals group. Following fiscal year-end, the sale was completed after its approval by the authorities concerned.

Perstorp Clariant AB, which was previously owned equally by Clariant and Perstorp, had sales of approximately SEK 470 m in 2001, with slightly more than 100 employees. The company, which manufactures water-borne emulsions, holds leading positions in northern European markets, particularly in the paints, adhesives and non-woven products sectors.

The divestments during 2001 did not have a significant impact on consolidated earnings. The divestments effected at the beginning of 2002 are not expected to have a significant impact on earnings for the current year.

New service company formed

As part of efforts to enhance the efficiency of in-house service activities at the Perstorp complex, an industrial services company has been formed to work with both internal and external customers. At year-end, about 130 employees from Perstorp's in-house service organization transferred to the new company, which is estimated to have annual sales of approximately SEK 100 m. The ultimate intention is to broaden ownership of this company.

Acquisition of Pergo shares

In connection with the acquisition of Perstorp AB, Sydsvenska Kemi directed a partial offer to owners of Pergo AB shares. As a result of this offer, Sydsvenska Kemi acquired approximately 14.3% of the shares in Pergo AB (publ). The flooring group Pergo was previously part of the Perstorp Group, from which it was demerged and subsequently listed separately on the stock exchange in mid-June 2001.

Following fiscal year-end, Sydsvenska Kemi and

other major Pergo shareholders participated in a new issue of Pergo shares. As a result, Sydsvenska Kemi increased its holding by 5,102,040 shares at a total cost of SEK 56.1 m. Prior to the new issue, the holding amounted to 2,551,020 shares.

Merger not to be completed

At the end of August 2001, Industri Kapital and the Government of Finland announced plans to merge the operations conducted by Kemira Oy, Dynea Oy and Sydsvenska Kemi AB. Following further contacts and evaluations conducted during the autumn, both parties announced at the beginning of December that the prerequisites for implementing these plans did not exist.

Net sales and earnings

Net sales during the year amounted to SEK 3,378 m. Operating earnings amounted to SEK 397 m before and SEK 95 m after depreciation. Accordingly, the operating margin amounted to 11.8% before and 2.8% after depreciation. Depreciation, which amounted to SEK 302 m, included SEK 129 m for amortization of goodwill and other intangible assets. Net interest expense amounted to SEK 182 m. Earnings were also charged SEK 212 m for the write-down of the company's shares in Pergo AB (publ). A loss of SEK 309 m was reported before taxes and the net loss for the year amounted to SEK 345 m. The main reasons for the tax costs reported by the Group despite the pretax loss were that the write-down of the Pergo shareholding and amortization of Group goodwill are not tax-deductible items.

Financial position

Intangible fixed assets totaled SEK 4,685 m, of which SEK 4,216 m pertained to goodwill resulting from the acquisition of Perstorp and Neste Oxo.

Minority interest totaled SEK 40 m. Most of the minority interest, or SEK 39 m, corresponds to Perstorp shares outstanding. Following fiscal year-end, Sydsvenska Kemi was granted the right of first refusal regarding these shares.

Provisions include SEK 25 m pertaining to the integration of Perstorp and Neste Oxo (including costs for initiated workforce reductions). The total amount includes SEK 196 m for pensions, SEK 558 m for deferred tax liabilities and SEK 236 m for other items. The Group's net debt amounted to SEK 5,305 m and the equity/assets ratio was 31%.

Cash flow

Cash flow from continuing operations amounted to SEK 462 m, of which reduced working capital accounted for SEK 337 m. Net investments, which amounted to SEK 5,681 m, included SEK 5,410 m for acquisitions of subsidiaries. In net terms, new share issues/shareholder contributions and loans accounted for SEK 5,315 m of the acquisitions. Liquid funds at year-end amounted to SEK 96 m.

Investments

The Group's investments in tangible fixed assets, which totaled SEK 173 m, related to a large number of projects within all divisions. Investments during the year were mainly accounted for by Perstorp Specialty Chemicals, which increased its production capacity, particularly for various types of specialty polyols. These investments included new or expanded plants for the production of polyol acids and other specialty polyols in Castellanza, Italy, and di-penta and concrete admixtures in Toledo, Ohio, USA, as well as other polyols at the plants in Perstorp, Toledo and Bruchhausen, Germany.

Notable investments in other divisions included a plant at Neste Oxo's complex in Stenungsund, Sweden, for the production of n-propanol.

Research and development

The Group's R&D costs during the year amounted to SEK 40 m, corresponding to 1.2% of net sales.

Environment

During the fiscal year, the Group had production units in 11 countries in Europe, North America, South America and Asia. In Sweden, the Group conducts more than 20 activities that require permits and Perstorp Specialty Chemicals AB, Perstorp Formox AB and Neste Oxo AB have valid permits for the production of polyols, formic acid, formalin, molding compounds and acids, alcohols and certain other products. The units requiring permits comprise the majority of Group operations in Sweden.

During the second half of 2001, the main proceedings were held with the Environmental Court in Växjö concerning increased production of formic acid in Perstorp and the establishment of a new production plant for Boltorn™. Consultations were also conducted with the County Council in Skåne County and other interested parties concerning increased production of formalin at the complex in Perstorp. An application was also submitted to the Environmental Court in Växjö concerning expansion of the production units for pentaerythritol and formalin. The plant in Stenungsund received a permit during the second half of the year for increased production of organic acids. The permit concerned was issued by the County Council in Västra Götaland.

During 2002, the Group expects to submit additional applications for increased production permits for Perstorp Formox and Perstorp Specialty Chemicals AB, among other units.

