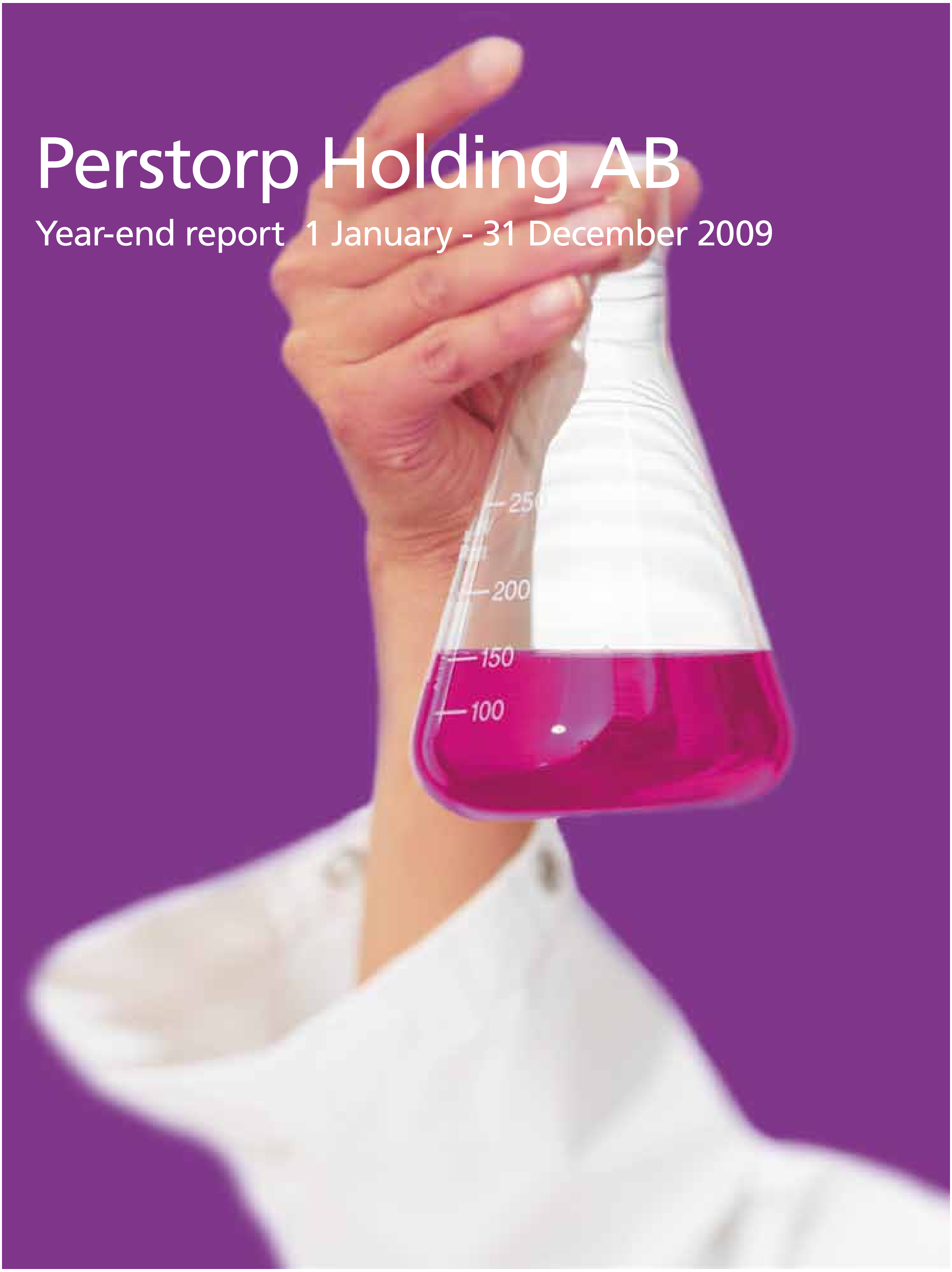
Perstorp Holding AB

Year-end report 1 January - 31 December 2009



Perstorp
WINNING FORMULAS

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 2,200 employees and manufacturing companies in ten countries in Europe, North America and Asia. The Perstorp Group was acquired at the end of 2005 by Perstorp Holding AB, which is controlled by PAI partners, a private equity company.

Year-end report 1 January - 31 December 2009

- The Group was strongly affected by the financial crisis, primarily in the first quarter, notably in the form of lower volumes. Sales still rose by 3% during the year to SEK 12,542 m, on the back of acquisitions. On a comparable basis, volumes declined by 9% and total sales by 18%, due to falling commodity prices.

