



Perstorp Holding AB

Year-end report January 1 - December 31, 2006

Perstorp Holding AB

Corporate reg. no. 556667-4205. Parent Company of Perstorp

Perstorp is an international specialty chemicals group with leading positions in selected niches. At the end of 2005, the Group was acquired by PAI Partners, a French private equity company. The Group has nearly 1,700 employees and manufacturing companies in 10 countries in Europe, North and South America and Asia.

Year-end report January 1 - December 31, 2006

- ➔ Strong demand but sharp increases in prices of raw materials, energy and negative currency fluctuations.
- ➔ Net sales increased by 15% to SEK 7,273 m (6,299)¹⁾ as a result of price increases and volume growth.
- ➔ Operating earnings before depreciation, EBITDA, amounted to SEK 1,091 m (1,156). Adjusted for non-recurring items, EBITDA increased to SEK 1,097 m (1,079). Increasing raw-material prices had a negative impact on margins, as did the weakening of the USD and some production inefficiency in the beginning of the year. This was offset by volume growth and high cost awareness.
- ➔ Cash flow from operating activities amounted to SEK 591 m²⁾.
- ➔ Start of manufacturing in South America through the acquisition of Oxiquim's polyol operations in Chile.
- ➔ Extensive capacity-enhancing investments have been implemented and are in progress to meet increased demand for several of the Group's products.
- ➔ New President and Chairman of the Board.
- ➔ Following the close of the fiscal year, a contract was signed to establish the Group's first production plant in China, within the framework of a joint venture.

1) Pro forma comparison figures apply to the Group that PAI partners acquired at the end of 2005. The Franklin operation, which was acquired in 2005, is fully included in the pro forma amounts for 2005.

2) Comparison figure not available since only operating earnings pro forma were prepared.

Key figures in summary

SEK m unless otherwise stated	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Full year 2006	Full year 2005
Net sales	1,800	1,897	1,538	7,273	6,299
Operating earnings before depreciation (EBITDA)	303	279	213	1,091	1,156
% of net sales	16.8	14.7	13.8	15.0	18.4
EBITDA adjusted for non-recurring items ¹⁾	293	285	209	1,097	1,079
% of net sales	16.3	15.0	13.6	15.1	17.1
Operating earnings (EBIT) ^{1) 2)}	153	155	88	566	663
% of net sales	8.5	8.2	5.7	7.8	10.5
Net earnings /loss, Group ³⁾	-31	-44	n/a	-153	n/a
Cash flow from operating activities ³⁾	434	-58	n/a	591	n/a
% of net sales	24.1	-3.1	n/a	8.1	n/a

¹⁾ During 2005, operating earnings were favorably affected by non-recurring items of SEK 77 m, mainly deriving from a change in the acquisition balance sheet and from pension settlements. In 2006, operating earnings were negatively affected in a net amount of SEK 6 m, which derived mainly from costs for unrealized acquisition projects and an insurance receivable pertaining to fixed assets.

²⁾ Operating earnings for full-year 2006 were affected by depreciation of SEK 167 m (pro forma 2005: 167) resulting from the acquisition analysis.

³⁾ Financial items and taxes for the period prior to the acquisition (Dec 2005) have not been calculated on a pro forma basis.

Market and economic conditions

During the year, the world economy was characterized by a very strong business cycle with growth in primarily all major markets. This resulted in very high capacity utilization within several industrial segments, particularly within the chemical industry.

With regard to Perstorp, demand during a major part of the year was strong in the US and improved in Europe, while the introduction of additional capacity in Asia resulted in increased competition within a few product areas. Development was particularly strong for the basic polyols Penta and Neo, specialty polyols, oxo alcohols and acids and within the area of formalin, where the Group received orders for nine formalin plants during the period and catalyst sales benefited from the high capacity utilization within the chemical industry.

In addition to the favorable business trend, the year was characterized by rapid price increases for all sorts of raw materials, which, for Perstorp and the chemical industry in general mainly meant very sharp cost increases for oil and natural gas based products. Moreover, significant price increases for energy also influenced raw-material prices and increased production costs. The rate of increase was particularly high during the first six months of the year, when it was difficult to pass on increases to the Group's customers, which had a negative effect on the

Group's margins. Towards the end of the year, raw-material prices stabilized, with the exception of methanol, while the major price increases that were implemented by the Group from June successively gained an impact on the market. Consequently, the margins recovered primarily during the fourth quarter.