REPORT OF THE BOARD OF DIRECTORS

Proposed distribution of profits

Unrestricted shareholders' equity, as shown in the balance sheet, amounts to SEK 3,045 m. No allocation to restricted reserves is required.

The Board of Directors and President propose that the funds available for distribution by the Annual General Meeting, as shown in the balance sheet, namely:

Retained earnings	SEK m	3,389,813,570
Net loss for the year	SEK m	-303,828,000
	SEK m	3,085,985,570

be distributed as follows:

To be retained in the business	SEK m	3,085,985,570
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Perstorp, March 27, 2002

Hans Larsson
Chairman

Fredrik Arp Christer Gardell Stig Gustavson Anitha Hermansson

Klas Jönsson Stefan Linder Michael Rosenlew

Lennart Holm
President

My audit report was submitted on March 28, 2002.

Michael Bengtsson
Authorized Public Accountant

Legal accounts

Consolidated Income Statement

SEK m	Note	2000/01 ¹⁾
Net sales	1	3,378
Costs of goods sold	2	-2,789
Gross earnings		589
Sales costs	2	-132
Administrative costs	2	-207
Research and development costs	2	-40
Other operating revenues and expenses	3	11
Amortization of intangible fixed assets	2	-129
Result from participations in associated companies	4	3
Operating earnings		95
Result from financial investments:		
Interest income and similar items	6	45
Interest expense and similar items	7	-237
Write-down of financial holdings (Pergo)		-212
Loss before taxes		-309
Taxes	8	-33
Minority share in net loss	9	-3
Net loss for the year		-345

¹⁾ The Group has conducted operations since the end of June 2001, when the acquisitions of Perstorp and Neste Oxo were completed. The Parent Company was formed in December 2000.

LEGAL ACCOUNTS

Consolidated Balance Sheet

SEK m	Note	Dec 31, 2001
Assets		
Fixed assets		
Intangible fixed assets	10	4,685
Buildings and land	11	805
Machinery and equipment	11	2,580
Construction in progress and advance payments	11	150
Tangible fixed assets	11	3,535
Deferred tax receivable	8	313
Participations in associated companies	13	166
Other shares and participations	14	38
Other long-term receivables	15	134
Financial fixed assets		651
Inventories	16	703
Accounts receivable		1,097
Other receivables	17	353
Current receivables		1,450
Cash and bank		96
Total assets		11,120
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted shareholders' equity		
Share capital	18	300
Restricted reserves	18	41
Restricted shareholders' equity		341
Unrestricted shareholders' equity		
Unrestricted reserves	18	3,390
Net loss for the year		-345
Unrestricted shareholders' equity		3,045
Shareholders' equity		3,386
Minority interests	19	40
Deferred tax liability	8	558
Other provisions	20	457
Provisions		1,015
Convertible debenture loan	22	1,050
Other long-term liabilities	21	3,982
Long-term liabilities		5,032
Accounts payable		652
Other operating liabilities	23	648
Current operating liabilities		1,300
Current financial liabilities	21	347
Total shareholders' equity and liabilities		11,120
Pledged assets	24	8,545
Contingent liabilities	25	210

LEGAL ACCOUNTS

Consolidated Cash Flow Statement

SEK m	2000/01 ¹⁾
<i>Continuing operations:</i>	
Operating profit	95
Adjustments for items not included in cash flow:	
Depreciation/amortization	302
Other items with no impact on cash flow	-61
Interest received	37
Interest paid	-207
Paid income tax	-41
Cash flow from continuing operations before changes in working capital	125
<i>Changes in working capital</i>	
Increase (-)/decrease (+) in inventories	68
Increase (-)/decrease (+) in current receivables	365
Increase (+)/decrease (-) in current liabilities	-96
Cash flow from continuing operations	462
<i>Investing activities</i>	
Acquisition of net assets of subsidiaries	-5,410 ²⁾
Acquisition of financial fixed assets	-264
Acquisition of tangible and intangible fixed assets	-173
Sale of net assets of subsidiaries	0 ³⁾
Sale of financial fixed assets	150
Sale of tangible fixed assets	16
Cash flow from investing activities	-5,681
<i>Financing activities</i>	
New share issue/shareholders' contribution	3,382
New loans raised	5,050
Amortization of debt	-3,117
Cash flow from financing activities	5,315
Change in liquid funds, incl. short-term investments	96
Liquid assets on January 1, incl. short-term investments	-
Translation difference in liquid funds	0
Liquid funds on December 31	96

¹⁾ The Group has conducted operations since the end of June 2001, when the acquisitions of Perstorp and Neste Oxo were completed. The Parent Company was formed in December 2000.

^{2) 3)} See next page.

LEGAL ACCOUNTS

²⁾ *Perstorp AB and Oxo Holding AB were acquired during the year. The value of the acquired assets and liabilities according to the acquisition analyses were as follows:*

Tangible fixed assets	-3,582
Intangible fixed assets	-4,805
Long-term receivables	-427
Inventories	-782
Current receivables	-1,787
Liquid funds	-144
Minority interests	37
Long-term liabilities	2,428
Provisions	548
Current liabilities	1,453
Deferred tax	220
Total acquisition price	-6,841
Of which	
Paid through non-cash share issue	308
Paid through debenture loan	979
Reported liquid funds in acquired companies	144
Cash flow from acquisition of subsidiaries' net assets	-5,410

³⁾ *Sales of subsidiaries' net assets*

Tangible fixed assets	38
Inventories	11
Current receivables	25
Liquid funds	1
Provisions	-14
Deferred tax	-11
Current liabilities	-22
Capital gain	0
Total sales price	28
Reported liquid funds in divested companies	-1
Promissory note receivable, purchaser	-27
Cash flow from sales of subsidiaries' net assets	0

LEGAL ACCOUNTS

Parent Company Income Statement

SEK m	Note	2000/01 ¹⁾
Administrative costs	2	-4
Operating loss		-4
Interest income and similar items	6	48
Interest expense and similar items	7	-172
Write-down of financial holdings (Pergo)		-212
Loss before taxes		-340
Taxes	8	36
Net loss for the year		-304

¹⁾ The Parent Company was formed in December 2000.

