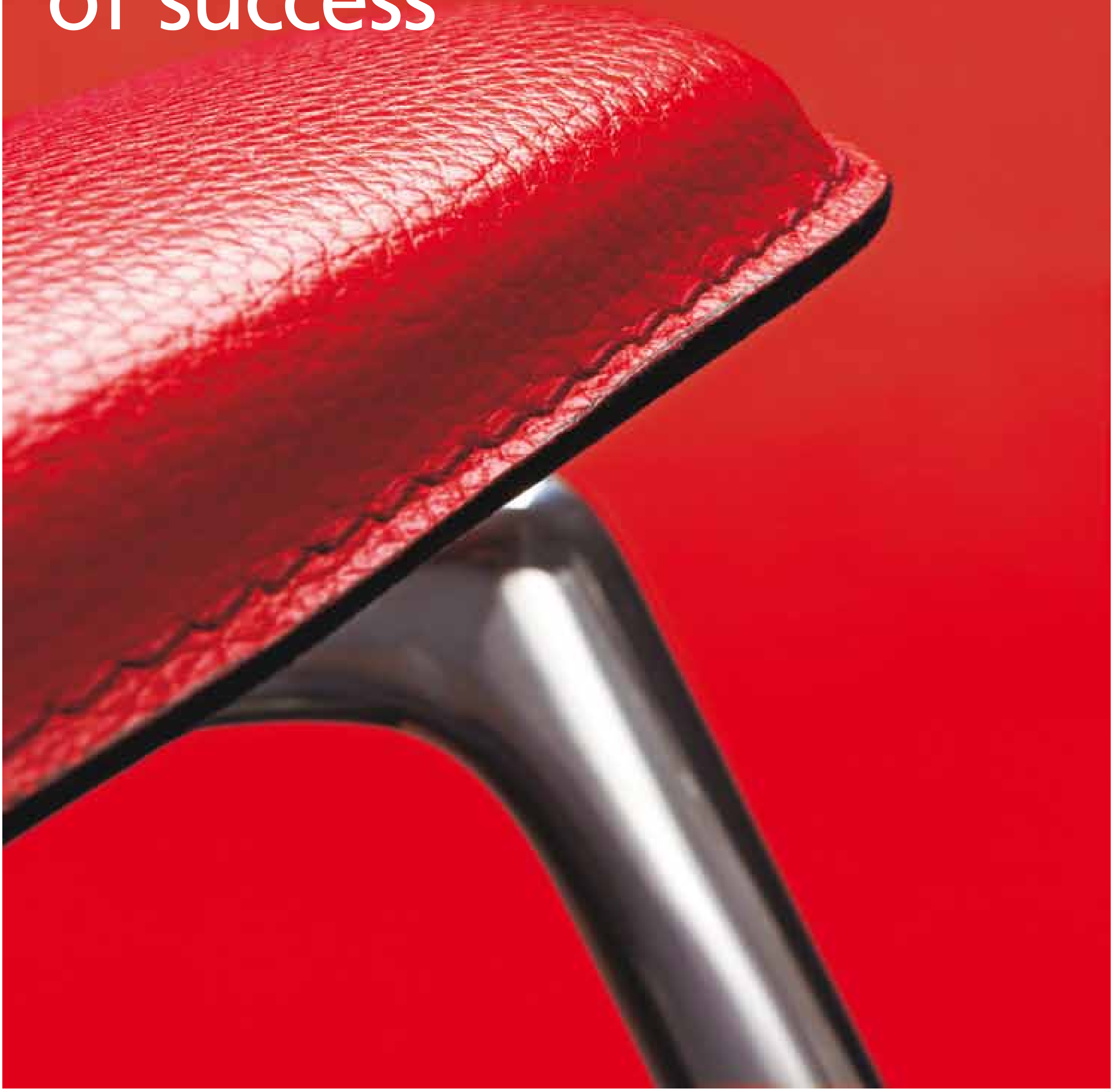
Perstorp Annual Report 2009 | part 2 | Report of the Board of Director & Sustainability Report

Creating the elements of success



Perstorp
WINNING FORMULAS

Contents

Key figures, in summary

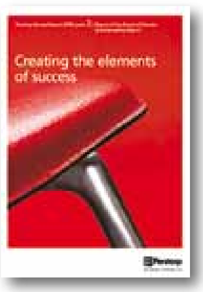
SEK m unless otherwise stated	2009	2008
Net sales	12,542	12,227
Operating earnings before depreciation (EBITDA)	986	1,670
EBITDA adjusted for non-recurring items	1,100	1,723
% of net sales	8.8	14.1
Operating earnings (EBIT)	-270	653
Net earnings/loss	-784	-627
Working capital, average	1,493	1,469
Turnover rate, working capital	8.4	8.3
Cash flow from operating activities	260	604
Investments excl. acquisitions	611	590
Acquisitions [1)]	-46	4,373
Capital employed, average	16,099	13,568
Return on capital employed, %	-1.7	4.9
Net debt, excl. owner company loan	11,513	13,453
Debt/equity ratio, %, excl. company loan [2)]	2.8	4.5
Equity/assets ratio, %, incl. company loan [2)]	20.1	13.7
Return on shareholders´ equity, %, incl. company loan [2)]	-19.1	-16.4

[1)] In 2009 there was an adjustment of the Coating Additives purchase price.

[2)] The owner company loan, meaning the loan from the Luxembourgbased Parent Company Financière Forêt S.à.r.l., is subordinated to the senior credits, second lien and mezzanine loans. These loans are considered as shareholders' equity in these key figures.

PERSTORP´S ANNUAL REPORT 2009

Part 1
Business & Strategy



Part 2
Report of the Board of Directors & Sustainability report

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Important events in 2009

1 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 8% and total sales by 18%, due to falling commodity prices.

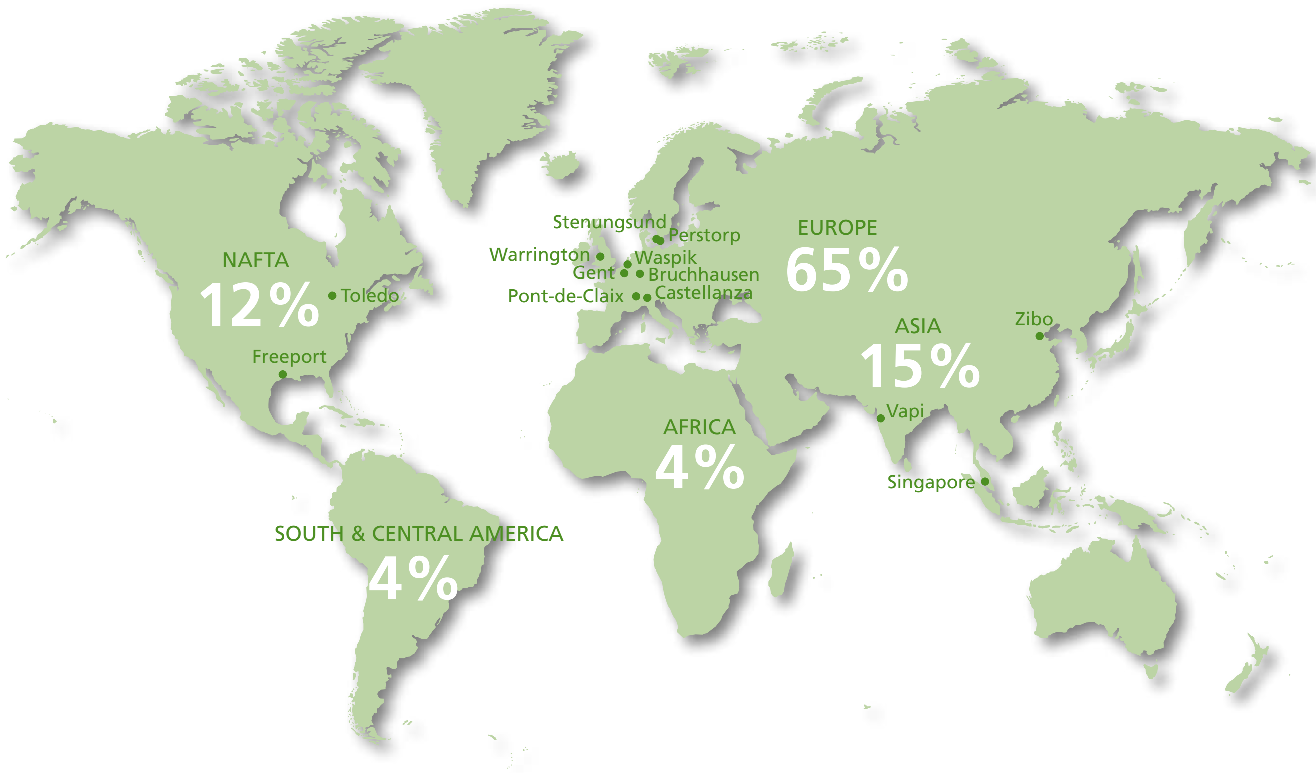
2 A cost savings program and efficiency improvements were implemented, resulting in a 20% decrease in the work force and major cost savings. In addition, specific emphasis was made on maintaining the profit margin on Perstorp´s products.

