



Perstorp Holding AB

Year-end Report 2007

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. At the end of 2007 the Group had around 1,900 employees and manufacturing companies in 12 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.

Year-end Report 2007

- ➔ Strong demand for nearly all products and thereby high capacity utilization at the Perstorp plants.
- ➔ Net sales rose by 18% to SEK 8,583 m (7,273) as a result of strong demand, price rises and the start-up of a new plant for rapeseed methyl ester.
- ➔ The operating profit before depreciation and amortization (EBITDA) climbed to SEK 1,365 m (1,091) due to volume increases and higher price levels. Profits improved despite the falling US dollar and high prices for energy and raw materials.
- ➔ Cash flow from operations amounted to SEK 550 m (591). Interest payments were higher than in the previous year.
- ➔ A decision was taken about the Group's largest-ever investment for manufacturing Valeraldehyde and a type of environmentally compatible plasticizer for PVC and other products. Growth opportunities are good.
- ➔ The Group's product range and growth were boosted by a large acquisition of activities within Purified Isophthalic Acid (PIA) and – following the end of the financial year – the acquisition of a leading business within caprolactones.
- ➔ A subsidiary, Perstorp BioProducts AB, was formed to strengthen the Group's focus on products based on renewable raw materials. Production started at Scandinavia's largest plant for renewable vehicle fuel, and a business active in trading and processing wood oils was acquired.
- ➔ The Group's leading positions on the important Chinese market were strengthened through a joint venture and acquisition of polyol production facilities.
- ➔ Pro forma Group sales in 2007 amounted to around SEK 10 billion. In 2008 the Group is expected to continue reporting good growth on the back of good demand and increased capacity.

Key figures in summary					
SEK m unless otherwise stated	Quarter 4	Quarter 3	Quarter 4	Full year	
	2007	2007	2006	2007	2006
Net sales	2,305	2,204	1,800	8,583	7,273
Operating earnings before depreciation and amortization (EBITDA)	356	330	303	1,365	1,091
% of net sales	15.4	15.0	16.8	15.9	15.0
EBITDA adjusted for non-recurring items ¹⁾	369	341	293	1,406	1,097
% of net sales	16.0	15.5	16.3	16.4	15.1
Operating earnings (EBIT)	194	192	153	803	566
% of net sales	8.4	8.7	8.5	9.4	7.8
Net earnings/loss	-96	-21	-31	-128	-153
Cash flow from operating activities	492	158	434	550	591
% of net sales	21.3	7.2	24.1	6.4	8.1

¹⁾ Non-recurring items refer primarily to costs for M&A projects that were not completed.

President's comments

For Perstorp, 2007 was both a successful business year and a year marked by significant investment in the future. The Group delivered in line with its business plan and exceeded targets for growth and profitability. Meanwhile, we made major investments in production capacity, new products and company acquisitions, which will have a large impact on the future development of the Group.

To strengthen organic growth we made a decision to build a plant for producing a new type of environmentally compatible plasticizer for PVC and other products (Valex project) based on a proprietary process. The investment, which is in the order of SEK 1.5-2.0 billion, has already attracted considerable interest from the market.

Other noteworthy activities during the year included several company acquisitions and partnership projects, which are enabling Perstorp to advance its positions in both new and existing business areas. This included the acquisition of a leading caprolactones business, based in the UK, which is focused on a growing application area where Perstorp is now planning to double production capacity. The acquisition of a leading supplier of PIA (Purified Isophthalic Acid), based in Singapore, extends the Group's product range with interesting specialist chemical products for new and existing customers.

We started a Joint Venture in China during the year, thereby acquiring a plant for TMP production and – in a move completed after the end of the financial year – a plant for producing Neo. This means we are now halfway to achieving our goal of sales worth SEK 1 billion on the Chinese market by 2010.

These acquisitions have contributed to expanding the Group's global presence, not least in Asia.



Bo Dankis, President and CEO

Perstorp began developing environmentally compatible products in a variety of areas at an early stage. We see great opportunities for growth in bio-based chemicals and during the year we formed a special subsidiary to strengthen and promote our activities in this area. This includes our new business (RME) for renewable vehicle fuels and a business, acquired in 2007, active in retailing and processing wood oils.

The main priority for Perstorp in 2008 is to continue delivering growth and earnings in line with established plans. Integrating acquired companies and handling the major investment projects that have started, not least the Valox project and the planned expansion of the caprolactones business, will have great importance.