LEGAL ACCOUNTS

Parent Company Balance Sheet

SEK m	Note	Dec 31, 2001
Deferred tax receivable	8	36
Participations in Group companies	12	6,841
Other shares and participations	14	38
Other long-term receivables	15	49
Financial fixed assets		6,964
Other receivables	17	1
Current receivables		1
Cash and bank		69
Total assets		7,034
Shareholders' equity and liabilities		
Shareholders' equity		
Restricted shareholders' equity		
Share capital	18	300
Total restricted shareholders' equity		300
Unrestricted shareholders' equity		
Retained earnings	18	3,390
Net loss for the year		-304
Unrestricted shareholders' equity		3,086
Shareholders' equity		3,386
Debenture loan	22	1,050
Liabilities to Group companies		150
Other long-term liabilities	21	1,690
Long-term liabilities		2,890
Accounts payable		11
Other operating liabilities	23	7
Current operating liabilities		18
Liabilities to Group companies		430
Other financial liabilities	21	310
Current financial liabilities		740
Total shareholders' equity and liabilities		7,034
Pledged assets	24	6,910
Contingent liabilities	25	2,585

LEGAL ACCOUNTS

Parent Company Cash Flow Statement

SEK m	2000/01 ¹⁾
<i>Continuing operations</i>	
Operating loss	-4
Interest received	47
Interest paid	-148
Cash flow from continuing operations before changes in working capital	-105
<i>Changes in working capital</i>	
Increase (-)/decrease (+) in current receivables	-2
Increase (+)/decrease (-) in current liabilities	16
Cash flow from continuing operations	-91
<i>Investing activities</i>	
Acquisition of shares in subsidiaries	-5,452
Acquisition of financial fixed assets	-250
Cash flow from investing activities	-5,702
<i>Financing activities</i>	
New share issue/shareholders' contribution	3,280
New loans raised	5,480
Amortization of debt	-2,898
Cash flow from financing activities	5,862
Change in liquid funds, incl. short-term investments	69
Liquid assets on January 1, incl. short-term investments	-
Liquid funds on December 31	69

¹⁾ The Parent Company was formed in December 2000.

Definitions of key figures

Operating margin

Operating earnings after depreciation as a percentage of net sales.

Operating margin before depreciation

Operating earnings before depreciation as a percentage of net sales.

Net borrowing

Interest-bearing liabilities less financial interest-bearing assets.

Equity ratio

Shareholders' equity and minority interest as a percentage of total capital.

Accounting principles and notes on the financial statements

Amounts in SEK millions (SEK m), unless otherwise stated.

Accounting principles

Sydsvenska Kemi's accounting principles follow the Swedish Financial Accounting Standards Council's recommendations, which became effective on January 1, 2001, the Swedish Annual Accounts act and the accounting principles specified below.

THE CONSOLIDATED ACCOUNTS have been prepared in accordance with the purchase method. The consolidated accounts include the Parent Company, Sydsvenska Kemi AB, and those companies in which the Parent Company directly or indirectly holds shares carrying more than 50% of the voting rights for all shares, as well as those companies in which the Parent Company has a controlling interest for some other reason. Investments in other companies that correspond to between 20% and 50% of the total share capital and which are long-term are reported as associated companies in accordance with the equity method. In the consolidated income statement, participations in the results of associated companies are reported after financial items in consolidated operating earnings. Participations in the taxes of associated companies are reported in the Group's tax costs.

The purchase method means that shareholders' equity, including the calculated equity portion of untaxed reserves, in each subsidiary at the date of acquisition is eliminated against the book value of the shares in the subsidiaries. Accordingly, the Group's shareholders' equity only includes the portion of shareholders' equity in subsidiaries that arose after the date of acquisition.

Assets, liabilities and provisions in acquired companies are entered at market value in the consolidated accounts.

If the acquisition value of the shares in subsidiaries exceeds the market value of the acquired net assets, the difference is reported as goodwill. During the fourth quarter, the acquisition balance sheet was amended in order to better reflect actual conditions at the date of acquisition. Fixed assets and goodwill are depreciated/amortized in the manner specified under "Depreciation" below.

Earnings in companies that were acquired/divested during a fiscal year are only included in the consolidated income statement for that portion of the year in which the companies concerned belonged to the Group, or up to the date of divestment.

The current method is used for translating the financial accounts of foreign subsidiaries into Swedish kronor. Accordingly, income statements are translated using the average exchange rates during the fiscal year, while balance sheets are translated using year-end rates. The changes that arise in the Group's shareholders' equity due to differences in year-end rates between the various years are included in shareholders' equity.

DEPRECIATION according to plan is based on the acquisition value of assets and on their estimated economic life. The table below shows the depreciation and amortization periods for the various types of fixed assets:

Buildings	20-50 years
Land improvements	10-35 years
Machinery and equipment	10-30 years
Goodwill	5-20 years
Know-how	3-7 years
Trademarks	5 years
Computers, molds and vehicles	max 5 years

Land and construction in progress are not depreciated.

Goodwill related to the acquisition of Perstorp and Neste Oxo is amortized over 20 years, since these are strategic acquisitions that provide Sydsvenska Kemi with world-leading positions within a number of segments of the specialty chemicals market.

