



Perstorp Holding AB

Interim report January 1 - June 30, 2008

Perstorp Holding AB

Corporate reg. no. 556667-4205. Parent company for Perstorp

Perstorp is an international specialty chemicals group with leading positions in selected niches. The Group has around 2,100 employees and manufacturing companies in 11 countries in Europe, North and South America and Asia. The Perstorp Group was acquired at the end of 2005 by Perstorp Holding AB, which is controlled by PAI partners, a French private equity company.

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- ➔ Good demand and rising price levels. Negative effects of weaker US dollar.
- ➔ Net sales climbed by 41% to SEK 5,739 m (4,074) thanks to good volumes, price increases, completed acquisitions and investment in expansion. Adjusted for acquisitions, sales rose 22%.
- ➔ The operating profit before depreciation and amortization (EBITDA) strengthened and reached SEK 925 m (679). Adjusted for one-off items, the profit was SEK 846 m (696). The improvement was due to both acquisitions and organic growth, and was achieved despite the weaker US dollar and rising prices for raw materials and energy.
- ➔ Cash flow from operations amounted to SEK -39 m (-100). During the first half of the year there is traditionally a build-up of operating capital. On a rolling 12-month basis, cash flow was SEK 611 m.
- ➔ Production start for TMP and Neo in the important Chinese market.
- ➔ Acquisition of leading business in caprolactones and decision made to invest in doubled capacity in this area.
- ➔ New Group organization introduced to efficiently develop the business and integrate major acquisitions.
- ➔ Following the reporting period an agreement was signed to acquire selected specialty chemicals activities from Rhodia Organics and Lyondell Chimie TDI SCA, which will strengthen the Group's market positions and introduce new products. This will be Perstorp's largest-ever acquisition, boosting sales by around EUR 500 m.

Key figures in summary					
SEK m unless otherwise stated	Quarter 2 2008	Quarter 1 2008	Quarter 2 2007	Quarter 1-2 2008	Quarter 1-2 2007
Net sales	2,960	2,779	2,129	5,739	4,074
Operating earnings before depreciation (EBITDA)	404	521	363	925	679
% of net sales	13.6	18.7	17.1	16.1	16.7
EBITDA adjusted for non-recurring items ¹⁾	424	422	367	846	696
% of net sales	14.3	15.2	17.2	14.7	17.1
Operating earnings (EBIT) ²⁾	242	376	231	618	417
% of net sales	8.2	13.5	10.9	10.8	10.2
Net earnings/loss ²⁾	-28	85	2	57	-11
Cash flow from operating activities	3	-42	119	-39	-100
% of net sales	0.1	-1.5	5.6	-0.7	-2.5

¹⁾ Non-recurring items are primarily costs for acquisition projects not yet completed and, in the first quarter of 2008, capital gains from the sale of the business within Advanced Composites.

²⁾ The purchase price allocations remain preliminary and depreciation will be modified when this work is completed.

President's comments

Perstorp aims to achieve high and profitable growth. In recent years the Group has developed several new products, begun activities within bio-based chemicals and completed several international acquisitions. As a result, net sales have almost doubled over the past two years, and in the last six months alone the increase was around 40%!

This fast development is in line with our strategies and established business plan:

- ➔ In January Perstorp took over the leading caprolactones business. This business is progressing very well and products are experiencing strong demand, prompting us to take a decision to double capacity.
- ➔ We have now started production of TMP and acquired a plant for Neo in China within the framework of a majority-owned joint venture. Both activities have successfully begun delivering volumes during the reporting period.
- ➔ After the end of the reporting period we have acquired a large business within a specialty chemicals segment that complements our offer and gives us an exceptional portfolio of products for the coatings sector. The acquisition, which has synergies with our existing business and good potential for development, is expected to increase Group sales and earnings on an annual basis by more than a third.

The fast pace of development is broadening Perstorp's business base and making us a more important partner for our customers. Continued expansion also means that we must develop our working methods. We have therefore introduced a new organization based on Business Groups, which transfers decision-making further out into the business and makes it easier to make quick decisions wherever opportunities or problems arise. The new organization will also facilitate integration of future acquisitions.



Bo Dankis, President and CEO.

In the first half of 2008 Perstorp experienced good demand with rising prices on most markets despite general uncertainty about economic activity.