- A cost savings program and efficiency improvements were implemented, resulting in a 20% decrease in the work force and major cost savings. In addition, specific emphasis was made on maintaining the profit margin on Perstorp´s products.

- The operating profit before depreciation and amortization (EBITDA) reached SEK 986 m (1,670). Adjusted for items affecting comparison, EBITDA was SEK 1,100 m (1,723). Most of the decline was due to lower volumes, together with price fall for the product TDI. A recovery began at the start of the second quarter and continued thereafter.

- Perstorp ends the year with a much stronger balance sheet thanks to shareholders' contributions.

- During the fourth quarter Perstorp reached an agreement with its banks, which improved the Group´s flexibility and included new financial covenants.

Key figures in summary

SEK m unless otherwise stated	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	Full year 2009	Full year 2008
Net sales	3,054	3,220	3,236	12,542	12,227
Operating earnings before depreciation (EBITDA)	231	323	207	986	1,670
% of net sales	7.6	10.0	6.4	7.9	13.7
EBITDA adjusted for non-recurring items [1]	308	330	329	1,100	1,723
% of net sales	10.1	10.2	10.2	8.8	14.1
Operating earnings (EBIT)	-69	-70	-323	-270	653
% of net sales	-2.3	-2.2	-10.0	-2.2	5.3
Net earnings/loss, Group	52	-316	-620	-784	-627
Cash flow from current activities	46	146	429	260	604
% of net sales	1.5	4.5	13.3	2.1	4.9

[1] One-off items are mainly attributable to redundancy and restructuring costs.

President´s comments

Throughout 2009 the focus was on improving efficiency and implementing rationalizations, but also on the strategic direction for Perstorp going forward. Together with the recent reinforcement of our balance sheet, these measures give us a much-improved platform on which to meet the exciting challenges of 2010.

The dramatic fall in demand that we saw for large parts of our product portfolio at the start of the year prompted us to accentuate the savings measures we had begun, and we made decisions on five key initiatives that we then implemented successfully during 2009.

- A savings program that will cut costs by more than SEK 300 m on an annual basis.
- A reduction in purchasing costs by over SEK 150 m per year, outside of purchases of major raw materials.
- The lowest tied-up capital in our industry.
- We reorganized to achieve greater efficiency and better proximity to customers.
- We worked intensively on the continued integration of our new Coating Additives business group. A new ERP system was implemented, in a very short period, in this business.

I am very proud of the loyalty and flexibility shown by Perstorp's staff in the very tough work completed in 2009. I am also proud that we succeeded in maintaining a consistent and impressively high margin percentage throughout the year, despite the erratic fluctuations in the market.

While we applied the handbrake in general, there were also areas where we accelerated and applied our resources. For example, thanks to growing demand, we decided to expand production of caprolactones in Warrington. Early in the autumn we started a new potassium formate plant at Perstorp, which has already met our high expectations. We also announced our ambition to further increase our production of HDI derivatives in China.

Asia is a highly interesting growth region, and since many of our customers choose to expand there we have decided to increase our local presence. In July, therefore, we formed a new organizational unit, Asia Region, to make it easier for us to seize opportunities in the region in the best way.

Unfortunately there were a series of disruptions to production in 2009. During the summer one of our suppliers experienced delivery problems, which hit our plant in Stenungsund very hard. There were also internal disruptions at some of our plants. As a result we have placed extra focus on availability at our plants in 2010. We have begun implementing a new business system for continuous improvements – Perstorp Performance System – which has been greatly appreciated.

Finally I wish to emphasize that I believe strongly in the strategy that we have laid out and which forms the base for the business plan established for the next three years. This strategy will be presented in greater detail in the Annual Report to be published in April.

Following a significant equity injection from our shareholders, and with a renegotiated agreement with our banks, we now enter 2010 with a much-strengthened balance sheet. This means I can conclude my first President's Comments by stating that I look forward to 2010 with pleasure and caution combined. It's time to roll up our sleeves and get into the hard work, yet again!

Perstorp, February, 2010

Martin Lundin
President and CEO

Market & economic conditions

The effects of the global financial crisis were felt strongly at the start of 2009. The immediate consequence was a significant fall in demand on nearly all markets, combined with a decline in raw material prices. Volumes gradually recovered from the beginning of the second quarter onwards.