INVENTORIES are valued at the lower of acquisition value and actual value. The acquisition value is calculated in accordance with the "first in, first out" principle.

ACCOUNTS RECEIVABLE are entered in the amount expected to be received after individual assessment.

FOR CONTRACTS AND SIMILAR ASSIGNMENTS, incoming and outgoing payments are reported as revenues/expenses in relation to the degree of completion at year-end.

LEGAL ACCOUNTS

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES have been valued at the year-end exchange rate. In cases where the value of accounts receivable and accounts payable has been hedged through forward contracts, the forward rate is used when valuing the underlying receivable or liability. Exchange-rate differences resulting from loans intended to hedge net investment in foreign subsidiaries are reported after tax against translation differences in these subsidiaries' shareholders' equity.

THE PENSION LIABILITY consists of the capital value at year-end of the pension commitments that are not secured through pension insurance policies or allocations to independent pension foundations. The annual change in the capital value of the pension commitments is charged against earnings for the year.

A considerable proportion of the pension commitments pertains to provisions for country-specific statutory lump-sum payments connected to retirement pensions in Italy and France, as well as benefit-based pension schemes in Germany, India, the Netherlands, Belgium and Sweden. The premiums for benefit-based pension schemes vary in accordance with the legal, fiscal and economic conditions pertaining in each particular country. The benefit is based on the number of years of service and salary level.

DEFERRED TAX attributable to significant temporary differences between the book and taxable value of assets and liabilities is entered in the consolidated and Parent Company financial statements. The deferred tax receivable attributable to unutilized tax-loss carryforwards is only reported if the probability that the carryforwards will be utilized in the foreseeable future is regarded as high. The tax is based on the current tax rate in the countries concerned.

I. NET SALES

Net sales by market area.

	GROUP 2001
EU	2,115
Rest of Europe	196
NAFTA	527
Asia	320
South and Central America	154
Africa	54
Australia and Oceania	12
Total	3,378

The Parent Company had no sales during 2001.

2. DEPRECIATION/AMORTIZATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

	GROUP 2001
Depreciation/amortization according to plan by type of asset	
Machinery and equipment	146
Buildings and land improvement	27
Goodwill and other intangible assets	129
Total	302
Depreciation/amortization according to plan by function	
Cost of goods sold	160
Sales	2
Administration	9
Research and development	2
Goodwill and other intangible assets	129
Total	302

The Parent Company had no tangible or intangible fixed assets at year-end 2001. Depreciation/amortization is based on the acquisition value of assets and on their estimated economic lifetime as stipulated in the Accounting Principles section.

3. OTHER OPERATING REVENUES AND COSTS

Other operating revenues and costs mainly pertain to commission income.

4. RESULT FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

	PARTICIPATION IN PROFIT 2001
Perstorp Clariant AB	3

5. OPERATIONAL LEASING AGREEMENTS

	GROUP
Future minimum leasing fees	
Due	
2002	6
2003-2006	13
2007-	0
Total	19
Leasing costs during the year	
Minimum leasing fees	3
Variable costs	1
Total	4

All of the concluded leasing agreements are operational. The Parent Company has not concluded any leasing agreements. The above fees pertain to leasing agreements entered into at December 31, 2001, including leases for properties.

6. INTEREST INCOME AND SIMILAR ITEMS

	GROUP 2001	PARENT COMPANY 2001
Interest income	36	33
Interest income from subsidiaries		13
Exchange-rate gains	9	2
Total	45	48

7. INTEREST EXPENSE AND SIMILAR ITEMS

	GROUP 2001	PARENT COMPANY 2001
Interest expense	-218	-159
Interest expense, subsidiaries		-6
Other financial expenses	-19	-7
Total	-237	-172

8. TAX

	GROUP 2001	PARENT COMPANY 2001
Current tax	-	-
Deferred tax on net profit for the year	-33	36
Total	-33	36

CORPORATE TAXATION In Sweden, the corporate tax rate was 28% in 2001. The reasons for the difference between the estimated local tax rate for Sweden and the effective tax rate are described below.

	GROUP 2001	PARENT COMPANY 2001
Group tax costs		
Tax computed in accordance with Swedish tax rate	87	95
Difference between nominal tax rate in Sweden and effective tax rate in the Group	-13	-
Non-capitalized tax loss carryforwards	-12	-
Non-tax-deductible items:		
Write-down of Pergo shareholding	-59	-59
Goodwill amortization attributable to acquisition of Perstorp and Neste Oxo Groups	-36	-
Total	-33	36

LEGAL ACCOUNTS

TAX LOSS CARRYFORWARDS As stated in the accounting principles, the value of unutilized tax loss carryforwards is capitalized in cases where it is highly probable that the carryforwards will be utilized in the foreseeable future. In addition, there are unutilized tax loss carryforwards that have not been assigned any value.

Temporary differences arise in cases where the reported value of assets or liabilities differs from the taxable value. The temporary differences in the Group resulted in a deferred tax receivable or a deferred tax liability with respect to the following items:

Group	Deferred tax receivable	Deferred tax liability
Untaxed reserves related to tangible fixed assets	-	317
Other untaxed reserves	-	43
Other receivables	-	25
Tangible fixed assets	13	173
Other provisions	27	-
Tax loss carryforwards	273	-
Total	313	558

9. MINORITY SHARE IN NET LOSS FOR THE YEAR

The minority share in the net loss for the year mainly pertains to Perstorp Aegis Chemicals PVT Ltd.