Perstorp expects to see continued good demand on the Group's markets in the present year. This demand, coupled with new capacity, new products and our strategic acquisitions, means that I expect to see positive growth for the Group also in 2008.

Perstorp, February 2008

A handwritten signature in blue ink, which appears to be 'Bo Dankis', written over a white background.

Bo Dankis
President and CEO

Market & economic conditions

The global economy in 2007 was characterized by favorable business conditions with growth reported in nearly all major markets. This resulted in high capacity utilization in several sectors, not least the chemicals industry.

For Perstorp, demand during most of the year was strong in the US and improved in Europe, while the emergence of extra capacity in Asia meant sharper competition in certain product areas. The trend was particularly favorable for Penta and Neo base polyols, oxoalcohols and acids, as well as in the formalin product area, both for plants and catalysts.

The year was also marked by rising prices of many raw materials, which for Perstorp and the chemicals industry in general meant significantly higher costs for oil-based and natural gas-based products. Methanol prices also fluctuated considerably during the year. Added to this were the rises in energy

prices, which further drove up raw material prices and increased production costs.

Meanwhile the falling US dollar meant negative currency effects of around SEK 50 million compared with the previous year.

Perstorp expects to see continued good demand on the Group's markets in 2008. This demand, combined with new capacity, new products and strategic acquisitions, is expected to contribute to continued positive growth for the Group.



Financial overview

Income statement, Group		
SEK m	Full year	
	2007	2006
Net sales	8,583	7,273
Cost of sold goods	-7,074	-6,105
Gross earnings	1,509	1,168
Sales, administration and R&D costs	-709	-618
Other operating income and expenses ¹⁾	5	15
Income from participations in associated companies	-2	1
Operating earnings (EBIT)	803	566
Exchange rate differences on net debt	25	104
Other financial income and expenses	-909	-819
Earnings/loss before tax	-81	-149
Tax	-47	-4
Net loss (incl. minority interest)	-128	-153
Operating earnings before depreciation (EBITDA)	1,365	1,091
EBITDA adjusted for non-recurring items	1,406	1,097

¹⁾ Other operating income and expenses primarily includes exchange rate effects on operational net receivables and non-recurring income and costs. It also includes insurance compensation for margin shortfall in conjunction with damage.

Net sales

Net sales rose during the year by 18% to SEK 8,583 m (SEK 7,273 m in 2006). Of the sales increase, organic volume growth accounted for 11%, due to stronger demand for most products and the start-up of production of rapeseed methyl ester (RME) at the Stenungsund plant in the summer. Other products recording significant volume growth included acids as well as formalin plants and catalysts. The business acquired in Singapore was consolidated at the end of November, which is why sales growth from the acquisition was only 1 per cent. The acquisition of the business in China will impact on sales and earnings from the start of 2008.

Price increases accounted for 9% of sales growth. The main factor here was higher raw material prices, particularly for methanol, whose price fluctuated significantly during the year. Price rises were especially high for base polyols and oxo products, where the market for several products was very strong.

Exchange rate effects resulted in a negative sales deviation of 3% due to the weakening US dollar.

Sales in the final quarter amounted to SEK 2,305 m, which was higher than the third quarter (2,204), mainly due to the acquisition in Singapore.

Earnings

Operating earnings before depreciation and amortization increased to SEK 1,365 m (1,091) as a result of higher volumes and price levels. The operating margin rose to 15.9% (15.0). Increased capacity utilization had a positive effect on earnings. Adjusted for non-recurring items, primarily costs for M&A projects that were not completed, operating earnings amounted to SEK 1,406 m (1,097). Exchange rate effects on earnings were negative at around SEK 50 m, primarily due to the weaker USD.

Net debt increased during the year as a result of high investments and rising working capital, the latter due to both higher prices and the expansion of the business. Interest costs consequently climbed to SEK 909 m (819) after adjustments for currency effects.

The net loss after depreciation, net financial items and taxes was SEK 128 m (loss 153).

Financial position

Net assets and net debt increased during the year in part as a result of expansion investments and partnership agreements, but also due to price rises which affected working capital. The business acquired in Singapore towards the end of the year mainly affected tangible fixed assets and financial borrowings, (see separate table, page 8) for acquisitions. The allocation of acquired value will be established during the present year. The effects of currencies on the balance sheet varied: there was a 6% fall in the value of USD but a 5% rise in EUR in 2007. The strengthening of EUR is unfavorable for net debt since a relatively large amount of Group borrowing is in EUR.