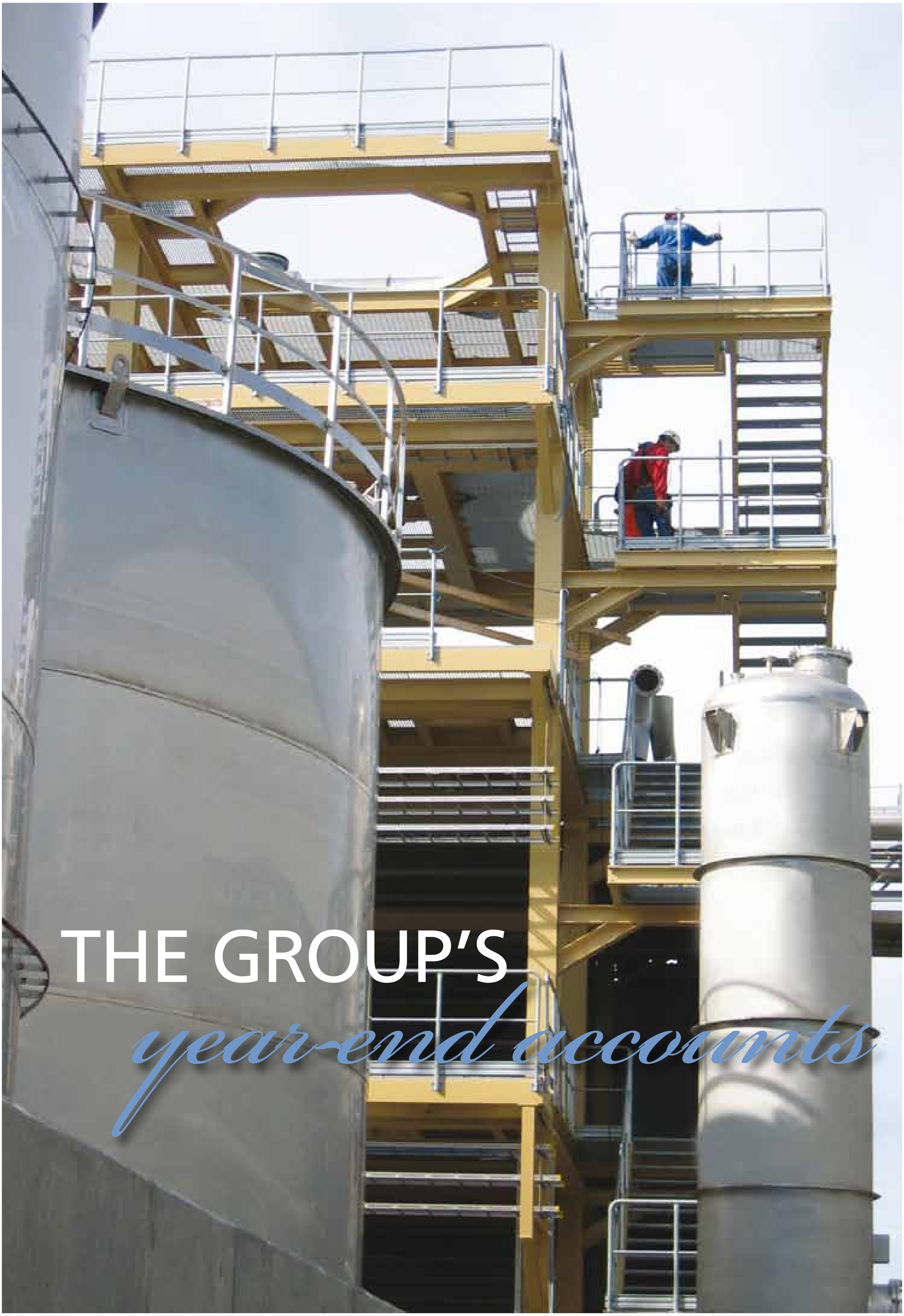
3 The operating profit before depreciation and amortization (EBITDA) reached SEK 986 (1,670) m. Adjusted for items affecting comparison, EBITDA was SEK 1,100 (1,723) m. Most of the decline was due to lower volumes, together with price fall for the product TDI. A recovery began at the start of the second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

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

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

NET SALES PER REGION & THE PERSTORP PRODUCTION PLANTS





THE GROUP'S *year-end accounts*

The effects of the global financial crisis were felt very strongly at the start of 2009. The immediate consequences were a fall in demand on nearly all markets combined with price cuts. The recovery in volumes started in the second quarter.

Market & economic conditions

During 2009 all the players in the value chain 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 very 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 gradually and for the year as a whole Perstorp's pro forma volume performance amounted to a fall of 8% compared with the previous year.

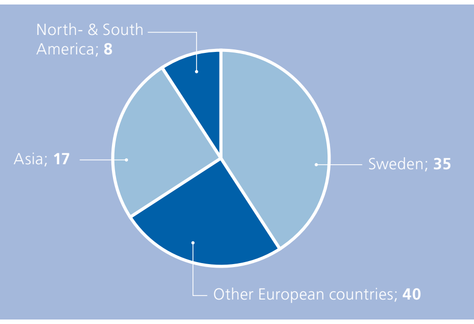
Development by geographic region was highly varied in 2009. The US went into recession quickly, but its recovery began ahead of other regions. South America's resurgence was very swift. Southern Europe proved more problematic, mainly due to an overheated construction sector in countries such as Spain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

Turning to Perstorp's products, basic polyols experienced a tough start to the year, although volumes were recovered. The market for Penta remained challenging at the end of the year due to an unfavorable balance between supply and demand. For isocyanates – which is a significant product for Perstorp in terms of both sales and margins – the year was very difficult due to the plunge in prices for TDI. However, during the year the market trend has reversed.

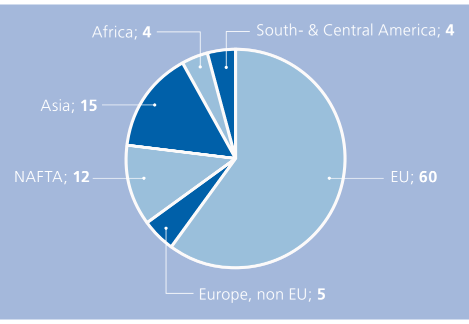
The crisis did not hit all products. Specialty polyols performed relatively well all year. Formox had one of its best-ever years and continued to win market share from competing technologies. The Food & Feed business was completely unaffected. Potassium formate sold well as planned. The new plant was started up in the autumn of 2009, making Perstorp the largest producer of this product in the world. The caprolactones production site in Warrington, UK, is well equipped for further expansion. The new plant will open there in 2011.

Currency effects boosted sales and margins but currency hedging had an overall negative effect of SEK 100 m on earnings.

GEOGRAPHIC DISTRIBUTION OF EMPLOYEES, %



NET SALES PER GEOGRAPHIC MARKET, %



Net sales & earnings

INCOME STATEMENT

- Increased sales due to the acquisition of Coating Additives. For the Group as a whole, excluding the acquisition, volumes fell by 8% and prices by 17%. Currency effects were positive.
- The savings program and improving efficiency led to one-off costs and write-downs of around SEK 340 m in 2009.
- Savings initiatives, including reduced costs for purchases other than raw materials, resulted in lower annual costs of around SEK 450 m.

Net sales

Net sales climbed 3% during the year to reach SEK 12,542 m. Acquired businesses accounted for 21% of this increase, meaning that organic growth was negative at -18%.

Volumes fell by 8%, mainly in the first quarter when the downturn was 25%, not least due to decreasing stock at 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.

Sale prices fell by 17% over the year, mainly due to falling raw material prices. The Swedish krona weakened against the USD and EUR, which meant sales were 7% higher 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, operating earnings were SEK 1,100 m compared with SEK 1,723 in 2008. Earnings for the period were also affected negatively by around SEK 80 m by the significant falls 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 in full to the fall in volumes. The Group managed to maintain profit margins on prices, despite great turbulence on the raw materials front. An important factor here was the determination shown in the cost-cutting program focused on purchases in addition to the 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 were reduced this way by SEK 300 m. Earnings after depreciation and write-down for 2009 were affected by a total of around SEK 340 m in non-recurring items relating to these measures.

Both the USD and EUR strengthened against the 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 explains how the overall currency effect was negative by around SEK 100 m. Earnings for the acquired business in Coatings Additives for the year were much lower than expected. In the first quarter there was strong price pressure on TDI. During the second quarter the trend reversed and margins and earnings started to improve, 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 production efficiency fell.

Operating earnings (EBIT) were SEK -270 m in 2009 (653). Write-downs totaled SEK 241 (241) m in the year 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 impaired in connection with improved efficiency in production. Last year's impairment 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 value and remaining life-lengths.

Net earnings

Net financial items were SEK -1,019 m in 2009, compared with SEK -1,541 m for the period of comparison. There was a capital gain in 2009 relating to the Group's financing (309 m). Note 21 shows that financial currency differences were positive in 2009 but negative in the year of comparison. Comparable net financial items, excluding currency effects and capital gains, were SEK -1,394 m for 2009 and SEK -1,294 m 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 shareholders' equity. This had a favorable effect on net financial items.