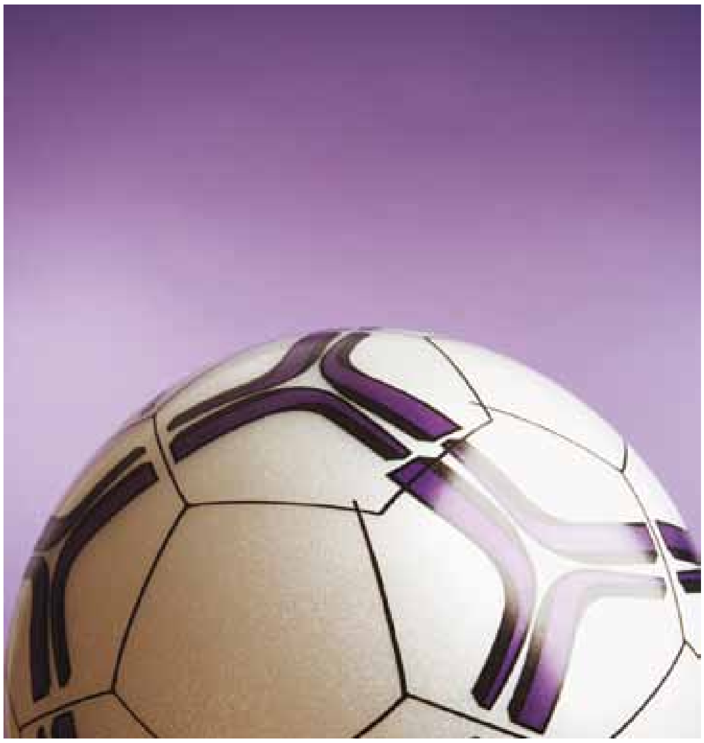
During the year all the players in the chain of value worked with much shorter lead times – at times customers had just a few days' intermediates in stock – and pricing for many raw materials went from quarterly to monthly. In general, price fluctuations were considerable in 2009. Lower demand, partly due to stock cutbacks in the customer chain, led in parallel to a loss of volume of around 25% during the first quarter. Starting in the second quarter, volumes recovered and for the year as a whole Perstorp's pro forma volume performance amounted to a fall of 9% compared with the previous year.

Development by geographic region was highly varied in 2009. The US went into recession quickly, but its recovery began ahead of other regions. Also South America's resurgence was very swift. Southern Europe proved more problematic, mainly due to an overheated construction sector in countries such as Spain and Italy. In northern Europe we have seen a steady recovery from the weak start to the year. Asia was hit hard in the first months of 2009 but, as the world's most dynamic market, revived well during the second half of the year.

Turning to Perstorp's products, basic polyols had a difficult start of the year, but volumes returned later on. The market for Penta is still challenging because of an unfavorable global supply and demand balance. Due to the price fall for TDI, the year was very difficult for isocyanates – a very significant product both in terms of sales and margins. However, Perstorp now has a better grip on the market and the curve is pointing upwards again.

Not all products were affected by the crisis. Specialty polyols performed relatively well throughout the year. Formox noted one of its best years ever and continues to win market shares from competing technologies. The Food & Feed business was unaffected. Potassium formate sold well as planned. The new plant taken into use in the autumn makes Perstorp the world's largest producer of this product. The unit for the production of caprolactones in Warrington, UK, is well equipped to continue expansion. The new plant will be ready to begin production in 2011.

Currency effects boosted sales and margins during the year but currency hedging produced an overall negative effect of around SEK 100 m on operating results.



Financial overview

Group

Income statement, Group				
SEK m	Quarter 4		Full year	
	2009	2008	2009	2008
Net sales	**3,054**	**3,236**	**12,542**	**12,227**
Cost of sold goods	-2,865	-3,028	-11,215	-10,538
Gross earnings	**189**	**208**	**1,327**	**1,689**
Sales, administration and R&D costs	-265	-344	-1,093	-952
Other operating income and expenses [1)]	-20	49	-260	161
Write-down of assets	28	-234	-241	-241
Income from participations in associated companies	-1	-2	-3	-4
Operating earnings (EBIT)	**-69**	**-323**	**-270**	**653**
Exchange-rate differences on net debt	-18	-138	66	-213
Extraordinary financial items	313	0	313	-31
Other financial income and expenses	-321	-367	-1,398	-1,297
Earnings/loss before tax	**-95**	**-828**	**-1,289**	**-888**
Tax	147	208	505	261
Net earnings/loss (inclusive minority interest)	**52**	**-620**	**-784**	**-627**
Operating earnings before depreciation (EBITDA)	**231**	**207**	**986**	**1.670**
EBITDA adjusted for non-recurring items	**308**	**329**	**1,100**	**1,723**

[1)] Other operating income and expenses primarily includes exchange-rate effects on operational net receivables and non-recurring income and costs. Capital gains from the divestment of a business are included for the first quarter 2008.