11. TANGIBLE FIXED ASSETS

Group	Buildings, land and land improvements	Plant and machinery	Equipment, tools, fixtures and fittings	Work in progress, including advance payments	Total
Acquisition value					
Opening acquisition value	-	-	-	-	-
Acquisition of Perstorp and Neste Oxo Groups	1,148	4,347	365	282	6,142
Current acquisitions after the Group's formation	3	171	11	-18	167
Sales/scrappage	-2	-199	-6	-1	-208
Reclassifications	24	85	6	-113	2
Translation effects	4	9	4	0	17
Closing accumulated acquisition value	1,177	4,413	380	150	6,120
Accumulated depreciation according to plan					
Opening accumulated depreciation	-	-	-	-	-
Acquisition of Perstorp and Neste Oxo Groups	-339	-2,097	-111	-13	-2,560
Current depreciation after the Group's formation	-27	-127	-19	-	-173
Sales/scrappage	-	152	2	-	154
Reclassifications	-5	0	-8	13	0
Translation effects	-1	-3	-2	-	-6
Closing accumulated depreciation	-372	-2,075	-138	0	-2,585
Closing planned residual value	805	2,338	242	150	3,535

The Parent Company had no tangible fixed assets.

The tax assessment value for tangible fixed assets amounted to:

GROUP	Dec 31, 2001	Book value
Buildings, including building fittings	404	373
Land and land improvements	72	47
Total	476	420

The above tax assessment values pertain solely to Swedish Group companies.

12. PARENT COMPANY SHARES IN GROUP COMPANIES

Dec 31, 2001					
Opening book value	-	-	-	-	-
Acquisition of Perstorp AB and Oxo Holding AB	6,841	-	-	-	-
Closing book value, Dec 31, 2001	6,841	-	-	-	-
Direct holdings in Group companies	Organization number	Registered Head Office	Holding, %	Number of shares	Book value
Perstorp AB	556024-6513	Perstorp	99	71,314,277	6,429
Oxo Holding AB	556579-4327	Stenungsund	100	1,000	412
Total					6,841

10. INTANGIBLE FIXED ASSETS

Group	Goodwill	Know-how, trademarks and similar rights	Total
Acquisition value			
Opening acquisition value	-	-	-
Acquisition of Perstorp and Neste Oxo groups	4,851	48	4,899
Acquisitions after the Group's formation	5	-	5
Sales/scrappage	-	-5	-5
Translation effects	3	0	3
Closing accumulated acquisition value	4,859	43	4,902
Accumulated amortization according to plan			
Opening accumulated amortization	-	-	-
Acquisition of Perstorp and Neste Oxo groups	-71	-22	-93
Amortization after the Group's formation	-128	-1	-129
Sales/scrappage	-	5	5
Closing accumulated amortization	-199	-18	-217
Closing planned residual value	4,660	25	4,685

13. PARTICIPATIONS IN ASSOCIATED COMPANIES

	Organization number	Share of capital/ voting rights	Book value Group
Perstorp Clariant AB	556143-4837	50/50	164
PT Perstorp Bumi Raya, Pontianak, Indonesien		50/50	2
Total			166
Book value			
Opening book value			-
Acquisitions during the year pertaining to acquisition of Perstorp and Neste Oxo Groups			163
Share in net profit			3
Closing book value			166

LEGAL ACCOUNTS

14. OTHER SHARES AND PARTICIPATIONS

	Organization number	Share of capital/ voting rights	Book value	
			Group	Parent company
Pergo AB	556563-2600	14.3%	38	38

The shares in Pergo AB were acquired in July 2001 for SEK 250 m and were written down to SEK 38 m in the final accounts. The market value at the end of 2001 was SEK 99 m. The corresponding value on March 26, 2002 was SEK 36 m.

15. OTHER LONG-TERM RECEIVABLES

	GROUP	PARENT COMPANY
	Dec 31, 2001	Dec 31, 2001
Capitalized costs for raising bank financing	48	48
Endowment policy	35	-
Promissory note receivables	35	-
Other receivables	16	1
Total	134¹⁾	49

¹⁾ Including interest-bearing receivables of SEK 12 m.

16. INVENTORIES

	GROUP
	Dec 31, 2001
Materials	262
Work in progress	46
Finished and semi-finished goods	395
Total	703

17. OTHER RECEIVABLES

	GROUP	PARENT COMPANY
	Dec 31, 2001	Dec 31, 2001
Prepaid pension costs	56	-
Prepaid insurance premiums	21	-
Other prepaid expenses and accrued income	52	-
Value added tax	80	-
Tax receivable	39	-
Current financial receivables	39	-
Other receivables	66	1
Total	353¹⁾	1

¹⁾ Including interest-bearing receivables of SEK 36.

18. SHAREHOLDERS' EQUITY

Group	Share capital	Restricted reserves	Unrestricted reserves	Total
Shareholders' equity, December 12, 2000	-	-	-	-
New share issue/shareholders' contributions	300	-	3,390	3,690
Translation difference				
- change during the year		71	-	71
- less effect of hedging measures during the year after tax		-30	-	-30
Net loss for the year			-345	-345
Shareholders' equity, December 31, 2001	300	41	3,045	3,386

Parent Company	Share capital	Unrestricted shareholders' equity	Total
Company's formation, December 12, 2000	1	-	1
New share issue/shareholders' contribution	299	3,390	3,689
Net loss for the year		-304	-304
Shareholders' equity, December 31, 2001	300	3,086	3,386

There are 30,000,000 shares with a par value of SEK 10 each.

19. MINORITY INTERESTS

Company	GROUP
	Dec 31, 2001
Perstorp AB, unredeemed shares outstanding	39
YLA Inc., USA	1
Total	40

20. OTHER PROVISIONS

	GROUP
	Dec 31, 2001
Pensions	196
Provisions for integration and restructuring measures	25 ¹⁾
Other provisions	236
Total	457

¹⁾ A provision of SEK 96 m was included in the acquisition balance sheet, of which SEK 71 m was reversed against actual costs for employment-termination measures, etc.