The Group's capacity utilization was very high for several products. However, the available capacity for some of the products was restricted by planned production stoppages, as well as production disruptions in the plants at Stenungsund, Sweden, and Bruchhausen, Germany. The capacity for propionic acids and formic acid increased through the new plants coming on line during the year.

During the year, declining prices in primarily USD resulted in negative exchange-rate effects of approximately SEK 80 m, compared with 2005.

Outlook

In 2007, Perstorp anticipates continued strong demand in the Group's markets. This, combined with capacity increases and production start for the new FAME (fatty acids methyl ester) product during the second quarter, is expected to contribute positively to the Group's development.

Earnings overview

Perstorp Holding AB, which is controlled by the French private equity company, PAI partners, acquired Sydsvenska Kemi AB (publ) from Industri Kapital on December 22, 2005. Final determination of the acquisition balance sheet occurred during the year and is reported on the next page. The closing balance reported for 2005 has been updated in accordance with the final acquisition analysis.

The year's performance is compared with the pro forma consolidated income statement for 2005. The pro forma accounts do not include operations within Perstorp Compounds and Moldable Composites, which were divested during 2005. The operations within Perstorp Franklin (annual sales of approximately SEK 180 m), which were acquired in April 2005, have been included in the pro forma figures as though the acquisition occurred at the beginning of the year. The costs for the divestment of the Group to PAI partners, during 2005, are not included in the pro forma earnings.

Income statement, Group		
SEK m	Full year 2006	Full year 2005
Net sales	7,273	6,299
Depreciation, production	-412	-406
Other costs of sold goods	-5,693	-4,752
Gross earnings	1,168	1,141
Fixed costs of sales, administration and R&D	-524	-513
Depreciation, outside production	-94	-91
Other operating income and expenses	15	125
Income from shares in associated companies	1	1
Operating earnings (EBIT) ^{1) 2)}	566	663
Exchange-rate differences on net debt	104	
Other financial income and expenses	-819	
Earnings/loss before tax	-149	
Tax	-4	
Net earnings/loss (incl. minority interest) ³⁾	-153	
Operating earnings before depreciation (EBITDA)	1,091	1,156
EBITDA adjusted for non-recurring items	1,097	1,079

¹⁾ Other operating revenues and expenses mainly include exchange-rate effects relating to operating net receivables, as well as costs and revenues of non-recurring nature. The figure for 2006 includes estimated insurance compensation for a margin loss and for fixed assets resulting from a claim.

²⁾ Operating earnings for full-year 2006 were affected by excess depreciation of SEK 167 m (pro forma 2005: 167) resulting from establishment of the acquisition analysis.

³⁾ Financial items and taxes for the period prior to the acquisition (Dec 2005) have not been calculated on a pro forma basis.

Net sales

As a result of the strong demand and increasing prices, net sales increased by 15% to SEK 7,273 m (pro forma year-earlier period SEK 6,299 m). Price increases accounted for 9% of the sales increase. Organic volume growth was 4% with contributions from several product areas, while acquisitions/divestments contributed an additional 2%, due to start of polyol operations in Chile. Volume growth was impeded by production disruptions in plants at Stenungsund, Sweden, and Bruchhausen, Germany.

Earnings

Operating earnings before depreciation decreased to SEK 1,091 m (1,156). In 2005, earnings were positively influenced by non-recurring items, SEK 77 m, primarily in the form of a reversal of acquisition balance sheet reserves, compensation for delays from suppliers relating to the preceding year and pension adjustments. During 2006, there was a negative impact of SEK 6 m from non-recurring items, primarily pertaining to insurance compensation for fixed assets due to damage, which was offset by acquisition project costs. Comparable earnings amounted to SEK 1,097 m (1,079).

Comparable earnings were strengthened by volume growth and high cost awareness but were negatively influenced by sharp raw-material price increases and by production disruptions. Earnings were also influenced by a negative exchange-rate effect due to the weakening USD, while the preceding year benefited from a strengthening USD. All in all, the exchange-rate effect was negative by about SEK 80 m.