The above income statement comprises acquired businesses for the periods they are included in the Group. This means that the Coating Additives business, acquired in September 2008, is only included in the figures for the four final months of 2008, but for the full year of 2009. Coating Additives has annual sales of around EUR 400 m. The caprolactones business was acquired in February 2008. Pro forma quarterly sales and earnings for the Group in 2008 are presented on the following page and include the acquired businesses for the full period.

Net sales

Net sales climbed 3% during the year to reach SEK 12,542 m. Acquired business accounted for 21% of this increase, meaning that organic sales growth declined with 18%.

Volumes were down by 8%, mainly in the first quarter, when the drop was as much as 25%, not least due to destocking by customers. During the remainder of the year volumes recovered gradually. Production disruptions at Perstorp's operation in France, and at one of the Stenungsund plant's suppliers, impacted negatively on volumes in the fourth quarter. Lower volumes were distributed quite evenly among business groups, with the exception of the acquired Coating Additives, whose volumes climbed 14% for the period when the business was consolidated for both years (September to December). However, the economic downturn had already begun in late 2008, the year of comparison.

In addition, selling prices declined by 17% over the year, mainly because of falling commonity prices. The Swedish krona weakened against the US dollar and the Euro, which meant sales gained 7% when converted into SEK.

Earnings

Operating earnings before depreciation and amortization reached SEK 986 m in 2009, compared with SEK 1,670 m in 2008. If items affecting comparison are excluded, EBITDA was SEK 1,100 m compared with SEK 1,723 m in 2008. Earnings for the period were also affected negatively by around SEK 80 m by the significant fall in raw material prices at the end of 2008, which meant that inventories were written down to the net realizable value and these products therefore had a margin of zero when sold at the start of the year. Items affecting comparison primarily comprise rationalization measures, and the figure for 2008 included a capital gain of SEK 116 m for the sale of a business.

The lower comparable earnings figure is principally due to the fall in volumes. The Group managed to maintain profit margins price-wise, despite great turbulence in the raw material prices. A contributing factor here was the determination shown in the cost-savings program focused on purchases in addition to major raw materials.

Lay-offs and improved efficiency meant that around 550 people left the Group during the year, partly in connection with two of the Group's production units, in India and Chile, being mothballed. Costs could be reduced this way by a further SEK 300 m.

Both USD and EUR strengthened against SEK, which benefitted both sales and margins, as the majority of the Group's operating cash flow is in these currencies. However, most of the flows for the year were hedged, which means that the overall currency effect was negative with about SEK 100 m.

Earnings for the acquired business in Coating Additives for the year were much lower than expected. In the first quarter there was strong price pressure on TDI. During the second quarter Perstorp managed to change the price trend and the earnings curve, which remained on a positive upwards course in the third quarter. However, production disruptions in the final quarter meant that earnings dipped down again temporarily as volumes and efficiency fell.

Operating earnings (EBIT) were SEK -270 m in 2009 (653 in 2008). Write-downs totaled SEK 241 m (241) in the year, mainly relating to the Valex project. The project has taken on a new technical direction and scope, with scheduled product launch of DPHP during 2010 and with a plan for production of Valeraldehyde/2-PH. Plant values in Chile, India and China have also been written down in connection with the production efficiency program. Last year's write-down mainly relates to the plant in Singapore. Depreciation rose compared with the previous year, from SEK 776 m to SEK 1,015 m, as a consequence of the acquired business and establishing its plants' market values and remaining life-lengths.

Net financial items were SEK -1,019 m, compared with SEK -1,541 m for the period of comparison. The final quarter in 2009 included a non-recurring income of SEK 309 m, related to the financing of the Group. As the income statement shows, financial currency differences were positive in 2009 but negative in the year of comparison. Comparable net financial items were SEK -1,398 m for 2009 and SEK -1,297 m for the previous year. The acquisition of the Coating Additives business contributed to higher borrowings starting from September 2008 and higher interest costs as a result. In 2009 Perstorp's owner made a shareholder contribution of SEK 1.6 billion, most of which was contributed at the end of the year, and also converted SEK 372 m from a shareholder loan into shareholder's equity. This had a favorable effect on net financial items.

