Perstorp 2012

Annual & Social Responsibility Report

Perstorp

WINNING FORMULAS

Facts about Perstorp

GLOBAL

Perstorp is a world leading specialty chemicals Group with more than 1,500 employees and manufacturing units in Asia, Europe and North America. Sales in 2012 amounted to SEK 10,528 m. The Perstorp Group has been controlled by the French private equity fund PAI partners since 2005.

EVERYWHERE

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

SOLUTION PROVIDER

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

SUSTAINABLE

Perstorp believes in improving everyday life – making it safer, more convenient, more fun, and more environmentally sound for millions of people all over the world. This is achieved through innovative chemistry which maximizes performance and minimizes environmental impact at the same time. Approximately 80% of all innovation efforts endorse sustainable responsibility.

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

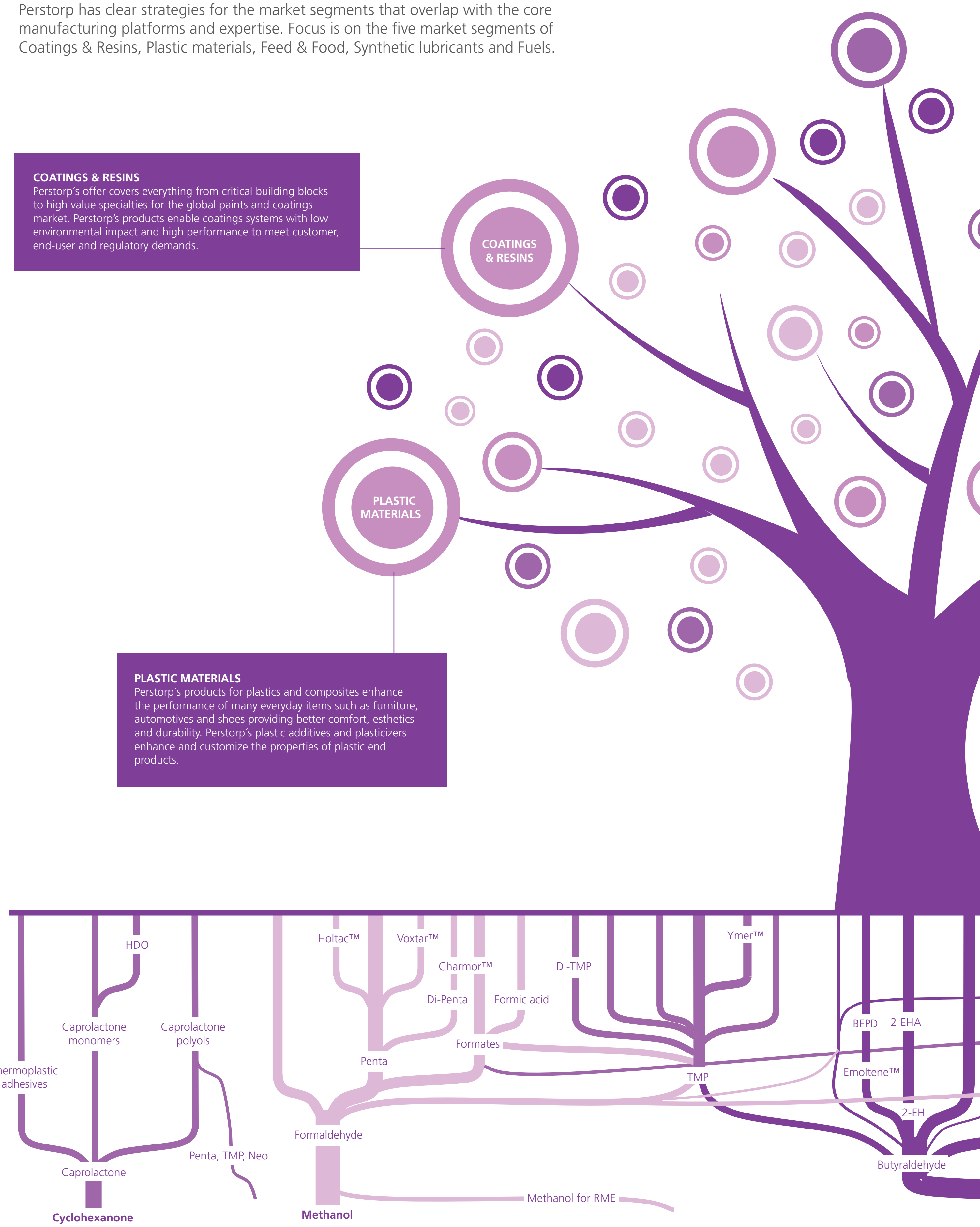
Perstorp´s offer

Market segments in focus

Perstorp has clear strategies for the market segments that overlap with the core manufacturing platforms and expertise. Focus is on the five market segments of Coatings & Resins, Plastic materials, Feed & Food, Synthetic lubricants and Fuels.

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

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



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

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

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

Operational leadership is the target

Perstorp works with five different manufacturing platforms: oxo products, polyalcohols, isophthalic acid, caprolactones and RME (Rapeseed Methyl Ester). Perstorp´s uniqueness stems from having such complex, developed production trees; this complexity leads to competitive advantages regarding cost, flexibility and new product development.

A year in review

KEY FIGURES IN SUMMARY

	2012	2011
Net sales	10,528	10,641
Operating earnings before depreciation (EBITDA)	1,401	1,484
EBITDA adjusted for non-recurring items	1,311	1,519
% of net sales	12.5	14.3
Working capital, average	1,278	1,328
Turnover rate, working capital	12.1	12.5
Cash flow from operating activities	692	1,132
Investments excl. acquisitions	503	368
Capital employed, average	12,071	13,667
Net debt, incl. pensions, excl. Parent Company loan, end of the year [1)]	9,111	10,355

1) Including discontinued operations

Q1

The beginning of 2012 was characterized by a significant pick-up in demand, following 2011's soft end. Strategic investment projects continued their progression, most notably the investment in a new production plant for Valeraldehyde and its derivatives and a new Neo plant in China.

Q2

During Q2 volumes were supported by the seasonality of the coatings markets. Perstorp and Thailand's largest chemical producer, PTT Global Chemical, finalized a joint venture, dedicated to the manufacturing and sales of aromatic and aliphatic isocyanates, serving the polyurethane industry.

Q3

The underlying market confidence was noticeably lower during Q3, driven by concern about economic developments, primarily in Europe. The Group's new organizational set-up with greater focus on regional sales and marketing, launched in Q2, was now really put into action.

Q4

In Q4, Perstorp successfully completed an issue of senior secured and second lien notes to refinance its existing senior debt in full and partly refinance its mezzanine debt facilities. The notes are listed on the Luxembourg Stock Exchange as of November 15, 2012.

IMPORTANT EVENTS

Full year sales for the Perstorp Group's continuing operations, amounted to SEK 10,528 m, slightly lower than in 2011. Operating earnings before depreciation and amortization (EBITDA) relating to continuing operations were SEK 1,401 m (1,484). Excluding items affecting comparability, the corresponding figure was SEK 1,311 m (1,519).

At the end of May 2012, Perstorp and Thailand's largest chemical producer, PTT Global Chemical, finalized a joint venture, dedicated to the manufacturing and sales of aromatic and aliphatic isocyanates, serving the polyurethane industry. Perstorp owns 49% of the joint venture.

In November, Perstorp successfully completed an issue of senior secured and second lien notes to refinance its existing senior debt in full and partly refinance its mezzanine debt facilities. The notes are listed on the Luxembourg Stock Exchange as of November 15, 2012.

In December, Perstorp's Board of Directors decided to transfer Perstorp's Singapore legal units (isophthalic acid operations) to Financiére Forêt S.á r.l., parent company to Perstorp Holding AB (publ.), as a consequence of the recent refinancing process. The financial results for this operation are consequently from January to December 2012, reported within discontinued operations.

Strategic investment projects are progressing according to plan, most notably the investment in a new production plant in Sweden for valeraldehyde and its derivatives 2-PH and DPHP, and an expansion of the Group's Neo production with a new plant in China, with the latter expected to start up in the second half 2013.

After the financial year of 2012, end of March 2013, Perstorp sold its formaldehyde technology and catalyst business, Formox, to Johnson Matthey. The Group's year-end accounts includes the Formox figures.

PERSTORP'S ORGANIZATION

CEO
Martin Lundin

Specialty Intermediates
Deputy CEO Mats Persson

Performance Products
Anders Lundin

Finance, Legal & IT
Johan Malmqvist

Sales & Customer Service
Mikael Gedin

HR & Communications
Joan Pennington

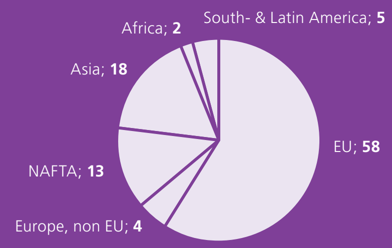
Innovation, Strategy & Market Development
Eric Appelman

EHSQ
Ad Vos*

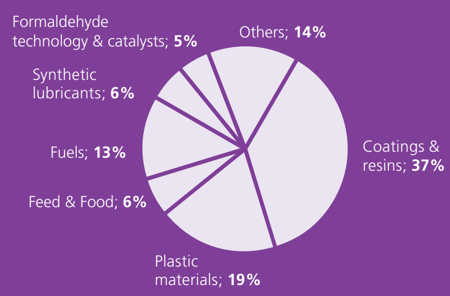
Supply Chain
Mikael Ekblad**

* As of August, 2013. Not represented in Perstorp Management Team, reporting to Deputy CEO Mats Persson
** Not represented in Perstorp Management Team, reporting to Deputy CEO Mats Persson

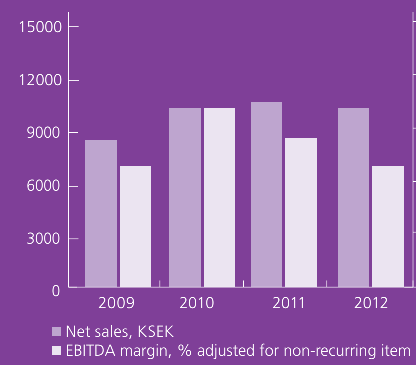
NET SALES PER GEOGRAPHIC MARKET
(continuing operations)



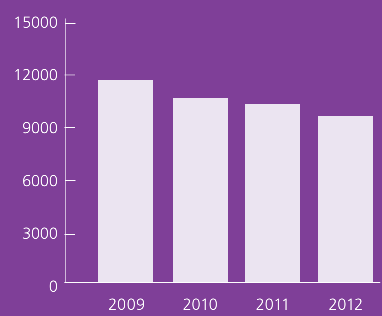
EXTERNAL SALES PER MARKET SEGMENT
(continuing operations)



NET SALES & EBITDA MARGIN
(continuing operations)



NET DEBT EXCL. SHAREHOLDER LOANS



PRESIDENT'S COMMENTS



PERSTORP IN THE INDUSTRY

Our year is defined by two major events that amplify the vitality of Perstorp's strategic business model and its strength in the global space of specialty niche chemicals. During the first half of the year, we finalized the divestment of our coating additive business and the subsequent formation of Vencorex, a joint venture with major Asian industry player PTT Global Chemical.

In the last quarter, we successfully completed a partial refinancing with the issuance of three tranches of notes, raising USD 1,089 million equivalent of gross proceeds. This provides us with a long-term financial solution and allows us to intensify our focus on delivering against our strategic business plan.

2012 IN REVIEW

The year's performance overall is a direct reflection of the trends in global economic contraction, especially as it pertains to Europe. Our performance during the year was most notably impacted by adverse currency effects as well as the costs associated with a major planned maintenance shutdown during the fourth quarter at our Oxo facility in Sweden. This shutdown occurs every three years.

Our results for the year's continued operations include:

- A 1% decline in group sales at SEK 10,528 million
- An EBITDA margin development of 13.5 %
- Build-up of working capital, mainly inventory, closing the year at 11% of sales
- Healthy operational cash flow

Key events of Perstorp's 2012 year include:

- Finalizing the divestment of the coating additive business and formation of Vencorex with PTT Global Chemical of Thailand
- A partial refinancing with the successful issuance of three tranches of notes that secures a set capital structure for the next five years
- Completion of our new internal architecture with increased internationalization and a greater shift into emerging markets
- Entering the HDO market as an important component of the Caprolactone product tree
- Introducing ProPhorce™ SR, a novel feed additive that effectively regulates the digestive systems in livestock
- Perstorp's record-breaking year in safety and customer service, reaching new historical bests



MARKET SEGMENTS

The strategic step Perstorp took to redefine our approach to expansion and develop market segments has bolstered Perstorp's ability to optimize our competitive position in our chosen specialty niches. Our established processes and market expertise have enabled us to achieve productivity improvements on our core technical platforms as well as to advance exciting product innovations.

I am proud to highlight that this year we witnessed growth trends in several of Perstorp's strategic growth segments, including radiation curing, lubricants and feed blends.

SUSTAINABILITY

This year we also took a deeper dive into better understanding how we currently live our mission of sustainability and how we can further advance our environmental initiatives moving forward. With our pledge to develop innovative products that improve people's lives while safeguarding the environment, we are tireless in our efforts to improve our global carbon position.

Throughout 2012, we reviewed our current footprint on all of Perstorp's major product offerings to consider aspects such as efficient use of energy or reduction of waste water. I am proud to say that approximately 80% of all our innovation efforts endorse sustainable responsibility.

MOVING INTO 2013

The year ahead brings many significant opportunities to redefine our foothold in our select markets, especially as we seek to successfully leverage on growth opportunities outside of Europe.

We look forward to the completion of the Neo plant and its subsequent inauguration during the latter half of the year. We also highly anticipate the introduction of a couple of new innovative products that cater to the polymer industry and are expected to hit the market later in the year.

Our cadence has not slowed. We are poised to advance our organic growth possibilities while delivering on our strategic business plan and bringing us closer to being amongst the top three leading players in 85% of the markets we serve.

We look forward to a year of progress, innovation and growth.

Perstorp, April 2013

Martin Lundin
President and CEO

STRATEGY FOR THE FUTURE

The guiding star of Perstorp

Perstorp operates in a market that is both diverse and changing. Therefore it is imperative to have a clearly stated long-term goal, and a guiding star leading all employees in the same direction. Perstorp's vision, mission and values together make up this guiding star.

PERSTORP'S VISION IS

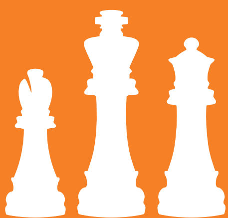
to contribute to a better, more sustainable world through innovative chemical solutions.

PERSTORP'S MISSION IS

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

PERSTORP'S CORE VALUES ARE

- Focused Innovation
- Reliability
- Responsibility



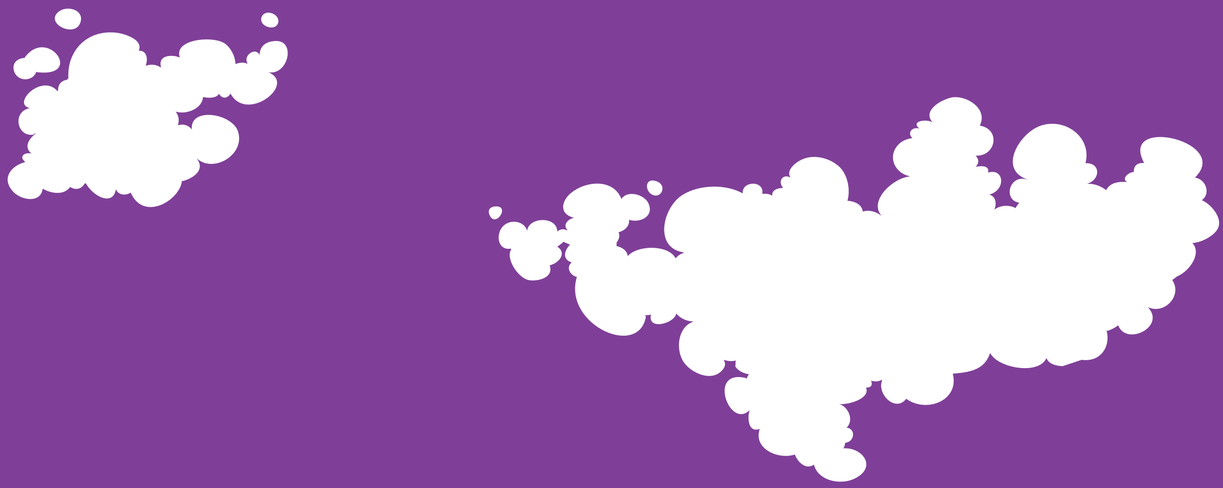
PERSTORP'S STRATEGY FOR THE FUTURE

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

STRATEGIES TAKEN INTO ACTION

- Invest in market niches where Perstorp is or can become leader, have a competitive advantage and can achieve attractive financial returns.
- Expand the specialty part of the portfolio, by greater innovation and focused sales & marketing efforts.
- Differentiate the semi-specialty part of the portfolio through distinct quality grades, tailored packaging & distribution and finding new applications.
- Ensure the solid market positioning and manufacturing excellence of building block chemicals, so they can continue being produced at the best possible quality and yield to support the growth of our differentiated specialty products.
- Maintain a balanced portfolio of products to limit the dependence on any one end market.
- Be at the forefront in the conversion to renewable raw material and the development of effective and environmentally sound production processes in order to provide sustainable solutions to our customers.

MARKET SEGMENTS



Market segments in focus

Perstorp has clear strategies for the market segments that overlap with the core manufacturing platforms and expertise. Focus is on the five market segments of Coatings & Resins, Plastic materials, Feed & Food, Synthetic lubricants and Fuels.

Coatings & Resins

Building blocks to coating success

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

POSITIONED FOR LONG-TERM GROWTH

The largest part of the €100 billion coatings market - decorative paints - has matured, characterized by consolidation particularly in Europe and North America showing modest growth. Perstorp is addressing this by focusing strongly, with our broad portfolio of products, on the companies that lead this globalization and consolidation trend.

Emerging markets are continuing to grow at around 10%, per annum, but mainly by replicating existing technologies rather than through novel chemistry. Perstorp has responded to this development by completely redefining its global sales organization. Six sales regions have been created and senior management moved from Sweden to the regions to ensure fast and tailored responses to the needs of the emerging markets.

Perstorp is particularly well placed to exploit several exciting growth sectors with innovative chemistry and a strong global organization in support. Added to which our deep application knowledge makes us a trusted and reliable partner to our customers. This has helped to position Perstorp as a core coating technology supplier around the world.

INNOVATION INCREASES COMPETITIVENESS

Our core manufacturing platforms of polyols (Penta, TMP and Neo), oxo (2-EHA and butanol) and caprolactones provide the basis from which we have developed a broad array of differentiated derivatives for the coatings and resins industry. The combination of leading manufacturing ability and application knowledge makes this hard for competition to follow.

Our leading technologies, such as Boltorn™, Capa™, Voxtar™, Charmor™, and Ymer™, provide unique functionalities to our customers and a strong platform for competitive differentiation and sustainable success. These technologies are particularly suited to the high-growth sub-segments of UV-curable coatings, polyurethane dispersions and low-solvent and water-borne coating resins.

APPLYING OUR SUCCESS

Perstorp's in-depth knowledge of applications and ability to work across the value chain has driven solution-focused innovation. Our coating & resin technology is applied in the most demanding and challenging coating systems within aerospace, automotive, railways and construction. Increasingly our technology is used in many fast growth radcure applications, such as digital printing, electronic equipment, tablets, mobile phones and flat screens.

The Boltorn™ range of dendrimeric polymers is well suited to producing resins with a very low viscosity relative to the molecular size. This allows customers to reduce the amount of solvents in paint or avoid it altogether without sacrificing key properties like abrasion resistance, toughness and impact resistance. During 2012 we have seen Boltorn™ P500 and 501 used in UV-curable paints to increase crosslink density for hardness and toughness, while reducing brittleness and removing solvents. Both Boltorn™ and Capa™ polycaprolactone technology achieve the same effect in high-solid polyurethane paints for top-end automotive finishes.

MAJOR INDUSTRIES SERVED

- Automotive
- Railway
- Aerospace
- Construction
- Electronic parts
- Maritime
- Printing inks
- Pre-coating wood

A WINNING FORMULA – HIGH PERFORMANCE WITH SUSTAINABILITY

Perstorp is well positioned for sustainability across the entire coatings & resin intermediates product range. Our technology products for radcure and PUD are widely accepted as sustainable products, because they use minimal energy, reduce or eliminate the need for solvents and replace toxic alternatives. A good example of Perstorp's commitment to high performance sustainable solutions is Voxtar™ our renewable pentaerythritol. Voxtar™ is a product that can immediately replace fossil fuel based alternatives to produce environmentally friendly paints, which at a stroke cut the carbon footprint by up to 75%.

2012: SECURING OUR STRATEGY FOR GROWTH

Although coating sales were broadly flat across Europe and North America (in line with market conditions), particularly pleasing was the double-digit growth in the UV curable and high-solids segments. We were able to align the Perstorp offer with the growth spots in coatings & resins to outgrow and outperform the market. This growth came from new customers outside Europe, helping to demonstrate the increasing effectiveness of our global organization. Growth in UV-curable coatings is still strongly driven by conversion of traditional technologies to UV-curable, for instance in digital printing. This makes it important to continue focusing on this segment to harvest the growth opportunities.