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

Currency effects on earnings

The Group has considerable cash flows, earnings and assets in foreign currencies, primarily EUR and USD. A large proportion of sales, 65%, are made in Europe, with just 10% in Sweden. Virtually all invoicing is in EUR and USD, which is also true for purchases of raw materials. However, a large part of costs are in SEK, since one third of the Group's employees work in Sweden.

Operating profit is thus exposed to fluctuations in exchange rates between SEK and USD/EUR. When SEK strengthens by 1% against EUR, the Group's EBITDA falls by SEK 22 m. For USD the corresponding figure is SEK 8 m. Predicted transaction and consolidation exposure was not hedged at the end of 2009. Instead the Group handles part of its exposure by borrowing in USD and EUR. This partly reduces inward flows of USD and EUR due to interest payments and partly means that exposure for one of the bank key figures – net debt in relation to EBITDA – is reduced.

Interest sensitivity

As mentioned above, the Group borrows in USD and EUR to reduce currency exposure for net debt in relation to earnings, which also spreads interest risk, as interest rates are different in other currencies. Part of the loans are in SEK.

Interest rate hedging is used to establish fixed interest for a bit more than half of all bank loans, in accordance with the Group's finance policy. At the end of 2009 the average fixed rate period was 240 days. Interest rate hedging radically reduces interest rate risk, to a total of SEK -35 m annually for a one percent rise in interest, from a level of SEK -116 m if no hedging had been performed.

Pro forma quarterly earnings

To provide a more complete picture of the current Group's sales and earnings trend, net sales and EBITDA are presented below pro forma. The activities that have been acquired during the period have been included as if they were part of the Group throughout 2008. Historic figures are based on unaudited data from the sellers.

Pro forma sales fell in 2009 by 18% compared with the previous year, of which half represents a fall in volumes. Prices also fell by 18%, of which TDI, a product manufactured by the Coating Additives business area, accounted for a large part due to a price fall at the end of 2008. Prices began to rise again in the second quarter. Positive currency effects of 9% compensated for part of this fall in prices.

Comparable earnings before and after impairment fell from SEK 2,340 m in 2008 to SEK 1,100 m in 2009. As explained above the Group excluding acquired business was hit by a decline in volumes that impacted hard on the Group's profitability. For the acquired Coating Additives business area, the first three quarters were very strong. The business was then hit hard by the financial crisis, which was expressed in the form of a sudden fall in prices combined with inventory cutbacks in all levels. A recovery was noted from April 2009, and since then margins and volumes have climbed steadily upwards. The start of the fourth quarter was affected by disruptions to production.

INCOME STATEMENT

SEK m	Note	2009	2008 [1]
Net sales	9	**12,542**	**12,227**
Cost of goods sold	6, 7, 8, 20	-11,215	-10,538
Gross earnings		**1,327**	**1,689**
Selling and marketing costs	6, 7, 8	-577	-524
Administrative costs	6, 7, 8, 34	-413	-333
Research and development costs	6, 7, 8	-103	-95
Other operating income and expenses [2]	11	-501	-80
Result from participations in associated companies	12	-3	-4
Operating earnings/loss (EBIT)	10, 22, 26	**-270**	**653**
Net financial items [3]	21	-1,019	-1,541
Earnings/loss before tax		**-1,289**	**-888**
Tax	23	505	261
Net earnings/loss for the year		**-784**	**-627**
of which, attributable to minorities	14	-12	-11

1) The acquired Coating Additives business is included from September 2008 and the caprolactones business from February 2008.
2) Includes SEK 241 m in write-downs for both years. Figures for 2008 include SEK 116 m in capital gain from sale of Advanced Composites.
3) Net financial items in 2009 include SEK 309 m in capital gain relating to Group financing.

PRO FORMA QUARTERLY INCOME STATEMENT

	2008				Total	2009				Total
SEK m	Q 1	Q 2	Q 3	Q 4	2008	Q 1	Q 2	Q 3	Q 4	2009
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**

INTEREST SENSITIVITY

	Local currency	SEK m	Effective rate on balance sheet date, %	Duration, days before interest hedging	Actual duration, days
SEK	3,361	3,361	3.7	28	257
EUR	437	4,918	8.7	24	234
USD	448	3,234	4.2	29	237
Other currencies		118	2.6	46	46
Financial liabilities, excl. Parent Company loans & pension liabilities		**11,631**	**6.0**	**27**	**240**

Financial position

BALANCE SHEET

- Dramatic reinforcement of balance sheet through shareholders' contribution of close to SEK 1.6 billion.
- Renegotiated loan agreement including the bank's new key indicators during the remaining period of the loan.
- Continued focus on capital optimization and minimal credit losses during the global economic downturn.

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. Some mezzanine receivables were bought back, reducing the debt by a further SEK 300 m. Favorable currency effects amounted to around SEK 500 m. Working capital fell during the year by around SEK 300 m, and the turnover rate improved additionally. Cash flow after investments was however negative and therefore increased liabilities somewhat.

An agreement was reached in the fourth quarter with a number of banks concerning the renegotiation of the loan agreement. This included new bank coverants. The Group's principal financing comprises senior credits pledged by Svenska Handelsbanken, Nordea, DnB NOR and HSH Nordbank as well as second lien and mezzanine facilities syndicated to around 20 financing institutions in 2006.

Currency effects on balance sheet

All items in the balance sheet were affected by the growing strength of the SEK during 2009. The SEK-EUR moved from 10.94 to 10.35 and the SEK-USD from 7.75 to 7.21. Large parts of the Group's assets and liabilities are denominated in these two currencies. Of the operating capital around half is in EUR, and large parts are in SEK, USD and GBP.

The distribution of loans in different currencies is presented on the previous page in the section entitled 'Interest sensitivity'. Around 40% of the loans, in addition to the loans from the owners, are in EUR, while 30% each are in USD and SEK.

Overall at the end of the year the Group's currency exposure was therefore larger concerning earnings than for borrowings, which means that a general weakening of SEK is favorable for the relation between net debt and EBITDA.

BALANCE SHEET

SEK m	Note	December 31, 2009	December 31, 2008
ASSETS			
Fixed assets			
Intangible fixed assets	6	7,829	8,545
Tangible fixed assets	7	6,742	7,376
Financial fixed assets			
Deferred tax assets	23	1,162	837
Participations in associated companies	13	20	-
Direct pension, endowment insurance	22	66	59
Other interest-bearing, long-term receivables	16, 21	6	8
Interest-free, long-term receivables	16	23	24
Total financial fixed assets		1,277	928
Total fixed assets		**15,848**	**16,849**
Current assets			
Inventories	20	1,478	1,827
Accounts receivable	18	1,969	2,132
Operating receivables, associated companies		41	51
Tax receivables		60	41
Other operating receivables	18	379	456
Financial receivables, Parent Company	21	-	220
Other current financial receivables	21	10	49
Total		**3,937**	**4,776**
Cash and cash equivalents	19, 21	516	286
Total current assets		**4,453**	**5,062**
TOTAL ASSETS		**20,301**	**21,911**
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital (1,000 shares, par value of SEK 100 each)		0	0
Other capital contribution		3,207	1,244
Reserves		-375	-418
Retained earnings		-906	-290
Net earnings/loss for the year		-772	-616
Shareholders' equity, excluding minority interests		**1,154**	**-80**
Minority interests	15	18	42
Total shareholders' equity, including minority interests		**1,172**	**-38**
Long-term liabilities			
Deferred tax liabilities	23	1,867	2,101
Direct pension	22	66	59
Pension liability, others	21, 22	414	412
Long-term liabilities, Parent Company	21	2,899	3,038
Long-term interest-bearing liabilities [1)]	21	10,497	11,712
Long-term liabilities, associated companies	21	-	-
Other liabilities, provisions	24	83	93
Total long-term liabilities		**15,826**	**17,415**
Current liabilities			
Accounts payable	25	1,311	1,506
Tax liabilities		6	18
Other operating liabilities	25	1,144	1,357
Accrued interest expense, interest-free		201	284
Other financial liabilities	21	641	1,369
Total current liabilities		**3,303**	**4,534**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**20,301**	**21,911**
Contingent liabilities	27	207	219
Assets pledged	28	13,685	14,220

1) The amount includes expenses for loan financing principally, in connection with Perstorp Holding AB's acquisition of sub-groups in Germany, Sweden and the Netherlands. During 2008 capitalized administration costs for loan financing have also been added mainly due to acquisitions in France and Singapore and in 2009 some more fees in connection with changes in the loan agreement. The amount was SEK -493 (-523) m.

Comprehensive earnings & shareholders' equity

SHAREHOLDERS' EQUITY

- Shareholders' equity increased in 2009 by SEK 1.2 billion to reach SEK 1,172 m. In addition to the shareholders' contribution of SEK 1.6 billion, a shareholders' loan has been converted into shareholders' equity, amounting to SEK 372 m.
- Comprehensive income, including translation differences and items reported directly in shareholders' equity (hedge accounting), amounted to SEK -744 m.