Working capital rose from SEK 714 m to SEK 986 m during the year, of which around one third relates to the acquisition in Singapore and the rest to growth, higher prices and unusually high operating liabilities at the start of the year.

Shareholders' equity showed a negative trend during the period due to the net loss and currency effects.

Balance sheet, total Group		
SEK m	Dec. 31, 2007	Dec. 31, 2006
Goodwill	2,275	2,261
Other intangible fixed assets	3,732	3,670
Tangible fixed assets	5,066	4,307
Financial fixed assets	472	477
Inventories	1,090	833
Other current assets	1,791	1,483
Cash and cash equivalents, incl. short-term investments	447	425
Assets	14,873	13,456
Shareholders' equity (incl. minority interest)	-169	-44
Loan from Parent Company	2,362	1,952
Other long-term liabilities	10,229	9,033
Current liabilities	2,451	2,515
Shareholders' equity and liabilities	14,873	13,456
Working capital	986	714
Net debt	10,532	9,386
Capital employed	10,692	9,631

Key figures, total Group	Full year	
	2007	2006
SEK m unless otherwise stated		
Net sales	8,583	7,273
Operating earnings before depreciation and amortization (EBITDA)	1,365	1,091
EBITDA excl. non-recurring items	1,406	1,097
Operating earnings (EBIT)	803	566
Operating margin before depreciation, %	15.9	15.0
Operating margin, %	9.4	7.8
Investments	1,346	535
of which acquisitions	811	59
excluding acquisitions	535	476
Amortization and depreciation	562	525
Working capital, end of period	986	714
Working capital, average	981	853
Turnover rate, working capital	8.8	8.5
Cash flow from operating activities	550	591
Cash flow as % of net sales	6.4	8.1
Capital employed, end of period	10,692	9,631
Capital employed, average	9,999	10,018
Return on capital employed, %	8.1	5.7
Net debt, incl. pensions, end of period	10,532	9,386
Net debt, incl. pensions, excl. Parent Company loan ¹⁾	8,170	7,434
Debt/equity ratio, %, excl. Parent Company loan ¹⁾	3.7	3.9
Equity/assets ratio, %, incl. Parent Company loan ¹⁾	14.7	14.2
Return on shareholders' equity, %, incl. Parent Company loan ¹⁾	-6.3	-7.7
Number of full-time employees, end of period	1,871	1,693

Shareholders' equity, total Group			
SEK m	Shareholders' equity excl. min. interest	Minority interest	Total shareholders' equity
Closing balance, December 31, 2006	-44	0	-44
<i>Translation difference:</i>			
change for the period	5	-	5
less effect of currency hedges	-54	-	-54
tax effect of period's currency hedges	15	-	15
Market valuation of interest swaps, after tax	-5	-	-5
Market valuation of futures contracts, after tax	13	-	13
Acquisition ¹⁾	-	29	29
Net loss for the period	-128	-	-128
Closing balance, December 31, 2007	-198	29	-169

¹⁾ Minority share in joint venture in China.

¹⁾ Owner loans, meaning the loan from the Luxembourg-based Parent Company Financière Forêt S.A.R.L., are subordinated to the senior credits, second lien and mezzanine loans. The interest on this loan is capitalized.

Cash flow & investments

Cash flow statement, total Group		
SEK m	Full year	
	2007	2006
<i>Operating activities</i>		
Operating earnings	803	566
Amortization and Depreciation	562	525
Other	-14	21
Interest received	8	4
Interest paid	-622	-377
Income tax paid	-54	-113
Cash flow from operating activities before change in working capital	683	626
<i>Changes in working capital</i>		
Increase (-) Decrease (+) in inventories	-156	-84
Increase (-) Decrease (+) in current receivables	-126	-202
Increase (+) Decrease (-) in current liabilities	149	251
Cash flow from operating activities	550	591
<i>Investing activities</i>		
Acquisition of net assets, in subsidiaries	-733	-37
Acquisition of tangible and intangible fixed assets	-531	-476
Sale of net assets, subsidiaries	6	31
Adjustment of purchase price	-	154
Change in financial assets	5	-4
Cash flow from investing activities	-1,253	-332
<i>Financing activities</i>		
New loans raised from Parent Company	189	188
Short-term liability, related companies	-17	-115
Change in credit utilization	554	-581
Cash flow from financing activities	726	-508
Change in liquid funds, incl. short-term investments	23	-249
Liquid funds opening balance, incl. short-term investments	425	674
Translation difference in liquid funds	-1	0
Liquid funds, end of period	447	425

Cash flow

Cash flow from operations during 2007 was SEK 550 m (591). The operating profit was significantly higher than last year, but cash flow fell due to increased interest payments. Operating capital built up due to volume growth, expansion of the product range (RME) and price rises.