Prices for raw materials and energy continued to rise sharply, but Perstorp could make up for this by raising prices for its own products. A contributing factor to this is our determined efforts to develop our organization's ability to handle price fluctuations. Group earnings climbed in comparison to the same period last year, although the increase was limited by the weak US dollar and production disruptions that restricted capacity for some products at the start of the year.

In the second half of the year we expect to see favorable demand and a good market balance providing that the global economy does not weaken significantly. This in combination with the Group's higher capacity, new products and company acquisitions mean that I expect positive development for the Group in 2008 as a whole.

Perstorp, July 2008

A handwritten signature in blue ink, appearing to read 'Bo Dankis'. The signature is fluid and cursive, written on a white background.

Bo Dankis
President and CEO

Market & economic conditions

During the first six months of 2008 the world economy was characterized by good growth on almost all markets, despite uncertainties about business cycle trends. For Perstorp this meant that strong demand continued on the Group's markets.

Development in Europe was positive, despite some signs of a slowdown in southern Europe towards the end of the period. The US also progressed positively except for applications associated with building and automotives. Asia reported continued good demand and favorable growth.

A number of the Perstorp polyols performed especially well, along with performance additives and formalin products. Integration of acquired activities proceeded well, with the newly acquired caprolactones business meeting continued strong demand in the period, as expected.

Capacity utilization was high for most units throughout the period. However, at the start of the year the unit in Stenungsund suffered production disruptions that affected delivery capability and thus had a negative impact on sales.

The major hike in prices for raw materials and energy continued, which for Perstorp and the rest of the chemicals industry means significant cost increases. For Perstorp, the price of oil and natural gas based products such as ethylene and propylene rose both during and after the period. The price of methanol, which was very high during the first quarter, fell back during the second quarter and then stabilized. Perstorp has implemented price increases continually and has thus been able to compensate for the higher costs during the period, although there was a negative effect on the profit margin measured as a percentage of sales.

The Group was affected by the fall of the US dollar, which had a negative currency effect of around SEK 120 m during the first half of the year compared with the first half of last year.



Financial overview

Income statement, Group ^{1) 2)}						
SEK m	Quarter 2		Quarter 1-2		Latest 12 months	Full year 2007
	2008	2007	2008	2007		
Net sales	2,960	2,129	5,739	4,074	10,248	8,583
Cost of sold goods	-2,488	-1,693	-4,776	-3,333	-8,517	-7,074
Gross earnings	472	436	963	741	1,731	1,509
Sales, administration and R&D costs	-199	-182	-386	-353	-742	-709
Other operating income and expenses ³⁾	-30	-23	42	30	17	5
Income from participations in associated companies	-1	0	-1	-1	-2	-2
Operating earnings (EBIT)	242	231	618	417	1,004	803
Exchange-rate differences on net debt	0	-1	-16	12	-3	25
Other financial income and expenses	-283	-226	-567	-445	-1,031	-909
Earnings/loss before tax	-41	4	35	-16	-30	-81
Tax	13	-2	22	5	-30	-47
Net earnings/loss (incl. minority interest)	-28	2	57	-11	-60	-128
Operating earnings before depreciation (EBITDA)	404	363	925	679	1,611	1,365
EBITDA adjusted for non-recurring items	424	367	846	696	1,556	1,406

¹⁾ The business acquired within PIA was consolidated from December 2007 and the caprolactones business was consolidated from February 2008. The pro forma income statement is presented on page 6.

²⁾ The purchase price allocations remain preliminary and depreciation will be modified when this work is completed.

³⁾ Other operating income and expenses primarily include the currency effects of net operating receivables and costs and non-recurring income. Capital gains from the sale of the composites business are included in the first quarter of 2008.

Net sales

Net sales climbed 41% during the first half of the year to reach SEK 5,739 m (SEK 4,074 m in the same period in 2007). Acquired units accounted for around 20% of this increase, and sold units for -1%. Apart from this, the newly started plant for renewable biofuel accounted for 14% of growth. Organic growth was thus 8%, with price increases accounting for 9%, currency effects -3% and volume growth 2%. Price rises are driven by hikes in raw material costs for most oil and natural gas based products, such as ethylene and propylene.