The net loss for the year was SEK 784 m (loss 627).

Pro forma net sales & results

To provide a more complete picture of the development of the current Group, pro forma sales and EBITDA are presented below. The businesses acquired during the period have been included as though they were a part of the Group for all of 2008. Historic figures are based on unaudited data from the sellers.

Pro forma sales fell overall by 18% in 2009, compared with the previous year, of which half was a decline in volumes. Prices fell by 18%, of which the acquired Coating Additives' product TDI accounted for a large part. The fall in price for this single product amounted to 34% during the year, prompted by a dramatic fall at the end of 2008. The price began its recovery in the second quarter. Positive currency effects compensated for around 9% of the fall in price.

Comparable earnings before depreciation and write-downs fell from SEK 2,340 m in 2008 to SEK 1,100 m in 2009. As described above the Group excluding acquired business was hit by a fall in volumes that had a significant impact on profitability for the Group. This was only partly countered through rationalization and cost cutting measures. For the acquired Coating Additives business the first three quarters of the comparable period were very strong, but the business was then hit hard by the financial crisis, which expressed itself in a sudden price fall combined with destocking at all levels. The recovery began in April 2009, and margins and volumes have since climbed steadily upward. The start of the fourth quarter 2009 was affected by disruptions to production.

Pro forma sales & earnings before depreciation

	2008					2009				
SEK m	Q 1	Q 2	Q 3	Q 4	Total	Q 1	Q 2	Q 3	Q 4	Total
Net sales	4,018	4,010	4,044	3,302	15,374	2,976	3,292	3,220	3,054	12,542
Operating earnings before depreciation (EBITDA)	836	556	676	219	2,287	118	314	323	231	986
EBITDA adjusted for non-recurring items	**737**	**576**	**686**	**341**	**2,340**	**124**	**338**	**330**	**308**	**1,100**

Financial position

Work aimed at establishing the acquisition balance sheet for Coating Additives was completed in 2009, with the main impact being noted for tangible and intangible assets. The allocations are reported in a separate table on page 9.

All items in the balance sheet were affected by the strengthening SEK during 2009. For example, SEK-EUR moved from 10.94 to 10.35, and SEK-USD from 7.75 to 7.21. Large parts of the Group's assets and liabilities are denominated in these two currencies.

Working capital fell by around SEK 300 m during the year, and turnover speed was further improved. Perstorp's tied-up capital is among the best in the industry.

Net debt excluding the owner's loan fell during the year by almost SEK 2 billion. This was made possible through a shareholders' equity contribution of around SEK 1.6 billion. Mezzanine receivables were bought back, reducing the debt by a further SEK 300 m. Favorable currency effects amounted to around SEK 500 m. Cash flow after investments, which is reported on the next page, was negative and increased the liabilities a bit.

Shareholders' equity increased by SEK 1.2 billion during the year to reach SEK 1,172 m. In addition to the shareholders' contribution of SEK 1.6 billion, a shareholders' loan was converted into shareholders' equity, amounting to SEK 372 m. Comprehensive income, including translation differences and items reported directly in shareholders' equity (hedge reporting), amounted to SEK -744 m.

An agreement was reached in the fourth quarter with the banks concerning a renegotiated loan documentation, including new bank covenants that must be reached during the period up to when the loans fall due in 2012 and 2013. The Group's principal financing comprises senior credits provided by Svenska Handelsbanken, Nordea, DnB NOR and HSH Nordbank as well as second lien and mezzanine facilities that were syndicated to around 20 financial institutions in 2006.

Shareholders´ equity, Group, 2009

SEK m	Equity excl. minority interest	Minority interest	Total shareholders´ equity
Opening balance, January 1, 2009	**-80**	**42**	**-38**
Comprehensive results for the period	-729	-15	-744
Acquisition of minority interest	-	-9	-9
Shareholders´ contribution	1,963	-	1,963
Closing balance, December 31, 2009	**1,154**	**18**	**1,172**

Shareholders´ equity, Group, 2008

SEK m	Equity excl. minority interest	Minority interest	Total shareholders´ equity
Opening balance, January 1, 2008	**-197**	**29**	**-168**
Comprehensive results for the period	-670	-1	-671
Acquisition of minority interest	-	-7	-7
Shareholders´ contribution	787	21	808
Closing balance, December 31, 2008	**-80**	**42**	**-38**