Cash flow from investing activities was negative, SEK 1,253 m (-332). The acquisition of the business in Singapore is included in this cash flow at an amount of SEK 662 m, see separate table concerning acquisitions. Correspondingly, the acquisition of a share in the company in China is included, at an amount of SEK 34 m, which is also recorded in the table, page 8. Investment in fixed assets totaled SEK 531 m (476), of which the largest single project was the plant for rape methyl ester (RME).

Cash flow from financing activities shows that loans from the Parent Company increased by SEK 189 m, in connection with the acquisition in Singapore. Utilization of bank credit also increased, also mainly due to the Singapore acquisition, which was completed via separate bank financing.

Investments

Major investments were carried out or started during the year to meet growing demand and start production of new products for the Group.

During the first half of 2007 Perstorp completed the construction of Scandinavia's largest unit for production of RME for renewable auto fuel and began delivering products from the plant.

The plant will have an annual capacity of 160,000 tons when fully expanded. In this area Perstorp is working in co-operation with Preem Petroleum AB, Sweden's largest oil company, whereby Perstorp is responsible for manufacturing, and Preem for sales and distribution, of RME. Perstorp also supplies other customers. The Stenungsund plant also produces glycerol, a bio-based product used for pharmaceuticals, cosmetics, food and other chemical products.

A decision has been taken to construct a plant in Stenungsund for producing valeric aldehyde, which is a new product for the Group, and its derivatives 2-PH alcohol, valeric acid and a new plasticizer, DPHP. Butane, which is the raw material for the process, is also new for Perstorp. The plant is expected to be fully completed by 2011 and have an annual production capacity of 150,000 tons. The cost of the investment is estimated at SEK 1.5-2.0 billion, making it the Group's largest-ever investment.

Production of valeric acid is primarily intended for the application area of synthetic lubricants, while 2-PH will primarily be used in the production of DPHP. DPHP is a new, cost-effective and environmentally adapted plasticizer for PVC plastics. The investment is in line with the EU's environmental directives for plasticizers.

During the period, a decision was made regarding capacity investments in, for example, the production of Neo in Perstorp and butanol in Stenungsund, aimed at strengthening the Group's market positions for these products.

Acquisitions & agreements

At the beginning of the year, Perstorp established production in China by forming a joint venture and signing a contract for establishing production in China and thus gaining an opportunity to further strengthen its presence in this important market. The contract gives Perstorp a 51% ownership share of Shandong Fufeng Perstorp Chemicals Co. Ltd., which has a modern production plant for trimethylpropane (TMP) in Qilu Chemical Industrial Park, Zibo City, in the Shandong province. The plant will have an annual production capacity of 15,000 tons. Start-up is planned for early 2008.

In line with the ambition to grow within bio-based chemicals and fuel components, Perstorp acquired Talloil AB's business activities within retail and processing of wood oils, which are used as a replacement for carbon heating oils. Perstorp thereby adds another product area to its biofuel business. The agreement also means that the Group has an option to buy Talloil's bioethanol activities.

At the end of 2007 Perstorp acquired a plant for the production

of PIA (Purified Isophthalic Acid) in Singapore from Lonza AG. This was achieved through the Group taking over 100% of the shares in Lonza Singapore Pte Ltd. The acquired company is a leading supplier of PIA, an important raw material for the production of advanced paint and varnish systems, unsaturated polyester resin and plastic for PET bottles. The business had sales of USD 135 m in 2007 and the company has around 90 employees.

The purchase price was SEK 762 m. The acquisition was financed through a combination of owner capital and borrowed capital. Loan facilities were supplied by The Hong Kong and Shanghai Banking Corporation Limited.