Volumes were affected by production disruptions at the site in Stenungsund in the first half of the year. The products reporting strongest volume growth were some of the polyols, performance additives and formalin plants and catalysts.

The acquired activities comprise PIA (Purified Isophthalic Acid), which has been consolidated since the end of November 2007; TMP and Neo in China, as well as the caprolactones

business that joined the Group in early 2008. The caprolactones business performed particularly well in the first half of the year with the market characterized by a capacity shortage combined with strong demand.

Earnings

Operating earnings before depreciation and amortization climbed to SEK 925 m (679). This included SEK 79 m of non-comparable items (-17), of which SEK 107 m was capital gains from the sale of the composite business in the first quarter. Most of the remainder of the non-comparable items comprised acquisition costs for projects that have not yet been completed and restructuring costs. After adjustments for these non-recurring items, operating earnings were SEK 846 m (696).

A large portion of the earnings hike resulted from business acquisitions. However, earnings excluding acquisitions were also positive, due to higher volumes and successful work on compen-

sating for higher raw material prices. Exchange rates, mainly relating to the US dollar, had a negative impact on results of around SEK 120 m.

The operating margin, adjusted for one-off items, fell to 14.7% (17.1), due to higher price levels and the negative effect of exchange rates.

Net debt rose due to the large expansion of the business. Interest costs climbed to SEK 567 m (445), after adjustments for exchange rates.

Net earnings after depreciation, net financial items and taxes reached SEK 57 m (-11).

Pro forma earnings

To give a more complete picture of the development of the current Group compared with last year, a pro forma income statement is presented below. The newly acquired activities within PIA and caprolactones have been included as if they were a full part of the Group in both 2008 and 2007. The pro forma statement excludes the composites business that was sold in March 2008.

Sales growth was pro forma 20%, of which slightly more than half came from the start-up of the biofuel plant. The exchange rate effect on pro forma operating earnings before depreciation and amortization was SEK -150 m compared with previous year.

Income statement, pro forma ¹⁾						
SEK m	Quarter 2		Quarter 1-2		Latest 12 months	Full year 2007
	2008	2007	2008	2007		
Net sales	2,960	2,533	5,800	4,819	11,023	10,042
Cost of sold goods	-2,488	-1,983	-4,811	-3,907	-9,000	-8,096
Gross earnings	472	550	989	912	2,023	1,946
Sales, administration and R&D costs	-199	-187	-381	-364	-753	-736
Other operating income and expenses ²⁾	-30	-24	41	26	20	5
Income from participations in associated companies	-1	0	-1	-1	-2	-2
Operating earnings (EBIT)	242	339	648	573	1,288	1,213
Operating earnings before depreciation (EBITDA)	404	491	955	877	1,930	1,852
EBITDA adjusted for non-recurring items	424	495	876	894	1,876	1,894

¹⁾ The purchase price allocations remain preliminary and depreciation will be modified when this work is completed.

²⁾ Other operating income and expenses primarily includes exchange-rate effects on operational net receivables and non-recurring income and costs. It also includes estimated insurance compensation for margin shortfall in conjunction with damage in the first quarter of 2007.

Financial position

Balance sheet, total Group ¹⁾		
SEK m	June 30, 2008	Dec. 31, 2007
Goodwill	3,057	2,275
Other intangible fixed assets	3,915	3,732
Tangible fixed assets	5,401	5,066
Financial fixed assets	540	473
Inventories	1,157	1,090
Other current assets	2,237	1,790
Cash and cash equivalents, incl. short-term investments	135	447
Assets	16,442	14,873
Shareholders' equity (incl. minority interest)	-237	-168
Loan from Parent Company	2,752	2,362
Other long-term liabilities	11,548	10,228
Current liabilities	2,379	2,451
Shareholders' equity and liabilities	16,442	14,873
Working capital	1,394	986
Net debt	12,505	10,532
Capital employed	12,218	10,692

¹⁾ The purchase price allocations remain preliminary and depreciation will be modified when this work is completed.

The acquisition of new activities affected working capital, tangible fixed assets and loans. Preliminary acquisition calculations were presented in the 2007 Annual Report. Work continues aimed at concluding the purchase price allocation in accordance with IFRS3.

At the end of the period working capital amounted to SEK 1,394 m. At the same point last year the figure was SEK 1,114 m. Most of the hike was due to the acquisition of the PIA and caprolactones businesses as well as expansion in China. Prices have risen, although exchange rates had an opposite effect.