COMPREHENSIVE INCOME REPORT, GROUP, INCLUSIVE MINORITY

SEK m	2009	2008
Earnings/loss for the year	**-784**	**-627**
Other comprehensive results		
Translation effects	-217	576
Hedging of net investments	185	-473
Market valuation of interest swaps	24	-222
Market valuation of forward contracts	140	-159
Tax relating to other comprehensive results	-92	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

SHAREHOLDERS' EQUITY 2009

SEK m	Share capital	Other capital contributions	Translation reserves	Hedge reserves	Retained earnings	Net earnings/ loss for the year	Total shareholders' equity excl. minority interest	Minority interest	Total shareholders' equity
Opening balance, January 1, 2009	**0**	**1,244**	**-188**	**-230**	**-290**	**-616**	**-80**	**42**	**-38**
Transfer of preceding year's results	-	-	-	-	-616	616	0	-	0
Shareholder' contribution/ Capital contribution	-	1,963	-	-	-	-	1,963	-	1,963
Acquired minority interest	-	-	-	-	-	-	-	-9	-9
Net earnings/loss for the year	-	-	-78	121	-	-772	-729	-15	-744
Closing balance, December 31, 2009	**0**	**3,207**	**-266**	**-109**	**-906**	**-772**	**1,154**	**18**	**1,172**

SHAREHOLDERS' EQUITY 2008

SEK m	Share capital	Other capital contributions	Translation reserves	Hedge reserves	Retained earnings	Net earnings/ loss for the year	Total shareholders' equity excl. minority interest	Minority interest	Total shareholders' equity
Opening balance, January 1, 2008	**0**	**457**	**-414**	**50**	**-162**	**-128**	**-197**	**29**	**-168**
Transfer of preceding year's results	-	-	-	-	-128	128	0	-	0
Shareholder' contribution/ Capital contribution	-	787	-	-	-	-	787	21	808
Acquired minority interest	-	-	-	-	-	-	-	-7	-7
Net earnings/loss for the year	-	-	226	-280	-	-616	-670	-1	-671
Closing balance, December 31, 2008	**0**	**1,244**	**-188**	**-230**	**-290**	**-616**	**-80**	**42**	**-38**

Cash flow

Cash flow from operations was SEK 260 (604) m in 2009. An optimization of working capital, mainly in the form of reduced stock levels and less overdue accounts receivable are behind the positive cash flow. Interest payments and tax were at around the same level as operating earnings before depreciation.

Investments in fixed assets were SEK 582 (590) m. The major investment projects during the year were for the expansion of caprolactones capacity 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 the SAP business system for this business.

On the financing front, the Parent Company made a major shareholders' contribution, which significantly improved the Group's flexibility. The Group reduced its dependency on bank credit, of which amortization makes up around SEK 1 billion according to plan.

Available capacity, including liquid funds and unused letter of credit facilities, amounted to SEK 1,224 m at year-end.

Cash flow statement

SEK m	2009	2008
Operating activities		
Operating earnings	-270	653
Adjustments:		
Depreciation, amortization and write-down	1,256	1,017
Capital gain, reversal	-	-116
Other	7	202
Interest received	3	11
Interest paid	-984	-794
Income tax paid	-37	-89
Cash flow from operating activities before change in working capital	**-25**	**884**
Change in working capital		
Increase (-) Decrease (+) in inventories	293	-81
Increase (-) Decrease (+) in current receivables	174	-609
Increase (+) Decrease (-) in current liabilities	-182	410
Cash flow from operating activities	**260**	**604**
Investing activities		
Acquisition of net assets, subsidiaries	22	-4,390
Cash and cash equivalents, acquired companies	-	15
Acquisition of shares in associated companies	-19	-
Acquisition of minority interest	-9	-
Acquisition of tangible and intangible fixed assets	-582	-590
Sale of net assets, subsidiaries	-	170
Sale of financial receivables, external	34	-
Change in financial receivables, external	2	-44
Cash flow from investing activities	**-552**	**-4,839**
Financing activities		
Payments from minority owners	-	21
New loans, external	-	3,879
Shareholders' contribution	1,821	568
Amortization of loan due to sale of subsidiaries	-	-36
New loan from Parent Company	-	285
Change in credit utilization [1]	-1,289	-590
Short-term liability, related companies	-	-96
Cash flow from financing activities	**532**	**4,031**
Change in cash & cash equivalents, incl. short-term investments	**240**	**-204**
Cash and cash equivalents in the opening balance, incl. short-term investments	286	447
Translation difference in cash and cash equivalents	-10	43
Cash & cash equivalents, end of period	**516**	**286**

[1] Includes payment of bank fees, SEK 94 m, related to renegotiated loan agreements.

THE PARENT COMPANY'S *year-end accounts*

INCOME STATEMENT

SEK m	Note	2009	2008
Net sales	9	**38**	**51**
Gross earnings		**38**	**51**
Sales and marketing costs	8	-7	-3
Administration costs	8, 34	-84	-97
Other operating income and expenses	11	-18	-11
Operating earnings (EBIT)	22, 26	**-71**	**-60**
Group contribution received		576	1,649
Dividends, Group companies [1]		64	-1,045
Net financial items	21	-565	-1,588
Earnings/loss before tax		**4**	**-1,044**
Tax	23	14	-1
Net earnings/loss for the year		**18**	**-1,045**
of which, attributable to minorities		-	-

[1] Comprises dividends from Group companies of SEK 64 (459) m and write down of shares in subsidiaries of SEK 0 (-1,504) m.

BALANCE SHEET

SEK m	Note	2009	2008
ASSETS			
Financial fixed assets			
Deferred tax assets	23	14	-
Shares in Group companies	17	7,878	7,877
Long-term receivables, Group companies	21	799	806
Direct pension, endowment insurance	22	54	48
Total fixed assets		**8,745**	**8,731**
Current assets			
Operating receivables, Group companies		65	68
Tax receivables		3	-
Other operating receivables	18	24	6
Financial receivables, Parent Company	21	-	220
Financial receivables, Group companies	21	4,659	5,614
Other current financial receivables	21	4	49
Total		**4,755**	**5,957**
Cash and cash equivalents	19, 21	234	69
Total current assets		**4,989**	**6,026**
TOTAL ASSETS		**13,374**	**14,757**
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital (1,000 shares, par value of SEK 100 each)		0	0
Retained earnings		2,150	1,232
Net earnings/loss for the year		18	-1,045
Total shareholders' equity, including minority interest		**2,168**	**187**
Long-term liabilities			
Direct pension	22	54	48
Long-term liabilities, Parent Company	21	2,899	3,038
Long-term interest-bearing liabilities [1]	21	5,339	5,718
Other liabilities, provisions	24	13	14
Total long-term liabilities		**8,305**	**8,818**
Current liabilities			
Accounts payable	25	5	11
Tax liabilities		-	1
Other operating liabilities, Group companies		3	1
Other operating liabilities	25	31	39
Accrued interest expense, interest-free		142	215
Financial liabilities, Group companies	21	2,893	5,199
Other financial liabilities	21	187	286
Total current liabilities		**3,261**	**5,752**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**13,374**	**14,757**
Contingent liabilities	27	6.675	7,839
Assets pledged	28	7,931	7,925

[1] The amount includes expenses for loan financing in connection with Perstorp Holding AB's acquisition of sub-groups in Germany, Sweden and the Netherlands. The amount was SEK -187 (-183) m. In 2009 there was an additional SEK 35 m in expenses due to adjustments in borrowing conditions.

CASH FLOW STATEMENT

SEK m	2009	2008
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 exchange 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 to Group companies	-1	-95
Change in internal financial receivables	-801	-535
Cash flow from investing activities	**-802**	**-630**
Financing activities		
Shareholder contribution from Parent Company	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
Liquid funds, end of period	**234**	**69**

SHAREHOLDERS' EQUITY 2009

SEK m	Share capital	Retained earnings	Net earnings/ loss for the year	Total shareholders' equity
Opening balance shareholders' equity, January 1, 2009	**0**	**1,232**	**-1,045**	**187**
Transfer of preceding year's results	-	-1,045	1,045	0
Shareholders' contribution	-	1,963	-	1,963
Net earnings/loss for the year	-	-	18	18
Closing balance shareholders' equity, December 31, 2009	**0**	**2,150**	**18**	**2,168**

SHAREHOLDERS' EQUITY 2008

SEK m	Share capital	Retained earnings	Net earnings/ loss for the year	Total shareholders' equity
Opening balance shareholders' equity, January 1, 2008	**0**	**453**	**-8**	**445**
Transfer of preceding year's results	-	-8	8	0
Shareholders' contribution	-	787	-	787
Net earnings/loss for the year	-	-	-1,045	-1,045
Closing balance shareholders' equity, December 31, 2008	**0**	**1,232**	**-1,045**	**187**

Other

New organization

During the year significant changes were made to Perstorp's organization. Greater decision-making powers were given to the business areas to help them be more reactive to market changes and meet the customers needs. Changes to the senior executive team enabled sufficient focus to be directed externally while also supporting the execution of key internal measures.

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

Claes Gard left the post of Chief Financial Officer, at his own request, at the start of 2009. He will however continue his engagement in Perstorp, as member of the Board. The new CFO is Johan Malmqvist who joins Perstorp from Duni AB. The Group also has a new Executive Vice President Human Resources & Communication, Mikael Gedin, who joins the company from ABB. Lennart Hagelqvist was appointed head of Coating Additives, and Anders Lundin was made head of Performance Products. Mats Persson remains as head of Specialty Intermediates and in September he was appointed deputy CEO. Martin White has been appointed head of a new unit – Region Asia – which was formed in July to better follow development in this exciting growth region.