In UV curing the 14% growth came entirely from specialty products, like Capa™, and Boltorn™. In high-solids the 12.5% growth came from emerging markets, and of particular note was the success of Boltorn™ in top-end automotive clear coats. In the polyurethane dispersion target segment sales are already at the 2013 target level and growth in 2012 was driven by the success of Capa™ as well as strong development in Asian markets, namely China and India.

2013: PROGRESSIVELY STRENGTHENING OUR POSITION

2013 looks to be a continuation of 2012, with growth in the traditional decorative paint segment coming from the emerging markets, with Europe broadly flat. Our balanced global organization allows us to explore the opportunities to harvest the growth in this segment.

SUB-SEGMENTS

Perstorp has identified and works with a number of strategic sub-segments within the market segment of Coatings & Resins:

Acrylic monomers for paints
Decorative coatings
Fire protection
Industrial coatings
Liquid alkyd & polyester resins
Paint additives & crosslinkers
Polyurethane dispersions
Powder polyesters
Solvents for paint & coatings
UV-curable resins & monomers

{ hard rock }

Perstorp offers key building block products, such as Di-Penta, and high value specialty products with unique features, where we are often the leading global producer. These products are the result of focused innovation combined with a deep knowledge and understanding of applications.

Plastic materials

Improving health, safety and economic performance

Innovation is key to Perstorp's success in the plastic materials segment, which makes up around 25% of the Group's business. Our technology and knowledge are targeted at specialist niches that are making a real difference to people globally. Piping that secures clean water, cabling that brings safe electricity and packaging that protects food quality are just some of the areas where our innovative sustainable chemistry can be found today.

PERSTORP PLASTICS TECHNOLOGY CONTRIBUTES TO A BETTER WORLD

Emerging markets are experiencing fast economic growth and rising living standards. With that come demands for better health, safety and quality of life. Plastic materials play a fundamental role in satisfying those demands of billions of people around the world.

Perstorp is increasingly contributing to the raising of living standards in emerging markets through several specialist areas of PU, PVC and polyester plastics technology, creating high performance plastics that are safe and sustainable. Plastic materials, for example, are essential in securing access to safe and reliable utilities, such as water and electricity, and plastic packaging is helping to protect both the quality and lifespan of food. And plastics make lifestyle and aspirational products, from mobile phones to automobiles, more accessible and affordable.

INNOVATIVE CHEMISTRY. SUSTAINABLE FUTURE.

Sustainability and lowering energy consumption are important universal demands where plastic materials also play a vital role and provide good cost-efficient solutions. Today sustainable and low energy solutions complement performance, not compromise it. Perstorp's innovative chemistry for plastic materials focuses on delivering high performance and sustainability. Whether it is to boost the lifetime of products, provide renewable alternatives, or replace toxic components our chemistry is making a real difference to people's lives around the world.

2-EHA – is the key component in specialty plasticizers frequently used in the plastic foil for laminated safety glass typically used for automotive windscreens and office windows to protect and hold the glass together when shattered by a stone or object

DYNAMIC DEVELOPMENT WITH NEW OPPORTUNITIES

China's dynamic GDP growth has so far created a huge demand for leisure and automotive products, where Perstorp is well placed with matching advanced technology, unique chemistry and resources to fully capitalize on the fast growth plastic segments and applications. In general global population growth, safety concerns and rising living standards are driving the increased demand for plastics. This is opening up markets and new opportunities for Perstorp, such as the development of new polymer products for the food packaging market. Our three main specialist plastic materials niches are in elastomers, plasticizers and plastic additives.

ELASTOMER – CAPA™ CAPTURING NEW MARKET SUCCESS

Perstorp is the world's largest producer of capralactones. Our highly versatile Capa™ polyols for elastomers deliver exceptional flexibility and durability, which prolong product lifetimes, and provide more sustainable solutions. Capa™ technology is designed to add outstanding performance properties, such as durability, UV resistance, low viscosity, excellent flexibility and consistency across a broad spectrum of applications - sports footwear, printing rollers, automotive bumpers, gaskets and seals.

In particular Capa™ is achieving major success in the making of biodegradable films and plastics used for food packaging. This is a fast growth business, especially in the more developed regions (EU and NAFTA), where the focus is on improving waste handling and energy recovery. Capa™ thermoplastics continued success in the premium shoe segment saw strong growth in 2012.

PLASTICIZERS – EMOLTENE™ 100 SWITCHES UP THE VOLUME

Plasticizers act to soften PVC and add flexibility to automotive foils, cables, roofing materials, tarpaulins and similar applications. High quality plasticizers, such as our Emoltene™ 100, provide improved weather resistance and UV stability and a roboust alternative solution to DEHP that is being phased out due to health and safety concerns. Perstorp has successfully helped customers, during 2012, to make the switch from DEHP in order to comply with stringent European regulations.

The switch from DEHP has substantially increased the volume demand for Emoltene™ 100, since PVC contains 30-50% plasticizers. This has been the driver for further investment in our Stenungsund production facility.

PLASTIC ADDITIVES - SUSTAINABLE & SAFE SOLUTIONS

Holtac™, our lead free stabilizer for PVC calcium zinc heat stabilizer systems, has continued to grow during 2012. It is the perfect replacement for lead based stabilizers, since it does not compromise performance, yet provides a more sustainable and safer solution.

Another important product in our plastic additive range is Charmor™ PP100, which facilitates halogen-free intumescent systems that meet demands for non-flammable, lower smoke release, non-dripping plastic and non-toxic fumes. A recent area of success for Charmor™ PP100 has been in plastic protection panels on subway trains.

Emoltene™ 100 a versatile, safe and sustainable plasticizer designed to replace plasticizers without compromising performance.

Perstorp´s Akestra™ makes it possible to replace less sustainable technologies for thermoplastics

TODAY & TOMORROW

- During 2012 Perstorp helped all of its customers using DEHP plasticizers, who need authorization from 2015 to comply with REACH legislation, to switch to the sustainable and safe Emoltene™100 plasticizer.
- The year also saw a strengthening of the Perstorp team in Asia to support the development and fast growth in premium plastics.
- Capa™ is growing successfully in biodegradable plastics within applications such as packaging and agricultural plastics. Capa´s™ superior compostability makes it highly suitable for many applications and usages.
- A new plasticizer for sensitive indoor applications, will be launched as a complement to Emoltene™ 100.
- Capa™ Thermoplastic's unique technology is opening up new opportunities in areas with good and sustainable demand, such as medical devices, toys and hot-melt adhesives. These opportunities are being actively converted and are helping to support and fuel the strong growth in demand for Capa™.

SUB-SEGMENTS

Perstorp has identified and works with a number of strategic sub-segments within the market segment of Plastic materials:

PET
Plasticizers
Polymer additives
Polyurethane elastomers
Polyurethane foam
Thermoplastic materials
Unsaturated polyesters

Feed & Food

You are what you eat

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

SUSTAINABLE SOLUTIONS WILL FEED SUSTAINABLE GROWTH

The global organic acid market for acidifiers for feed applications is growing at between 4-6% per annum. Most of this current growth is concentrated in the emerging markets of Asia, Russia and South America, where the demand for protein, self-sufficiency and safe food - free from antibiotics - is driving it. With a rapidly increasing world population sustainable agriculture and aquaculture systems and methods are needed to support the increasing demand for food and to maximize the economic benefit from everything that is produced. Perstorp is at the forefront of developing innovative, productive and sustainable feed solutions, which we see as the springboard to our global growth in this market segment in the future.

FULLY INTEGRATED PRODUCER AND BLENDER OF FEED ADDITIVES

Perstorp has a growing market share in feed additives business. We are well positioned for future growth as one of the few feed & food additive companies that is fully integrated. This is particularly important when supplying professional feed mills, and supporting the growing industrialization of farms, not just in Europe but in emerging markets too. Having the expertise to produce and blend creates a shorter and more cost-effective value chain for feed mills.

Our 50 years of experience in producing and blending feed additives makes us an attractive partner and advisor to feed mills, farmers and to legislative bodies concerned with feed legislation. This accumulated knowledge and expertise combined with our research facilities allows us to be innovative, flexible and reliable in solving our customers' challenges wherever they are located.

BOOSTING PERFORMANCE, PRESERVING QUALITY, SAFEGUARDING HEALTH

Preserving feed is vital to ensure valuable and sometimes scarce resources are not wasted, and that productivity is optimized. A significant amount of feed today is destroyed because of mold and ageing, so it is important to protect the raw materials, such as silage, with more sustainable solutions. In emerging markets it is estimated that up to 40% of crops are lost post-harvesting, so reduction in waste is a growing concern in these markets, and here Perstorp is well positioned to help.

Perstorp is a leading provider of safe sustainable solutions, which boost performance, safeguard health and preserve the quality of feed and food. Our science and technology is designed to maximize the benefit to farmers, animals, consumers and society in general. One key example, where we are making a real difference to health and safety in the food chain, is in the replacement of antibiotics with high quality anti-bacterial and nutritional additives. The transfer of antibiotics through the food chain is increasingly causing concern due to the potential of antibiotic resistance in humans.

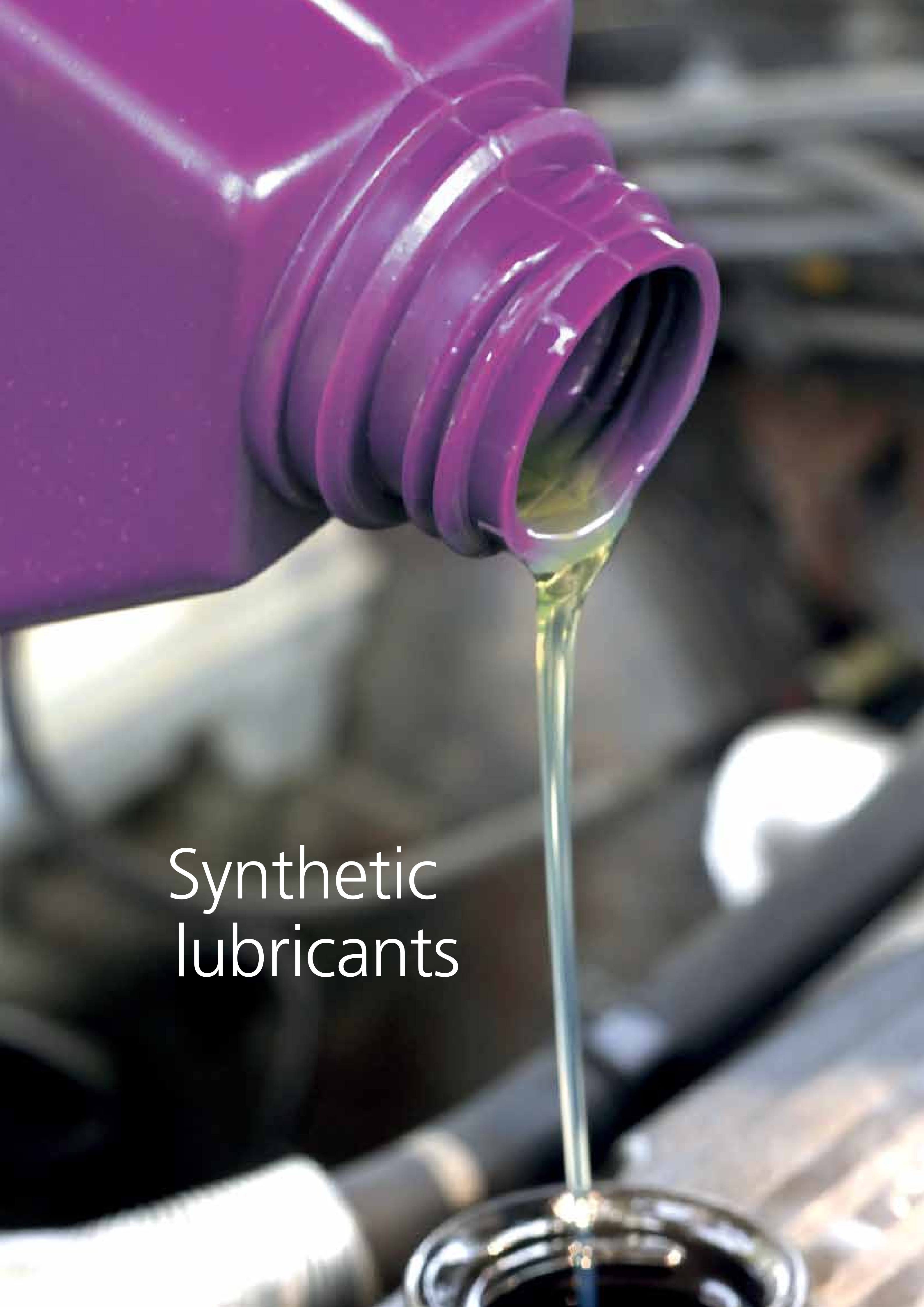
A COMPLETE PORTFOLIO OF INNOVATIVE, SAFE AND RELIABLE PRODUCTS

Our nutritional additives are derived from essential raw materials produced by Perstorp: propionic acid for preservatives, formic acid as acidifiers and antibacterial agents in feed stimulating the digestion process. The primary purpose of our nutritional additives is to maintain and increase the value of feed, and protect animal health and welfare. This is achieved through:

- Feed acidification
- Inhibition of specific pathogenic bacteria, such as Salmonella and E.coli
- Feed preservation and mycotoxin binding
- Prolonging shelf life of fats and oils
- Optimizing the silage process
- Improving the digestibility of feed

FOCUS ON EMERGING GROWTH

Nutritional additives, which represent the highest growth potential in Feed & Food, grew by over 15% in 2012, underlining Perstorp's strength in this product category going forwards. 2012 also saw the successful launch of ProPhorce™SR, an innovative product range that promotes gut health. ProPhorce™SR has no pungent odor making it easy to work with, and more effective in the application. We also increased our presence in emerging markets, which will be further strengthened in 2013 to take advantage of the continued growth in these countries. This is also designed to give us a better and more balanced global footprint, so that we can capitalize on growth trends and increase our market share.



Synthetic lubricants

Strategically positioned to maintain momentum

Synthetic lubricants are an important and growing market segment for Perstorp, where today our complete portfolio of intermediate products makes us an important strategic supplier. The unrivalled benefits of synthetic lubricants over petroleum lubricants, in environmental, safety and performance terms, make this a niche segment set for continued future growth.

INCREASING GLOBAL DEMAND AND APPLICATIONS

The increasing demand for synthetic lubricants is based on their ability to offer longer service intervals, less energy consumption and better biodegradability. Environmentally this also extends to the replacement of CFC's in refrigeration equipment. Quality is often critical in selection as they are used in many high performance and challenging environments. Perstorp's strategic importance in this segment is as a supplier of key intermediates used in synthetic lubricant manufacturing.

A COMPLETE PORTFOLIO OFFERING SUPERIOR PERFORMANCE

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

TODAY & TOMORROW

Lubricants overall showed continuous growth recording a 19% between 2010-2012, and 7.9% from 2011-2012. Particularly strong was the growth in Penta and Di-Penta sales, which showed a 37% and 57.6% growth respectively over the two-year period. The main applications were in refrigerant compressor and aviation oils.

While industries such as aviation and home appliances can fluctuate significantly year-on-year, depending on the status of the world economy, the need for environmentally sustainable solutions will in all likelihood continue to grow. Perstorp's challenge moving forward is therefore to maintain its leading global position in the synthetic lubricants segment by continuing to offer a wide range of high quality products through a global presence and availability.

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

Fuels

Better fuel, better environment, better future

Scandinavia is widely recognized as the most environmentally advanced region in the world, with sustainable solutions forming a natural part of people's daily lives. It is no surprise that Sweden is at the forefront of the development of renewable fuels. Perstorp is the largest supplier of renewable fuels made from rapeseed oil (RME) in Scandinavia.

DRIVING A SUSTAINABLE DIFFERENCE

Biodiesels represent a good alternative to fossil fuels, both from a sustainable perspective and as high quality transport fuel. They are the best fuel option if you want to make a substantial environmental difference using heavy vehicles. That is the principle that has guided the development of the innovative Verdis Polaris™ B100 biodiesel successfully launched by Perstorp in 2012.

NATURAL GROWTH

Perstorp's state-of-the-art biodiesel plant, situated in Stenungsund, Sweden, produces an RME (Rapeseed Methyl Ester) biodiesel, which is much more suited to colder climates than other vegetable oil based biodiesels. We supply two strongly growing markets today, blended petro-diesel (5%-7%) through service stations, and Verdis Polaris™ B100 (100% biodiesel) to buses and lorry fleets with in-house diesel tanks and pumps. A bi-product of production of RME is a pure form of glycerine, which is environmentally friendly and used in the paint industry, anti-freeze and plastic applications.

VERDIS POLARIS™ IN POLE POSITION

Verdis Polaris™ B100 is a 100% pure biodiesel that can be used in diesel engines without any costly conversion. It is the best solution for vehicles and the environment in colder climates, with a minimum 55% reduction in CO_2 emissions. Since several truck engine manufacturers see the potential in pure biodiesel, Verdis Polaris™ has taken off across Sweden. It has proved to be very popular with municipalities, lorry fleets and paper mills. For example the city of Stockholm has recently converted a large part of its bus fleet to biodiesel.

TOWARDS A CLEANER AND GREENER FUTURE

Biodiesel sales were very good in 2012, with impressive market development after the launch of Verdis Polaris™. Last year also saw proposals for major changes in the legislation, both in Sweden and at EU level. Perstorp has actively given input into these proposals in order to ensure that focus is correctly put on achieving the best biodiesel environmental solutions going forward.

In anticipation of future legislation limiting the amount of biofuels derived from crops, Perstorp has advanced plans for developing a second generation of biofuels that is partially crop based. This will be launched in 2013. Perstorp's prime marketing target in 2013 is to fully develop the bus and truck market for Verdis Polaris™ B100. Further potential is also seen in using biodiesel as a green energy replacement for heating.

Other exciting developments are underway to produce green alternatives that can be used in normal petrol engines without modifications. As we say: "the future is bright, the future is green".

SOCIAL RESPONSIBILITY REPORT

Responsible business

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

When talking about sustainability in business, we are often referring to environmental work. In Perstorp's case, an important part of the business concept is to produce sustainable products, to increase use of renewable resources, and to develop as effective and safe processes as possible. To Perstorp the sustainability concept is larger than this; it is founded on three important aspects: taking care of the environment, of society around it, and the people employed without neglecting the economic objectives.

Responsibility is one of Perstorp's core values, and it permeates everything the company does. The overarching objective is to contribute to a sustainable development.

PERSTORP'S POLICIES

Perstorp's Code of Conduct is the most important policy document with respect to social responsibility. It covers four areas – Business Principles, Products & Environment, Working Conditions and Human Rights. Particular attention is paid to rules on competition law within the EU, as there is a lot of work going on in cooperation with competitors within the framework of the REACH legislation on chemicals.

In addition to the Code of Conduct, the Perstorp Group has a policy on the environment, health and safety, that determines how employees behave and act in a responsible way. These basic policies are published on www.perstorp.com.

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

MANAGEMENT SYSTEM

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

During 2012, two multisite certificates were issued to the Perstorp Group: one according to the ISO 9001 standard, including all ten production units; one according to the ISO 14001 standard including seven of the ten production units. In 2012 the production unit in Warrington was certified in accordance with OHSAS 18001 and the production unit in Perstorp was certified in accordance with ISO 50001 (energy management).

ACCOUNTING PRINCIPLES

The data on environment, health and safety for the calendar year 2012, has been collected via the Group's comprehensive databases. This consists of data reported to the authorities and data used in the company's internal checks. Units acquired or sold during 2012 are not included in the overall environmental results.

IMPORTANT EVENTS

At the sites in Toledo and Perstorp installations have been completed for minimizing the risk for dust explosion.

At the site in Perstorp several actions have been done for reducing the energy consumption. The energy consumption per ton of product produced has decreased with 5% in 2012

The site in Perstorp was successfully certified in accordance with the Standard ISO 50001: Energy Management.

At site Perstorp the Energy plant has operated under stable conditions making it possible to use bio fuels to a greater extent and thereby reduce the emission of fossil carbon dioxide.

At the site in Warrington the occupational health and safety work has been certified in accordance with OHSAS 18001.

Responsibility for employees and the workplace

At Perstorp, we take pride in nurturing, growing and developing our people so that they remain engaged and motivated and deliver outstanding results. We belive that everyone should have a safe workplace.

Perstorp's culture is underpinned by our three core values; **Focused Innovation**, **Reliability** and **Responsibility** these permeate everything that we do, from setting our Corporate Goals to defining our behaviors.

EMPLOYMENT AND EMPLOYMENT RELATIONSHIPS

Perstorp sets the standard by acting ethically and responsibly in all our dealings and has articulated the expectations of our employees in our Code of Conduct.

Also, included here is our policy on Whistle Blowing that allows employees to report any breaches that they notice without fear of reprisals either to their local manager, or in sensitive situations to the HR or Legal responsible persons.