Shareholders' equity, total Group			
SEK m	Shareholders' equity excl. min. interest	Minority interest	Total shareholders' equity
Opening balance, January 1, 2008	-197	29	-168
Translation difference:			
change of the period	-201	-1	-202
less effect of currency hedges	67	-	67
tax effect of period's currency hedges	-19	-	-19
Market valuation of interest swaps, after tax	-9	-	-9
Market valuation of forward contracts, after tax	23	-	23
Acquisition of minority interest	-	-3	-3
Payment from minority shareholders	-	17	17
Net earnings/loss for the period	59	-2	57
Closing balance, June 30, 2008	-277	40	-237

Net debt has increased by around SEK 2 billion since the end of the year. This development relates to the major business acquisitions and investment in expansion. See the cash flow analysis for further details.

Shareholders' equity progressed negatively in the first half of the year. Positive net earnings were countered by negative exchange rate effects due to the translation of net assets in foreign subsidiaries caused by the weakening of the US dollar and British pound.



Cash flow & acquisitions

Cash flow statement, total Group						
SEK m	Quarter 2		Quarter 1-2		Latest	Full year
	2008	2007	2008	2007	12 months	2007
<i>Operating activities</i>						
Operating earnings	242	231	618	417	1,004	803
Adjustment items:						
Depreciation	162	131	307	261	608	562
Net gain on sale of activities, reversal	-1	-	-107	-	-107	-
Other	25	11	15	-3	4	-14
Interest received	0	0	3	5	6	8
Interest paid	-128	-61	-358	-334	-646	-622
Income tax paid	-51	-20	-66	-41	-79	-54
Cash flow from operating activities before change in working capital	249	292	412	305	790	683
<i>Changes in working capital</i>						
Increase (-) Decrease (+) in inventories	32	-37	-52	-41	-167	-156
Increase (-) Decrease (+) in current receivables	-60	-96	-472	-248	-350	-126
Increase (+) Decrease (-) in current liabilities	-218	-40	73	-116	338	149
Cash flow from operating activities	3	119	-39	-100	611	550
<i>Investing activities</i>						
Acquisition of net assets, subsidiaries	7	0	-1,926	-59	-2,600	-733
Liquid funds in acquired companies	-	-	-	-	39	39
Acquisitions of tangible and intangible fixed assets	-109	-129	-218	-281	-468	-531
Sale of net assets, subsidiaries	-	-	170	-	176	6
Change in financial assets, external	4	5	-1	4	0	5
Cash flow from investing activities	-98	-124	-1,975	-336	-2,853	-1,214
<i>Financing activities</i>						
Payment from minority shareholders	17	-	17	-	17	-
New loan, external	-24	-	1,598	-	1,598	-
New loan raised from Parent Company	-	-	285	-	474	189
Change in credit utilization	51	48	-174	359	-18	515
Short-term liability, related companies	-	-2	-24	-17	-24	-17
Cash flow from financing activities	44	46	1,702	342	2,047	687
Change in liquid funds, incl. short-term investments	-51	41	-312	-94	-195	23
Liquid funds opening balance, incl. short-term investments	186	292	447	425	332	425
Translation difference in liquid funds	-	-1	-	1	-2	-1
Liquid funds, end of period	135	332	135	332	135	447

Cash flow

Cash flow from operations was SEK -39 m (-100). The operating profit was significantly higher than in the same period last year, but cash flow was reduced mainly because of the build-up of operating capital. Working capital expanded by SEK 451 m during the first six months of the year, adjusted for currency effects, which was partly due to the fact that acquired businesses

were taken over without operating receivables or liabilities and partly due to expansion and price increases. It is usual for a build-up of capital to occur in the first half of the year.

Cash flow from investing activities was SEK -1,975 m (-336). Business acquisitions, primarily the caprolactones activity,

totaling SEK 1,926 m are included in this amount. Investment in fixed assets amounted to SEK 218 m (281), of which the largest individual item was the pre-engineering phase of a plant for production of valeraldehyde and various derivatives.

The sale of the composites business meant an inflow of SEK 170 m.

During the period, cash flow from financing activities shows that new, external loans amounting to around SEK 1.6 billion have been raised while loans from the Parent Company increased by SEK 285 m, both in connection with company acquisitions.