Balance sheet, Group

SEK m	Dec 31, 2009	Dec 31, 2008
Intangible fixed assets	7,829	8,545
Tangible fixed assets	6,742	7,376
Financial fixed assets	1,277	928
Inventories	1,478	1,827
Other current assets	2,459	2,949
Cash & cash equivalents, incl. short-term investments	516	286
Assets	**20,301**	**21,911**
Shareholders´ equity (incl. minority interest)	1,172	-38
Loan from Parent company	2,899	3,038
Other long-term liabilities	12,927	14,377
Current liabilities	3,303	4,534
Shareholders´ equity and liabilities	**20,301**	**21,911**
Working capital	1,406	1,705
Net debt	14,412	16,491
Net debt excl. owner loan	11,513	13,453
Capital employed	15,689	16,551

Comprehensive income report, Group

SEK m	Full year	
	2009	**2008**
Earnings/loss for the year	**-784**	**-627**
Other comprehensive results		
Translation effects	-208	576
Hedging of net investments	171	-473
Market valuation of interest swaps	24	-222
Market valuation of forward contracts	140	-159
Tax relating to other comprehensive results	-87	234
Other comprehensive results net after tax	**40**	**-44**
Comprehensive results for the year	**-744**	**-671**
Comprehensive results attributable to:		
Parent company's shareholders	-729	-670
Minority interests	-15	-1

Cash flow

Cash flow from operations amounted to SEK 260 m in 2009 (604). An optimization of working capital, mainly in the form of reduced stock levels lies behind improved cash flow. Interest payments and tax were at around the same level as the operating profit before depreciation.

Investments in fixed assets were SEK 582 m (590). This primarily relates to the expansion of caprolactones capacity at the plant in the UK, new boilers for the Stenungsund plant and the completion of the potassium formate plant in Perstorp, as well as a large number of maintenance investments within Coating Additives, and also the implementation of an ERP system for this business.

On the financing front, as mentioned above, the parent company made a major shareholders' contribution which improved significantly the Group´s flexibility. During the year amortization of around SEK 1 billion was carried out according to plan.

Current assets, including liquid funds and letter of credit facilities, amounted to SEK 1,224 m at the end of the year.

Cash flow analysis, Group

SEK m	Quarter 4		Quarter 1-4	
	2009	2008	2009	2008
Operating activities				
Operating earnings	-70	-323	-271	653
Adjustment items:				
Depreciation and impairment	300	530	1,256	1,017
Capital gain, reversal	-	-9	-	-116
Other	-6	185	7	202
Interest received	1	7	3	11
Interest paid	-201	-169	-982	-794
Income tax paid	-5	2	-37	-89
Cash flow from operating activities before change in working capital	**19**	**223**	**-25**	**884**
Changes in working capital				
Increase (-) Decrease (+) in inventories	-131	14	293	-81
Increase (-) Decrease (+) in current receivables	31	342	174	-609
Increase (+) Decrease (-) in current liabilities	127	-150	-182	410
Cash flow from operating activities	**46**	**429**	**260**	**604**
Investing activities				
Acquisition of net assets, subsidiaries	31	-80	22	-4,390
Liquid funds in acquired companies	-	-	-	15
Acquisition of shares in associated companies	-19	-	-19	-
Acquisition of minority interest	-9	-	-9	-
Acquisition of tangible and intangible fixed assets	-249	-272	-582	-590
Sale of net assets, subsidiaries		-		170
Sale of tangible and intangible fixed assets	34	-	34	-
Change in financial assets, external	-2	-14	2	-44
Cash flow from investing activities	**-214**	**-366**	**-552**	**-4,839**
Financing activities				
Payment from minority shareholders	-	7	-	21
New loan, external	-	-	-	3,879
Shareholders´ contribution	1,248	-	1,821	568
Amortization of loan due to sale of subsidiaries	-	-	-	-36
New loan from Parent company	-	-	-	285
Change in credit utilization	-766	-100	-1,289	-590
Short-term liability, related companies		-72	-	-96
Cash flow from financing activities	**482**	**-165**	**532**	**4,031**
Change in liquid funds, incl. short-term investments	314	**-102**	**240**	**-204**
Liquid funds opening balance, incl. short-term investments	198	360	286	447
Translation difference in liquid funds	4	28	-10	43
Liquid funds, end of period	**516**	**286**	**516**	**286**