Acquired assets Shandong Fufeng Perstorp Chemicals Co., Ltd			
SEK m			
Purchase price			33
Transaction costs			1
Total acquisition cost			34
Acquired net assets			-34
Goodwill			0
	Book value	Market value adjustments	Market value
Intangible fixed assets	6	3	9
Tangible fixed assets	50		50
Current assets	1		1
Cash	39		39
Total assets	96	3	99
Operating liabilities	35		35
Liabilities	35	0	35
Net assets	61	3	64
Minority interests	-30		-30
Acquired net assets	31	3	34

Acquisition of Lonza Singapore Pte Ltd			
SEK m			
Purchase price			749
Transaction costs			13
Total acquisition cost			762
Acquired net assets			-762
Goodwill			0
Acquisition cost			762
Financial liability to seller			-100
Effect on Group cash flow			662
	Book value	Market value adjustments	Market value
Intangible fixed assets	17	132	149
Tangible fixed assets	587	-	587
Inventories	79	17	96
Other current assets	156	-1	155
Total assets	839	148	987
Tax liabilities	81	27	108
Other short term operating liabilities	117	-	117
Total liabilities	198	27	225
Acquired net assets	641	121	762

Important events after the end of the year

The Perstorp Group 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 by signing an agreement to acquire Solvay Caprolactones, the caprolactones business of Solvay, the chemicals and pharmaceuticals group. This business had sales of EUR 80 m in 2007 and around 70 employees. Production takes place in Warrington, UK. The EU Commission approved the deal in January 2008 and the business will be taken over February 1.

The acquisition of the Solvay Caprolactones business 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 creditors.

The caprolactones business is a market leader in its field and is profitable on global markets recording significant growth. The purchase price is close to EUR 200 m. After the acquisition, Perstorp plans to double production capacity for caprolactones and its derivatives in order to reinforce the business's leading position and meet rising demand. Another aim is to build partnerships with key customers and develop new application areas. Solvay Caprolactones' products, marketed 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.

After the end of the 2007 financial year Perstorp has also completed the acquisition of an additional production site in the Chinese province of Shandong, which consolidates the Group's leading position in polyols. This was achieved by the previously established joint venture in China acquiring a business for production of base polyol Neo. The plant is located in the Linzi district of Zibo City, where Perstorp has been operating a TMP production plant over the past year. The seller was Chinese polyol manufacturer Zibo Linzi Yongliu Chemical Industry Stock Co., Ltd, and the take-over was completed in early 2008. The plant is expected to achieve sales of around SEK 300 m in 2008. In conjunction with the acquisition, Perstorp increased its participating interest in the joint venture company to 58.5%

After the end of 2007 Perstorp also reached agreement to sell its business within composites, YLA Inc. and its subsidiary, CCS Composites LLC, to TenCate Advanced Composites USA Inc. This sale is in line with the Group's strategy to focus and extend its core business in specialist chemicals. The business had sales of around USD 24 million. The purchase price is USD 32 million, and the sale is conditional on approval by the US government.



Pro forma accounts

Perstorp Holding AB has made several major acquisitions in 2007 and 2008 as well as selling its composites materials business after the end of the 2007 financial year. To give a fuller picture of progress during the year, pro forma accounts are presented below. They include the companies acquired during the year, as if the acquisitions had already been integrated, and also exclude the divested activities in composites.

As seen in the tables the Perstorp Group and the acquired companies reported very good development in 2007. For the Capa business, the market was characterized by capacity shortage, which meant that volume and price performance was good. For the PIA business demand grew strongly, mainly for the application of PET-bottles.

Pro forma income statement ^{1) 2)}						
SEK m	2007				Full year	
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2007	2006
Net sales	2,286	2,533	2,594	2,629	10,042	8,394
Costs of sold goods	-1,934	-1,993	-2,080	-2,129	-8,136	-7,119
Gross earnings	352	540	514	500	1,906	1,275
Sales, administration and R&D costs	-210	-220	-211	-225	-866	-773
Other operating income and expenses	50	-24	-30	9	5	6
Income from participations in associated companies	-1	0	-1	0	-2	1
Operating earnings (EBIT)	191	296	272	284	1,043	509
Operating earnings before depreciation (EBITDA)	386	491	472	503	1,852	1,286
EBITDA adjusted for non-recurring items	399	495	483	517	1,894	1,299

¹⁾ Activities in the acquired businesses of PIA and Caprolactone have been included as if they were fully part of the Perstorp Group for both 2007 and 2006. The composite activities, divested after year-end, have been excluded from both years.