The company enjoys good relationships with the unions represented at each of its locations and works constructively with them to get input, advice and approval on the company's future direction and developments, key appointments, changes to policies, etc.

DEVELOPMENT AND TRAINING IN THE WORKPLACE

THE PMD PROCESS (PERFORMANCE MANAGEMENT & DEVELOPMENT)

Perstorp focuses our people on doing the right things through an annual goal setting process, starting with the Perstorp Management Team setting the Corporate Goals for the year, in line with the business strategy. These goals are then cascaded down through the Business Groups and Functions to define what needs to be achieved in each area to deliver the overall result. The Corporate Goals are published on the intranet site with an explanation of what each means, and are tracked throughout the year.

Individual goals and targets are then established through the PMD process that kicks off in January and February each year. This is an opportunity for each employee, together with the manager, to review performance over the past year and determine goals and required development for the upcoming year. During these discussions as much attention is given to the behaviors and competencies of the individual, the "soft skills", as well as the "hard" results. In addition, career ambitions are discussed and taken into account.

This PMD process has been running for several years and is embedded in the organization. It is constantly being reviewed and enhanced, for example, a simpler and clearer explanation of the competencies and further training for all managers and employees, based upon experience and feedback from managers and employees.

ATTRACT AND RETAIN KEY TALENT

A key priority for Perstorp is to attract and retain key talent and skills within the organization. A lot of emphasis is put on identifying and developing talent and giving those individuals stretch assignments such as; dual roles, significant projects or international assignments.

An exciting new development is the creation of the Process Academy, a pilot program designed to educate young technicians and engineers in Perstorp's chemistry and core processes & methodologies. In addition, Perstorp is extending our leadership curriculum to cover all levels of leaders in the company.

EMPLOYEE SURVEY

Perstorp actively seeks feedback from the employees on a bi-annual basis through an employee survey. This was first conducted in 2007 and has been run subsequently in 2008, 2010 and 2012.

The company has established targets on Performance and Leadership Index that measure the overall performance and engagement of employees and has shown a positive trend of improvement. The results are taken seriously and a lot of time is invested in feeding back the results to individual managers and teams, creating and executing action plans. This has resulted in significant improvements over the years.

Examples of actions include appointment of junior managers to more closely manage and support employees, training of leaders to become more effective managers and preparation of employees and managers in how to respond to the survey results. More focus will be given to enhancing our Leadership capabilities and building on our strong foundation to make Perstorp a "great place to work".

Molecules are the heart of our business but the most important ones are the billions of molecules that happily organize themselves to form a number of very important people

THE PERSTORP HIGH SCHOOL

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

HEALTH & SAFETY AT WORK

TARGET FULFILMENT SAFETY

Perstorp's target for safety work during 2012 was:

- LTAR* <2 for employees
- LTAR* <5 for contractors

**LTAR= number of accidents causing more than one day of sick-leave – per million hours worked*

The number of accidents for employees resulting in absence was 6 (10). Perstorp was very close to attaining the LTAR target for 2012, the result was 2.2 (3.6). During 2012 the LTAR for contractors was registered for the first year. The result is not in line with the Group target and shows that preventive actions for the safety of our contractors must be reinforced. The cooperation with the contractor companies concerning safety will be improved during 2013.

	Result			Target
	2010	2011	2012	2013
LTAR employees	4.9	3.6	2.2	<2
LTAR contractors			12.8	<5

SAFETY FOUNDATION WITHIN THE PERSTORP PERFORMANCE SYSTEM (PPS)

The basis of the Perstorp Performance System is safety. The effort on this foundation has created awareness among all employees so that work is carried out in a safe environment.

The goal is to minimize risks in the workplace. As a result of PPS, more employees are involved in safety work such as the program on behavior-based safety, improved accident investigations, appropriate personal protective equipment, risk analyses, amongst other things. This work has contributed to a safer workplace and reduced number of Lost Time Accidents for employees from 10 in 2011 to 6 in 2012.

INTERNAL REPORTING OF ACCIDENTS, INCIDENTS & RISKS

The Perstorp Group is striving for greater openness about incidents, as a high reporting rate is important for accident and injury prevention.

The purpose of reporting is to learn from what has happened in order to carry out corrective and preventive action. Every employee can update the Group accidents, incidents and risks database. In 2012, 229 (237) accidents, 706 (566) incidents and 636 (677) risks were reported.

The causes of accidents are often divided into technical failures and human error. The Perstorp Group is running two programs, each one focusing on one of these causal components, behavior-based safety and process safety.

PROCESS FOR GRADING & MONITORING OF PROCESS SAFETY EVENTS

A process safety event is an accident or near-accident (an unplanned or uncontrolled event) resulting in a discharge of materials or energy from primary processing equipment. Events falling into this category are graded according to 12 different aspects to determine the severity of the accident.

During 2012, 271 (184) process safety events were assessed. Analyses of past events have resulted in a number of technical projects being initiated.

CHEMICAL PROCESSING

Chemicals used are risk-assessed and registered in internal records. The new labeling system CLP/GHS has been implemented for raw materials and products at all sites. The work to implement Exposure Scenarios and the Risk Management Measures according to REACH are ongoing at all EU sites.

TRAINING IN THE ENVIRONMENT, HEALTH & SAFETY

EHS training in 2012 comprised 16,739 (15,997) hours for in total 3,080 (2,614) participants. Inter alia the following training activities were conducted; at site Toledo an additional 49 safety coaches were trained as part of the Take Care program, at site Perstorp 50 operators were trained in conducting Job Safety Analysis and at site Bruchhausen all employees were trained on general EHS issues including the environmental aspects.

Environmental responsibility

Responsibility is one of Perstorp's core values and our over-arching objective is to contribute to a sustainable future. This can be achieved through environmental responsibility.

TARGET FULFILLMENT ENVIRONMENT

Perstorp's target for environmental work during 2012 was:

- Reduce both emissions and the environmental footprint compared with 2011.

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

KPI	2010	2011	2012
Energy consumption MWh/ton of product	1.49	1.53	1.44
Emissions of fossil-related ton CO2/ton of product	0.26	0.26	0.24
Amount of pollution (kg COD) in wastewater/ton of product	5.5	7.3	5.4

The relative change between 2011 and 2012 is calculated for each site separately and as a total for the Perstorp Group.

The environmental performance has improved during 2012 and compared with 2010 the environmental target is fulfilled for all three indicators.

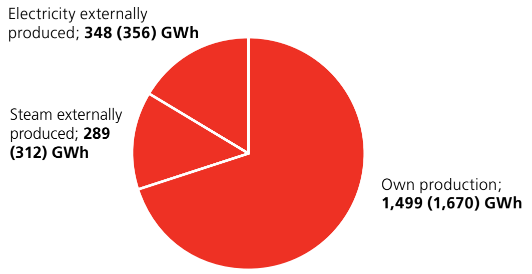
RESOURCES MANAGEMENT

ENERGY

- Total energy use: 2,136 (2,338) GWh
- Direct energy use: 1,499 (1,670) GWh
- Total energy use per ton of product: 1.44 (1.53) MWh per ton

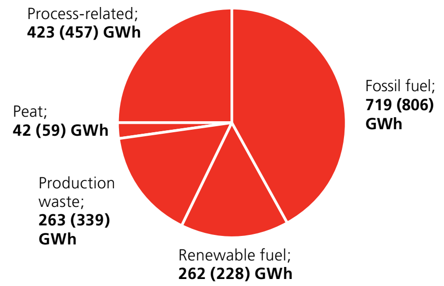
The Group's production site in Perstorp produced 695 (768) GWh of energy, of which 262 (228) GWh – 38% (30) – consisted of energy from renewable fuels. Perstorp's Swedish production units have supplied district heating to their respective municipalities in 2012, as well as steam to other companies within Perstorp Industrial Park at the Perstorp site. A total of 210 (218) GWh has been supplied.

ENERGY USE 2012



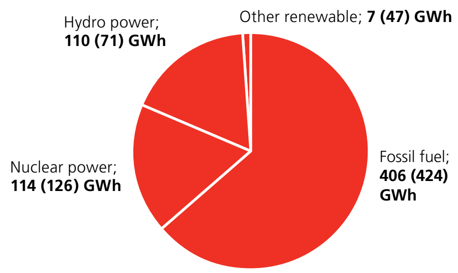
TOTAL 2,136 (2,338) GWh

OWN-PRODUCED ENERGY PER SOURCE



TOTAL 1,709 (1,888) GWh
ENERGY DELIVERED EXTERNALLY 210 (218) GWh
OWN USE 1,499 (1,670) GWh

PURCHASED ENERGY PER SOURCE



TOTAL 637 (668) GWh

Of the Group's self-produced energy 15% (12) comes from renewable fuel. Of externally-produced energy 18% (18) comes from renewable sources. In relative terms, the sites at Castellanza, Perstorp and Zibo have succeeded in reducing energy consumption. The Group's relative energy consumption per ton of product is unchanged from the previous year.

The Energy Management at site Perstorp has been certified in accordance with IS0 50001. For 2013 the plan is that all productions sites shall conduct an energy review in accordance with ISO 50001 with the purpose to identify further opportunities for improvement.

RAW MATERIALS & AUXILIARY CHEMICALS

- Total consumption of raw materials: 1,817 (1,877) kton

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

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

WATER

- Total water consumption: 22.9 (21.3) Mm^3

Of total consumption, 17.8 (15.2) Mm^3 was surface water, 3.6 (4.6) Mm^3 groundwater, 0.8 (0.8) Mm^3 municipal supply and 0.6 (0.6) Mm^3 supply from external sources. Of the total volume, about 19 Mm^3 was used as cooling water without being contaminated.

At the site in Warrington water consumption has been reduced by 20% in 2012, due to technical installations and continous use of the cooling tower and increased cycling of the cooling water.

IMPACT & EMISSIONS

EMISSIONS OF CARBON DIOXIDE

- Total CO_2 emissions: 453 (488) kton
- Direct CO_2 emissions: 364 (391) kton
- CO_2 from renewable fuels: 105 (88) kton
- Other greenhouse gases (N_2O, CFCs): <10 kton CO_2 equivalent

A significant part of Perstorp's climate impact is caused by direct emissions of carbon dioxide from burning fossil fuels, and indirectly through the consumption of purchased electricity and steam. The emission of fossil carbon dioxide has been reduced by 10% for the Group, inter alia due to increased usage of renewable fuels. At site Perstorp the Energy plant has operated under stable conditions making it possible to use bio fuels to a greater extent and thereby reduce the emission of fossil carbon dioxide.

EMISSIONS OF OZONE-DEPLETING SUBSTANCES

The total quantity of ozone-depleting substances used was 2.9 (2.1) tons. The leakage rate in 2012 was approximately 250 (150) kg's, or 8.7% (7) of the quantity used.

OTHER AIR EMISSIONS

- VOC: 159 (186) tons
- Sulphur dioxide: 46 (149) tons
- Nitrogen oxides: 225 (329) tons

Perstorp's emissions of volatile hydrocarbons (VOC) are process-related and the emissions mainly comprise dimethyl ether, propene, methanol and other organic hydrocarbons.

Perstorp's emissions of sulphur dioxide and nitrogen oxides come primarily from the Group's power plants. The reduced emissions are due to a temporary shut-down of some processes.

WASTE

- Total waste: 57 (55) kton
- Hazardous waste: 41 (41) kton
- Non-hazardous waste: 16 (14) kton
- Total amount of waste per ton of product: 39 (36) kg/ton of product
- Total amount of waste per ton of product put to landfill: 6.3 (5.5) kg/ton of product

Certain waste is recycled internally for energy recovery within the Perstorp Group, for example, 6,030 (7,380) tons of return methanol at the Perstorp site and 17,840 (17,350) tons of reaction mother lye at Bruchhausen. By recycling them as an energy source, the need for fossil fuels is reduced.

WATERBORNE POLLUTANTS

- COD before treatment: 8,000 (11,200) tons

Perstorp's generation of waterborne pollutants has decreased in 2012. At the sites in Singapore, Perstorp and Stenungsund, emissions are purified in internal wastewater treatment plants. The sites at Perstorp, Singapore and Toledo are the biggest emitters of waterborne pollutants within the Perstorp Group.

At site Perstorp the waste water treatment plant has operated under stable conditions with improved efficiency. The amount of waterborne pollutants emitted to the recipient has been reduced by approximately 10%.

SOIL AND GROUND WATER

At the site in Perstorp, Sweden a national project regarding soil contamination was initiated in 2010, aimed at a classification of industry land into different categories (MIFO). At Perstorp Industrial park the classification has been done and during 2012 investigations continued with, inter alia, a major examination on fish, water quality and ground water for one area. The results will be reviewed together with the relevant authority.

ENVIRONMENTAL ACCIDENTS

Environmental accidents are unplanned and sudden events that give rise to emissions affecting the environment outside the plant area. In 2012 there were 3 (1) such incidents. Two of these incidents resulted in emissions into the atmosphere and the third event caused a discharge of liquid to soil, which to a minor extent had to be excavated.

GREEN IT

The Green IT ambitions continue to contribute to the overall sustainability. Travelling is avoided when possible or complemented by the continuously increasing utilization of communication tools. The average energy consumption per server is steadily decreasing while capacity grows and several initiatives have started to show results:

- By investing in sustainable ground cooling for the main data center, Perstorp creates redundancy and improved stability while saving up to 85% of the cooling energy consumption.
- The local network renewal has generated a much better result than targeted: The estimated savings of between 25% and 50% have actually resulted in almost 75% (a reduction of 400kWh/day).
- Work has begun on finding opportunities for PC energy savings.

Costs of EHS work

ENVIRONMENTAL & WORKING ENVIRONMENT COSTS

In 2012, the Group's environmental and working environment-related costs amounted to SEK 74.8 (82.3) million, corresponding to 0.7% (0.8) of Group sales.

Costs for waste disposal amounted to SEK 11.3 (13.6) million. During the year, the Group spent approximately SEK 28.1 (32.7) million on wastewater treatment and around SEK 27.6 (27.7) million on environmental administration. These administrative costs include costs for environmental staff, maintenance of environmental management systems and external consultancy.

ENVIRONMENTAL LIABILITIES

Perstorp's financial reporting is based on the "going concern" principle, which is reflected in how environmental liabilities are reported.

The Group follows verdicts handed down by the authorities while acting proactively to prevent environmental impacts and reactively in the event of an environmental disturbance.

INVESTMENTS IN ENVIRONMENT, HEALTH & SAFETY

Total investments in the environment, health and safety amounted to SEK 81.2 (66.3) million in 2012. This equates to 16% (18) of the Group's total investments.

The most extensive investments during the year have been the installation of new flue gas cleaning at the Perstorp site's steam power plant, improved handling of powder material at the sites in Toledo and Perstorp to minimize the risk for dust explosion. At the site in Stenungsund a thorough review of safety valves was conducted.

INVESTMENTS IN ENVIRONMENT, HEALTH & SAFETY

MSEK	2011	2012
Safety and fire protection	16	46
Working environment	4.5	8.5
External environment	45.8	26.7
Total investments	**66.3**	**81.2**
% of Perstorp's total investments	18.0	16.0

ENVIRONMENTAL COSTS

MSEK	2011	2012
Waste water	32.7	28.1
Hazardous waste	9.8	8.2
Other waste	3.8	3.1
Administration	27.7	27.6
Fees to authorities	4.7	4.3
Other, EHS related	3.6	3.5
Total costs	**82.3**	**74.8**
% of net sales	0.8	0.7

Responsible relationships

Perstorp is constantly working to establish long-term relationships with the different external stakeholders the Group interacts with – from suppliers to customers as well as the society.

SUSTAINABLE DEVELOPMENT

THE CARBON FOOTPRINT OF PRODUCTS

As a company it is important to be aware of the environmental performance of our products. Perstorp accomplished life cycle assessments (LCA) as early as 1996 for Pentaerythritol (Penta) and formaldehyde.

During 2012, together with the SP Technical Research Institute of Sweden, Perstorp finalized the effort started back in 2010 to calculate the carbon footprint value (from cradle to gate) for all products. The work done is based on the principles of lifecycle assessment (LCA), where the emissions from each step in the production chain is included, from the extractions of the raw material, by processing, energy use and transports to the production of the final product. The climate declarations are cradle to gate values ending at the factory gate. Thereby the user phase and the end of life phase are not included. Perstorp has followed the EPD systems general rules and guidelines, but no specific PCR (Product Category Rules) at this stage. The climate values show the emissions of greenhouse gases, expressed as CO_2- equivalents, according to IPCC 2007 GWP 100a. The calculations use mass- and energy balances from production data and are based on LCA results.

SUSTAINABILITY AND RENEWABLE RAW MATERIALS

During 2012 a pre-study about the potential implementation of the sustainability standard ISO 26000 was finalized. Perstorp regards sustainable solutions in the chemical industry as solutions that reduce the environmental impact through:

- reduced carbon footprint of products and services
- the use of less toxic ingredients and lower emission
- renewable raw materials instead of petroleum-based
- more energy efficient systems in production and use
- long-lasting performance in use, e.g. by providing more durable end-products

For Perstorp, Voxtar™ is a good example of a successful replacement of fossil raw materials with renewable ones in the existing process, without having to make major infrastructure changes. Perstorp is participating in a number of consortia working with renewable raw materials. One example is the VINNOVA financed "Forest chemistry" project involving several companies from different industrial sectors and academia. The study aims to identify novel value chains and establish contacts between the chemical- and forest industries. This activity also supports the local 2030 vision at the Stenungsund production unit, where five companies have a common vision for the future: "…Stenungsund is the centre for production of sustainable products within the chemical industry. Our activity is based on renewable raw materials and energy and contributes to a sustainable society". Perstorp has during the year also been active within the European Chemical Industry Council, CEFIC. Perstorp is also represented in the Biorefinery Öresund Interreg IV program, the Swedish Knowledge Centre for Renewable Transportation Fuels (Svenskt kunskapscentrum för förnybara drivmedel, f3), and the Wallenberg Wood Science Centre (WWSC) at KTH and Chalmers.

SWEDISH STRATEGIC RESEARCH AND INNOVATION AGENDAS

Perstorp participates in the creation of strategic research and innovation agendas. The aim is to prepare a national agenda for a sustainable development through a bio-based economy, i.e. to optimize the value and contribution of ecosystem services to the economy.

BUILDING STRONG RELATIONSHIPS

PRODUCT SAFETY

Corporate EHSQ monitors existing and new rules for product safety on behalf of the entire Group, in order to achieve global compliance. New requirements are introduced worldwide. During 2012 the focus has been on the new format of safety data sheets according to CLP (Classification, Labeling & Packaging). The work to prepare the EU REACH registrations for the 2013 submissions has continued and involves the registration of around 20 substances. The 2010 REACH registrations have entered the evaluation phase involving communication with the European Chemical Agency (ECHA).

TRANSPORT

As part of efforts to reduce climate impact, the Perstorp Group places high demands on engine and fuel types when arranging external transport. The use of questionnaires ensures the environmental performance of carriers. Perstorp is a driving member of The Clean Shipping Index and also supporting the work within the NTM working group.

All dedicated domestic transports in Sweden are now being carried out by diesel trucks fueled by RME (rapeseed methylester), produced by Perstorp. The same goes for the transportation of our own deliveries of this product to customers.

As a part of Perstorp's transport strategy we strive to use intermodal transports to a greater extent to reduce the road kilometers. For all shipments we strive to utilize the transport equipment to a maximum so we reduce the number of shipments and thereby the environmental impact.

In Stenungsund a new harbor pier will be in operation from early 2013 which will improve the ability to ship products by tanker vessels.

SOCIAL DIALOGUE

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

ACTIVE

To ensure that information about Perstorp is accurate and up-to-date, communication must be proactive as far as possible, be initiated by Perstorp and be released to all interested parties at the same time

OPEN

Openness shall characterize all communication activities

CORRECT

To ensure that people trust Perstorp, communication must be correct, reliable and adapted to the receiver

HOLISTIC

A holistic approach should be taken for all communication, with full collaboration from all departments to ensure that the best interests of the company are served

PERSTORP AT THE LARGEST DEMOCRATIC EVENT IN SWEDEN

Under a banner proclaiming "Blue and yellow chemicals make Sweden green", Perstorp and seven other exhibitors from the Swedish Plastics and Chemicals Federation attended what is referred to as Sweden's largest democratic meeting, the annual Almedal week for political parties held on the island of Gotland.

Perstorp´s Verdis Polaris™ and Voxtar™ were two of the green innovations that created interest among visitors. This was the first time that Perstorp has exhibited at this political event in the city of Visby. Almedal week attracts thousands of visitors to a democratic meeting place that has its roots in the 1960s. The focus may be on politics, but many industries also choose to be in attendance.