Acquisition of activities within Rhodia Organics & Lyondell Chimie TDI SCA, September 1, 2008			
Final acquisition analysis m EUR			
Purchase price			253
Transaction costs			7
Total acquisition cost			**260**
Acquired net assets			-260
Goodwill			**0**
	Book value	**Market value adjustments**	**Market value**
Intangible fixed assets [1]	74	-10	64
Tangible fixed assets	171	-7	164
Financial fixed assets	6	4	10
Inventories	47	3	50
Operating receivables	1	-	1
Cash	2	-	2
Total assets	**301**	**-10**	**291**
Deferred tax liability	0	1	1
Operating liabilities	12	-	12
Financial liabilities	17	1	18
Total liabilities	**29**	**2**	**31**
Acquired net assets	**272**	**-12**	**260**

[1] The intangible assets consist mainly of technology (EUR 50 m) and customer relations (EUR 10 m).

Key figures, Group

SEK m, unless otherwise stated	Quarter 4		Full year	
	2009	**2008**	**2009**	**2008**
Net sales	3,054	3,236	12,542	12,227
Operating earnings before depreciation (EBITDA)	231	207	986	1,670
EBITDA adjusted for non-recurring items	308	329	1,100	1,723
Operating earnings (EBIT)	-69	-323	-270	653
Operating margin before depreciation, %	7.6	6.4	7.9	13.7
Operating margin, %	-2.3	-10.0	-2.2	5.3
Investments	304	266	650	4,963
of which acquisitions	19	40	32	4,373
excluding acquisitions	285	226	618	590
Depreciation and write-downs [1]	300	530	1,256	1,017
Working capital, end of period	1,406	1,705	1,406	1,705
Working capital, average	1,464	1,841	1,493	1,469
Turnover rate, working capital	8.3	7.0	8.4	8.3
Cash flow from operating activities	46	429	260	604
Cash flow as % of net sales	1.5	13.3	2.1	4.9
Capital employed, end of period	15,689	16,551	15,689	16,551
Capital employed, average	15,346	16,318	16,099	13,568
Return on capital employed, %	-1.8	-7.8	-1.7	4.9
Net debt, incl. pensions, end of period	14,412	16,491	14,412	16,491
Net debt, incl. pensions, excl. owner Company loan [2]	11,513	13,453	11,513	13,453
Debt/equity ratio, %, excl. owner Company loan [2]	2.8	4.5	2.8	4.5
Equity/assets ratio, %, incl. owner Company loan, % [2]	20.1	13.7	20.1	13.7
Return on shareholders´ equity, %, incl. owner Company loan, % [2]	15.3	-68.3	-19.1	-16.4
Number of full-time employees, end of period	2,154	2,716	2,154	2,716

[1] Write-downs were carried out in 2009 at SEK 241 m, mainly in Q3 (2008: SEK 241 m, mainly in Q4). Depreciation values were established during the year for the business in France acquired in September 2008.

[2] The owner company loan, meaning the loan from the Luxembourg-based Parent company Financière Forêt S.À.R.L., is subordinated to the senior credits, second lien and mezzanine loans. The interest on this loan is capitalized. In the calculation of the return on shareholders' equity, interest from the owners' loan has been excluded, net after tax.

Parent company

Income statement, Parent company

SEK m	Full year 2009	Full year 2008
Net sales, Group companies	**38**	**51**
Sales, administration and R&D costs	-91	-100
Other operating income and expenses	-18	-11
Gross earnings (EBIT)	**-71**	**-60**
Group contribution	576	1,649
Dividend from Group companies	64	-1,045
Financial income and expenses, Group companies	146	23
Financial income and expenses, external	-975	-941
Exchange rate differences on net debt	264	-670
Earnings/loss before tax	**4**	**-1,044**
Tax	14	-1
Net earnings/loss	**18**	**-1,045**

Balance sheet, Parent company

SEK m	Dec. 31, 2009	Dec. 31, 2008
Shares in Group companies	7,878	7,877
Long-term receivables, Group companies	799	806
Other financial fixed assets	68	48
Short-term receivables, Group companies	4,724	5,902
Other current receivables	31	55
Liquid funds	234	69
Assets	**13,734**	**14,757**
Shareholders´ equity	2,168	187
Loans from owner company	2,899	3,038
Other long-term liabilities	5,407	5,780
Current liabilities, Group companies	2,896	5,200
Other current liabilities	364	552
Shareholders´ equity and liabilities	**13,734**	**14,757**