The Parent Company had no provisions at the end of 2001.

21. FINANCIAL RISKS

International business operations give rise to various types of risks on a daily basis.

The financial risks are:

Financing risk: The risk that expiring loans cannot be refinanced.

Interest risk: The effect on the Group's net interest items of changes in interest rates.

Transaction exposure: The risk that the Group's revenues will decline due to exchange-rate changes.

Translation exposure (foreign net assets): Translation of the foreign subsidiaries' assets and liabilities from foreign currencies into SEK.

THE FINANCING RISK to which Sydsvenska Kemi is exposed relates to the Company's ability to satisfy the financial covenants it has made to banks. The loan agreements that Sydsvenska Kemi AB and several Group companies have concluded include financial covenants that have to be attained on a quarterly basis. These covenants pertain to operating earnings before depreciation in relation to net interest expense, net debt in relation to operating earnings before depreciation, debt-repayment capacity (cash flow in relation to interest payments and amortization) and the equity ratio.

Maturity structure of interest-bearing loans (apart from debenture loan), Dec 31, 2001

Maturity	Group	Parent Company
2002	347	310
2003	410	380
2004	402	400
2005	402	400
2006-	2,768	510
Total	4,329	2,000

LEGAL ACCOUNTS

INTEREST RISK Interest risk relates to the risk that changes in interest rates will have a negative impact on Sydsvenska Kemi's earnings due to the increased borrowing costs. Periods of fixed interest were generally short during the year. The average interest rate for loans outstanding was 5.45% at year-end and the average period of fixed interest was approximately 50 days.

The interest risk is managed at Group level by Perstorp Treasury AB.

Interest-bearing loans, excluding debenture loan, by currency, Dec 31, 2001

Currency	SEK m	Proportion, %
GBP	60	1.4
SEK	4,081	94.2
USD	151	3.5
Others	37	0.9
Total	4,329	100

TRANSACTION EXPOSURE The total transaction exposure, expressed in SEK in terms of the sum total of absolute counter-values for each exposed currency, is estimated to amount to approximately SEK 2,425 m for the 2002 fiscal year. The exporting subsidiaries in Sweden account for most of the exposure. The currencies in which Sydsvenska Kemi has such exposure are shown in the table below. The total is the sum of the absolute countervalue for each currency and indicates the total amount in SEK that is subject to transaction exposure.

At year-end, currencies sold on forward contracts totaled SEK 1,296 m. Each business area is responsible for its own transaction exposure. Since the autumn of 2001, Sydsvenska Kemi's policy has been to hedge most of this exposure on an ongoing basis.

Currency exposure, December 31, 2001

Forecast flows during 2002 fiscal year, SEK m

Currency ¹⁾	Before hedging	After hedging	Hedging, %
DKK	21	11	52
EUR	1,022	672	66
GBP	348	114	33
JPY	51	-	-
NOK	21	7	33
USD	962	492	51
Total	2,425	1,296	53

¹⁾ Currency exposure is always defined as the specific currency in relation to SEK.

Market value of forward contracts

The difference between actual value and the value based on the contract rate, for contracts with 2002 as the year of expiration, was positive in an amount of SEK 21.2 m.

At the beginning of 2002, approximately half of the forecast currency flow was hedged for 2003.

Currency rates

	YEAR-END EXCHANGE RATE		AVERAGE EXCHANGE RATE	
	Dec 31, 2001	Dec 31, 2000	2001	2000
BRL	4,5412	4,8660	4,4290	4,9963
DKK	1,2665	1,1870	1,2416	1,1332
EUR	9,4190	8,8570	9,2518	8,4468
GBP	15,475	14,2200	14,876	13,8573
JPY	0,0813	0,0832	0,0851	0,0850
NOK	1,1835	1,0715	1,1499	1,0411
SGD	5,7600	5,5050	5,7651	5,3105
USD	10,667	9,5350	10,331	9,1596

Exchange-rate effects reported at the operating level were negative in an amount of SEK 4 m, while those included in net financial items were positive in an amount of SEK 9 m.

TRANSLATION EXPOSURE (FOREIGN NET ASSETS) The main reason for hedging foreign net investments – that is, shareholders' equity in subsidiaries outside Sweden – is to ensure that equity has long-term protection from exchange-rate fluctuations, thereby also protecting the Group's equity ratio.

At year-end, the value of foreign net assets was SEK 2,301 m.

Exposed net assets in foreign currencies, December 31, 2001

Currency	SEK m
BRL	69
EUR	1,817
USD	339
Other	76
Total	2,301

22. DEBENTURE LOAN

The debenture loan of SEK 1,050 m is a zero-coupon instrument with a maturity of nearly 10 years. The increase of SEK 91 m during the second half of the year was due to capitalized interest of SEK 73 m and the redemption of additional Perstorp shares, in an amount of SEK 18 m. The nominal value to be repaid on the due date has been discounted to present value based on an interest rate of 14.05%.

23. OTHER OPERATING LIABILITIES

	GROUP Dec 31, 2001	PARENT COMPANY Dec 31, 2001
Accrued salaries and social security costs	152	-
Accrued commissions	26	-
Other accrued expenses and prepaid income	260	7
Value added and personal taxes	53	-
Tax liabilities	65	-
Advances from customers	35	-
Other liabilities	57	-
Total	648	7

24. ASSETS PLEDGED

	GROUP Dec 31, 2001	PARENT COMPANY Dec 31, 2001
Property mortgages	465	-
Chattel mortgages	1,135	-
Pledged shares	6,841	6,841
Liquid funds	69	69
Pledged endowment policies	35	-
Total	8,545	6,910

Liquid funds were pledged to cover minority interest, endowment policies were pledged to cover the pension liability and other assets were pledged to cover bank financing.