ENVIRONMENTAL DATA

		RESOURCE EFFICIENCY			EMISSIONS TO AIR				WASTE	WATER-BORNE EMISSIONS
Plant	Year	Consumed raw materials kton/year	Total energy use GWh/year	Indirect energy use GWh/year	Fossil CO_2 kton/year	VOC ton/year	SO_2 ton/year	Nitrogen oxide ton/year	Waste kton/year	COD before purification ton/year 3)
Group	2010	1,950	2,285	625	403	169	151	270	64	8,453
	2011	1,877	2,338	668	399	186	149	329	55	11,169
	2012	1,817	2,136	637	348	159	46	225	57	7,974
Perstorp 1)	2010	544	811	119	84	68	8	65	21	2,422
	2011	518	779	139	72	78	8	54	18	1,512
	2012	483	707	133	51	43	5	48	16	1,417
Bruchhausen 2)	2010	108	257	7	55	3	2	27	18	0
	2011	110	304	9	63	5	1	29	16	0
	2012	114	285	13	56	5	1	30	19	0
Castellanza 2)	2010	7	25	25	6	1	0	0	6	1,044
	2011	9	23	23	5	1	0	0	1	714
	2012	9	30	30	6	0	0	0	3	654
Gent 2)	2010	23	24	5	5	2	0	3	6	1
	2011	27	26	5	5	2	0	3	7	1
	2012	24	25	6	5	2	0	4	5	1
Singapore 1)	2010	43	199	110	66	35	141	78	1	1,319
	2011	43	205	117	67	35	139	143	2	1,828
	2012	37	129	101	49	32	40	45	1	1,576
Toledo 2)	2010	167	219	43	29	16	0	20	1	3,250
	2011	176	232	44	31	16	0	22	1	6,600
	2012	171	222	44	30	16	0	21	1	3,900
Zibo 1)	2010	33	51	51	2	0	0	0	0	109
	2011	34	45	45	2	0	0	0	0	103
	2012	38	44	44	2	0	0	0	0	102
Stenungsund 1) 4)	2010	960	523	90	126	53	0	77	8	170
	2011	889	524	86	118	56	0	77	7	228
	2012	867	513	87	115	45	0	78	8	135
Warrington 2)	2010	30	153	153	31	1	0	0	3	138
	2011	34	180	180	36	4	0	0	3	183
	2012	33	160	160	32	4	0	0	3	189
Waspik 2)	2010	21	1	1	0	4	0	0	0	0
	2011	22	1	1	0	4	0	0	0	0
	2012	25	1	1	0	4	0	0	0	0

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

1) Waste water - industrial treatment plant
2) Waste water - municipal treatment
3) Normal level of purification is over 90%
4) Including the plant in Nol

OTHER

Risk management principles

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

STRATEGIC RISKS

Business development
Industry
Regulation & environment

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

OPERATIONAL RISKS

Raw material supply
Market
Production disruptions
Corporate governance

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

FINANCIAL RISKS

Currency & interest rate
Financing & liquidity
Counterparty
Legal

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

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

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

The operational risks are related to the Group's core business functions – that the facilities can produce and that there are customers to buy the products. These include risks that may have a direct impact on the Group's daily business operations up to a one-year time horizon. Financial risks address exposure within the Group's financial operations associated with areas such as liquidity, currency, interest rate, credit and legal, the majority of which are regulated through the finance policy which provides guidelines to Perstorp's Treasury department for dealing with financial risks.

STRATEGIC RISK MANAGEMENT

BUSINESS DEVELOPMENT

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

INDUSTRY RISK

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

REGULATORY & ENVIRONMENT

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

Perstorp also works proactively with the environment, health and safety by continuously developing production units in accordance with best available technology.

OPERATIONAL RISK MANAGEMENT

AVAILABILITY & PRICING OF RAW MATERIALS

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

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

MARKET RISK

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

PRODUCTION DISRUPTION

Disruptions at Perstorp's plants may lead to a loss of earnings in the short term if the Group cannot deliver agreed volumes to customers and in the long-term if this leads to alternative products taking over for the same application. Process and plant safety indicators in combination with regular technical inspections performed at production sites are monitored in order to minimize these risks. Adequat insurance is in place in the event of disruptions.

CORPORATE GOVERNANCE (COMPLIANCE RISK)

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

FINANCIAL RISK MANAGEMENT

CURRENCY RISK

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

INTEREST-RATE RISK

Interest-rate risk is the risk of a negative impact on the results due to a rise in market interest rates. The Group's finance policy defines acceptable interest-rate risk, and hedging methods.

FINANCING & LIQUIDITY RISK

Financing risk is the risk that the Group will not have access to sufficient funding, or that the funding or re-financing of existing loans becomes difficult or too costly. Most of the Group's financing consists of senior and second lien bonds, noted on the Luxembourg Stock Exchange, mezzanine facilities syndicated to a number of financiers, and a revolving credit facility given by the Group's core banks. Covenant ratios such as interest cover and net borrowings in relation to EBITDA are connected to these loans.

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

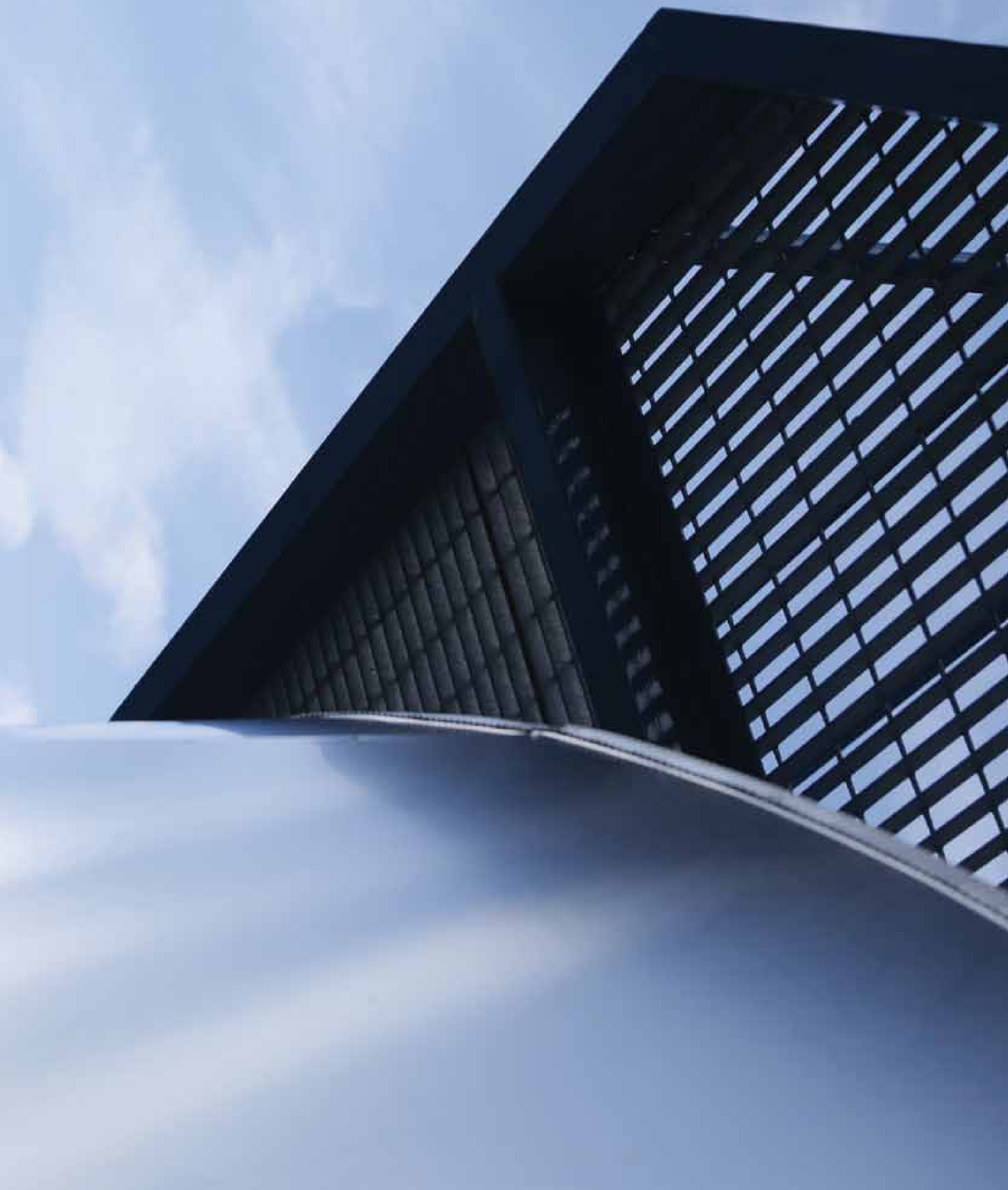
COUNTERPARTY RISK

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

LEGAL RISK

Legal risk is the risk of a negative impact on the Group's result or reputation arising from litigation, arbitration, disputes, claims or participation in legal proceedings. The legal policy provides the framework and procedures for handling potential disputes.

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



Corporate governance report

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

GENERAL MEETING

The General Meeting is the forum where shareholders make decisions about the urgent matters facing Perstorp Holding AB and its subgroups. The Annual General Meeting was held on 30 June 2012, at which the annual report for the 2011 financial year was adopted together with the proposal for distribution of profits. The Board of Directors was re-elected at the meeting. Two Extraordinary General Meetings were also held during 2012, 22 and 25 October.

BOARD OF DIRECTORS

The Board of Directors consists of seven members and two deputies, all nominated and elected by the company owners. The individuals re-elected to the Board at the 2012 Annual General Meeting were Lennart Holm, Fabrice Fouletier, Karin Markides, Michel Paris, Ragnar Hellenius, Martin Lundin and Claes Gard.

Carl Settergren and Gaëlle d'Engremont were re-elected as deputy members. In addition to the aforementioned individuals the Board also includes employee representatives. At the Extraordinary General Meeting in October Carl Settergren and Bertrand Monier were elected as board members. No election of deputy members was made. In October Lennart Holm resigned as Chairman and Board director of Perstorp. Fabrice Fouletier was elected as new Chairman of the Board of Directors.

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

During 2012, nine scheduled Board meetings were held, as well as two statutory convening meetings, three extra board meetings and six per capsulam meetings. Minutes are kept at all meetings. On average, attendance at Board meetings for ordinary Board members has been 98%. Other employees have also attended meetings, either to make presentations or give specialist information prior to key decisions.

Every month the Board receives a written report presenting and analyzing the development of the Group and the earnings and financial position. Preparatory materials are sent to Board members before each Board meeting. The President is also in continuous contact with the Chairman of the Board.

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

TECHNICAL COMMITTEE

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

This committee consisted of seven members in 2012: Karin Markides, Eric Appelman, Tomas Andersson, Göran Axelsson, Håkan Björnberg, Bo Häggman, Lars Lind and Stefan Lundmark. During the year this committee held two meetings.

AUDIT COMMITTEE

The Board is served by an Audit Committee which focuses on securing the quality of the Group's financial reporting and risk management and the committee is therefore also close to the development of control instruments for internal control. An important activity is to follow up and assess the external audit. The committee does not have decision-making rights. Decisions shall be made by the Board. In 2012 the Audit Committee consisted of the following members: Fabrice Fouletier, Bertrand Monier and Claes Gard, plus CFO Johan Malmqvist. During the year the committee held five ordinary meetings. Minutes were taken at all meetings.

REMUNERATION COMMITTEE

The Board is also served by a Remuneration Committee. The task of this committee is to establish principles for remuneration and other employment terms for the President and senior executives. The committee also prepares the terms for global incentive schemes and makes an assessment of the schemes. The committee has no decision-making powers, it is the Board of Directors that takes the ultimate decisions in these matters. In 2012 the Remuneration Committee consisted of Board members Lennart Holm, Fabrice Fouletier, the Group's President Martin Lundin and of EVP HR & Communication Joan Pennington. The committee held one ordinary meeting during the year which was minuted.

PRESIDENT & EXECUTIVE MANAGEMENT TEAM

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

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

EXTERNAL AUDITORS

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

INTERNAL CONTROL

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

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

Each year for a number of years the Group has performed an extensive self-assessment of internal controls. All of the subsidiaries were assessed in 2012. The purpose is to identify key control points for the various departments, analyze procedures, follow development in relation to previous activity and thus ensure that internal controls are at a good level and will remain so. The assessment has been complemented with a partly expanded verification operation by the company's auditors for certain areas. In relation to this, special follow-up has been carried out from the central level within the Group. Work aimed at securing good internal control is a constantly ongoing process.

Board of Directors

ELECTED BY THE ANNUAL GENERAL MEETING

Fabrice Fouletier

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

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

Martin Lundin

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

Karin Markides

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

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

Claes Gard

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

Michel Paris

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

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

Ragnar Hellenius

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

OTHER BOARD ASSIGNMENTS
Board member Solvitur AB

Carl Settergren

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

Bertrand Monier

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

DIRECTLY ELECTED REPRESENTATIVES

Ronny Nilsson

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

Anders Magnusson

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

Oleg Pajalic

Senior Specialist
Board member since 2011. Appointed by the Boards of PTK of Perstorp and Stenungsund. Born 1964.

AUDITORS

Michael Bengtsson

Authorized Public Accountant – PricewaterhouseCoopers.
Born 1959.

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

Mats Åkerlund

Authorized Public Accountant – PricewaterhouseCoopers.
Born 1971.

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

DEPUTIES

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


Fabrice Fouletier


Martin Lundin


Karin Markides


Claes Gard


Michel Paris


Ragnar Hellenius


Carl Settergren


Bertrand Monier


Ronny Nilsson


Anders Magnusson


Oleg Pajalic

Group management team

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

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

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

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

Mikael Gedin
Executive Vice President – Sales & Customer Service.
Active in the Group since 2009.
Born 1969.

Joan Pennington
Executive Vice President – HR & Communication
Active in the Group since 2012.
Born 1960.

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

CORPORATE FUNCTIONS

Jacob Andersson – Group Accounting
Ad Vos – EHSQ & PPS*
Mikael Ekblad – Supply Chain
Susanna Frennemo – IT
Anders Gahnström – Legal
Mats Hedberg – Corporate Finance
Ulf Lindh – Compensation & Benefits
Andreas Lindqvist – Group Controlling
Cecilia Nilsson – Communications
Coenraad Schaap – Customer Service

* As of August, 2013

Martin Lundin

Mats Persson

Anders Lundin

Johan Malmqvist

Mikael Gedin

Joan Pennington

Eric Appelman

REPORT OF THE BOARD OF DIRECTORS

The Group´s year-end accounts

Market & economic conditions

The economic environment for the chemical industry was sound for Q1 of 2012 with most companies, including Perstorp, reporting healthy volumes. A welcome change to the dismal finish of 2011. Customers restocking their inventories after the year-end and some pre-buying in anticipation of price increases led to volumes well above anticipated levels and kept the momentum even though the uncertainties of the financial situation especially in Southern Europe was a bit of a wet blanket towards the end of the period.

Q2 is usually strong for many product lines (construction as well as feed and food related), but due to subdued market confidence caused by the lackluster situation in Southern Europe and the perceived slowdown in Asia and the BRIC economies, volumes did not live up to expectations.

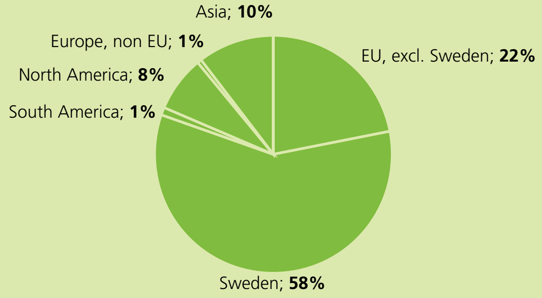
During Q3 there was a slowdown but relatively decent levels were maintained. Throughout Q4 the market held its breath in anticipation of the fiscal cliff in the US, amongst other factors. With this being resolved, at least for the short term, reported improvements in Europe and some signals of stronger demand in Asia, customer outlooks have improved significantly and this should carry over into 2013.

Regarding raw materials, crude oil and associated commodities rose sharply in the beginning of the year. Brent crude peaked at USD 125 per barrel. Prices were expected to rise even further due to the sanctions on Iranian oil and petrochemicals. This did not materialize as OPEC and especially Saudi Arabia compensated for the loss. Oil prices fell to USD 90 in July and then rose to USD 110, which then held steady for the rest of the year.

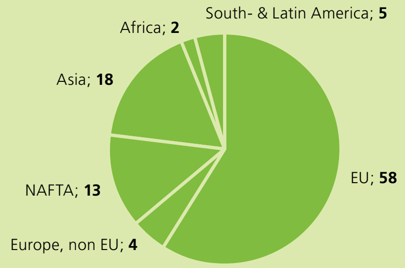
The Iranian sanctions were more significant for methanol. Iranian methanol found new paths to Asia creating an imbalance between the regions but this difference is expected to fade out over time.

The Perstorp Group is exposed to movements in the Euro and US dollar exchange rates, since both inflows and loans primarily exist in those currencies. For the period January to December 2012, the US dollar averaged 4% higher whereas the Euro was 4% lower vs. the Swedish krona, compared to the same period last year.

GEOGRAPHIC DISTRIBUTION OF EMPLOYEES [1]



NET SALES PER GEOGRAPHIC MARKET, % [1]



[1] Continuing operations

Net sales & earnings

INCOME STATEMENT

SEK m	Note	2012	2011
Continuing operations			
Net sales	**9**	**10,528**	**10,641**
Cost of goods sold	6, 7, 8, 20	-9,102	-9,006
Gross earnings		**1,426**	**1,635**
Selling and marketing costs	6, 7, 8	-508	-468
Administrative costs	6, 7, 8, 33	-224	-209
Research and development costs	6, 7, 8	-82	-80
Other operating income and expenses [1]	10,11	148	-60
Result from participations in associated companies	12	3	-2
Operating earnings (EBIT)	**10, 22, 26**	**763**	**816**
Net financial items	21	-776	-964
Result from participations in associated companies	12	-70	-
Earnings/loss before tax		**-83**	**-148**
Tax	23	145	11
Net earnings/loss for the year		**62**	**-137**
Discontinued operation	*32*		
Net sales		2,306	4,559
Operating earnings/loss (EBIT) [2]		311	-992
Operating earnings before tax		123	-1,238
Tax		-6	-337
Net earnings/loss for the year		**117**	**-1,576**
Group total			
Net sales		12,834	15,199
Operating earnings/loss (EBIT) [1] [2]		1,074	-177
Operating earnings before tax		40	-1,386
Tax		139	-327
Net earnings/loss for the year		**179**	**-1,713**
of which, attributable to non controlling interest	14	4	2
Continuing operations			
Operating earnings before depreciation (EBITDA)		**1,401**	**1,484**
EBITDA adjusted for non-recurring items		**1,311**	**1,519**

[1] Includes SEK 0 (49) m in write-down.
[2] Includes SEK 0 (767) m in write-down.

NET SALES

The Perstorp Group's net sales for continuing operations amounted to SEK 10,528 m in 2012, compared to SEK 10,641 m in 2011.

Volumes were slightly lower compared to last year and the volume effect on sales was -1%. After a strong start to the year, global uncertainty affected market demand in the second half of the year. Volumes were lower for product lines Penta & Formates and Oxo, while most other products managed to reach the same level as last year. A weak sales performance in Western Europe was to some extent compensated by stronger sales in Asia and North America. A planned shutdown at Perstorp's Oxo facility in Stenungsund (due every third year) was carried out during the autumn, which negatively affected product availability. The shutdown was for approximately 30 days.

The appreciation of the Swedish krona versus the Euro led to negative currency effects on sales of -1%.

EARNINGS

Operating earnings before depreciation and amortization (EBITDA) for continuing operations reached SEK 1,401 m (1,484) in 2012. Excluding items affecting comparability, earnings amounted to SEK 1,311 m (1,519). The result includes negative currency effects of approximately SEK 80 m relating to both translational and transactional effects from flows in USD and Euro. The decline in earnings compared to last year has, besides lower volumes, also been driven by margin pressure related to high, fluctuating feedstock prices.

Non-comparable items included in the results relate primarily to profit from a land sale in India.

Operating earnings before interest and taxes (EBIT) were SEK 763 m (816). Depreciation was on the same level as last year. Earnings before tax amounted to SEK -83 m (-148). Net financial items have been positively affected by currency effects when revaluing financial liabilities in foreign currencies. Excluding currency effects, financial income and expenses increased slightly against last year.

Net earnings were SEK 62 m, compared to a loss of SEK 137 m last year.

Financial position

Working capital fell during Q4, which follows the normal seasonal pattern. Compared to the same period last year, the working capital for continuing operations was somewhat higher at the end of the year, mainly related to inventory value. Working capital for the total Group at the end of 2012 amounted to SEK 1,224 m, compared to SEK 1,481 m at year-end 2011.

The divestment of the Coating Additives business, as well as a shareholders' contribution during Q2, has strengthened the financial position. Consequently, the net debt excluding parent company loans, fell during the year from SEK 10,355 m to SEK 9,111 m.

Shareholders' equity at the end of the year was SEK 1,370 m. This is SEK 392 m higher compared to the start of the year, reflecting the change in comprehensive results for the period as well as the equity injections amounting to SEK 316 m.

The figures for the same period last year include the Coating Additives business affecting comparability. This business was divested at the end of May 2012 and is accounted for as assets/liabilities held for sale as per the end of December 2011 (included in 2011's figures).