Employees

The number of employees in the Group has fallen by around 20% to around 2,200. This is partly due to overmanning created by re-organization and partly because production at El Salto, Chile, and Vapi, India, has been put in mothballs. Furthermore, Perstorp has sold a production site for Neo in Yongliu, China, with the aim of starting Neo production at Zibo instead.

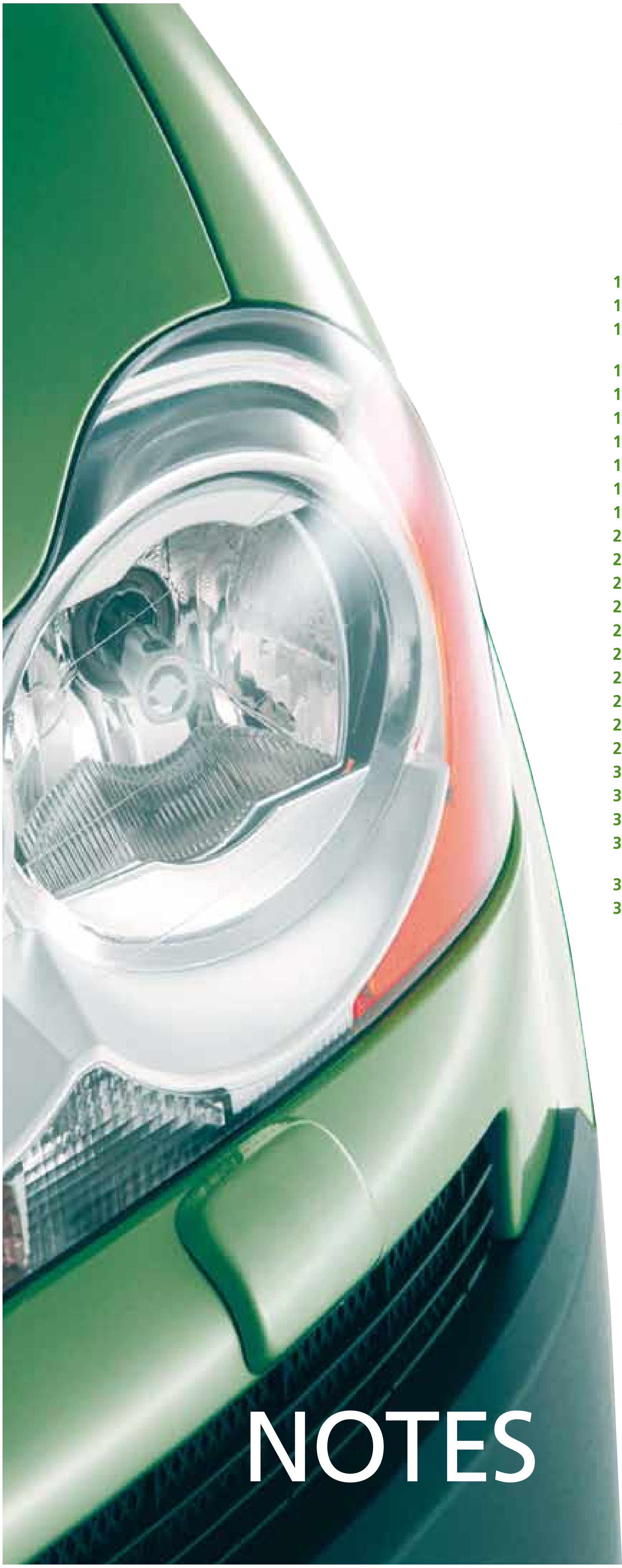
The environment

The Group has production in eleven countries. Most of the Group's activities in Sweden require permits. Activities requiring permits primarily involve polyalcohols, formalin, formic acid and other acids and alcohols. Each unit submits an annual environment report to be approved by the inspection authority. In other countries Perstorp follows national and local requirements.

Key events after the end of the financial year

After the end of the year, Perstorp France acquired shares in Exeltium, representing a holding of around 4%. Exeltium is a consortium of 28 electricity-intensive companies, thus ensuring direct access to power. The company in turn buys energy from EDF, through long-term contracts. Perstorp France is hereby ensured between 21 and 30 MW annually for the production facilities at Pont-de-Claix.

During the first quarter 2010, the decision was taken to convert loans from Parent Company Financière Forêt S.à.r.l., amounting to SEK 1 billion, to shareholder´s equity. The conversion is expected to take place in the second quarter 2010.



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DEFINITIONS

Capital ratios

Average capital
Based on monthly balances during the year.

Capital employed
Total assets less interest-free liabilities.

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

Financial ratios

Debt/equity ratio
Net borrowings in relation to shareholders' equity, incl. minority interest.

Equity ratio
Shareholders' equity and minority interest in relation to total assets.

Return ratios

Return on capital employed
Operating earnings plus interest income, as a percentage of average capital employed during the year.

Return on equity
Net earnings as a percentage of average shareholders' equity during the year.

note 1 GENERAL INFORMATION

Perstorp Holding AB and its subsidiaries (jointly designated the Group) produce and sell specialty chemicals. At the end of the report period the Group had 13 (14) manufacturing units in 11 (12) countries in Europe, North America and Asia. These geographic areas comprise the Group's main markets for sales, with the main focus in Europe.

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

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

The Board approved this report for publication on 21 April 2010.

note 2 SUMMARY OF MAJOR ACCOUNTING PRINCIPLES

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

2.1 Basis for preparing the accounts

Group

The consolidated accounts for Perstorp Holding AB have been prepared in accordance with the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation concerning Supplementary Accounting Rules for Groups (RFR 1.2) and International Financial Reporting Standards (IFRS) and IDRIC interpretations as approved by the European Commission. (IFRS has been applied by the Group since 2005.) The consolidated accounts have been prepared in accordance with the acquisition value method, apart from matters applying to financial assets held for sale and financial assets and liabilities (including derivative instruments) that are fair valued via the income statement.

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

Standards (IAS/IFRS), changes and interpretations (IFRIC) now in effect that are applicable for the 2009 financial year and are applied by the Group:

- **IAS 1, "Presentation of Financial Statements"** has been revised. The changed standard requires that only owner-related transactions concerning equity shall be included in the report of the Group's change in shareholders' equity. All other transactions concerning change in equity (income and expense items) shall be reported separately and be included as a part of the Group report on comprehensive income. Comprehensive income can either be presented in a single table, based on previous, traditional profit/loss statements, or two statements can be presented – an income statement and a report of comprehensive income. Perstorp has chosen the latter. Comparable information has been restated, so that it agrees with the revised standard. The adjustments made for compared years do not affect the outcome as a whole, just the presentation format.
- **IAS 23 "Borrowing Costs".** The standard has changed with regard to borrowing costs directly attributable to purchases, construction or production of an asset that takes a significant time to complete for use or sale. Previously, a choice could be made and the Group followed the principle of consistently reporting borrowing costs directly. The Group now capitalizes borrowing costs for projects with a start date of 1 January 2009. The change in accounting principles is a consequence of applying transition rules in IAS 23 and comparable data has therefore been recalculated. No specific large projects were started in 2009, which is why there are no capitalized borrowing costs for 2009 concerning investment in fixed assets.
- **IFRS 1 "First-time Application of IFRS" and IAS 27 "Consolidated and Separate Financial Statements".** For Perstorp the change means that all dividends from subsidiaries, joint ventures or associated companies shall be reported as income, even to the extent that the dividend relates to reserves established prior to the date of acquisition. Previously, a received dividend established prior to acquisition was deducted from the acquisition value of the asset.
- **IFRS 7 "Financial Instruments: Disclosures".** The change involves a requirement for extended disclosure of the valuation of financial instruments at fair value and how the liquidity risk concerning financial instruments should be handled in practice. Since this change is only related to disclosures it does not affect reporting of consolidated earnings and position.
- **IFRS 8 "Operating Segments".** This new standard – which replaces IAS 14 – is based on segment reporting from an internal management perspective. The consequence is that information shall be provided per segment as the ultimate decision-maker continually views activities. The standard is related to disclosures and does not affect reporting of consolidated earnings and position. The Group has chosen not to apply this standard as it is not a legal requirement, see Note 5.

For standards, changes and interpretations of existing standards not yet in effect, see chapter 2.15. The Group has decided not to apply any of these changes in advance.

Parent Company

The Parent Company's financial reports are produced in accordance with the Annual Accounts Act and recommendations from the Swedish Financial Reporting Board concerning Reporting for legal entities (RFR 2.2). The starting point for RFR 2.2 is that the Parent Company shall implement all of the EU-approved standards and interpretations as far as possible within the framework of the Annual Accounts Act, the Swedish law safeguarding pension commitments and with consideration for the relationship between accounting and taxation. The main differences between the Group's and Parent Company's accounting principles are as follows:

Subsidiaries

Shares in subsidiaries are reported at the time of acquisition at acquisition value/fair value. This value remains until impairment is carried out. Impairment tests of reported balance sheet values are carried out in accordance with chapter 2.10. Starting from 2009, dividends from subsidiaries are reported fully in the income statements. Previously income was reported in the income statement to the extent that profit was earned after the date of acquisition. Dividends in excess of this profit were considered as a repayment of investment and was thereby settled against the reported value of the participation.