Depreciation amounted to SEK 525 m (493), of which SEK 18 m (0) in write-down attributable to value depletion due to damage in 2006. Depreciation increased by SEK 167 m (167) in conjunction with allocation of acquisition value for tangible and intangible fixed assets.

Acquisition analysis and financial position

Perstorp Holding AB's acquisition of the Sydsvenska Kemi Group occurred on December 22, 2005. The final acquisition balance sheet was established during the year in accordance with IFRS 3 Business combinations, and is reported here. The market valuation of tangible fixed assets resulted in the value being revised upward by SEK 1.3 billion before tax and an updating of the remaining economic lifetimes of the various components. The revised valuation is attributable to plants in Sweden, Germany and the US. The surplus value is otherwise primarily attributable to intangible fixed assets in the form of process technology, brands and customer relations/customer contracts and goodwill. The intangible fixed assets are denominated in USD, EUR and GBP since these best reflect the Group's cash generation; the Group's sales in SEK and in the Swedish market represent a very small part of the total sales.

Net financial debt decreased during the year by SEK 316 m, partly due to exchange-rate effects and partly due to the positive cash flow after investments.

Working capital decreased by SEK 29 m entirely due to exchange-rate effects. The USD exchange rate was SEK 6.87 at the end of 2006 and SEK 7.95 a year-earlier. Inventories increased during the year, primarily as a result of the increase in raw-material prices. This was offset by the increase in accounts payable.

Equity is reported in the table below. This also includes a significant impact during the year from exchange-rate effects on net assets in foreign currencies, which is the reason for the negative closing balance. Major part of the loans in foreign currencies were not included at the beginning of the year. From 2007, there is an improved hedge between assets and loans in various currencies.

Shareholders' equity, Group			
SEK m	Shareholders' equity excl. min. interest	Minority interest	Total shareholders' equity
Opening balance, January 1, 2006	448	46	494
Translation difference:			
change of the period	-435	-1	-436
less effect of currency hedges	74	-	74
tax effect of period's currency hedges	-21	-	-21
Market valuation of minority interest	42	-	42
Acquisition of minority interest	-	-44	-44
Net loss for the period	-153	-	-153
Closing balance, December 31, 2006	-45	1	-44

Balance sheet, Group ¹⁾		
SEK m	Dec. 31, 2006	Dec 31, 2005
Goodwill	2,261	2,420
Other intangible fixed assets	3,670	4,081
Tangible fixed assets	4,307	4,294
Financial fixed assets	476	604
Inventories	833	778
Other current assets	1,484	1,313
Cash and cash equivalents, incl. short-term investments	425	674
Assets	13,456	14,164
Shareholders' equity (incl. minority interest)	-44	494
Loan from Parent Company	1,952	1,604
Other long-term liabilities	9,463	10,290
Current liabilities	2,085	1,776
Shareholders' equity and liabilities	13,456	14,164
Working capital	714	743
Net debt	9,386	9,702
Capital employed	9,631	10,618

¹⁾ The acquisition balance sheet pertaining to Perstorp Holding AB's acquisition of Sydsvenska Kemi AB was established during 2006. The acquisition analysis is presented in the table below.

Company acquisition			
Sydsvenska Kemi AB			
SEK m			
Purchase price			5,653
Transaction costs			75
Total acquisition costs			5,728
Acquired net assets			-3,308
Goodwill			2,420
	Book value	Fair value adjustments	Fair value
Trade marks	87	1,305	1,392
Technology, know-how	0	1,345	1,345
Customer relations/contracts	0	1,344	1,344
Tangible fixed assets	2,999	1,295	4,294
Financial fixed assets	605	56	661
Inventories	778	-	778
Current receivables	1,301	-1	1,300
Assets	5,770	5,344	11,114
Minority interest	46	-	46
Deferred tax liabilities	451	1,670	2,121
Other long-term liabilities	4,078	60	4,138
Current liabilities	1,501	-	1,501
Liabilities	6,076	1,730	7,806
Net assets	-306	3,614	3,308