Company acquisitions & sales

Acquisition of polyols business in China

At the start of 2007 Perstorp formed a joint venture in China and thereby acquired a 51% share in a modern production plant in Qilu Chemical Industrial Park in Zibo City, Shandong province. Production of basic polyol TMP started at the plant in early 2008. Capacity is 15,000 tons per year.

At the start of 2008 Perstorp completed the acquisition of an additional production site in the same province, which consolidates the Group's leading position in polyols. This was achieved by the joint venture in China acquiring a business for production of basic polyol Neo. The seller was Chinese polyol manufacturer Zibo Linzi Yongliu Chemical Industry Stock Co., Ltd. The plant is expected to achieve sales of around SEK 300 m in 2008. In conjunction with the acquisition, Perstorp increased its share in the joint venture company to 58.5%.

Acquisition & expansion within caprolactones

During the reporting period, Perstorp has begun a major commitment in the growing market for caprolactones, where the Group sees considerable opportunities for growth and new applications.

This has been implemented through the acquisition on February 1, 2008 of Solvay Caprolactones, the caprolactones business of Solvay, a chemicals and pharmaceuticals group. The business is a market leader in its field and focuses on global markets with high growth and strong profitability. This business had sales of EUR 80 m in 2007 and around 70 employees. Production takes place in Warrington, UK.

The purchase price was close to EUR 200 m. The acquisition was financed through a combination of owner capital and borrowed capital. This has meant that existing senior loans and mezzanine loans have been increased. DnB NOR has joined the group of senior lenders.

Caprolactones, marketed by Perstorp under the Capa® brand, cover a wide range of caprolactones used for paint and varnish, polyurethane, binding agents and many other applications. The products are utilized in the same applications as Perstorp's polyols and offer interesting synergy opportunities, which makes the acquisition an important extension of Perstorp's product portfolio.

Since the acquisition and against the background of strong demand for caprolactones and its derivatives, Perstorp has decided to double production capacity, making use of its unique technological competence, and reinforce the business's leading positions. The aim is also to build partnerships with key customers and develop new application areas. The increased capacity should be in operation by 2010.

Sale of composites business

In line with the strategy of focusing on expanding core business within specialty chemicals, Perstorp has sold its business within composites, YLA Inc. and its subsidiary, CCS Composites LLC, to TenCate Advanced Composites USA Inc. The business had sales of around USD 24 million. The purchase price is USD 32 million.

Significant events after the end of the period

Acquisition of specialty chemicals business

Since the end of the reporting period, Perstorp has continued its expansion by signing an agreement to acquire a major specialty chemicals segment from Rhodia Organics and Lyondell Chimie TDI SCA. The activity is a world-leading producer and supplier of specialty chemicals TDI, HDI and HDI derivatives, which are primarily used as hardeners in the paint industry and in foam products in the automotive and furniture industries. TDI is used as a crosslinker in polyurethane foam, and in the production of mattresses, fillings and car seats, among other things. HDI and its derivatives are used in paint, elastomers and applications requiring strong resistance, light weight and stability when used outdoors.

The business has 700 employees and production plants in Pont-de-Claix in France and Freeport in Texas, USA. In 2007 the business had sales of around SEK 4.7 billion.

The acquisition complements Perstorp's business offer and gives

the Group a very strong product portfolio, especially in the paint industry. The acquisition also brings synergies in development and production and in sales because of shared customers.

The activity will form a new Business Group within Perstorp. The date for the takeover has not yet been fixed. The conclusion of the deal is subject to approval by the authorities.

Research co-operation in bio-chemical processes

Perstorp has received research funding amounting to SEK 35 m from Vinnova, the Swedish state research and development authority, to carry out two long-term research projects concerning the production of chemicals based on renewable raw materials. One of the projects aims to develop a bio-platform for chemicals production using organic acids, while the other project aims to improve the efficiency with which bio-catalysts are used in chemical processes. The project will run over five years in co-operation with Lund University and industrial partners.