Group contribution & shareholders' contribution

In accordance with the Swedish Financial Reporting Board (UFR2 – Group contributions and shareholder contributions), the Parent Company reports received Group contributions from subsidiaries as dividends and reports them in the income statement. Shareholder contributions are reported directly under the shareholders' equity of the receiver and are capitalized under the "Group company holdings" of the provider to the extent that impairment is not required.

Financial instruments

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

Pensions

The Parent Company reports pension commitments in accordance with the Swedish law safeguarding pension commitments. Adjustments are made to the accounts at Group level in accordance with IFRS/IAS19.

Leasing

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

2.2 Consolidated accounting

Subsidiaries

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

All subsidiaries are reported and consolidated using the purchase accounting method. The cost of an acquisition comprises the fair value of assets transferred in payment and liabilities arising or assumed on the date of transfer, plus costs directly attributable to the acquisition. Acquired identifiable assets, assumed liabilities and contingent liabilities from an acquisition are initially valued at the fair value on the date of acquisition, regardless of the extent of any minority interest. The surplus, which consists of the difference between the acquisition value and the fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities, is reported as goodwill. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the income statement.

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

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

Associated companies

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

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

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

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

Joint ventures

Joint ventures refer to a relationship founded on an agreement in which two or more partners operate an economic activity together and have a joint deciding influence over the activity. Holdings in joint ventures are reported using the equity method, as with holdings in associated companies. Classification of profit shares are also reported in the same way as with associated companies as a result of business focus. Accounting principles for joint ventures have been changed in places to guarantee the consistent and appropriate application of Group principles.

Minority shares

The share of net assets belonging to the minority interest is reported as a separate item in consolidated shareholders' equity. In the consolidated income statement the minority share is included in reported earnings. Transactions with minority parties are reported in the same way as with third parties. Divestment of minority shares results in profit or loss which is reported in the income statement. Acquisition of minority shares may create goodwill if the acquisition value exceeds the value of the acquired net assets.

2.3 Currency translation

Functional currency & reporting currency

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

Transactions & balance sheet items

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

Group companies

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

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

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

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

2.4 Revenue recognition

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

Sales of goods

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

Sales of services & contractor assignment

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

Interest income

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

Received dividends

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

2.5 Income taxes

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

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

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

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

2.6 Intangible assets

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

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

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

Trademarks, patents and licences that have a determinable period of utilisation are assessed individually and depreciated linearly based on this, normally over 5-30 years. Assets with unlimited utilisation periods are not normally subject to depreciation. For the Group, assets with an indeterminate lifelength within this category refer to the Perstorp and Formox trademarks, which in connection with the allocation of acquisition values in 2006, were judged to have an unlimited life, based on the company's 125 year history and the continuous renewal process. Annual testing of possible impairment requirements is performed for assets in this category.

Technological know-how was identified as a balance sheet item in connection with the allocation of acquisition values in 2006 and its acquisition value has linear depreciation to divide the costs over the assessed utilisation period of 30 years. At the acquisition of Coating Additives in 2008, part of the value was identified as being technological know-how. This is depreciated over 15 years. Testing of possible impairment requirements is performed annually.

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

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

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

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

2.7 Tangible fixed assets

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

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

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

Land and construction in progress are not depreciated. Interest on capital borrowed to finance investments in assets is not included in the acquisition value.

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

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

2.8 Leasing

The Group is party to leasing agreements whereby the Group as leaseholder to all extents and purposes profits from the economic benefits relating to the leased object while also bearing the economic risks. These agreements are recognized as financial leasing. At the start of the leasing period the leasing object is reported as a fixed asset in the balance sheet at the lower of the fair value and the current value of the contracted minimum leasing fees. On the liability side, the estimated value of the commitment is offset against future cash flow based upon the leasing agreement. A division is made between short-term and long-term borrowing depending on the due date for payment. Upon settlement the paid sum is divided between amortization of debt and the financial costs. The interest part of the financial cost is reported in the income statement over the leasing period, so that each period includes an amount that corresponds to a fixed interest rate for the reported debt during the period. Capitalized fixed assets in financial leasing agreements are depreciated according to the same principles used for other assets.

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

2.9 Financial instruments

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

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

Financial instruments assessed at fair value via the income statement

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

Loans & accounts receivable

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

Cash & cash equivalents

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

Borrowings

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

Accounts payable

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

2.10 Impairment

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

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

2.11 Inventories

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

2.12 Employee benefits

Pensions

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

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

Actuarial calculations of defined-benefit pension plans are performed at the end of each year. Pension costs pertaining to these plans are calculated in accordance with the Projected Unit Credit Method, which allocates costs over the employees' anticipated working life. Actuarial gains and losses outside what is known as the 10% corridor are allocated over the remaining anticipated term of employment for those employees who are part of the various plans. With the help of a discount rate, pension commitments are valued at the present value of the future anticipated payments. The discount rate corresponds to the interest on first-class corporate bonds or treasury bills with a remaining term that corresponds to the commitments concerned. The liability that arises is adjusted for reported actuarial profit and loss, and for unreported costs for service in previous years. In the consolidated balance sheet, the pension commitments for the fund plans are reported net, after a deduction for the fund assets for the plan. In cases where a net asset arises, this is reported as a financial interest-bearing receivable, although this has not occurred in the past two years. Instead the entire commitment is carried as a liability and included in the calculation of net debt.

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

Remuneration for redundancy

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

Other remuneration & bonus plans

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

2.13 Provisions

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

2.14 Derivative financial instruments & hedge measures

Derivative instruments are reported in the balance sheet on the contract date and are assessed at fair value, both initially and upon ensuing assessments. The method for reporting the profit and loss that arises at re-assessment depends on whether the derivative is identified as a hedge instrument, and – if such is the case – the character of the hedge item. The Group uses the following hedge instruments:

- Cash flow hedges in the form of interest swaps, currency forward contracts and electricity forward contracts, in order to hedge interest rates, currencies and electricity prices. For further details see section 3, Risk Management.
- Equity hedge – loans in foreign currency, for hedging of net investments.

When the transactions take place, the Group documents the relationship between the hedge instrument and the hedged item, as well as the Group's targets for risk management and the strategy for the hedge. The Group also documents its assessment of the efficiency of the hedge instrument, both when entering the hedge and continually during the duration of the hedge. Changes in the hedge reserve in shareholders' equity are presented in the equity table. All of the fair value of the derivative used as the hedge instrument is classified as a fixed asset or long-term liability when the hedged item's remaining maturity is greater than 12 months, and as a current asset or short-term liability when the hedged item's remaining maturity is less than 12 months.

Cash flow hedging

The effective part of the change in fair value of a derivative instrument that is identified as cash flow hedging and that meets the conditions for hedge accounting, is reported in comprehensive income. At the end of the year this effect amounted to SEK -110 (-230) m with a maturity within 12 months. This amount is divided between SEK -108 (-126) m in interest swaps, SEK -1 (-13) m in electricity forward contracts and SEK -1 (-91) m in currency hedges. The profit or loss attributable to the ineffective part is reported immediately in the income statement. Accumulated amounts in shareholders' equity are returned to the income statement in the periods when the hedged item affects earnings (e.g. when the forecast event that is hedged takes place). The profit or loss attributable to the effective part of the interest swap that hedges loans with variable interest is reported in net financial items in the income statement.

When a hedge instrument falls due, is sold or when the hedge no longer meets the criteria for hedge accounting and accumulated profits or losses relating to the hedge are in equity, the profits/losses remain in equity and are capitalized at the same time that the forecast transactions are finally reported in the income statement. When a forecast transaction is no longer expected to occur, the accumulated profit or loss reported in equity is transferred immediately to the income statement.

Hedging of net investments

Hedging of net investments in foreign businesses is reported in a similar way to cash flow hedging. The share of profit or loss in a hedge instrument assessed as an efficient hedge is reported in other comprehensive income. The profit or loss attributable to the ineffective part is reported immediately in the income statement. The part of the Group's borrowings in foreign currency identified for hedge accounting amounts to EUR 295 (295) m. The currency results for translating these sums amounted to SEK 190 (326) m at the end of 2009.

Derivates assessed at fair value via the income statement; currency swaps

Changes in fair value for currency swaps are reported immediately in net financial items in the income statement. The primary purpose of currency swap contracts is to hedge the treasury's currency risk exposure in different currencies. The contracts have therefore been classified in different portfolios depending on which category of currency exposure will be hedged. In general, the categories cover the treasury's intra-Group borrowings and loans in different currencies with determined maturities as well as the daily borrowings and loans in currency accounts at various banks. The maturities vary, up to three months. Currency accounts are hedged with one-month maturities.

2.15 Effects of future accounting principles

Standard (IAS/IFRS), changes and interpretations (IFRIC) coming into effect after 2009 and supported by the EU:

When the consolidated financial statements of December 31, 2009 were being compiled, the following standards, changes and interpretations had been announced and will be compulsory for groups whose financial year starts on 1 January 2010 or later. None of them have been implemented in advance.