Cash flow and investments

Cash flow statement		
SEK m	Full year 2006	Full year 2005 ¹⁾
<i>Operating activities</i>		
Operating earnings	566	-1
Adjustment items:		
Depreciation	525	-
Other	21	-
Interest received	4	-
Interest paid	-377	-
Income tax paid	-113	-
Cash flow from operating activities before change in working capital	626	-1
<i>Changes in working capital</i>		
Increase (-) Decrease (+) in inventories	-84	-
Increase (-) Decrease (+) in current receivables	-202	-5
Increase (+) Decrease (-) in current liabilities	251	12
Cash flow from operating activities	591	6
<i>Investing activities</i>		
Acquisition of net assets, subsidiaries	-7	-5,869
Acquisition of minority interest	-30	-
Acquisition of tangible and intangible fixed assets	-476	-
Sale of net assets, subsidiaries	31	-
Change in financial receivables	-4	-
Cash flow from investing activities	-486	-5,869
<i>Financing activities</i>		
New share issues/shareholder contribution	-	457
New loans raised, external	-	5,652
New loans raised from Parent Company	-	1,600
Amortization of debt, external	-	-1,421
Short-term liability, related companies	-115	249
Adjustment of purchase price	154	-
Change in credit utilization	-393	-
Cash flow from financing activities	-354	6,537
Change in liquid funds, incl. short-term investments	-249	674
Liquid assets opening balance, incl. short-term investments	674	0
Translation difference in liquid funds	0	0
Liquid assets, end of period	425	674

¹⁾ Cash flow for 2005 relates to the new legal Group that was formed on December 22, 2005.

Cash flow

Cash flow from operating activities during the year amounted to SEK 591 m. Comparative figures for cash flow are not available due to the pro forma balance sheet only comprising operational income statement and balance sheet items, and not financial items and tax. **Working capital** during the year increased by SEK 35 m, adjusted for exchange-rate effects. Inventories increased by SEK 84 m, due to increases in raw-material prices. The level of accounts payable and accounts receivable also increased. **Payment of interest** amounted to SEK 373 m net. Some interest payments that influenced earnings were capitalized and certain interest-rate costs will not become due before the beginning of 2007. **Tax payments** were SEK 113 m, of which nearly half related to earnings prior to 2006.

Cash flow from investing activities was a negative SEK 486 m; primarily investments in fixed assets. Investments and acquisitions are described in the section below.

The purchase price for the acquisition was adjusted during 2006, which resulted in a cash flow of SEK 154 m. On the other hand, acquisition costs of SEK 115 m were paid during the year.

In total, the above items add up to a cash flow of SEK 144 m. Since cash and cash equivalents also decreased by SEK 249 m, credit utilization was reduced by a total of SEK 393 m during the year. There were unutilized available funds amounting to SEK 772 m at the end of the year.

Investments and company acquisitions

Investments

In order to meet increasing demand during the year, extensive investments were implemented in current as well as new specialty chemical products. Investments during the year, excluding company acquisitions, totaled SEK 476 m. The larger investments were as follows:

- ➔ A plant is under construction for the manufacture of fatty acids methyl ester (FAME) for renewable fuel in Stenungsund. The decision was made to expand the plant's capacity from the originally planned annual capacity of 100,000 to 160,000 tons. Production is expected to start in the second quarter of 2007.
- ➔ A new propionic acid plant was completed in Stenungsund, with an annual capacity of 50,000 tons. The investment also

released capacity in the current acid plant, which resulted in an increase in the production of hexanoic acid from 50,000 to 80,000 tons annually.

- ➔ In Perstorp, a new formic acid plant commenced operations, which increased capacity from 25,000 to 35,000 tons annually.
- ➔ The manufacture of creosan was moved to Vapi, India, where a plant for the manufacture of di-Penta based on a new process is being adapted and prepared for start-up.
- ➔ Extension of plants for the manufacture of polyols TMP and Neo was implemented in Perstorp.
- ➔ Investments were made in biofuel-based energy production at the plant in Perstorp for the use of Biomal, which is based on offal as energy raw materials.
- ➔ The Group's third R&D center, at the plant in Vapi, India, was put into operation. The Group previously had R&D centers in Perstorp and Porvoo, Finland.