25. CONTINGENT LIABILITIES

	GROUP Dec 31, 2001	PARENT COMPANY Dec 31, 2001
Guarantees	23	-
Guarantees and other contingent liabilities for subsidiaries	-	2,585
Tax on amount deferred	187	-
Total	210	2,585

LEGAL ACCOUNTS

26. PERSONNEL

Average number of employees, as well as wages, salaries, other remuneration and social security costs, pertaining to January-December 2001, despite the fact that the legal group was not formed until the end of June.

Country	Number of employees	Of whom, men	Of whom, women
Sweden			
Parent Company	1	1	0
Subsidiaries	1,341	968	373
Belgium	212	190	22
Brazil	43	35	8
Denmark	3	2	1
France	125	108	17
India	275	268	7
Italy	124	111	13
Netherlands	2	1	1
Norway	7	6	1
Poland	13	11	2
Portugal	10	7	3
Singapore	4	2	2
Spain	9	5	4
UK	75	61	14
Germany	265	210	55
USA	200	167	33
Austria	1	1	0
Total	2,710¹⁾	2,154	556

¹⁾ The average number of employees during the second half of the year was 2,654.

Wages, salaries, other remuneration and social security costs

2001 (12 months)	Wages, salaries, remuneration	Social costs	Of which, pensions costs
Parent Company	2	1	0
Subsidiaries	845	322	77
Total	847¹⁾	323	77

¹⁾ Including SEK 26 m for the Board of Directors and President category.

During the second half of the year, payroll costs amounted to SEK 415 m and social security costs to SEK 158 m.

Distribution of wages, salaries, other remuneration and social security costs by country and among Board members, etc. and other employees

2001 (12 months)	Board of Directors and President	Other employees
Sweden	19	596
Belgium	2	110
Brazil	0	5
Denmark	0	2
France	1	55
India	0	8
Italy	0	47
Netherlands	0	4
Norway	1	3
Poland	0	4
Portugal	0	3
Singapore	1	1
Spain	0	5
UK	4	30
Germany	2	131
USA	5	130
Austria	0	1
Total	35	1,135

Remuneration to senior executives

Board of Directors

Annual fee to Chairman of the Board	SEK	300,000
Annual fee for each Board member elected by the Annual General Meeting	SEK	150,000

Chief Executive Officer/President

Salary for July 1 – December 31	SEK	1,152,000
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The President is covered by a bonus system that could result in a maximum payment of 35% of his basic salary.

As of age 65 and in accordance with the stipulations of the ITP plan, the President will receive a pension from Alecta and SPP that will also cover salary portions exceeding 30 base amounts. According to a special undertaking, both the President and the Company are entitled, once the President has reached the age of 60, to terminate the employment agreement. For this purpose, the Company has arranged a pension insurance scheme for which premiums amount to 10% of the President's annual salary up to age 50. Between age 51 and 60, the premium will be 15%.

The period of employment-termination notice is one year if served by the Company and six months if served by the President. In the event that 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 Corporate Management

Other members of Corporate Management are covered by a bonus system that could result in a maximum payment of 30 or 35% of their basic salary.

Other members of Corporate 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 Corporate Management is six months.

In the event that the employment-termination notice is served by the Company, the sum total of salary during the period of notice, severance pay and corresponding benefits will be paid for 12 up to a maximum of 18 months, and may also be extended for a further limited period, up to a maximum of 24 months.

27. AUDITORS' FEES AND REMUNERATION

	GROUP	PARENT COMPANY
	Dec 31, 2001	Dec 31, 2001
Öhrlings PricewaterhouseCoopers		
Audit assignments	3	0
Other assignments	1	1
Ernst & Young		
Audit assignments	2	-
Other assignments	3	-
Total	9	1

Audit Report

To the Annual General Meeting of the shareholders of Sydsvenska Kemi AB (publ)
Corporate identity number 556602-2769

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Sydsvenska Kemi AB (publ) for the financial year extending from December 12, 2000 through December 31, 2001. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I 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 President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I 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 President. I also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and thereby give a true and fair picture of the Company's and the Group's financial position and results in accordance with generally accepted accounting principles in Sweden.

I recommend that the General Meeting of shareholders adopt the income statements and balance sheets of the Parent Company and the Group, that the profits for the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors, and that the members of the Board and the President be discharged from liability for the financial year.

Stockholm, March 28, 2002

Michael Bengtsson
Authorized Public Accountant

Board of Directors and Auditor



**Hans Larsson,
Chairman of the Board**
Born: 1942.
Chairman since 2001.
Other Board assignments:
Chairman of Nobia AB,
Biolight International AB and
Carema AB.
Board member of Bilia AB,
Svenska Handelsbanken AB,
Holmen AB and Pergo AB.



Stig Gustavson
Born: 1945.
President and Chief Executive Officer,
KCI Konecranes Abp.
Board member since 2001.
Other Board assignments: Chairman of
Hackman Abp, Chairman of Dynea
International, Deputy Chairman of
Dynea Oy. Board member of Enskilda
Securities AB, Helvar - Merca AB, KCI
Konecranes Abp, and Confederation of
Finnish Engineering Industries.



Fredrik Arp
Born: 1953.
President and Chief Execu-
tive Officer, Trelleborg AB.
Board member since 2001.
Other Board assignments:
Board member of Trelleborg
AB and Getinge AB.