Key figures, Group ¹⁾

SEK m unless otherwise stated	Quarter 2		Quarter 1-2		Latest 12 months	Full year 2007
	2008	2007	2008	2007		
Net sales	2,960	2,129	5,739	4,074	10,248	8,583
Operating earnings before depreciation (EBITDA)	404	363	925	679	1,611	1,365
EBITDA adjusted for non-recurring items	424	367	846	696	1,556	1,406
Operating earnings (EBIT)	242	231	618	417	1,004	803
Operating margin before depreciation, %	13.6	17.1	16.1	16.7	15.7	15.9
Operating margin, %	8.2	10.9	10.8	10.2	9.8	9.4
Investments	106	126	2,043	329	3,060	1,346
of which acquisitions	-	-4	1,828	48	2,591	811
excluding acquisitions	106	130	215	281	469	535
Depreciation ²⁾	162	132	307	262	607	562
Working capital, end of period	1,394	1,114	1,394	1,114	1,394	986
Working capital, average	1,295	1,004	1,234	935	1,152	981
Turnover rate, working capital	9.1	8.5	9.3	8.7	8.9	8.8
Cash flow from operating activities	3	119	-39	-100	611	550
Cash flow as % of net sales	0.1	5.6	-0.7	-2.5	6.0	6.4
Capital employed, end of period	12,218	10,263	12,218	10,263	12,218	10,692
Capital employed, average	12,125	10,055	11,989	9,914	11,083	9,999
Return on capital employed, %	8.0	9.2	10.4	8.5	9.1	8.1
Net debt, incl. pensions, end of period	12,505	10,018	12,505	10,018	12,505	10,532
Net debt, incl. pensions, excl. Parent Company loan ²⁾	9,753	7,961	9,753	7,961	9,753	8,170
Debt/equity ratio, %, excl. Parent Company loan ²⁾	3.9	3.8	3.9	3.8	3.9	3.7
Equity/assets ratio, %, incl. Parent Company loan ²⁾	15.3	14.8	15.3	14.8	15.3	14.7
Return on shareholders' equity, %, incl. Parent Company loan ²⁾	-4.5	0.4	4.7	-1.1	-2.7	-6.3
Number of full-time employees, end of period	2,056	1,800	2,056	1,800	2,056	1,871

¹⁾ The purchase price allocations remain preliminary and depreciation will be modified when this work is completed.

²⁾ The Parent company loan, meaning the loan from the Luxembourg-based Parent Company Financière Forêt S.A.R.L., is subordinated to the senior credits, second lien and mezzanine loans. The interest on this loan is capitalized.

Parent company

Income statement, Parent Company				
SEK m	Quarter 1-2		Latest 12	Full year
	2008	2007	months	2007
Net sales, Group companies	34	30	49	45
Sales, administration and R&D costs	-51	-50	-95	-94
Other operating income and expenses	-1	-1	-2	-2
Gross earnings (EBIT)	-18	-21	-48	-51
Group contribution	0	-2	976	974
Financial income and expenses, Group companies	-10	31	-78	-37
Financial income and expenses, external	-466	-351	-930	-815
Income from participations in associated companies	0	0	-1	-1
Exchange rate differences on net debt	69	-60	51	-78
Earnings/loss before tax	-425	-403	-30	-8
Tax	119	113	6	0
Net earnings/loss	-306	-290	-24	-8

Balance sheet, Parent Company		
SEK m	June 30, 2008	Dec. 31, 2007
Shares in Group companies	9,286	9,286
Long-term receivables, Group companies	366	366
Other financial fixed assets	176	57
Short-term receivables, Group companies	155	996
Other current receivables	2	3
Liquid funds	0	130
Assets	9,985	10,838
Shareholders' equity (incl. minority interest)	139	445
Loans from Parent Company	2,752	2,362
Other long-term liabilities	6,088	5,992
Financial liabilities to related parties	49	73
Current liabilities, Group companies	717	1,642
Other current liabilities	240	324
Equity and liabilities	9,985	10,838

Shareholders' equity, Parent Company	
SEK m	Total
Opening balance, January 1, 2008	445
Net earnings/loss for the period	-306
Closing balance, June 30, 2008	139