Company acquisitions

Perstorp has commenced production in South America within the framework of a production cooperation with Oxiquim S.A. in Chile. On March 1, 2006, Perstorp assumed responsibility for production and assets at the plant in Viña del Mar, Chile, and subsequently introduced new technology. At the plant, which has 75 employees, Penta, di-Penta and sodium formate are manufactured. The products are sold primarily in the Latin American market and to certain international key customers.

On March 31, Perstorp acquired the remaining 49% of the shares in Hansol Perstorp Co. Ltd., from Hansol Chemicals Co. Ltd., Korea, which subsequently changed name to Perstorp Chemicals Korea Co., Ltd. The company manufactures and markets polyols and other specialty chemicals in the Asian market. Perstorp also acquired additional land from Hansol Chemicals for future expansion of the operation in Korea.

The remaining shares were acquired in the subsidiary YLA, which manufactures advanced composite material for primarily the aerospace industry.

During May, Perstorp divested the remaining part of the company's production of concrete admixtures (Peramin). The extraordinary revenue is not included in the income statement; instead, the goodwill item was reduced in the acquisition balance sheet in accordance with IFRS 3 Business combinations.

Acquired assets (Operations in Chile and minority interests in Hansol and YLA)		
SEK m		
Purchase price		-106
Financial debt to seller		69
Effect on cash flow of the Group		-37
Purchase price		-106
Acquired net assets		91
Goodwill		-15
	Book value	Fair value
Intangible fixed assets	6	6
Tangible fixed assets	81	81
Deferred tax assets	1	1
Inventory	25	25
Other current receivables	40	40
Cash and cash equivalents	12	12
Equity and liabilities	165	165
Long-term liabilities	13	13
Current financial liabilities	4	4
Operating liabilities	57	57
Total liabilities	74	74
Net assets	91	91

Development during the fourth quarter

Net sales during the fourth quarter amounted to SEK 1,800 m (pro forma year-earlier period: 1,538), an increase of 17%. Of the increase, higher price levels accounted for 10% and stronger volumes for 13%, including acquisitions, which was offset by negative exchange-rate effects of 6%. Net sales declined somewhat compared with the preceding quarter, when sales amounted to SEK 1,897 m. Production disruptions at the plants in Stenungsund and Bruchhausen impeded volume growth in the fourth quarter.

Operating earnings before depreciation amounted to SEK 303 m (213). Adjusted for non-recurring items, earnings were SEK 293 m (209). The strong growth was due to higher volumes combined with margin strengthening. The exchange-rate effect was negative. Compared with the preceding quarter (SEK 285 m), the comparable result improved somewhat.

Income statement by quarter, Group										
SEK	2005					2006				
	Q 1	Q 2	Q 3	Q 4	Full year	Q 1	Q 2	Q 3	Q 4	Full year
Net sales	1,526	1,665	1,570	1,538	6,299	1,754	1,822	1,897	1,800	7,273
Depreciation, production	-101	-101	-101	-103	-406	-100	-102	-101	-109	-412
Other costs of sold goods	-1,119	-1,276	-1,168	-1,189	-4,752	-1,371	-1,416	-1,501	-1,405	-5,693
Gross earnings	306	288	301	246	1,141	283	304	295	286	1,168
Sales, administration and R&D costs	-132	-127	-114	-140	-513	-125	-125	-119	-155	-524
Depreciation, outside production	-21	-22	-23	-25	-91	-25	-24	-23	-22	-94
Other operating income and expenses ¹⁾	74	52	-7	6	125	-9	-21	2	43	15
Income from participations in associated companies	0	0	0	1	1	0	0	0	1	1
Operating earnings (EBIT)²⁾	227	191	157	88	663	124	134	155	153	566
Exchange-rate differences, net debt						-46	78	-13	85	104
Financial income and expenses						-201	-205	-207	-206	-819
Earnings before taxes						-123	7	-65	32	-149
Taxes						40	-2	21	-63	-4
Net earnings/loss (incl. minority interest)³⁾						-83	5	-44	-31	-153
Operating earnings before depreciation (EBITDA)	349	313	281	213	1,156	249	260	279	303	1,091
EBITDA adjusted for non recurring items	311	285	274	209	1,079	255	264	285	293	1,097

¹⁾ Other operating revenues and expenses mainly include exchange-rate effects relating to operating net receivables, as well as costs and revenues of non-recurring nature. The figure for 2006 includes estimated insurance compensation for a margin loss and for fixed assets resulting from a claim.