- IAS 32 "Financial instruments: Classification" (applicable from February 1, 2010). This change is aimed at classification of subscription rights and reporting in the event that the instruments are issued in a currency other than the functional currency of the issuer. The change is not relevant for the group as of the closing date of 2009.
- IAS 27 "Consolidated and separate financial statements" (applicable from July 1, 2009). The change means that all transactions involving shareholders, including shareholders without any decisive influence, are reported under shareholders' equity on condition that the transaction does not change the decisive influence and no longer gives rise to goodwill or profit/loss. In the event of partial sale where the decisive influence ends, the remaining owned part is re-assessed to fair value at the time the decisive influence ends according to agreement. The re-assessment impacts in full on the income statement. Formerly owned participations are also re-assessed at fair value in the income statement at later acquisitions. This change comes into force on January 1, 2010.
- IFRS 3 "Business combinations" (applicable from July 1, 2009). Company acquisitions shall in future continue to be reported using the acquisition method, but with certain important changes. Among other matters, the purchase amount at the time of acquisition shall be reported at fair value and ensuing conditional purchase payments shall be classified normally as liabilities/provisions. These liabilities are then re-evaluated as necessary via the income statement and do not therefore retroactively affect the acquisition value of the asset. The reason is that the re-evaluation is not considered to be related to the acquisition, but instead represents a changed situation after the acquisition. Minority interests in the acquired business may be valued optionally for each acquisition either at fair value or at the minority shareholders' proportional share of the acquired activity's net assets. Furthermore, all transaction costs shall be reported in the income statement directly they are no longer considered to represent a value in the acquired unit. The Group is applying the revised standard from January 1, 2010.
- IFRIC 16 "Hedges of a net investment in a foreign operation" (applicable from July 1, 2009). The interpretation is directed at treatment of hedging of net investment. The consideration is that hedges of net investments refer to the difference in functional currency and that hedge instruments can be used by any company within the Group as long as hedge reporting is in agreement with IAS 39. This is not expected to have an significant influence on the Group's financial reporting. Application is from January 1, 2010.

note 3 RISK MANAGEMENT

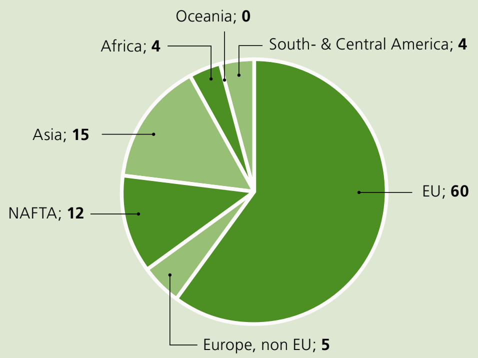
3.1 Financial risk factors

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

Currency risk

The currency risk is the risk that the Group's earnings and net assets will be adversely affected by fluctuations in exchange rates. The Group has considerable flows of earnings and net assets in foreign currency, primarily in USD and EUR. As the diagram shows, a major proportion of sales is made in Europe, of which only 10 per cent in Sweden. In principle, all invoicing is in EUR or USD, which is also the case for purchases of raw materials. However, a large portion of costs is in SEK, as a result of one third of the Group's employees being based at plants in Sweden.

NET SALES PER GEOGRAPHIC MARKET, %



The predicted transaction and consolidation exposure was not hedged at the end of 2009.

The Group handles some of its exposure by borrowing in USD and EUR. This partly means that net inward flows of EUR and USD are reduced, as a result of interest payments, and partly that exposure of net assets in various currencies is reduced. At the end of 2009, there was exposure of net assets in GBP relating to the acquisition of the caprolactones business in early 2008, for which no part of the loan was in GBP, see below.

EXPOSURE PER CURRENCY, FORECAST FOR 2010

	Net sales	Operating costs	EBITDA	Financial payments	Net	Translated to SEK m*)
USD	640	–520	120	–18	102	740
EUR	940	–720	220	–37	183	1,900
GBP	30	–20	10		10	115
Total						**2,755**

*) rate on closing day

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

	Net assets before loans in foreign currency	Loans in foreign currency, in Swedish companies	Loans in other currency than local currency, in foreign businesses	Exposed net assets
EUR	2,802	–3,294	936	444
USD	991	–	–1,007	–16
GBP	414	–	962	1,376
SEK	–3,153	3,294	–891	–750
Other currencies	100	–	–	100
	1,154	**0**	**0**	**1,154**

Financing risk

The financing risk is the risk that the refinancing of loans will be impeded or will become costly. The Group's main financing consists of senior loans that have been guaranteed by Svenska Handelsbanken, Nordea, DnB NOR and HSH Nordbank and second liens and mezzanine facilities that were syndicated to over 20 financiers in 2006. These loan agreements have terms of seven to eight years and stipulate financial covenants pertaining to the fulfillment of key figures in terms of net debt in relation to EBITDA and EBITDA in relation to interest payments. During 2009 new capital was added from the Parent Company. In 2009 Perstorp renegotiated loan agreements with its bankers, including new levels for the financial key indicators to be achieved up to the due dates for the loans. There is also a ten-year Parent Company loan from Luxembourg-based Financière Forêt S.à.r.l. for which the 10-percentage interest rate is being capitalized. During the year EUR 34 m of the Parent Company loan was converted into shareholders' equity.

	Group	
	Dec. 31, 2009	**Dec. 31, 2008**
Senior loans	7,904	9,264
Second lien	666	704
Mezzanine loans	2,648	3,122
Revolver	18	155
Other financial liabilities, excluding loans from Parent Company	395	359
Financial liabilities, excl. Parent Company loans & pension liabilities	**11,631**	**13,604**
Interest-bearing pension liabilities, net	414	412
Loan from Parent Company	2,899	3,038
Total interest-bearing liabilities	**14,944**	**17,054**
Cash and cash equivalents	–516	–286
Other interest-bearing receivables, long and short-term	–16	–277
Interest-bearing assets	**–532**	**–563**
Net debt including pension liabilities	**14,412**	**16,491**

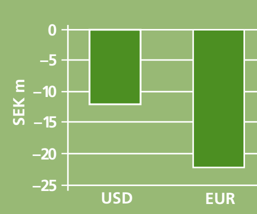
LIABILITIES, INTEREST RATES & FINANCIAL INSTRUMENTS, PER DUE DATE

As of 31-12-2009 [1]		0–1 years	1–2 years	2–5 years	>5 years
Bank loans [2]	Amortization	–641	–681	–10,309	
	Interest	–488	–599	–847	
Derivative instruments	Interest swaps	–146			
	Currency swaps	–2			
Accounts payable & other liabilities		–2,459			

[1] Parent Company loans are not included in the table because the interest is capitalized. Repayment of Parent Company loans including interest is expected to take place when ownership changes. The amount is dependent on the timing of the ownership change.

[2] The interest rates used correspond to rates on the closing date, Libor 90 days. Exchange rates also refer to rates on the closing date.

EFFECT ON EBITDA OF 1 % STRONGER SEK



Liquidity risk

Liquidity risk is managed by checking that the Group has sufficient liquid funds and short-term investments as well as sufficient financing through agreed credit facilities. Management monitors forecasts of Group liquidity closely. The forecasts comprise unutilized promises of loans and liquidity on the basis of estimated cash flow. The table below shows the Group's financial liabilities and derivative instruments that constitute financial liabilities, distributed across the time remaining after the closing date up to the agreed due date. The amounts shown are agreed, undiscounted cash flows.

Interest-rate risk

The interest-rate risk is the risk that an increase in market interest rates will have an adverse impact on earnings. Interest-rate hedging is applied to fix interest rates for slightly more than half of the bank loans in accordance with the financial policy. On December 31, 2009, the average fixed-interest maturity was 240 days. The table below shows interest levels, fixed periods and sensitivity per currency. Sensitivity to interest rate changes is also shown in the diagram below. As shown, interest hedges radically reduce the interest rate risk, with a total of SEK -35 m per year for a 1 per cent rise in interest, from a level of SEK -116 m if no hedges had been made.

	Local currency	SEK m	Effective rate balance sheet date, %	Duration, days before interest hedging	Actual duration, days
SEK	3,361	3,361	3.7	28	257
EUR	437	4,918	8.7	24	234
USD	448	3,234	4.2	29	237
Other currencies		118	2.6	46	46
Total *)		**11,631**	**6,0**	**27**	**240**

*) Financial liability excluding Parent Company loans and pension debt.

Counterparty risk/Customer sensitivity

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

A Group-wide credit policy is applied within the Perstorp Group, which all Group companies are obliged to follow, the main purpose of which is to prevent credit losses, minimize customer losses and optimize capital maturities in ways beneficial for the Group. Among other things the credit policy sets a framework for approving credit, who has responsibility and how deliveries may be approved in the event of a limit being exceeded or of a customer having credit that falls due for payment. Internal guidelines also include procedures for monitoring outstanding receivables before and after the maturity date depending on materiality and the individual customer's risk profile. In practice this is continually an intensive activity, especially considering the financial uncertainties in 2009.

TIme analysis on accounts receivables	2009	2008
Accounts receivable neither due nor reserved	1,769	1,627
Accounts receivable due, but not reserved:		
1–10 days	131	229
11–30 days	44	173
31–60 days	9	65
61–90 days	2	20
91–180 days	7	9
180 days or more	7	2
Accounts receivable linked to reservation	34	36
Gross total	**2,003**	**2,161**
Reservation	-34	-29
Net total	**1,969**	**2,132**

The Group's outstanding customer receivables on the closing date amounted to SEK 1,969 (2,132) m. This significant decrease mainly reflects lower price levels and exchange rates. The amounts reported are those that are expected to be repaid by customers based on an individual assessment of outstanding receivables and thereby including a reservation for expected/stated customer losses amounting to SEK 34 (29) m.