Stefan Linder
Born: 1968.
Vice President, Industri Kapital AB.
Board member since 2001.
Other Board assignments:
Board member of Oriflame International
S.A. and Addtek International Oy AB.
Deputy Board member of Intrum
Justitia AB.



Christer Gardell
Born: 1960.
Partner, Amaranth Capital.
Board member since 2001.
Other Board assignments:
Chairman of Perbio
Science AB and Pergo AB.
Board member of Bilia AB.



Michael Rosenlew
Born: 1959.
Executive Vice President, Industri
Kapital AB.
Board member since 2001.
Other Board assignments: Board
member of Paroc Group Oy,
Enermet Group Oy, Dynea Oy,
CityLink AB, CPS Color Group Oy
and Addtek International Oy.

Board members and deputies elected by employees

Anitha Hermansson

Born: 1953.
Global Customer Service Manager.
Board member since 2001.

Lars Hansson

Born: 1952.
Technical adviser.
Deputy Board member since 2001.

Klas Jönsson

Born: 1971.
Project Manager.
Board member since 2001.

Annika Folkesson

Born: 1963.
Financial Controller.
Deputy Board member since 2001.

Auditor

Michael Bengtsson

Born: 1959.
Authorized Public Accountant.
Öhrlings PricewaterhouseCoopers.

Corporate Management



Lennart Holm
Born: 1960.
Chief Executive Officer.
Active in the Company since 2001.
Previously employed in Perstorp 2000.



Martin Lundin
Born: 1968.
Director, Human Resources & Communications.
Active in the Company since 2001.
Previously employed in Perstorp 1995-98.



Inge Pettersson
Born: 1947.
Chief Operations Officer.
Active in the Company since 2001.
Active in Neste Oxo since 1980.



Peter Karsberg
Born: 1965.
Director, Business Review & Improvements.
Active in the Company since 2001.
Active in Neste Oxo since 1991.



Claes Gard
Born: 1953.
Chief Financial Officer.
Active in the Company since 2001.

Business Area Managers

Lars Lind
Born: 1955.
BA Manager Chemical Intermediates.

Anders Lundin
Born: 1960.
BA Manager Engineering Materials.

Claes Lundström
Born: 1965.
BA Manager Perstorp Formox.

Bengt Sallmén
Born: 1951.
BA Manager Coating Intermediates.

Paul Österberg
Born: 1957.
BA Manager Performance Chemicals.

Business Process Managers

John Ekström
Born: 1962.
BP Manager Sales & Delivery, (markets outside NAFTA).

Lars-Peter Lindfors
Born: 1964.
BP Manager New Offerings.

David Wolf
Born: 1956.
BP Manager Sales & Delivery, (NAFTA). President Perstorp Polyols Inc.

Glossary

AMINO PLASTIC

A thermoset plastic based on a melamine and/or urea formaldehyde resin, normally with a cellulose filler.

BASIC POLYOLS

See polyols.

BOARD

Layers of particleboard.

CARBON-FIBER PREPREGS

A composite material manufactured through a combination of high-performance reinforcing fibers, a textile and a thermoset or thermoplastic resin. After high-temperature and high-pressure hardening, excellent structural properties are achieved.

CARBON-FIBER-REINFORCED COMPOSITE MATERIALS

See composites.

CATALYST

An active substance in a chemical process that is not actually consumed.

COMPOSITE

Material or product comprising several different components, such as fiber reinforced plastic, designed to provide specific product properties.

COMPOUNDS

See thermoset.

DENDRITIC POLYMER

Hyperbranched polymer that has unique physical and mechanical properties.

DI-PENTA

A hexavalent polyol whose applications include radiation-curing systems, alkyd paints, synthetic lubricants, fire-protection systems and environment-friendly PVC stabilizers.

FORMALIN (formaldehyde)

Aqueous solution of formaldehyde that is used as a basic component in the chemical industry, primarily in production of plastics and glues.

FORMATE

A product extracted during the production of polyols and used, for example, as a raw material for formic acid.

FORMIC ACID

An organic acid used to preserve green fodder and other substances.

GLASS-FIBER-REINFORCED COMPOSITE MATERIALS

See composites.

INTERMEDIATE

An intermediate chemical product.

MOLDING COMPOUNDS

Thermosetting raw material which, after molding, provides products with good mechanical and electrical properties.

OLEFINE PRODUCTS

Generally, polyethylene and polypropylene plastics.

PENTAERYTHRITOL

A quadrivalent polyol used in the production of alkyd paints, explosives and synthetic lubricants, etc.

PHENOLIC PLASTIC

Heat-resistant thermoset plastic produced from phenol and formaldehyde resin. Used in heat and electrical insulation products and components in engineering industries.

POLYMER

A (usually organic) chemical compound composed of many identical or similar basic molecules, used in plastics, paints, fibers, etc.

POLYOL (polyalcohol)

A polyfunctional alcohol.

RESIN

The part of plastics and paints that binds fillers, pigments, etc., to give products such characteristic properties as gloss, strength and chemical resistance.

SILAGE

Additive used for the preservation of green feed.

SPECIALTY POLYOLS

Polyols that also contain other functional groups, such as acids.

SUPERPLASTICIZERS

Reduce water requirements and improve workability of cement, concrete and gypsum.

THERMOSET

Plastic that receives its final chemical structure at the molding stage, which includes tempering.

Production
Photography
Translation
Typesetting, reproduction and printing
Typeface
Paper
Cover

Rahmberg Relation AB, Perstorp Corporate Communications
Roland Calvén among others
The Bugli Company
Ljungbergs Tryckeri, Klippan
Times, Gill Sans
115 g Magno Matt
250 g Magno Star

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