²⁾ Operating earnings for full-year 2006 were affected by excess depreciation of SEK 167 m (pro forma 2005: 167) resulting from establishment of the acquisition analysis.

³⁾ Financial items and taxes for the period prior to the acquisition (Dec 2005) have not been calculated on a pro forma basis.

Key figures, Group		
SEK m unless otherwise stated	Full year 2006	Full year 2005
Net sales	7,273	6,299
Operating earnings before depreciation (EBITDA)	1,091	1,156
EBITDA excl. non-recurring items	1,097	1,079
Operating earnings (EBIT)	566	663
Operating margin before depreciation, %	15.0	18.4
Operating margin, %	7.8	10.5
Investments	535	778
of which acquisitions	59	184
excluding acquisitions	476	594
Depreciation ¹⁾	525	493
Working capital, end of period	714	743
Working capital, average	853	764
Turnover rate, working capital	8.5	8.2
Cash flow from operating activities	591	n/a
Cash flow as % of net sales	8.1	n/a
Capital employed, end of period	9,631	10,618
Capital employed, average	10,018	n/a
Return on capital employed, %	5.7	n/a
Net debt, incl. pensions, end of period	9,386	9,702
Net debt, incl. pensions, excl. Parent Company loan ²⁾	7,434	8,098
Debt/equity ratio, excl. Parent Company loan ²⁾	3.9	3.9
Equity/assets ratio, %, incl. Parent Company loan ²⁾	14	15
Return on shareholders' equity %, incl. Parent Company loan ²⁾	-8	n/a
Number of full-time employees, end of period	1,693	1,592

¹⁾ Write-down of fixed assets is included in 2006 by SEK 18 m.

²⁾ The Parent Company loan, i.e. the loan from the Luxembourg-based Parent Company Financière Forêt S.À.R.L., is subordinate to the senior credits, second lien and mezzanine loans. Interest on this loan is capitalized.



Parent Company

Income statement, Parent Company		
SEK m	Full year 2006	Full year 2005
Net sales, Group companies	36	0
Sales, administration and R&D costs	-56	-1
Operating earnings (EBIT)	-20	-1
Financial income and expenses, Group companies	88	2
Financial income and expenses, external	-618	-13
Exchange-rate differences, net debt	166	0
Group contributions	396	0
Earnings/Loss before tax	12	-12
Tax	-4	3
Net earnings/loss	8	-9

Balance sheet, Parent Company ¹⁾		
SEK m	Dec. 31, 2006	Dec 31, 2005
Shares in Group companies	6,073	6,141
Long-term receivables, Group companies	912	807
Other financial fixed assets	0	3
Short-term receivables, Group companies	409	1
Other current receivables	3	2
Internal cash pool	41	-
Other cash and cash equivalents	0	412
Assets	7,438	7,366
Shareholders' equity (incl. minority interest)	456	448
Loans from Parent Company	1,952	1,604
Other long-term liabilities	4,168	5,058
Financial liabilities to related parties	86	249
Current liabilities, Group companies	591	-
Other current liabilities	185	7
Equity and liabilities	7,438	7,366

¹⁾ The parent company accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations.

Shareholders' equity, Parent Company	
SEK m	Total shareholders' equity
Opening balance, January 1, 2006	448
Net earnings for the period	8
Closing balance, December 31, 2006	473

Cash flow statement, Parent Company			
SEK m	Full year 2006	Full year 2005	
<i>Operating activities</i>			
Operating earnings	-20	-1	
Interest received	64	-	
Interest paid	-297	-	
Cash flow from operating activities before change in working capital	-253	-1	
<i>Changes in working capital</i>			
Increase (-) Decrease (+) in current receivables	-5	-2	
Increase (+) Decrease (-) in current liabilities	16	-	
Cash flow from operating activities	-242	-3	
<i>Investing activities</i>			
Acquisition of shares, subsidiaries	-	-6,141	
Acquisition of net assets, subsidiaries	-2	-	
Change in internal financial receivables	-95	-808	
Cash flow from investing activities	-97	-6,949	
<i>Financing activities</i>			
New share issues/shareholder contribution	-	457	
New loans raised, external	-	5,058	
New loans raised, internal	450	-	
New loans raised from Parent Company	188	1,600	
Short-term liability, related companies	-109	249	
Adjustment of purchase price	154	-	
Change in credit utilization	-756	-	
Cash flow from financing activities	-73	7,364	
Change in liquid funds, incl. short-term investments	-412	412	
Liquid assets opening balance, incl. short-term investments	412	0	
Translation difference in liquid funds	-	-	
Liquid assets, end of period	0	412	