²⁾ Includes depreciation based on preliminary calculations of acquired value.



Parent company

Income statement, Parent Company		
SEK m	Full year	
	2007	2006
Net sales, Group companies	45	36
Costs of sold goods	0	0
Gross earnings	45	36
Sales, administration and R&D costs	-94	-56
Other operating income and expenses	-2	0
Operating earnings (EBIT)	-51	-20
Group contribution	974	396
Financial income and expenses, Group companies	-37	88
Financial income and expenses, external	-815	-668
Results from shares in Group companies	-1	-
Exchange rate differences, net debt	-78	215
Earnings/loss before tax	-8	11
Tax	0	-3
Net earnings/loss	-8	8

Balance sheet, Parent Company		
SEK m	Full year	
	Dec. 31, 2007	Dec. 31, 2006
Shares in Group companies	9,286	6,073
Long-term receivables, Group companies	367	912
Other financial fixed assets	56	0
Short-term receivables, Group companies	995	450
Other current receivables	4	3
Liquid funds	130	-
Assets	10,838	7,438
Shareholders' equity	446	456
Loans from Parent Company	2,362	1,952
Other long-term liabilities	5,991	3,738
Financial liabilities to related parties	73	86
Current liabilities, Group companies	1,642	591
Other current liabilities	324	615
Shareholders' equity and liabilities	10,838	7,438

Shareholders' equity, Parent Company	
SEK m	Shareholders' equity
Closing balance, December 31, 2006	456
Merger difference	-2
Net earnings/loss for the period	-8
Closing balance, December 31, 2007	446

Cash flow statement, Parent Company		
SEK m	Full year	
	2007	2006
<i>Operating activities</i>		
Operating earnings	-51	-20
Interest received	49	64
Interest paid	-643	-297
Group contribution received	301	-
Group contribution	594	0
Cash flow from operating activities before change in working capital	250	-253
<i>Changes in working capital</i>		
Increase (-) Decrease (+) in current receivables	1	-5
Increase (+) Decrease (-) in current liabilities	14	16
Cash flow from operating activities	265	-242
<i>Investing activities</i>		
Acquisition of net assets, subsidiaries	-2	-2
Shareholder contribution, internal	-478	-
Adjustment of purchase price	-	154
Change in financial receivables, Group companies	-	-95
Cash flow from investing activities	-480	57
<i>Financing activities</i>		
Regulated loan receivable from Group company	142	-
New loans from subsidiaries	31	450
New loans from Parent company	189	188
Short-term liability, related companies	-17	-109
Change in credit utilization	-	-756
Cash flow from financing activities	345	-227
Change in liquid funds, incl. short-term investments	130	-412
Liquid assets opening balance, incl. short-term investments	0	412
Translation difference in liquid funds	-	0
Liquid assets, end of period	130	0



Other

Formation of Perstorp BioProducts AB

During the year Perstorp began a major commitment to growth within bio-based chemicals and fuel components supported both by company acquisitions and internal research and development within the field. As part of this commitment Perstorp brought together production and development of bio-based chemicals and fuel components under a new subsidiary, Perstorp BioProducts AB. The Group's activities within RME, used as a renewable component in diesel ("biodiesel") and as a fuel by itself, have been brought within the new subsidiary. As stated elsewhere in this report, the Group has also required a business involved in retail and processing of wood oils.

Organization & employees

The number of employees during the year was 1,785 (1,675). The increase was primarily attributable to acquisitions but also to organic growth in existing and new product areas.

Martin White, who comes most recently from a position as Head of Group Supply within the Brio Group, succeeds Mats Persson as manager of the Supply Chain function. Mats Persson is responsible for the new Business function since the beginning of 2007.

Eric Appelman has been appointed the new Executive Vice President for R&D as of February 4, 2008. Eric joins Perstorp from paint producer Sigma Kalon, part of PPG Industries, where he was Director Marine & Protective Coatings.

To further increase proximity to customers in Eastern Europe, a Regional sales manager was located in Warsaw, Poland, during the year. A decision has also been taken to position a Regional sales Manager in the Middle East in 2008.

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 2,362 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 2006 Annual Report.

Financial information

Perstorp will publish its annual report and a sustainability report for the 2007 financial year in April 2008. The interim report for the first six months of 2008 will be published preliminarily on July 25, 2008 and the 2008 Financial Statement will be published in February 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, February 22, 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.