Perstorp successfully completed an issue of senior secured and second lien notes in Q4, to refinance its existing senior debt in full and partly refinance its mezzanine debt facilities. EUR 270 million and USD 380 million of senior secured notes, as well as USD 370 million of second lien notes have been raised. The notes are listed on the Luxembourg Stock Exchange as of November 15, 2012. The notes will mature in 2017 and the maturity of the remaining mezzanine facilities has also been extended to 2017. In connection with the refinancing, Perstorp's owners, PAI partners, have supported the financial position of the Group via a contribution amounting to EUR 45 million.

BALANCE SHEET

SEK m	Note	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Fixed assets			
Tangible fixed assets	6	4,281	4,349
Intangible fixed assets	7	5,943	6,173
Financial fixed assets			
Deferred tax assets	23	278	414
Participations in associated companies	13	981	44
Direct pension, endowment insurance		87	81
Other interest-bearing, long-term receivables	16, 21	1	1
Other interest-free, long-term receivables	16	31	34
Total financial fixed assets		**1,378**	**574**
Total fixed assets		**11,602**	**11,096**
Current assets			
Inventories	20	1,375	1,185
Accounts receivable	18	1,294	1,409
Operating receivables, associated companies		32	35
Tax receivables		52	42
Other operating receivables	18	325	199
Other current financial receivables	21	21	9
Total		**3,099**	**2,879**
Cash & cash equivalents	19	678	453
Assets held for sale	32	430	2,787
Total current assets		**4,207**	**6,119**
Total assets		**15,809**	**17,215**
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital (100,000 shares, par value of SEK 5 each)		0	0
Other capital contributions		5,951	5,652
Reserves		-453	-351
Retained earnings		-4,347	-2,633
Net earnings/loss for the year		175	-1,714
Sum		**1,326**	**954**
Non controlling interests	15	44	24
Total equity		**1,370**	**978**
Long-term liabilities			
Deferred tax liabilities	23	1,049	1,381
Direct pension		87	83
Pension liability, others	21, 22	263	376
Long-term liabilities, Parent Company	21	1,271	870
Long-term interest-bearing liabilities [1]	21	9,169	9,335
Other liabilities, provisions	24	83	112
Total long-term liabilities		**11,922**	**12,157**
Current liabilities			
Accounts payable	25	901	836
Other operating liabilities, associated companies		26	-
Tax liabilities		20	18
Other operating liabilities	25	958	951
Accrued interest expense		356	559
Other financial liabilities	21	82	942
Liabilities held for sale	32	174	774
Total current liabilities		**2,517**	**4,080**
Total shareholders´ equity & liabilities		**15,809**	**17,215**
Contingent liabilities	27	320	179
Assets pledged	28	12,169	13,838

[1] The amount includes expenses for loan financing in connection with Perstorp Holding AB's refinancing of senior debt. The amount was SEK -303 (-165) m.

Comprehensive earnings & shareholders´ equity

COMPREHENSIVE EARNINGS REPORT, INCL. NON CONTROLLING INTEREST

SEK m	2012	2011
Earnings/loss for the year	**179**	**-1,713**
Other comprehensive results		
Translation effects	-4	5
Translation effects of sold subsidiaries	-99	–
Market valuation of interest swaps	5	34
Market valuation of forward contracts	-4	-50
Tax relating to other comprehensive results	-1	4
Other comprehensive earnings net after tax	**-103**	**-7**
Comprehensive earnings for the year	**76**	**-1,720**
Comprehensive earnings attributable to:		
Parent Company's shareholders	73	-1,724
Non controlling interest	3	4

SHAREHOLDERS' EQUITY 2012

SEK m	Share capital	Other capital contributions	Translation reserves	Hedge reserves	Retained earnings	Net earnings/loss for the year	Sum	Non controlling interest	Total shareholders' equity
Opening balance, January 1, 2012	**0**	**5,652**	**-332**	**-19**	**-2,633**	**-1,714**	**954**	**24**	**978**
Transfer of preceding year's results	–	–	–	–	-1,714	1,714	–	–	–
Shareholders' contribution/Capital contribution	–	299	–	–	–	–	299	17	316
Net earnings/loss for the year	–	–	-101	-1	–	175	73	3	76
Closing balance, December 31, 2012	**0**	**5,951**	**-433** [1]	**-20**	**-4,347**	**175**	**1,326**	**44**	**1,370**

[1] Including SEK 78 m related to assets held for sale. For further information, refer to note 32.

SHAREHOLDERS' EQUITY 2011

SEK m	Share capital	Other capital contributions	Translation reserves	Hedge reserves	Retained earnings	Net earnings/loss for the year	Sum	Non controlling interest	Total shareholders' equity
Opening balance, January 1, 2011	**0**	**4,276**	**–334**	**-7**	**-1,674**	**–959**	**1,302**	**20**	**1,322**
Transfer of preceding year's results	–	–	–	–	-959	959	–	–	–
Shareholders' contribution/Capital contribution	–	1,376	–	–	–	–	1,376	–	1,376
Net earnings/loss for the year	–	–	2	-12	–	-1,714	-1,724	4	-1,720
Closing balance, December 31, 2011	**0**	**5,652**	**-332** [1]	**-19**	**-2,633**	**-1,714**	**954**	**24**	**978**

[1] Including SEK 100 m related to assets held for sale. For further information, refer to note 32.

Cash flow

Cash flow from operating activities for continuing operations was SEK 692 m (1,132) for full-year 2012. The lower cash flow from operating activities is due to a combination of lower earnings, higher interest payments and an increase in working capital.

Cash flow from investment activities amounted to SEK 580 m (-610). This significant increase reflects the sale of assets for both the divestment of 51% of the shares in the Coating Additives business in Q2, and the land sale in India in Q1. The main capital expenditure over the period is related to keeping investments running, the new Neo plant in China and the new valeraldehyde and derivatives plant in Sweden. In addition, there was a shareholder's contribution of SEK 299 m during the period.

Liquid funds increased by SEK 240 m over the period and the use of credit facilities declined by SEK 1,151 m. The main portion of the proceeds from the asset disposals to PTT Global Chemical was used for amortizing senior loans.

The Group's available funds, including liquid funds and letter of credit facilities, were SEK 975 m at the end of the period, compared with SEK 1,064 m at year-end 2011.

CASH FLOW STATEMENT

SEK m	Note	2012	2011
Operating activities			
Adjustments:			
Depreciation and write-down		287	1,721
Provisions, change		-60	22
Other		-111	5
Interest received		5	3
Interest paid		-592	-520
Income tax paid		-52	-68
Cash flow from operating activities before change in working capital		**551**	**986**
Change in working capital			
Increase (-) Decrease (+) in inventories		-388	–101
Increase (-) Decrease (+) in current receivables		-296	153
Increase (+) Decrease (-) in current liabilities		300	16
Cash flow from operating activities		**167**	**1,054**
Investing activities			
Acquisition of shares in associated companies		-1	–26
Acquisition of tangible and intangible fixed assets		-575	–592
Sale of interest in subsidiary to non-controlling interest		1,046	–
Sale of tangible and intangible fixed assets		117	10
Change in financial receivables, external		-7	-2
Cash flow from investing activities		**580**	**-610**
Financing activities			
New loan, external		6,944	–
Change in loan from Parent Company		345	–
Shareholders' contribution		299	38
Amortization of loans, external		-7,753	–
Change in credit utilization [1]		-342	-423
Cash flow from financing activities [1]		**-507**	**-385**
Change in cash & liquid funds, incl. short-term investments		**240**	**59**
Cash and liquid funds opening balance, incl. short-term investments		454	395
Translation difference in cash and liquid funds		-9	–
Cash & liquid funds, end of period [2]	**19**	**685**	**454**
Whereof discontinued operation			
Cash flow from operating activities		-525	-78
Cash flow from investing activities		-65	-164
Cash flow from financing activities		357	400
Change in cash & liquid funds, incl. short-term investments		**-233**	**158**

[1] Including payment of bank fees, SEK 381 (-) m relating to refinancing of senior debt.
[2] Including SEK 7 (-) m classified as Assets Held for Sale.

The Parent Company year-end accounts

INCOME STATEMENT

SEK m	Note	2012	2011
Net sales		**52**	**60**
Gross earnings		**52**	**60**
Sales and marketing costs		-10	-10
Administration costs	33	-113	-113
Other operating income and expenses	11	-2	-26
Operating earnings (EBIT)	**22, 26**	**-73**	**-89**
Group contribution received		637	629
Earnings from participations in Group companies [1]		-57	-1,447
Net financial items	21	-436	-689
Earnings/loss before tax		**71**	**-1,596**
Tax	23	-38	36
Net earnings/loss for the year [2]		**33**	**-1,560**

[1] Comprises of capital gain sale of subsidiaries SEK 41 m (-) and write-down of shares in and financial receivables versus subsidiaries of SEK -98 (-1,447) m.
[2] Comprehensive income equals Net earnings/loss for the year.

BALANCE SHEET

SEK m	Note	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Fixed assets			
Intangible assets	7	4	1
Financial fixed assets			
Deferred tax assets	23	–	36
Shares in Group companies	17	7,731	7,808
Long-term receivables, Group companies	21	4,709	346
Participations in associated companies	13	1,046	–
Direct pension, endowment insurance	22	74	68
Total financial fixed assets		**13,560**	**8,258**
Total fixed assets		**13,564**	**8,259**
Current assets			
Operating receivables, Group companies		8	10
Tax receivables		13	12
Other operating receivables	18	12	18
Financial receivables, Group companies	21	2,273	3,194
Other current financial receivables	21	21	9
Total		**2,327**	**3,243**
Cash and cash equivalents	19	550	312
Total current assets		**2,877**	**3,555**
Total assets		**16,441**	**11,814**
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital (100,000 shares, par value of SEK 5 each)		0	0
Retained earnings		2,357	3,618
Net earnings/loss for the year		33	–1,560
Total shareholders' equity		**2,390**	**2,058**
Long-term liabilities			
Direct pension	22	74	68
Long-term liabilities, Parent Company	21	1,271	870
Long-term interest-bearing liabilities [1]	21	9,162	4,179
Other liabilities, provisions	24	18	17
Total long-term liabilities		**10,525**	**5,134**
Current liabilities			
Accounts payable	25	57	13
Tax liabilities		2	3
Other operating liabilities, Group companies		2	2
Other operating liabilities	25	39	200
Accrued interest expense, interest-free		355	373
Financial liabilities, Group companies	21	3,068	3,419
Other financial liabilities	21	3	612
Total current liabilities		**3,526**	**4,622**
Total shareholders´ equity & liabilities		**16,441**	**11,814**
Contingent liabilities	27	563	6,238
Assets pledged	28	8,937	7,876

[1] The amount includes expenses for loan financing in connection with Perstorp Holding AB's refinancing of senior debt. The amount was SEK -303 (-67) m.

CASH FLOW STATEMENT

SEK m	2012	2011
Operating activities		
Operating earnings	-73	-89
Interest received	173	238
Interest paid	-322	-265
Group contribution received	629	323
Realized exchange rate profit/loss	-22	1
Income tax, paid	-7	-2
Adjustment, change in provisions	1	2
Cash flow from operating activities before change in working capital	**379**	**208**
Changes in working capital		
Increase (-) Decrease (+) in current receivables	10	15
Increase (+) Decrease (-) in current liabilities	-26	10
Cash flow from operating activities	**363**	**233**
Investing activities		
Sale of tangible and intangible fixed assets	1,089	–
Change in internal financial receivables	-5,831	-508
Acquisition of intangible assets	-3	-1
Cash flow from investing activities	**-4,745**	**-509**
Financing activities		
Change in loan from Parent Company	345	–
Shareholder contribution from Parent Company	299	38
New loans, external	7,029	–
Amortization of loans, external	-2,735	–323
New loans, Group companies	–	760
Amortization of loans, Group companies	-318	–
Cash flow from financing activities	**4,620**	**475**
Change in liquid funds, incl. short-term investments	**238**	**199**
Liquid funds opening balance, incl. short-term investments	312	113
Liquid funds, end of period	**550**	**312**

SHAREHOLDERS' EQUITY 2012

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

SHAREHOLDERS' EQUITY 2011

SEK m	Share capital	Retained earnings	Net earnings/ loss for the year	Total shareholders' equity
Opening balance shareholders' equity, January 1, 2011	**0**	**3,237**	**–1,259**	**1,978**
Transfer of preceding year's results	–	–1,259	1,259	–
Shareholders' contribution	–	1,376	–	1,376
Results from merger [1]	–	264	–	264
Net earnings/loss for the year	–	–	–1,560	–1,560
Closing balance shareholders' equity, December 31, 2011	**0**	**3,618**	**–1,560**	**2,058**

[1] The subsidiary, Pernovo New Business Development Ltd, was merged in 2011. Assets and liabilities taken over at the time of the merger consisted of financial fixed assets worth SEK 127 m and liabilities worth SEK 127 m. Merger gains relating to legal restructuring where the acquisition of its own market-quoted promissory notes have been offset in Perstorp Holding AB.

Other

EMPLOYEES

The number of FTE (full time equivalents) in the continuing operations at the end of the period was 1,547, which is 45 more than at year-end 2011.

THE PERSTORP BOARD

During Q4, Perstorp's Chairman of the Board, Lennart Holm, decided to leave his position with the Perstorp Group due to an increasing number of other assignments. He has been replaced by Fabrice Fouletier, PAI partners. New board members are Carl Settergren and Bertrand Monier.

THE ENVIRONMENT

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

Each unit within the Group submits an annual environment report to be approved by the inspection authorities. The Group has production in nine countries. The major production sites in the Group are situated in Sweden. Proactive environmental work has been performed locally for many years.

At the site in Perstorp, Sweden, a national project regarding soil contamination was initiated in 2010, aiming at a classification of industry land into different categories (MIFO). In Perstorp Industrial park the classification has been done and during 2012 investigations continued with, inter alia, a major investigation of fish, water quality and ground water for one area. The results will be reviewed together with the relevant authority.

The most extensive investments during the year have been the finalization of the installation of new flue gas cleaning at the Perstorp site's steam power plant and improved handling of powder material at the sites in Toledo and Perstorp to minimize the risk of dust explosion. At the site in Stenungsund a thorough review of safety valves was conducted.

The work from 2010 regarding the EU REACH regulations (Registration, Evaluation and Authorization of Chemicals) has continued with the focus on the new format of safety data sheets according to CLP (Classification, Labeling & Packaging). The work to prepare the EU REACH registrations for the 2013 submissions has continued and involves the registration of around 20 substances. The 2010 REACH registrations have entered the evaluation phase involving communication with the European Chemical Agency (ECHA).

INNOVATION

Group function Innovation combines Research & Development, Market Development, Technical Sales & Service and Intellectual Property Management.

Whereas 2012 has presented a very challenging economic environment overall, Perstorp's focus on specific strategic growth markets paid off well.

In the market of UV-curable resins sales growth of 10% was seen. Moreover, this growth was of very high quality: it entirely came from Asia i.e. beyond the traditional European customer base. It also entirely came from specialty products rather than from more traditional mainstream products, and there was a strong development from newly introduced products. Low-solvent coating resins (water-borne and so-called high-solids resins) also performed strongly, driven by specialty products.

Sales in Feed & Food markets showed healthy growth, where the very positive development of newly introduced specialty products and formulations for harvest preservation and animal growth promotion more than compensated for the, expected, pressure on commodity products such as propionic acid.

The polymer additive market saw a major up tick in approvals and sales for Perstorp's alternatives for toxic brominated flame retardants. Whilst volumes are still small, the concept has now found solid footing and provides a stepping stone for major future growth. During 2012 Perstorp cemented its co-operation with Mitsubishi Gas Company on pentaspiroglycol, a product based on core Perstorp intermediates, which makes it possible to replace less-sustainable technologies based on styrene and bisphenol-A. The first technical approvals were seen in 2012 and we expect this to provide a major new outlet for Perstorp's core manufacturing platforms in the future.

During 2012 research for the Valerox investment, the biggest ever in Perstorp history, was started. A major pilot facility to both assist in the design of the new factory, and support it during operation, is being built.

On the Technical Sales & Services side of Innovation, Perstorp's capabilities were enhanced by adding field staff in China and Brazil and strengthening the laboratory in India.

KEY EVENTS AFTER THE END OF THE FINANCIAL YEAR

In December, Perstorp's Board of Directors decided to transfer Perstorp's Singapore legal units (isophthalic acid operations) to Financiére Forêt S.á r.l., parent company to Perstorp Holding AB (publ.), as a consequence of the recent refinancing process. The transfer was made at the end of Q1 2013.

In addition, Perstorp divested, at the end of March 2013 its formaldehyde technology and catalyst business, Formox. The divestment is in line with Perstorp's strategy to focus on and expand its core specialty chemicals activities.

Notes

DEFINITIONS

CAPITAL RATIOS

Average capital
Based on monthly balances during the year.

Capital employed
Total assets less interest-free liabilities.

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

NOTES

NOTE 1. GENERAL INFORMATION

Perstorp Holding AB (publ.) and its subsidiaries (jointly designated the Group) produce and sell specialty chemicals. At the end of the report period the Group had 11 (13) manufacturing units in 10 (11) countries in Europe, North America and Asia. These geographic areas comprise the Group's main markets for sales, with the main focus in Europe.

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

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

The Board approved this report for publication on April 25, 2013.

NOTE 2. SUMMARY OF MAJOR ACCOUNTING PRINCIPLES

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

2.1 BASIS FOR PREPARING THE ACCOUNTS

Group

The consolidated accounts for Perstorp Holding AB have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation concerning Supplementary Accounting Rules for Groups (RFR 1) and International Financial Reporting Standards (IFRS) and IFRIC interpretations as approved by the European Commission. (IFRS has been applied by the Group since 2005). The consolidated accounts have been prepared in accordance with the acquisition value method, apart from matters applying to financial assets held for sale and financial assets and liabilities (including derivative instruments) that are fair valued via the income statement.

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

None of the IFRS or IFRIC interpretations that became obligatory for the first time for financial years starting January 1, 2012 have had any significant impact on then Group.

Parent Company

The Parent Company's financial reports are produced in accordance with the Annual Accounts Act and recommendations from the Swedish Financial Reporting Board concerning Reporting for legal entities (RFR 2). The starting point for RFR 2 is that the Parent Company shall implement all of the EU-approved standards and interpretations as far as possible within the framework of the Annual Accounts Act, the Swedish law safeguarding pension commitments and with consideration for the relationship between accounting and taxation. The main differences between the Group's and Parent Company's accounting principles are as follows:

Subsidiaries

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

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

Group contribution & shareholders' contribution

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

Financial instruments

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

Pensions

The Parent Company reports pension commitments in accordance with the Swedish law safeguarding pension commitments. Adjustments are made to the accounts at Group level in accordance with IFRS /IAS 19.

Leasing

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

2.2 CONSOLIDATED ACCOUNTING

Subsidiaries

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

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

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

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

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

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

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

Associated companies

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

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

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

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

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

Joint ventures

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

Non-controlling interest

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

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

Saleable financial assets

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

2.3 CURRENCY TRANSLATION

Functional currency & reporting currency

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

Transactions & balance sheet items

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

Group companies

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

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

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

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

2.4 REVENUE RECOGNITION

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

Revenue per category is reported as follows:

Sales of goods

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

Sales of services & contractor assignment

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

Interest income

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

Received dividends

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

2.5 INCOME TAXES

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

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

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

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

2.6 INTANGIBLE FIXED ASSETS

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

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

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

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

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

Technological know-how was identified as a balance sheet item in connection with the allocation of acquisition values in 2006 and its acquisition value has linear depreciation to divide the costs over the assessed utilization period of 30 years. Testing of possible impairment requirements is performed annually.

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

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

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

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

2.7 TANGIBLE FIXED ASSETS

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

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

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

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

Land and construction in progress are not depreciated.

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

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

2.8 LEASING

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

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

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

2.9 FINANCIAL INSTRUMENTS

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

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

Financial instruments assessed at fair value via the income statement

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

Loans & accounts receivable

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

Cash & cash equivalents

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

Borrowings

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

Accounts payable

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

2.10 IMPAIRMENT

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

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

2.11 INVENTORIES

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

2.12 EMPLOYEE BENEFITS

Pensions

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

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

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

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

Remuneration for redundancy

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

Other remuneration & bonus plans

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

2.13 PROVISIONS

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

2.14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are assessed at fair value and are reported in the balance sheet on the contract date.

The Group uses currency forwards and swaps to hedge intra-group borrowings in different currencies. No interest-rate swaps or electrical forwards are currently used. Changes in fair value are directly reported as financial items in the income statement since Perstorp is not applying the exception rules on hedge accounting.

2.15 NEW & AMENDED IFRS STANDARDS & IFRIC INTERPRETATIONS

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This recalculation of comparative information for 2012 is accounted for as an adjustment of the opening equity taking into account tax effects. The unrecognized balance sheet items at December 31, 2012 totaled SEK 144 m, with a net impact of SEK 93 m in equity.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact.

IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess the full impact of the amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.16 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

NOTE 3. RISK MANAGEMENT

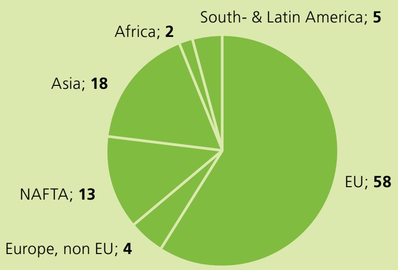
3.1 FINANCIAL RISK FACTORS

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

Currency risk

The currency risk is the risk that the Group's earnings and net assets will be adversely affected by fluctuations in exchange rates. The Group has considerable flows, earnings and assets in foreign currency, primarily in EUR and USD. As the accompanying diagram shows, a major proportion of sales is made in Europe, of which only 14% occurs in Sweden. In principle, all invoicing is in EUR or USD, which is also the case for purchases of raw materials. However, a large portion of costs is in SEK, as a result of one third of the Group's employees being based at plants in Sweden.

NET SALES PER GEOGRAPHIC MARKET, % [1]



[1] Continuing operations

The predicted transaction and consolidation exposure was not hedged at the end of 2012.

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

EXPOSURE PER CURRENCY, FORECAST FOR 2013 [1] [2]

	Net sales	Operating costs	EBITDA	Financial payments	Net	Translated to SEK m[3]
USD	470	-330	140	-38	102	691
EUR	710	-545	165	-64	101	879
GBP	16	-11	5		5	54

[1] excluding discontinued operations and Formox (divested March 2013)
[2] forward-looking statements are not guarantees of future performance
[3] currency rate on closing day

At the end of 2012 there was positive exposure in SEK concerning net assets per currency. This is because a large part of the intangible assets that existed when PAI partners acquired Perstorp was in SEK and in GBP due to the acquisition of the caprolactones business not being financed through loans in GBP, see below. Exposure of net assets in EUR and USD are correspondingly negative because the Group has raised loans in both those currencies to a greater extent than that which corresponds to assets. The translation affect if SEK is changing by 1% against the USD/EUR, will be approximately SEK 100 million and affect the financial net.

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

SEK m	Net assets per currency, before loans in foreign currency	Loans in foreign currency, Swedish companies	Exposed net assets
EUR	361	-5,824	-5,463
USD	-923	-4,718	-5,641
GBP	343	–	343
SEK	1,292	10,517	11,809
Other currencies	253	25	278
Total	**1,326**	**–**	**1,326**

Financing risk

Financing risk refers to the risk that refinancing of due loans becomes more difficult or expensive. The Group's principal financing consists of corporate bonds listed on the Luxembourg Stock Exchange Euro MTF Market since November 2012, a mezzanine facility syndicated at the start of 2006 with over 20 financiers, and a Revolving Credit Facility initiated in November 2012. The maturity structure of this financing is presented in the table below. Loan agreements are linked to Financial Covenants that include key indicators for net debt in relation to EBITDA and EBITDA in relation to interest payments. During the year the Group received new capital amounting to SEK 299 million from the parent company through a contribution to equity, while the parent company's loans increased by SEK 345 million. Annual interest on the parent company loans is 10% and this has been capitalized.

	Group	
	Dec. 31, 2012	**Dec. 31, 2011**
Senior secured notes/loans	4,802	6,964
Second lien secured notes/loans [1]	2,411	611
Mezzanine loans	2,335	2,598
Revolver	-	1
Other financial liabilities, excluding loans from Parent Company [1]	6	267
Financial liabilities, excl. Parent Company loans & pension liabilities	**9,554**	**10,441**
Interest-bearing pension liabilities, net	263	379
Loan from Parent Company	1,271	870
Total interest-bearing liabilities	**11,088**	**11,690**
Cash and cash equivalents	-685	-453
Other interest-bearing receivables, long- and short-term	-21	-12
Interest-bearing assets	**-704**	**-465**
Net debt including pension liabilities	**10,382**	**11,225**

[1] Second Lien recorded at a discount at the time of listing. The difference between the issue price and par value amounts to 82 million by the closing date and recognized over the vesting period. This item is included in other financial liabilities.

Liquidity risk

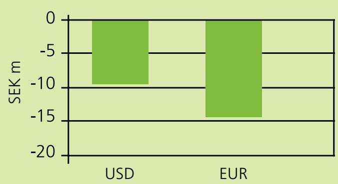
The liquidity risk is managed, on the basis of rolling cash flow forecasts and the Group's available liquidity, by ensuring that the Group has sufficient liquid assets and unutilized credit facilities to meet current payments.

The table below shows the market value of the Group's financial liabilities and derivative instruments with their due dates. The amounts shown are the agreed, undiscounted amounts.

LIABILITIES, INTEREST RATES & FINANCIAL INSTRUMENTS, PER DUE DATE

As of 31 december 2012		0–1 years	1–2 years	2–5 years	>5 years
Borrowings	Amortization	-82	-2	-9,470	
	Interest	-766	-890	-2,629	
Derivative instruments	Interest swaps	-			
	Currency swaps	18			
Accounts payable & other liabilities		2,071			

EFFECT ON EBITDA OF 1% STRONGER SEK



Interest-rate risk

Interest risk refers to the risk of a negative impact on earnings due to a rise in market interest rates. As of December 31, 2012, 75% of total financing was restricted to fixed interest rates, and the average fixed period of interest was 1,242 days. The table below shows the interest rate and fixed period per currency. Interest rate sensitivity is also illustrated in the diagram below.

	Local currency	SEK m	Effective rate balance sheet date, %	Actual duration, days
SEK	0	0	0.0	0
EUR	544	4,687	11.5	823
USD	737	4,804	9.9	1,641
Other currencies		63	6.4	123
Total *		**9,554**	**10.6**	**1,242**

* Financial liability excluding shareholder loans and pension debt.

Counterparty risk/customer sensitivity

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

For financial counterparts, the exposure at year-end amounts to SEK 248 m.

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

The Group's outstanding customer receivables on the closing date amounted to SEK 1,294 (1,409) m including assets held for sale. The decrease is mainly due to lower exchange rates. The amounts reported are those that are expected to be repaid by customers based on an individual assessment of outstanding receivables and thereby including a reservation for expected/stated customer losses amounting to SEK 22 (21) m.

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

Time analysis on accounts receivables	Dec. 31, 2012	Dec. 31, 2011
Accounts receivable neither due nor reserved	1,254	1,754
Accounts receivable due, but not reserved:		
1–10 days	88	127
11–30 days	34	42
31–60 days	7	8
61–90 days	1	-2
91–180 days	0	-1
180 days or more	-2	3
Accounts receivable linked to reservation	24	22
Gross total	**1,406**	**1,953**
Reservation	-24	-22
Net total	**1,382**	**1,931**
Assets held for sale	-88	-522
Total	**1,294**	**1,409**

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

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

The segment with amounts due exceeding SEK 20 m refers to 4 (4) individual customers, the segment between SEK 10-20 m refers to 11 (15) individual customers. The category of customer owing the Group less than SEK 1 m on the closing date corresponds to around 85 (81)% of all counter parties.

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 64 (77) m. Of these, SEK 0 (1) m is attributable to receivables that have fallen due for payment. Of receivables that have fallen due and which are associated with a limited credit risk due to pledged securities, SEK 0 (0) m are over 30 days due.

3.2 OPERATIONAL RISK FACTORS

Access to raw materials

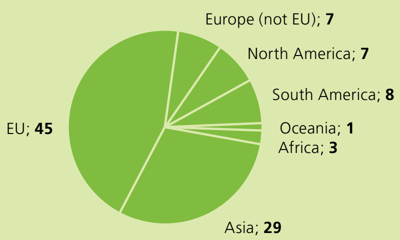
Most of the Group's raw materials (75-80%) are based on oil or natural gas. For production of biodiesel the most important raw material is rapeseed oil. Many of the Group's products are both sold externally and further processed internally.

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

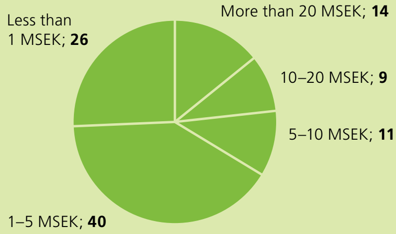
Supplies of raw materials to Perstorp's site in Stenungsund – the largest site in Sweden in terms of volumes – are primarily made via pipelines direct from nearby producers. This eliminates storage costs and minimizes freight costs although it does entail a risk of being closely tied to these suppliers.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

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

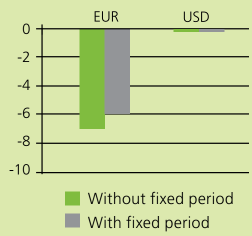
A. CONCENTRATION RISK OF ACCOUNTS RECEIVABLE DIVIDED BY GEOGRAPHIC REGION, %



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



C. GROUP SENSITIVITY FOR 1% INCREASE IN INTEREST RATE



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

On the electricity market there is the possibility to secure prices for longer periods. In accordance with Group policy, electricity usage in Sweden is hedged over the coming six months at a range of 80-100% of expected usage and thereafter – for a maximum of three years – on a falling scale. From the seventh quarter the range is 0-50%. At the end of 2012 the market assessment of future electricity contracts had a negative effect on shareholders' equity of SEK 20 (16) m after tax.

Production disruptions

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

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

NOTE 4. SIGNIFICANT ESTIMATES & JUDGMENTS MADE FOR ACCOUNTING PURPOSE

To a certain extent, the financial statements are based on estimates and judgments about the future trend. In turn, these judgments are based on historical experience and different assumptions that are considered to be reasonable in current circumstances. Reported values may have another actual outcome if other assumptions are made or circumstances change. The following particular areas can be distinguished where estimates and judgments are of importance to the amounts entered in the accounts and differences can have a significant effect on the Group's earnings and financial position.

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

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

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

Perstorp's financial accounts are based on the going-concern principle, which is also reflected in how any environmental liabilities are assessed. In the end of 2012 negotiations with its senior lenders was completed on a reorganization of the Group's financing which now is secured until 2017, see note 21. The Group's ongoing activities are also reflected in how any possible environmental damage is assessed. The Group complies with decisions by public authorities and conducts measures both proactively to prevent environmental impact and reactively in the event that environmental disturbances arise. In 2005 independent environmental assessments were performed of all the sites. These inquiries did not result in any material environmental observations.

NOTE 5. SEGMENT INFORMATION

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

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

SEK m	2012	2011
NET SALES		
Specialty Intermediates	7,180	7,317
Performance Products	3,421	3,414
Eliminations	-73	-90
Total Continuing operations	**10,528**	**10,641**
EBITDA		
Specialty Intermediates	871	1,091
Performance Products	388	449
Other/Eliminations	142[1)]	-56
Total Continuing operations	**1,401**	**1,484**

1) Other/eliminations is mainly attributable to sale of land in India

The group is domiciled in Sweden. The result of its revenue from external customers in Sweden is 14% (14%), and the total of revenue from external customers from other countries is 86 % (86%). No sales above 10% derived from a single external customer.

In December 2012, Perstorp's Board of Directors decided to transfer Perstorp's Singapore legal units (isophthalic acid operations) to Financiére Forêt S.á r.l., parent company to the Perstorp Group and on the 31st of May 2012, Perstorp and Thailand's largest chemical producer PTT Global Chemical completed the formation of a joint venture dedicated to the manufacturing and sales of aromatic (TDI) and aliphatic (IPDI, HDI and derivatives) isocyanates. This divestments is treated as discontinued operations in the reported period above. For further information see Note 32.

Operating capital per currency at end of 2012

SEK m	Working capital	Tangible fixed assets	Intangible fixed assets	Shares in assoc. companies	Total operating capital
SEK	121	2,741	4,180	45	7,087
EUR	532	494	817	934	2,777
USD	424	345	432	–	1,201
GBP	73	738	466	–	1,277
INR	18	11	0	–	29
CNY	1	145	49	–	195
Other currencies	55	2	0	2	59
Total	**1,224**	**4,476**	**5,944**	**981**	**12,625**

NOTE 6. TANGIBLE FIXED ASSETS [1)]

Group	Land		Buildings, land improvements		Plant & machinery		Equipment, tools, fixtures & fittings		Work in progress incl. advance payments [4)]		Total	
SEK m	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Acquisition value												
Opening balance	191	195	876	1,033	6,006	7,080	300	279	217	654	7,589	9,241
Investments [2)]	1	1	–	2	50	36	3	6	504	468	559	513
Divestments of subsidiaries [3)]	–	–	-24	–	-35	–	-1	–	-10	–	-70	–
Divestments and disposals	-11	–	-14	-12	-61	-86	-4	-4	-11	-2	-101	-104
Reclassifications	–	–	33	2	166	556	4	11	-203	-644	0	-75
Translation effects	-3	-3	-14	6	-113	106	-7	9	-5	-6	142	112
Assets held for sale	–	-2	-13	-156	-638	-1,686	-2	-1	-8	-253	-661	-2,098
Closing balance	**178**	**191**	**844**	**876**	**5,375**	**6,006**	**293**	**300**	**484**	**217**	**7,174**	**7,589**
Accumulated depreciation according to plan												
Opening balance	0	0	-273	-251	-2,137	-2,117	-183	-149	0	0	-2,594	-2,517
Depreciation	–	–	-46	-61	-383	-566	-29	-30	–	–	-458	-657
Divestments and disposals	–	–	6	2	32	40	3	4	–	–	41	46
Reclassifications	–	–	–	-4	–	62	–	–	–	–	0	58
Translation effects	–	–	4	-5	54	-93	6	-9	–	–	64	-108
Assets held for sale	–	–	2	46	133	537	–	1	–	–	135	584
Closing balance	**0**	**0**	**-307**	**-273**	**-2,301**	**-2,137**	**-203**	**-183**	0	0	**-2,811**	**-2,594**
Write-downs												
Opening balance	-5	-6	-22	-19	-598	-384	-9	-7	-13	-3	-647	-419
Reversal of previous year	–	–	–	1	203	–	–	–	–	–	203	1
Write-downs during the year	–	–	–	- 5	-2	-567	–	-1	–	-11	-2	-584
Divestments and disposals	–	–	5	–	–	–	–	–	–	–	5	–
Reclassifications	–	–	-1	–	–	5	1	–	–	–	0	5
Translation effects	–	1	2	1	26	-4	-1	-1	2	1	29	-1
Assets held for sale	–	–	11	–	309	352	3	–	7	–	330	352
Closing balance	**-5**	**-5**	**-5**	**-22**	**-62**	**-598**	**-6**	**-9**	**-4**	**-13**	**-82**	**-647**
Closing book value	**173**	**186**	**531**	**580**	**3,013**	**3,271**	**84**	**108**	**480**	**204**	**4,281**	**4,349**

1) The Group's tangible fixed assets were assessed in 2006 in connection with an acquisition analysis. The assessment was based on replacement cost, remaining life and the difference in operating costs between newly acquired plants and existing ones. The re-assessment, after deductions for deferred tax, was credited to Other reserves under Shareholders' equity.
2) Borrowing costs due to investments have been capitalized with SEK 2 (0) m during 2012.
3) Divestment of subsidiaries during 2012 refers to the divestment of the aromatic (TDI) and aliphatic (IPDI, HDI) and derivatives isocyanates business.
4) Work in progress mainly refers to investment in project Valerox and in the expansion of Neo production.

Depreciation per function	2012	2011
Cost of goods sold	452	437
Selling Cost	2	2
R & D	2	3
Administration	2	3
Continuing operations	**458**	**445**
Discontinuing operation	0	212
Total group	**458**	**657**

Impairment and the result effects of scrapping are included in Other operating expenses.

Buildings and land with a value of SEK 1,728 (2,468) m are used as collateral for bank loans.

NOTE 7. INTANGIBLE FIXED ASSETS

Group	Goodwill		Trademarks		Patents, licenses & similar rights		Know–how		Customer relations		Development costs		Reach		Other [1]		Total	
SEK m	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Acquisition value																		
Opening balance	2,569	2,565	1,461	1,499	244	663	1,269	1,289	1,574	1,620	10	75	28	27	280	273	7,435	8,011
Investments	–	22	–	–	–	–	–	6	–	29	1	17	4	–	11	21	16	95
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–	4	–	-4	-11	0	-11
Translation effects	-54	8	–	–	-1	-3	-1	1	-16	8	–	–	-2	1	-7	6	-81	21
Assets held for sale	–	-26	–	-38	-44	-416	–	-27	–	-83	–	-82	-1	–	–	-9	-45	-681
Closing balance	**2,515**	**2,569**	**1,461**	**1,461**	**199**	**244**	**1,268**	**1,269**	**1,558**	**1,574**	**11**	**10**	**33**	**28**	**280**	**280**	**7,325**	**7,435**
Accumulated depreciation according to plan																		
Opening balance	0	0	-41	-32	-64	-106	-273	-235	-534	-488	-9	-23	-1	0	-161	-125	-1,083	-1,009
Depreciation	–	–	-10	-9	-13	-49	-41	-43	-72	-86	-1	-21	-1	-1	-41	-39	-179	-248
Reclassifications	–	–	–	–	–	-1	–	–	–	–	–	–	–	–	–	6	0	5
Translation effects	–	1	–	–	1	–	2	-1	5	-2	1	2	–	–	5	-3	13	-5
Assets held for sale	–	–	–	–	6	92	–	6	–	42	–	34	–	–	–	–	6	174
Closing balance	**0**	**0**	**-50**	**-41**	**-70**	**-64**	**-312**	**-273**	**-601**	**-534**	**-9**	**-9**	**-2**	**-1**	**-197**	**-161**	**-1,243**	**-1,083**
Write–downs																		
Opening balance	-3	-3	0	0	-40	-123	-10	-6	-120	-120	0	0	0	0	-6	-6	-179	-258
Write-downs during the year	–	-14	–	–	–	-13	–	-4	–	–	–	–	–	–	–	–	0	-31
Translation effects	–	–	–	–	2	–	–	–	–	–	–	–	–	–	–	–	2	–
Assets held for sale	–	14	–	–	38	96	–	–	–	–	–	–	–	–	–	–	38	110
Closing balance	**-3**	**-3**	**0**	**0**	**0**	**-40**	**-10**	**-10**	**-120**	**-120**	**0**	**0**	**0**	**0**	**-6**	**-6**	**-139**	**-179**
Closing book value	**2,512**	**2,566**	**1,411**	**1,420**	**129**	**140**	**946**	**986**	**837**	**920**	**2**	**1**	**31**	**27**	**113**	**113**	**5,943**	**6,173**

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

Depreciation per function	**2012**	**2011**
Cost of goods sold	44	44
Selling Cost	134	131
R & D	0	0
Administration	1	0
Continuing operations	**179**	**175**
Discontinuing operation	0	73
Total group	**179**	**248**

Impairment is included in the Other operating costs item.

Know-how and customer relations are depreciated linearly. The remaining average life length is 22 (23) and 10 (11) years respectively. Non-compete agreements acquired in 2008 are depreciated linearly over 6 years. For further details concerning accounting principles for intangible assets, see note 2.6.

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

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

Cash flows beyond this five-year period are extrapolated using an estimated growth rate of 2%. The discount interest rate amounts to 11.00% after tax. A sensitivity analysis, with an increase in the discount rate by 1%, has been carried out for the group. This resulted in that there is no indication of write-down in 2012. In 2011 the impairment resulted in a write-down amounting to SEK 767 m for goodwill and tangible fixed assets including discontinued operations.

Assets not depreciated – goodwill & trademarks from acquisition
Goodwill and the trademarks assigned a value in connection with the acquisition allocation following the acquisition of the Group at the end of 2005 (Perstorp and Formox) have been adjudged to have an unlimited life. Goodwill and trademarks for the acquired caprolactones business were added in 2008. A summary of the allocation per cash-generating unit, for goodwill and trademarks, is presented below.

SEK m	**Goodwill**	**Trademarks**	**Total**
Specialty Chemicals	1,996	1,179	3,175
Formox	241	97	338
Caprolactones business	275	135	410
Total	**2,512**	**1,411**	**3,923**

Parent company	**Other 2012**	**2011**
Acquisition value		
Opening balance	1	0
Acquisitions	3	1
Closing balance	**4**	**1**

NOTE 8. LEASING

The operational leasing agreements for continuing operations that exist are attributable to activities in Sweden.

Future payment commitments for these contracts are as follows:

Operational leasing agreements	**Group**	
Future minimum leasing fees	**2012**	**2011**
Due:		
Year 1	30	22
Year 2–5	36	33
Year 6–	2	1
Total	**68**	**56**

Operational leasing costs during the period	**2012**	**2011**
Minimum leasing fees	35	29
Variable charges	2	2
Total	**37**	**31**

NOTE 9. NET SALES

SEK m	Group	
Net sales by type of income	**2012**	**2011**
Goods	10,289	10,462
Services	37	41
Contracts (reported according to level of completion)	202	138
Continuing operations	**10,528**	**10,641**
Discontinued operations	2,306	4,559
Total	**12,834**	**15,199**

	Group	
Net sales by geographic region	**2012**	**2011**
EU and rest of Europe	6,501	6,898
North and South America	1,914	1,868
Asia	1,859	1,600
Africa	210	229
Oceania	44	46
Continuing operations	**10,528**	**10,641**
Discontinued operations	2,306	4,559
Total	**12,834**	**15,199**

The Parent Company did not report any net external sales in 2012 or 2011.