Cash flow statement, Parent Company				
SEK m	Quarter 1-2		Latest 12	Full year
	2008	2007	12 months	2007
<i>Operating activities</i>				
Operating earnings	-18	-21	-48	-51
Interest received	26	21	54	49
Interest paid	-326	-230	-739	-643
Dividends received from Group companies	-	-	301	301
Group contribution received	977	394	1,177	594
Income tax paid	-1	-	-1	-
Cash flow from operating activities before change in working capital	658	164	744	250
<i>Changes in working capital</i>				
Increase (-) Decrease (+) in current receivables	-6	0	-5	1
Increase (+) Decrease (-) in current liabilities	-11	3	0	14
Cash flow from operating activities	641	167	739	265
<i>Investing activities</i>				
Acquisition of net assets, subsidiaries	-	-	-2	-2
Shareholder contribution, internal	-	-	-478	-478
Change in internal financial receivables	-123	-151	28	-
Cash flow from investing activities	-123	-151	-452	-480
<i>Financing activities</i>				
New loans, external	17	-	17	-
New loans from Group company	-	-	31	31
Amortization of loans, Group company	-925	-	-925	-
Regulated loan receivable from Group company	-	-	142	142
New loans from Parent company	284	-	473	189
Change in credit utilization	-24	-16	-25	-17
Cash flow from financing activities	-648	-16	-287	345
Change in liquid funds, incl. short-term investments	-130	0	0	130
Liquid assets opening balance, incl. short-term investments	130	0	0	0
Liquid assets, end of period	0	0	0	130

Other

New organization

To handle fast growth and the integration of business acquisitions, Perstorp has changed its organization.

From June 1, the Group's business units and production plants have been merged into two Business Groups with independent responsibility for profits and balance sheets. Specialty Intermediates includes activities within basic and specialty polyols and Purified Isophthalic Acid (PIA), while Performance Products includes Oxo alcohols, softeners, organic acids and formates, performance additives, caprolactones and BioProducts. The heads of the Business Groups are Mats Persson (Specialty Intermediates) and Lennart Hagelqvist (Performance Products).

A third Business Group will be formed to include the specialty chemicals activities Perstorp is acquiring from Rhodia and Lyondell.

Three Group Functions have also been formed. By teaming up in a united function, Sales & Marketing will retain closeness to customers while enabling the business groups to work together on global markets. Supply & IT will have overall responsibility for purchasing, customer service and IT. Finally, resources for process and application development along with other technical development will be focused in a new function, Technology. The heads of the functions will be David Wolf (Sales & Marketing), Martin White (Supply & IT) and Eric Appleman (Technology).

Organization & employees

The number of employees at the end of the first half of the year was 2,056 (1,871 at the end of 2007). The increase was due to company acquisitions in the UK and China, the sale of the composites business and organic growth in all product areas.

Transactions with related parties

Perstorp Holding AB has a loan from the Luxemburg-based Parent Company Financière Forêt S.A.R.L., which amounted to SEK 2,752 m on the closing date. Interest amounts to 10% and is capitalized. The loan is subordinated to the senior credit, second lien and mezzanine loans.

Accounting & valuation principles

The consolidated accounts for Perstorp Holding AB were prepared in accordance with International Financial Reporting Standards and the annual accounts act. The most important accounting principles according to IFRS are described in Note 2 of the 2007 Annual Report.

Financial information

Perstorp's financial information comprises a six-month interim report, end-of-year financial statement, annual report and a sustainability report. The 2008 financial statement will be published in February 2009, while the annual report and sustainability report will be published in April 2009. The reports will be available in Swedish and English on the Group's website, where it will also be possible to order printed versions.

Perstorp, July 24, 2008



Bo Dankis
President and CEO

This report was not reviewed by Perstorp's auditors.



Your Winning Formula

The Perstorp Group is the world leader in several sectors of the specialty chemicals market. Few chemical companies in the world can rival its 125 years of success. Today we have a rich performance culture distilled from our long history and extensive knowledge in the chemical industry. That culture and knowledge base enables us to produce Winning Formulas for a wide variety of industries and applications.

Our products are used in the aerospace, marine, coatings, chemicals, plastics, engineering and construction industries. They can also be found in automotive, agricultural feed, food, packaging, textile, paper and electronics applications.

Our production plants are strategically located in Asia, Europe and North and South America and are supplemented by sales offices in all major markets. We can offer you a speedy regional support and a flexible attitude to suit your business needs.

If you want a chemical partner who can offer you focused innovation to enhance your product or application, which is delivered reliably and responsibly look no further. We have a winning formula waiting for you.