Significant events following fiscal year-end

Following fiscal year-end, Perstorp signed a contract signifying that, for the first time, the Group will be establishing manufacturing in China and thereby have the opportunity to further strengthen its presence in the Chinese market and contacts with customers in China. Accordingly, in January 2007, within the framework of a joint venture with Shandong Fugeng Chemical Co. Ltd., Perstorp acquired 51% of Zibo Fufeng Tongsheng Chemical Co. Ltd., which operates a modern production plant for TMP in Qilu Chemical Industrial Park in Zibo City in the Shandong province. The plant has a production capacity of 15,000 tons per year, which means that the joint venture operation will represent the largest producer of TMP in China. The acquisition is conditional upon permits being issued by local authorities in China.

Other

Organization and employees

In order to additionally strengthen profitability and achieve high growth by developing new areas, the Group introduced a new organization during the year. The primary organizational changes are as follows:

- ➔ The market organization was reviewed and joint marketing and sales functions were formed for the Group's business units (BUs). Mats Persson was appointed head of the new Business function, following fiscal year-end, and David Wolf as head of the Sales function. Both will be included in Group Management. In conjunction with the reorganization, each BU head received increased business and profitability responsibility.
- ➔ In order to strengthen growth, a new unit was formed, Strategic Development, whose responsibilities will include acquisitions within current and new areas as well as strengthening the Group's organic growth. The function will be headed by Bengt Sallmén who is already a member of Group Management.

The average number of employees during the year amounted to 1,675 (1,601). The increase is primarily due to the acquisition of the operation in Chile.

New President and Chairman of the Board

Since October 1, Bo Dankis has been President and CEO of the Perstorp Group succeeding Lennart Holm who had held the position since the summer of 2001. Lennart Holm has been appointed Chairman of the Board of Perstorp Group from the same date, where he succeeded Dominique Mégret from PAI partners, who remains a Board member. The shift does not imply any principle change in strategy or direction for the company.

Bo Dankis was born in 1954 and graduated with a degree in engineering from The Linköping Institute of Technology. Throughout his long and successful career, he has built up extensive experience in international business in the industrial sector and has held leading positions in such countries as Japan and France, at ABB and Assa Abloy. Bo Dankis' most recent operative position was as CEO of Assa Abloy, an engineering industry group.

Financing

Perstorp Holding, which is controlled by the French private equity fund, PAI partners, acquired Sydsvenska Kemi AB (publ) from Industri Kapital on December 22, 2005. At the beginning of the year, Sydsvenska Kemi AB (publ) repaid the 2001/2011 debenture loan and trading in the debentures on Stockholm Stock Exchange ceased.

At the beginning of the year, as part of PAI partner's acquisition financing, the second lien and mezzanine loan were syndicated to about ten financiers.

Related party transactions

Perstorp Holding AB has a loan from the Luxembourg-based Parent Company Financière Forêt S.À.R.L., which amounted to SEK 1,952 m at year-end. The interest rate was 10% and is capitalized. The loan is subordinate to the senior loans, second lien and mezzanine loan.

Accounting and valuation principles

The consolidated accounts for Perstorp Holding AB have been prepared in accordance with International Financial Reporting Standards. The most important accounting principles pertaining to the Perstorp Group, under IFRS, are stated in the Annual Report.

Financial information

Perstorp will publish its Annual Report and sustainability report for the 2006 fiscal year in April 2007. Also, the interim report for the period January – June 2007 will be submitted preliminarily on August 30, 2007. The reports will be available in Swedish and English on the Group's web site, where printed versions will also be available for order.

Perstorp, February 23, 2007



Bo Dankis
President and CEO

The report has not been examined 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.