NOTE 10. BREAKDOWN OF COSTS

SEK m	Group	
Costs divided by type	**2012**	**2011**
Raw materials, goods for sale, energy, transport and packaging costs	-7,537	-7,486
Other external costs	-616	-618
Employee benefits (note 26), excl. restructuring costs	-1,126	-1,039
Depreciation (note 6, 7)	-637	-620
Other operating income & expenses (note 11)	148	-60
Earnings from participations in associated companies	3	-2
Continuing operations	**-9,765**	**-9,825**
Discontinued operations	-1,995	-5,551
Total	**-11,760**	**-15,376**

NOTE 11. OTHER OPERATING INCOME & COSTS

	Group		Parent Company	
SEK m	**2012**	**2011**	**2012**	**2011**
Insurance remuneration	2	0	–	–
Operations-related exchange-rate differences	-56	-5	1	0
Restructuring costs	37	4	–	–
Write-downs, disposal (note 6, 7)	0	-49	–	–
Other [1]	165	-10	-3	-26
Continuing operations	**148**	**-60**	**-2**	**-26**
Discontinued operations	308	-668	–	–
Total	**456**	**-728**	**-2**	**-26**

[1] Including property divestment in India.

NOTE 12. EARNINGS FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

SEK m	2012	2011
PetroPort Holding AB, Sweden	2	0
Koei-Perstorp Company Ltd, Japan	2	0
Polygiene AB, Sweden	-1	-2
Total	**3**	**-2**

The companies' sales amounted to a total of SEK 413 (419) m and the result after tax was SEK 2 (-5) m.

Reported within financial items

SEK m	2012	2011
Vencorex Holding France SAS	-70	-
Total	**-70**	**0**

The companies' sales amounted to a total of SEK 2,392 (-) m in 2012 and the loss after tax was SEK -143 (-) m.

NOTE 13. PARTICIPATIONS IN ASSOCIATED COMPANIES

	Share of capital/ voting rights, %	Group's share of shareholders' equity	Book value, Group
PetroPort Holding AB, Sweden	50/50	45	45
Koei-Perstorp Company Ltd, Japan	40/40	3	2
Polygiene AB, Sweden	35/35	1	0
Vencorex Holding France SAS	49/49	934	934
Total		**983**	**981**

	2012	2011
Opening book value	44	1
Earnings from participations	-67	–2
Acquisition of/new share issue in associated companies	1,046	44
Translation difference	-42	1
Closing book value	**981**	**44**

The assets of associated companies amounted to SEK 3,400 (437) m at the end of 2012 and liabilities amounted to SEK 1,394 (343) m.

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

SEK m	2012	2011
Shandong Fufeng Perstorp Chemicals Co. Ltd, China	4	2
Total	**4**	**2**

NOTE 15. NON CONTROLLING INTERESTS

SEK m	Book value Dec. 31, 2012	Book value Dec. 31, 2011
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	44	24
Total	**44**	**24**

SEK m	2012	2011
Opening book value	24	20
Translation effects	-1	2
Change in the period	4	2
Contribution	17	–
Closing book value	**44**	**24**

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

NOTE 16. OTHER LONG-TERM RECEIVABLES

	Group	
SEK m	**Dec 31, 2012**	**Dec 31, 2011**
Interest-bearing long-term receivables		
Other receivables	1	1
Total	**1**	**1**
Interest-free long-term receivables		
Other receivables	31	34
Total	**31**	**34**

NOTE 17. PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2012 Holding, %	2011 Holding, %	2012 Book value	2011 Book value
Perstorp Butenderivat AB	**556762-4563**	**Perstorp, Sweden**	**100**	**–**	**7,712**	**–**
Perstorp AB	556024-6513	Perstorp, Sweden		100		7,203
Perstorp Quimica do Brasil Ltda	NIRE 35.218.522.982	Brazil				
Perstorp SA [1]	RUT 76.448.840-7	Chile				
Perstorp Sales France	442650768 R.C.S. Nanterre	France				
Perstorp SpA	171 467	Italy				
Perstorp Japan Co Ltd	0199-01-053962	Japan				
Perstorp (Beijing) International Trading Co. Ltd	11000041 028488	China				
Perstorp (Shanghai) Chemical Trading Co.,Ltd	310000400587711	China				
Shandong Fufeng Perstorp Chemical Co. Ltd	782323786	China				
Perstorp Chemicals Asia PTE Ltd	199905508W	Singapore				
Perstorp Iberica SL	B65592503	Spain				
Perstorp UK Ltd	02715398	UK				
AB Klosters Fabriker	556005-3489	Sweden				
Formox AB	556760-4235	Sweden				
Perstorp BioProducts AB	556728-5779	Sweden				
Perstorp Fastighets AB	556571-3798	Sweden				
Perstorp Oxo AB	556041-0895	Sweden				
Perstorp Oxo Belgium AB	556579-4244	Sweden				
Perstorp Specialty Chemicals AB	556247-6290	Sweden				
Perstorp Holding (U.S.) Inc.	26-3020217, Delaware	USA				
Perstorp Polyols Inc.	34-1386676, Delaware	USA				
Perstorp Holding GmbH	**HRB 7465, Arnsberg**	**Arnsberg, Germany**	**6**	**100**	**18**	**307**
Perstorp Chemicals GmbH	HRB 1900, Arnsberg	Germany				
Perstorp Service GmbH	HRB 6542, Arnsberg	Germany				
Perstorp Holding B.V.	**34089250**	**s-Hertogenbosch, Netherlands**	**–**	**100**	**–**	**220**
Perstorp Specialty Chemicals BV	23091252	Netherlands				
Perstorp Specialty Chemicals Holding BV	23092336	Netherlands				
Perstorp Waspik BV	18116759	Netherlands				
Franklin Feed Additives SA	A62968368	Spain				
Perstorp Chemicals India Private Ltd	04-32032	India				
Perstorp Chemicals Korea Co. Ltd	230111-0095660	South Korea				
Perstorp Holding Singapore PTE Ltd	**200719657R**	**Singapore**	**100**	**100**	**0**	**0**
Perstorp Singapore PTE Ltd	199607827W	Singapore				
PLS Holding PTE Ltd	200717627E	Singapore				
Vencorex Holding[2]	**504867300 R.C.S. Lyon**	**Lyon, France**	**–**	**100**	**–**	**78**
Chloralp	411129612 R.C.S. Grenoble	France				
Vencorex TDI	504868183 R.C.S. Lyon	France				
Vencorex France	444187884 R.C.S. Paris	France				
Vencorex US, Inc.	26-3020193, Delaware	USA				
Pernovo-Perstorp New Business Development AB [3]	556016-0946	Sweden	–	100	–	–
Total book value in Parent Company					**7,731**	**7,808**

[1] This company is under liquidation.
[2] 51% of the shareholding was sold in May 2012. The remaining holdings, 49%, are classified as participations in associated companies. See note 13.
[3] The company was merged to become Perstorp Holding AB in 2011.

All companies are wholly-owned by the Group except for Shandong Fufeng Perstorp Chemical Co. Ltd, for which the ownership share is 68.3% (68.3) and Vencorex Holding, for which the ownership share is 49% (100%).

SEK m	2012	2011
Opening book value	7,808	7,783
Acquisition of group company	0	–
New issue of shares in Group companies	2,257	1,661
Sale of Group company	-1,190	–
Reclassification to associated company	-1,046	–
Merger of Group company	–	-1
Transfer of shares in group companies	-7,712	–
Shareholder contribution	7,712	–
Write-down	-98	–1,635
Closing book value	**7,731**	**7,808**

NOTE 18. ACCOUNTS RECEIVABLE & OTHER OPERATING RECEIVABLES

	Group	
SEK m	Dec. 31, 2012	Dec. 31, 2011
Accounts receivable, gross	1,318	1,420
Bad debt provision	-24	-11
Accounts receivable, net	**1,294**	**1,409**
Other operating receivables		
Value added tax	84	80
Emissions credits	39	43
Receivables from suppliers	17	8
Other current receivables	25	22
Deferred income, Formox project (see table below)	15	9
Prepaid insurance premiums	4	14
Other prepaid costs and deferred income	141	23
Total other operating receivables	**325**	**199**

The Parent Company had other operating receivables totalling SEK 12 (18) m, and accounts receivable amounting to SEK 0 (0) m.

Deferred income, Formox project	Dec. 31, 2012	Dec. 31, 2011
Deferred costs plus profit mark-up	170	92
Advance payments from customers	-155	-83
Total deferred income Formox project	**15**	**9**

Analysis of accounts receivable	Dec. 31, 2012	Dec. 31, 2011
Not due	1,168	1,264
Due:		
1–10 days	87	112
11–30 days	35	32
31–60 days	9	7
61–90 days	2	-2
91–180 days	1	-2
181 days or more	16	9
Accounts receivable, gross	**1,318**	**1,420**
Reservation for bad debts	-24	-11
Accounts receivable, net	**1,294**	**1,409**
Proportion of accounts receivable due	11.4%	11.0%
Proportion of accounts due over 60 days	1.4%	0.4%
Reservation in relation to total accounts receivable	1.8%	0.8%

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

Allocation for bad debts	2012	2011
Allocation, opening balance	-11	-21
Recovered predicted customer losses	2	1
Established customer losses	0	3
Reservation for predicted customer losses	-16	-5
Assets held for sale	–	11
Exchange rate effects and other	1	0
Allocations at year-end	**-24**	**-11**

NOTE 19. CASH & CASH EQUIVALENTS

	Group		Parent Company	
SEK m	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Deposit account	117	52	85	46
Overdraft facility	568	401	465	266
Total	**685**	**453**	**550**	**312**
Assets held for sale	-7	–	–	–
Continuing operations	**678**	**453**	**550**	**312**

NOTE 20. INVENTORIES

	Group	
SEK m	Dec. 31, 2012	Dec. 31, 2011
Raw material and consumables	334	353
Products in progress	22	20
Finished goods and goods for resale	974	801
Work in progress on behalf of others	4	0
Advance payment to suppliers	52	24
Impairment reserve	-11	-13
Total	**1,375**	**1,185**

	2012	2011
Impairment reserve, opening balance	14	46
Provision utilized during the year	-1	-2
Allocation for the year	2	3
Translation effects	0	-1
Asset held for sales	-4	-32
Impairment reserve, closing balance	**11**	**14**

Of the total value of inventories, SEK 0 (12) m is assessed at net sales value. During the assessment of net sales price, impairment that affects earnings has arisen (Cost of sold goods) amounting to SEK 0 (3) m. The net value of the year's allocations/provisions utilized during the year affects earnings for the year.

NOTE 21. BORROWINGS & FINANCIAL COSTS

A. Specification net debt

	Group		Parent Company	
SEK m	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Senior secured notes/loans	4,802	6,964	4,802	1,548
Second lien secured notes/loans [1]	2,411	611	2,411	611
Mezzanine loans	2,335	2,598	2,335	2,598
Revolver	–	1	–	1
Inter-company financial liabilities	–	–	3,068	3,419
Other financial liabilities, excluding loans from Parent Company [1]	6	267	-80	100
Financial liabilities, excl. shareholder loans and pension liabilities	**9,554**	**10,441**	**12,536**	**8,277**
Interest-bearing pension liabilities, net	263	379	–	–
Loan from Parent Company	1,271	870	1,271	870
Total interest-bearing debt	**11,088**	**11,690**	**13,807**	**9,147**
Cash and cash equivalents	-685	-453	-550	–312
Inter-company financial receivables	–	–	-6,982	–3,540
Other interest-bearing receivables, long- and short-term	-21	-12	-21	–9
Interest-bearing assets	**-704**	**-465**	**-7,553**	**–3,861**
Net debt including pension liabilities	**10,382**	**11,225**	**6,254**	**5,286**

[1] Second Lien recorded at a discount at the time of listing. The difference between the issue price and par value amounts to 82 million by the closing date and recognized over the vesting period. This item is included in other financial liabilities.

The Net debt includes secured loans (secured notes and other borrowing against collateral) of SEK 1,728 (2,468) m pertaining to buildings and land, SEK – (411) m relating to patents and SEK 1,418 (1,379) m pertaining to chattel mortgages. Shares in the Group's larger companies have been pledged. See note 28 for pledged securities.

B. Maturity structure

	Group		Parent Company	
SEK m	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Between 1 and 2 years	2	9,457	–	4,246
Between 2 and 3 years	1	7	–	–
Between 3 and 4 years	1	6	–	–
Between 4 and 5 years	9,468	6	9,465	–
More than 5 years	–	23	–	–
Long-term borrowing, excl. shareholder loans & pension liabilities	**9,472**	**9,499**	**9,465**	**4,246**
Short-term borrowing, 0–1 year	82	942	3	612
Inter-company financial liabilities	–	–	3,068	3,419
Financial liabilities, excl. shareholder loans & pension liabilities	**9,554**	**10,441**	**12,536**	**8,277**

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

Perstorp successfully completed an issue of senior secured and second lien notes in Q4, to refinance its existing senior debt in full and partly refinance its mezzanine debt facilities. EUR 270 million and USD 380 million of senior secured notes, as well as USD 370 million of second lien notes have been raised. The notes are listed on the Luxembourg Stock Exchange as of November 15, 2012. The notes will mature in 2017 and the maturity of the remaining mezzanine facilities has also been extended to 2017.

C. Currency composition, interest rates & duration

	Local currency	SEK m	Effective interest on balance sheet date, %	Actual duration days
SEK	0	0	0.0	0
EUR	544	4,687	11.5	823
USD	737	4,804	9.9	1,641
Other currencies		63	6.4	123
Financial liabilities, excl. shareholder loans & pension liabilities		**9,554**	**10.6**	**1,242**

At the end of the year around 75% of loans had a fixed rate of interest. In addition to the above loans, there is a loan from the parent company in Luxembourg amounting to SEK 1,271 (870) million. This loan matures in ten years, with an automatic extension in up to five periods of 10 years, unless either party cancels the agreement. The interest on this loan is 10%. There was no hedge contract at the end of 2012.

At the end of 2012 there was positive exposure in SEK concerning net assets per currency. This is because a large part of the intangible assets that existed when PAI partners acquired Perstorp was in SEK and in GBP due to the acquisition of the caprolactones business not being financed through loans in GBP, see below. Exposure of net assets in EUR and USD are negative because the Group has raised loans in both those currencies to a greater extent than that which corresponds to assets.

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

SEK m	Net assets per currency, before loans in foreign currency	Loans in foreign currency, Swedish companies	Exposed net assets
EUR	361	-5,824	-5,463
USD	-923	-4,718	-5,641
GBP	343	–	343
SEK	1,292	10,517	11,809
Other currencies	253	25	278
Total	**1,326**	**–**	**1,326**

E. Unutilized credits

The Group's available credit limits at year-end, in addition to those available in the form of cash and cash equivalents, totalled SEK 503 (634) m.

F. Financial income & costs

	Group		Parent Company	
SEK m	**2012**	**2011**	**2012**	**2011**
Interest income	4	3	1	3
Interest income, Group companies	–	–	226	240
Capital gain, re-purchase of loan receivable	–	–	3	–
Total financial income	**4**	**3**	**230**	**243**
Bank loans	-701	-650	-568	-620
Loans from Parent Company	-88	-195	-88	-195
Periodized borrowing costs	-175	-89	-112	-62
Pension costs, interest	-17	-9	–	–
Currency gains and losses from financing measures, net	276	33	190	32
Interest income and costs from interest swaps	-26	-40	-26	-40
Interest costs, Group companies	–	–	-21	-33
Write down of financial receivable	–	6	–	–
Other financial costs	-49	-22	-41	-14
Financial costs	**-780**	**-966**	**-666**	**-932**
Net financial items	**-776**	**-964**	**-436**	**-689**
Discontinued operations	-188	-246	–	–
Total financial costs	**-968**	**-1,212**	**-66**	**-932**
Total	**-964**	**-1,209**	**-436**	**-689**

G. Market valuation of financial instruments

The Group has negotiated its loans on market terms.

Interest terms for around 75% of the external loans are based on fixed rates that apply throughout the loan period.
For the remaining 25% of external loans, interest terms are based on an underlying official market rate plus an interest margin.

The market value for forward currency contracts was calculated using the rates on the closing date. All outstanding financial derivative instruments were held for hedging purposes. All recognised derivatives are classified under level 2 of the value hierarchy.

The reported amount, after possible impairment, for accounts receivable and accounts payable, is expected to correspond to the fair value because these are current items.

NOTE 22. PENSION OBLIGATIONS & COSTS

The Group has both defined-contribution and defined-benefit pension plans. During the year costs for these plans, including discontinuing operations had an accumulative effect on earnings of SEK 223 (206) m, of which SEK 176 (173) m is attributable to defined-contribution plans and SEK 47 (33) m to defined-benefit plans. Pension costs attributable to restructuring of SEK 2 (11) m are included in the accumulated amount. The distribution of costs in the income statement are as follows:

A. Pension costs the income statement

SEK m	2012	2011
Cost of sold goods	91	85
Sales and marketing overheads	39	36
Administrative costs	43	38
Research and development costs	12	12
Non comparable items	2	11
Net financial items	17	10
Total, Continuing operations	**204**	**192**
Discontinued operations	19	14
Total	**223**	**206**

Defined-contribution pension plans

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

B. Pension costs, defined contribution plans

SEK m	2012	2011
State pension plans	61	58
Other defined-contribution pension plans	60	64
ITP, insured through Alecta	51	47
Total, Continuing operations	**172**	**169**
Discontinued operations	4	4
Total, pension costs, defined-contribution plans	**176**	**173**

Most of the Group's Swedish companies have secured their obligations for old-age and family pensions via pension insurance with Alecta. In accordance with a statement by the Swedish Financial Accounting Standards Council, UFR3, this is a defined-benefit plan that covers several employers. For the 2012 and 2011 financial years the Group did not have access to information that enabled it to report this plan as a defined-benefit pension plan, so it is therefore reported as a defined-contribution pension plan. The surplus at Alecta may be divided between the plan provider or the insured. At year-end 2012, Alecta's surplus in the form of its collective funding ratio amounted to 129 (113)%. The collective funding ratio equals the market value of Alecta's assets, in percentage of the insurance obligations as computed in accordance with Alecta's actuarial calculation assumptions; this does not comply with IAS 19.

Defined-benefit pension plans

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

C. Provisions for pensions, defined benefit plans

SEK m	Dec. 31, 2012	Dec. 31, 2011
Unfunded pension plans		
Defined-benefit obligations	260	362
Unrecognized actuarial gains and losses	-27	-11
Unrecognized costs for past service	-5	-7
Salary taxes	7	6
Total unfunded pension plans	**235**	**350**
Funded or partly funded pension plans		
Defined-benefit obligations	381	367
Fair value of plan assets	-237	-222
Net value	**144**	**145**
Unrecognized actuarial gains and losses	–116	-116
Total funded or partly funded pension plans	**28**	**29**
Net liability concerning defined-benefit pension plans	**263**	**379**

Commitments are divided as follows by region:	Dec. 31, 2012	Dec. 31, 2011
Sweden	155	151
France	1	118
Germany	73	75
Other EU	8	8
USA	24	24
Other countries	2	3
Net liability concerning defined-benefit pension plans	**263**	**379**

The plan assets presented here relate primarily to Group companies in the US, 95 (94)%, of which 68 (66)% are invested in stocks and 32 (34)% in bonds as interest-bearing securities. The expected return is assumed to be 9.0 (9.0)% and 4.3 (4.6)% respectively, which is based on historic returns. The actual return on plan assets in 2012 was SEK 26 (-4) m.

In addition to the above, so-called direct pensions are included under assets and liabilities at SEK 87 (83) m. The asset is capital insurance, with assets and liabilities reported separately at gross amounts. Healthcare insurance is not included in pension commitments.

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

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

SEK m	2012 Defined-benefit plans, unfunded plans	Defined-benefit plans, funded or partly funded	Plan assets	2011 Defined-benefit plans, unfunded plans	Defined-benefit plans, funded or partly funded	Plan assets
Opening balance	**362**	**367**	**-222**	**342**	**282**	**-222**
Costs for current year service	16	9	–	9	9	–
Expected return on plan assets	–	–	-16	–	–	-15
Interest expense	11	15	–	14	15	–
Divestment of subsidiaries	-142	–	–	–	–	–
Fees from employer	–	–	-15	–	–	-10
Disbursement	-8	-13	12	-22	-8	8
Actuarial profit/loss	27	26	-11	14	60	20
Past service costs	–	–	–	–	–	–
Translation effects	-6	-23	13	5	9	-3
Closing balance	**260**	**381**	**-239**	**362**	**367**	**-222**

	2012 Unrecognized actuarial earnings, unfunded plans	Unrecognized actuarial earnings for funded or partly funded plans	2011 Unrecognized actuarial earnings, unfunded plans	Unrecognized actuarial earnings for funded or partly funded plans
Opening balance	**-11**	**-116**	**4**	**-31**
Changed assumptions for outstanding commitments	-5	-26	-2	-60
Changed assumptions for outstanding commitments based on experience	-1	–	-1	–
Difference between expected and actual return on plan assets	-11	11	-12	-20
Amortization	–	9	–	–
Translation effects	1	6	–	-5
Closing balance	**-27**	**-116**	**-11**	**-116**

	2012 Unrecognized past service costs unfunded plans	2011 Unrecognized past service costs unfunded plans
Opening balance	**-7**	**-3**
Changed assumptions for outstanding commitments	2	-4
Closing balance	**-5**	**-7**

E. Net pension provisions, changes during the year

SEK m	2012	2011
Opening balance	379	380
Pension costs during the year	47	33
Divestments	-124	–
Disbursements during the year	-29	-30
Translation effects	-10	-4
Closing balance, provision for pensions, net	**263**	**379**

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

F. Pensions cost, defined-benefit plans

SEK m	2012	2011
Costs for current year service	14	13
Expected return on plan assets	-16	-15
Amortization of actuarial profit/loss	10	1
Interest expense	24	24
Continuing operations	**32**	**23**
Discountinuing operations	15	10
Total pension costs, defined-benefit plans	**47**	**33**

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

G. Key actuarial assumptions

	2012	2011
Discount rate, %	3.6	4.7
Future salary increases, %	2.4	3.1
Anticipated return on plan assets, %	7.3	7.3
Anticipated average remaining employment term, year	14.3	14.8

H. Parent Company

The parent company reports a pension expense of SEK 20 (30) m, which is solely based on defined-contribution plans as there were no benefit-based pension plans at the end of the two most recent financial years. For classification reasons, the entire amount is reported as administration costs in the income statement, with the exception of SEK 1 (11) m of the cost attributable to restructuring which is included in Other income and expenses.