Cash flow statement, Parent company

SEK m	Full year 2009	Full year 2008
Current activities		
Operating earnings	-71	-60
Interest received	259	108
Interest paid	-817	-613
Dividends received from Group companies	64	458
Group contribution received	1,649	976
Realized exhange rate profit/loss	113	-176
Income tax paid	-	-1
Cash flow from operating activities before change in working capital	**1,197**	**692**
Changes in working capital		
Increase (-) Decrease (+) in current receivables	-15	-67
Increase (+) Decrease (-) in current liabilities	-28	19
Cash flow from operating activities	**1,154**	**644**
Investing activities		
Shareholder contribution, internal	-1	-95
Change in internal financial receivables	-801	-535
Cash flow from investing activities	**-802**	**-630**
Financing activities		
Shareholder contribution	1,821	568
New loans, external	10	377
Amortization of loans, external	-413	-1,116
New loans, Group companies	-	323
Amortization of loans, Group companies	-1,605	-442
New loans from Parent company	-	285
Short-term contribution, related party	-	-70
Cash flow from financing activities	**-187**	**-75**
Change in liquid funds, incl. short-term investments	**165**	**-61**
Liquid funds opening balance, incl. short-term investments	69	130
Translation difference, liquid funds	-	-
Liquid funds, end of period	**234**	**69**

Shareholders´ equity, Parent company

SEK m	Total
Shareholders´ equity, opening balance, January 1, 2009	**187**
Shareholders´ contribution	1,963
Net earnings/loss	18
Closing balance, December 31, 2009	**2,168**

Shareholders´ equity, Parent company

SEK m	Total
Shareholders´ equity, opening balance, January 1, 2008	**445**
Shareholders´ contribution	787
Net earnings/loss	-1,045
Closing balance, December 31, 2008	**187**

Other

New organization
Major changes were made to Perstorp's organization during the year. More decision-making power was given to the business groups, enabling them to be more responsive to market fluctuations and be capable of integrating new activities more quickly. Changes to the management group meant that enough focus could be directed externally, while key internal measures were being implemented.

At the Annual General Meeting in May, Lennart Holm left the position as Chairman of the Board and CEO. President Bo Dankis was elected as his successor. Lennart Holm will remain as Vice Chairman. Martin Lundin was appointed Vice President with extensive operational responsibility and he took over the President´s position in September.

Claes Gard left the post of Chief Financial Officer, at his own request, at the beginning of 2009. He will however continue his involvement in Perstorp as a member of the Board. The new CFO is Johan Malmqvist who joined Perstorp from Duni AB. The Group also has a new HR and Communications manager, Mikael Gedin, who joined the company from ABB. Lennart Hagelqvist was appointed head of Coating Additives, and Anders Lundin was made head of Performance Products. Mats Persson remains head of the Specialty Intermediates business group and in September he was also appointed deputy CEO. Martin White has been appointed head of the new Region Asia unit formed in July to better follow developments in this exciting growth region.

Employees
The number of employees in the Group has fallen by 20 percent to around 2,200 people. This is partly due to redundancies in conjunction with restructuring and partly because two of Perstorp's facilities have been mothballed – El Salto in Chile and Vapi in India. Additionally, Perstorp sold a Neo production facility in Yongliu, China, with the intention of starting Neo production in Zibo instead.

Transactions with related parties
Perstorp Holding AB has a loan from the Luxembourg-based parent company Financière Forêt S.À.R.L., amounting to SEK 2,899 m at year-end. 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. This means that the same accounting principles and calculation methods have been used as in the annual accounts for 2008, with the exception of new or revised standards and interpretations that came into effect in 2009. The most important accounting principles according to IFRS are described in Note 2 of the 2008 Annual Report. The main changes for Perstorp in 2009 are the revision of IAS 1 – Presentation of Financial Reports, and IAS 23 – Borrowing costs. The latter entails a change in accounting principles for the Group and is applied for qualified assets that are taken up after January 1, 2009. The change has not had any significant impact on the Group's income statement or balance sheet. With regards to IFRS 8 – operating Segments – the Group has chosen not to apply this as there is no formal requirement because the shares are not traded publically.

Financial information
Perstorp's financial information comprises interim reports, end of year financial statement, annual report and a sustainability report. The reports are available in Swedish and English on the Group's website, where it is also possible to order printed versions. The annual report and sustainability report will be published in April 2010.

Perstorp, February 23, 2010

Martin Lundin
President and CEO

This report was not reviewed by Perstorp's auditors.



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 over 125 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 and South 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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