NOTE 23. CURRENT & DEFERRED INCOME TAXES

A. Income taxes in the income statement

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Current tax	-49	-42	-2	–
Deferred tax	194	53	-36	36
Total, Continuing operations	**145**	**11**	**-38**	**36**
Current tax	-5	-16	–	–
Deferred tax	-1	-321	–	–
Total, Discontinuing operations	**-6**	**-337**	**–**	**–**
Total Group	**139**	**-327**	**-38**	**36**

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

Tax cost	Group		Parent Company	
	2012	2011	2012	2011
Pretax earnings	40	-1,386	71	-1,596
Tax computed on basis of national tax rates applying in each particular country	-44	319	-19	420
Non-taxable revenues	148	13	11	1
Non-tax-deductible costs	-18	-224	-27	-385
Adjustment due to changed tax regulations	–	-1	–	–
Adjustment due to new judgments	–	-1	–	–
Impact of change in tax rate on deferred tax	140	–	–	–
Tax loss carry-forwards for which no deferred tax asset has been recognized	-70	-145	–	–
Tax cost not related to current year's profit/loss and other tax expenses	-17	-288	-4	–
Tax cost	**-139**	**-327**	**-38**	**36**

B. Deferred income tax, net change

	Group		Parent Company	
SEK m	2012	2011	2012	2011
Opening balance, net deferred tax liability	967	712	36	0
Exchange-rate differences	-2	4	–	–
Tax recognized in the income statement (table A)	-194	267	-36	36
Tax recognized in shareholders' equity	-1	-4	–	–
Assets / liabilities held for sale	–	-12	–	–
Closing balance	**770**	**967**	**0**	**36**

C. Deferred tax assets, specification

	Group		Parent Company	
SEK m	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Intangible fixed assets	61	86	–	–
Loss carry-forwards	140	237	–	36
Provisions	27	39	–	–
Forward contracts	8	7	–	–
Other liabilities	42	49	–	–
Assets/liabilities held for sale	–	-4	–	–
Total	**278**	**414**	**–**	**36**

D. Deferred tax liability, specification

	Group		Parent Company	
SEK m	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Tangible fixed assets	453	666	–	–
Intangible fixed assets	610	750	–	–
Other receivables	-14	-19	–	–
Assets/liabilities held for sale	–	-16	–	–
Total	**1,049**	**1,381**	**–**	**–**

E. Tax loss carry-forwards, remaining business

The value of unutilized tax loss carry-forwards is capitalized in cases where it is expected that the carry-forwards will be utilized in the foreseeable future. In addition, there are unutilized tax loss carry-forwards totalling SEK 366 (991) m that have not been assigned any value, since it is considered that these will not be utilized in the foreseeable future.

Deferred tax assets relate tax loss carry-forwards mainly in China, Germany, Sweden and the UK. To some extent these may be matched against deferred tax liabilities.

NOTE 24. OTHER LIABILITIES, PROVISIONS

	Group		Parent Company	
SEK m	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Special salary tax, pension commitments	21	20	18	17
Pension obligations, interest-free	13	12	–	–
Market value, hedge contracts [1]	17	7	–	–
Provision for environmental measures	15	38	–	–
Other provisions	17	35	–	–
Other liabilities, provisions	**83**	**112**	**18**	**17**

[1] SEK 17 (7) m is attributable to forward contracts.

NOTE 25. ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

	Group		Parent Company	
SEK m	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Accounts payable	**901**	**836**	**57**	**13**
Other operating liabilities				
Value added tax	24	29	–	–
Advance payments	165	115	–	–
Payroll tax	16	16	2	1
Other operating liabilities	122	125	–	–
Accrued wages, salaries and social security costs	201	193	17	15
Market value of forward contracts	9	15	–	–
Allocation for restructuring costs	3	45	–	–
Other accrued costs and prepaid income	418	413	20	184
Total other liabilities	**958**	**951**	**39**	**200**

NOTE 26. EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

Average number of employees

Country	2012 Total employees	2012 of which men	2011 Total employees	2011 of which men
Sweden				
Parent company	36	19	37	21
Subsidiaries	859	595	832	582
Belgium	44	35	44	35
Finland	0	0	0	0
France	262	205	642	507
Italy	34	26	35	26
The Netherlands	36	28	34	25
Spain	4	2	4	2
Poland	1	–	1	–
The UK	87	75	86	74
Germany	125	113	123	112
Total EU	**1,488**	**1,098**	**1,838**	**1,384**
Turkey	2	–	2	–
Russia	7	3	5	1
Total non-EU Europe	**9**	**3**	**7**	**1**
Brazil	15	8	11	6
Argentina	1	1	1	1
Chile	–	–	1	1
USA	134	110	143	118
Total North & South America	**150**	**119**	**156**	**126**
India	29	25	30	25
Japan	5	3	5	3
China	106	63	99	58
Singapore	82	59	89	66
Dubai	2	-	2	-
South Korea	5	2	6	3
Total Asia	**229**	**152**	**231**	**155**
Total average no. of employees	**1,876**	**1,372**	**2,232**	**1,666**
Of which discontinued operations	346	274	759	603
Proportion of men, %		73.1		74.6

Wages, salaries & other remuneration, by country

SEK m	2012 Board and CEO	2012 Other employees	2011 Board and CEO	2011 Other employees
Sweden				
Parent company	10	24	6	26
Subsidiaries	10	455	9	402
Belgium	0	23	0	22
Finland			0	0
France	0	114	0	298
Italy	0	15	0	15
The Netherlands	0	20	0	19
Spain	0	3	0	2
Poland	0	1	0	1
UK	3	38	5	36
Germany	0	69	0	69
Total EU	**23**	**762**	**20**	**890**
Turkey	0	1	0	1
Russia	0	4	0	3
Total non-EU Europe	**0**	**5**	**0**	**4**
Brazil	0	6	0	6
Argentina	0	2	0	2
Chile	–	–	0	0
USA	0	65	0	75
Total North & South America	**0**	**73**	**0**	**83**
India	1	3	1	3
Japan	0	4	0	4
China	0	15	0	9
Singapore	7	34	6	32
Dubai	0	2	0	2
South Korea	1	1	1	1
Total Asia	**9**	**59**	**8**	**51**
Total	**32**	**899**	**28**	**1,028**

Remuneration to employees

SEK m	Group 2012	Group 2011	Parent Company [1] 2012	Parent Company [1] 2011
Salaries and other remuneration	931	1,057	35	32
Pension – defined-contribution (note 22)	176	173	20	30
Pension – defined-benefit (note 22)	47	33	0	0
Social fees	196	284	8	6
Total	**1,350**	**1,547**	**63**	**68**
Of which discontinued operations				
Salaries and other remuneration	152	347	–	–
Pension – defined-contribution (note 22)	4	6	–	–
Pension – defined-benefit (note 22)	15	10	–	–
Social fees	53	145	–	–
Total	**224**	**508**	**–**	**–**

[1] Cost reported in accordance with IFRS.

In 2012 costs of SEK 3 (1) m are attributable to efficiency-improving measures and the implementation of long-term savings. Of reported pension costs, SEK 4 (10) m are for the Board and the CEO of the parent company. The costs for the parent company are presented in the table below:

Remuneration to the Group's Board of Directors & management

KSEK	Board fee	Salary	Bonus & other remuneration	Pension costs [1]	Total
Chairman of the Board	–	–	–	–	–
Former Chairman of the Board	–	502	–	919	1,421
Other Members of the Board	460	350	–	40	850
President	–	4,428	4,277	2,878	11,583
Vice President	–	2,620	1,706	815	5,141
Other members of Group management	–	14,082	14,951	8,203	37,236
Total	**460**	**21,982**	**20,934**	**12,855**	**56,231**

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

The reported payments pertain to the remuneration expensed for the 2012 fiscal year, some of which relate to the successful completion of certain projects. Certain portions of which will be paid for the first time in 2013.

The former Chairman of the Board has invoiced for consultancy fees of KSEK 307 (300).

Other members of Group management comprised 8 (7) persons during the year.

Principles
Members of the Board receive director fees in accordance with resolutions passed at the Annual General Meeting. Employee representatives do not receive director fees. Remuneration to the President and other members of Group management comprises basic salary, variable remuneration, company car and pensions.
The President is also entitled to a bonus corresponding to a maximum of 100% (100) of his fixed salary. Other members of Group management are covered by a bonus system that provides a maximum of 35% (35) of their basic salary. The variable remuneration is based partly on the Group's earnings trend and cash flow and partly on the fulfillment of various function-based targets by each individual.

Pension & employment termination
An occupational defined contribution (DC) pension plan, in addition to the traditional Swedish ITP pension, has been taken out for the President corresponding to 15% of his basic salary. In addition, a more beneficial ITP pension plan has been signed with premiums equivalent to 5% of basic salary in the range of 20-30 times the basic insurance amount and 15% of basic salary above 30 times the basic insurance amount.

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

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

NOTE 27. CONTINGENT LIABILITIES

SEK m	Group		Parent Company	
	Dec. 31, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Guarantees	320	179	320	179
Guarantees and other contingent liabilities for subsidiaries	–	–	243	6,059
Total	**320**	**179**	**563**	**6,238**

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

NOTE 28. ASSETS PLEDGED

SEK m	Group		Parent Company	
	Dec. 31, 2012	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Property mortgages	1,728	2,468	–	–
Chattel mortgages	1,418	1,379	–	–
Patents/technology	–	411	–	–
Shares in subsidiaries	7,731	7,508	7,731	7,808
Shares in associated companies	934	–	1,046	–
Liquid funds	163	63	85	–
Investments, receivables, inventories	1,042	1,928	–	–
Endowment insurances	88	81	74	68
Total	**13,103**	**13,838**	**8,937**	**7,876**

Endowment insurance relates to pension commitments, see note 22.

NOTE 29. FUTURE UNDERTAKINGS

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

NOTE 30. TRANSACTIONS WITH RELATED PARTIES

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

Within the framework of an incentive program, PAI partners offered senior Group executives an opportunity to become shareholders in the Parent Company Financière Forêt S.à r.l. and a total of around 80 manager and others key personnel participate, with contributions amounting to around EUR 2 million. Shares and options were priced on normal commercial terms.

Perstorp Holding AB has a loan from the Parent Company corresponding to SEK 1,271 (870) m at year-end. The loan is subject to normal market terms and conditions. The term of the loan is ten years, which is extended automatically for up to five periods each of ten years, assuming that neither of the parties terminates the agreement. The interest rate is 10%, which is capitalized. The loan is subordinate to the senior secured notes, second lien and mezzanine loans.

During 2012 Perstorp Holding AB received shareholders' contribution amounting to SEK 299 (1,376) m, whereof SEK 0 (1,338) m has been converted from loans to equity.

PetroPort AB was formed in 2009. Perstorp has a 50% stake in this company, but not a controlling influence. PetroPort AB has responsibility for the construction of the harbor in Stenungsund, which began in 2010. During 2011, PetroPort AB signed a financing agreement. The loan is not guaranteed by Perstorp. There is a commitment from Perstorp to finance the project/company if budgeted costs are exceeded. The harbor was fully operative from the 1st of February 2013 and the cost did not exceed the budgeted cost. Therefore the commitment does not exist after this date. Perstorp Oxo AB will reach an agreement concerning use of the harbor. The operational commitments that will then arise will be guaranteed by Perstorp Holding AB.

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

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

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

	2012			2011		
	Total	**of whom, women**	**%**	**Total**	**of whom, women**	**%**
Board members	153	24	16	155	16	10
Other senior executives	138	35	25	151	36	24

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

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

NOTE 32. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In December 2012, Perstorp's Board of Directors decided to transfer Perstorp's Singapore legal units (isophthalic acid operations) to Financiére Forêt S.á r.l., parent company to the Perstorp Group, as a consequence of the recent refinancing process. The financial results for this operation are consequently from January to December 2012, reported within discontinued operations. The transaction was completed in March 2013.

On the 31st of May 2012, Perstorp and Thailand's largest chemical producer PTT Global Chemical completed the formation of a joint venture dedicated to the manufacturing and sales of aromatic (TDI) and aliphatic (IPDI, HDI and derivatives) isocyanates. PTT Global Chemical (PTT GC) holds 51% of the joint venture and Perstorp 49%. Perstorp has a put options to sell the remaining 49% holding in Vencorex and PTTGC NL has obtained a call option to buy the remaining 49% holding in Vencorex. After the transaction day, Perstops share of 49% is reported as Participation in associated companies in the balance sheet and as Result from participations in associated companies in the income statement. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, 100% of the assets and liabilities held for sale and discontinued operations is reported below.

SEK m	2012	2011
Discontinued operations		
Net sales	2,306	4,559
Operating earnings	311	-992
Operating earnings before tax (EBIT) [1]	123	-1,238
Tax	-6	-337
Net earnings/loss for the year [2]	**117**	**-1,576**

[1] Includes a reversal of write-down of SEK 350 m in 2012 and a write-down of SEK 240 m in 2011 for Singapore Operations and SEK 527 m for Vencorex.
[2] Translation differences recognized in other comprehensive income amounts to SEK 53 (11) m.

SEK m	2012	2011
Assets held for sale		
Intangible fixed assets	1	397
Tangible fixed assets	196	1,163
Other minor company holdings	–	63
Deferred tax asset	–	4
Inventories	130	439
Accounts receivable	88	522
Other operating receivables	8	199
Cash an cash equivalens	7	–
Total	**430**	**2,787**
Liabilities held for sale		
Deferred tax liability	–	16
Accounts payable	150	502
Other operating liabilities	24	256
Total	**174**	**774**

NOTE 33. AUDITORS' FEES

	Group		Parent Company	
SEK m	2012	2011	2012	2011
PricewaterhouseCoopers:				
Audit assignments	7	8	2	2
Tax consultancy	1	1	1	1
Other	8	2	7	2
Total [1]	**16**	**11**	**10**	**5**
[1] Of which discontinued operations	–	2	–	–
Other auditing firms				
Audit assignments	1	1	0	0
Other	10	2	8	1
Sum	**11**	**3**	**8**	**1**
[1] Of which discontinued operations	2	2	–	–

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

NOTE 34. CURRENCY EXCHANGE RATES

Currency	Year-end exchange rates Dec. 31, 2012	Dec. 31, 2011	Average exchange rates 2012	2011
BRL	3.189	3.711	3.481	3.885
CNY	1.046	1.100	1.074	1.006
EUR	8.617	8.945	8.705	9.034
GBP	10.491	10.677	10.733	10.412
INR	0.119	0.130	0.127	0.140
JPY	0.076	0.089	0.085	0.082
KRW	0.006	0.006	0.006	0.006
SGD	5.328	5.323	5.421	5.167
USD	6.516	6.923	6.775	6.497

NOTE 35. ACQUISITION

During the first quarter 2011, Perstorp, through its subsidiary Perstorp Polyols Inc., acquired the Penta business, related technology and certain assets from Hercules Inc., a subsidiary of specialty chemicals company Ashland Inc. The transaction is fully in line with the companies' strategies going forward. The goodwill arising from the acquisition is attributable to non-separable client relationships and synergies in the North American market and is expected to be deductible for income tax purposes.

SEK m	2012	2011
Machinery & Equipment	-	3
Technology	-	3
Customer relations	-	29
Know-how	-	4
Goodwill	-	22
Total purchase price	**-**	**61**

Proposed treatment of unappropriated earnings

	SEK
The Board of Directors and President propose that the funds available for distribution by the Annual General Meeting, as shown in the Parent Company´s balance sheet, namely:	
Retained earnings	2,356,743,865
Net earnings for the year	33,489,918
be distributed as follows:	
To be retained in the business	2,390,233,783

Perstorp, April 25, 2013

Fabrice Fouletier
Chairman

Martin Lundin
President & Chief Executive Officer

Michel Paris

Carl Settergren

Claes Gard

Karin Markides

Ragnar Hellenius

Bertrand Monier

Ronny Nilsson
(elected by employees)

Oleg Pajalic
(elected by employees)

Anders Magnusson
(elected by employees)

Our audit report was submitted April 29, 2013
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Lead auditor

Mats Åkerlund
Authorized Public Accountant

Auditors´ report

To the annual meeting of the shareholders of Perstorp Holding AB (publ.), corporate identity number 556667-4205

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Perstorp Holding AB (publ.) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 50-87.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Perstorp Holding AB for the year 2012.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OPINIONS

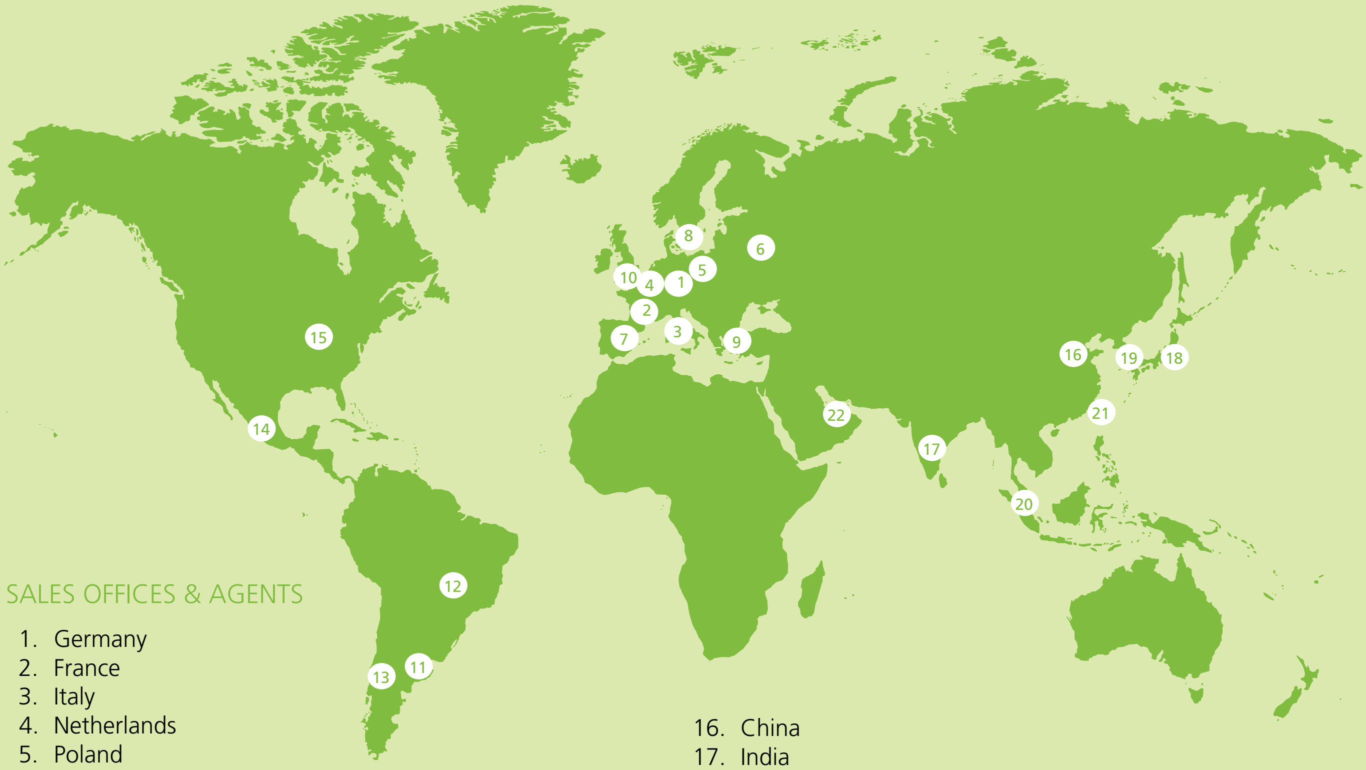
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Malmö, April 29, 2013
PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant
Lead auditor

Mats Åkerlund
Authorized Public Accountant

We create your world for a more **sustainable** future



SALES OFFICES & AGENTS

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

Plus 50 agents covering over 60 locations worldwide.

PRODUCTION PLANTS

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

Your Winning Formula

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

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

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

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

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WINNING FORMULAS