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

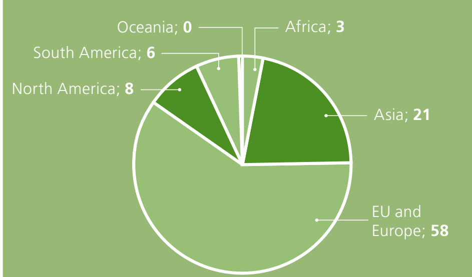
The Group's sales and thus also its accounts receivable are divided among a large number of customers spread across a wide geographic area. This limits the concentration of credit risk exposure. See diagram A below.

The following diagram (B) shows the distribution of customers based on the size of their individual dealings with the Group at the end of the period.

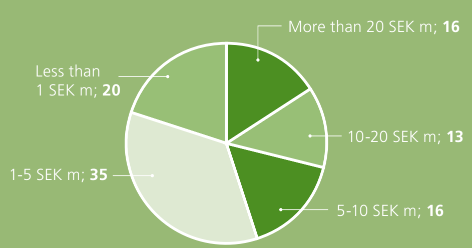
The segment with amounts due exceeding SEK 20 m refers to 10 (8) individual customers, the segment between SEK 10-20 m refers to 20 (22) individual customers, and thereafter the number of customers increases successively. The category of customer owing the Group less than SEK 1 m on the closing date corresponds to around 81 (82)% of all counter parties.

On the closing date the Group had credit insurance, letters of credit or other pledged securities amounting to SEK 398 (73) m. Of these, SEK 32 (25) m is attributable to receivables that have fallen due for payment. Of receivables that have fallen due and which are associated with a limited credit risk due to pledged securities, SEK 32 (4) m are over 30 days due.

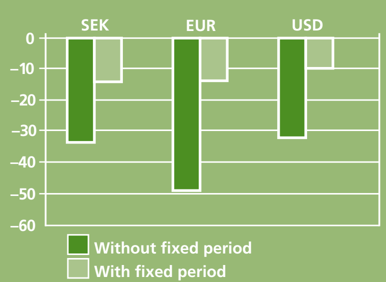
A. CONCENTRATION RISK OF ACCOUNTS RECEIVABLE DIVIDED BY GEOGRAPHIC REGION, %



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



GROUP SENSITIVITY FOR 1% INCREASE IN INTEREST RATE



3.2 Operational risk factors

Access to raw materials

Most, 75-80%, of the Group's raw materials are based on oil or natural gas. For production of biodiesel the most important raw material is rapeseed oil, while rock salt (NaCl) is a key material in the production of the chlorine and lye produced at Perstorp's plant in Pont-de-Claix in France. Many of the Group's products are both sold externally and further processed internally.

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

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

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

Opportunities for hedging raw material prices are assessed continually. To make this a possible alternative, Group policy requires a very strong correlation between the raw material price and the Group's own selling price. At the end of the year no raw material prices were hedged. In the historic perspective, the Group has – not least in 2008 and 2009 – been very successful in passing on increases in raw material prices along the customer chain.

On the electricity market there is the possibility to secure prices for longer periods. In accordance with Group policy, electricity usage in Sweden is hedged over the coming six months at a range of 70-100% of expected usage and thereafter – for a maximum of three years – on a falling scale. From the seventh quarter the range is 0-40%. At the end of 2009 the market assessment of future electricity contracts had a negative effect on shareholders' equity of SEK 1 (-13) m after tax.

Production disruptions

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

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

note 4 SIGNIFICANT ESTIMATE & JUDGEMENTS MADE FOR ACCOUNTING PURPOSE

To a certain extent, the financial statements are based on estimates and judgements about the future trend. In turn, these judgements are based on historical experience and different assumptions that are considered to be reasonable in current circumstances. Reported values may have another actual outcome if other assumptions are made or circumstances change.

The following particular areas can be distinguished where estimates and judgements are of importance to the amounts entered in the accounts and differences can have a significant effect on the Group's earnings and financial position.

Impairment testing of goodwill and trademarks: In accordance with the accounting principle described in point 2.10, impairment testing is currently performed annually through analysis of individual assets'/cash-generating units' recovery value. A number of important assumptions are used in this analysis, see note 6.

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

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

Perstorp's financial accounts are based on the going-concern principle, which is also reflected in how any environmental liabilities are assessed. The Group complies with decisions by public authorities and conducts measures both proactively to prevent environmental impact and reactively in the event that environmental disturbances arise. In 2005 independent environmental assessments were performed of all the sites. These inquiries did not result in any material environmental observations.

note 5 SEGMENT INFORMATION

To a very great extent, the specialty chemicals operations are integrated both horizontally, since the same product can often be manufactured in several units/countries, and vertically, by being intermediates in the next product. Virtually all products are sold to customers that at this level are far removed from the end customers in the form of automakers, coatings producers and so forth. The same product can often be used for a wide spectrum of applications. Accordingly, there is no natural reason to divide the specialty chemicals operations into different segments.

At present there is no formal requirement for companies whose stocks are not subject to general trading to follow IFRS/IAS. This factor, together with the lack of a natural basis for dividing segments in accordance with IFRS 8 means that the Group has chosen to exclude this information.

Sales per geographical market are presented in note 3, Risk Management.

Operating capital per currency at end of 2009

SEK m	Working capital	Tangible fixed assets	Intangible fixed assets	Total operating capital
SEK	–60	3,061	357	3,358
EUR	831	2,290	4,442	7,563
USD	721	730	2,027	3,478
GBP	–30	520	969	1,459
INR	–74	68	0	–6
CNY	23	72	33	128
Other currencies	–5	1	1	–3
Total	**1,406**	**6,742**	**7,829**	**15,977**

note 6 INTANGIBLE FIXED ASSETS

Group	Goodwill		Trademarks		Patent, licenses & similar rights		Know-how		Customer relations		Development costs		Other [1]		Total	
SEK m	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Acquisition value																
Opening balance	3,151	2,275	1,665	1,282	731	32	1,457	1,266	1,747	1,401	27	5	344	16	9,122	6,277
Investments	24	–	–	–	–	2	–	–	–	–	57	15	19	1	100	18
Acquisition of subsidiaries [2]	–	563	–	186	–	627	–	–	–	317	–	–	–	335	–	2,028
Divestments and disposal	–	–35	–	–	–	–	–	–	–	–	–	–1	–2	–2	–2	–38
Reclassifications	–239	–	36	–	30	6	30	–	97	–137	–20	6	–58	1	–124	–124
Translation effects	–147	348	–83	197	–31	64	–82	191	–78	166	–2	2	5	–7	–418	961
Closing balance	**2,789**	**3,151**	**1,618**	**1,665**	**730**	**731**	**1,405**	**1,457**	**1,766**	**1,747**	**62**	**27**	**308**	**344**	**8,678**	**9,122**
Accumulated depreciation according to plan																
Opening balance	–2	–	–14	–3	–34	–7	–166	–97	–296	–158	–4	–3	–43	–3	–559	–271
Depreciation	–	–	–10	–10	–46	–24	–56	–48	–136	–105	–1	–1	–45	–43	–294	–231
Divestments and disposal	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	2	–2	–	–	–2	–	–	–	–	–	–	–	–	–	–	–2
Translation effects	–	–	1	–1	2	–3	12	–21	19	–33	–	–	1	3	35	–55
Closing balance	**0**	**–2**	**–23**	**–14**	**–80**	**–34**	**–210**	**–166**	**–413**	**–296**	**–5**	**–4**	**–87**	**–43**	**–818**	**–559**
Write-downs																
Opening balance	–3	–	–	–	–9	–	–6	–	–	–	–	–	–	–	–18	–
Write-downs during the year	–	–3	–	–	-	–8	–	–6	–	–	–	–	–6	–	–6	–17
Reclassifications	–	–	–	–	–8	–	–	–	–	–	–	–	–	–	–8	–
Translation effects	–	–	–	–	1	–1	–	–	–	–	–	–	–	–	1	–1
Closing balance	**–3**	**–3**	**–**	**–**	**–16**	**–9**	**–6**	**–6**	**–**	**–**	**–**	**–**	**–6**	**–**	**–31**	**–18**
Closing book value	**2,786**	**3,146**	**1,595**	**1,651**	**634**	**688**	**1,189**	**1,285**	**1,353**	**1,451**	**57**	**23**	**215**	**301**	**7,829**	**8,545**

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

[2] Acquisition of subsidiaries refers to the acquisition in 2008 of assets in the caprolactones business and Coating Additives. The acquisition analysis for Coating Additives was established in 2009 resulting in reclassifications, primarily among intangible assets, and an adjustment of the purchase amount by around EUR 8 m, which reduced intangible assets.

Depreciation costs of SEK 90 (66) m are included in costs of sold goods, SEK 200 (165) m in sales costs and SEK 4 (0) m in administrative costs. Leasing costs in the form of tenancy rights in connection with the acquisition of the business in Chile are included in write-down of SEK 6 (depreciation, 1) m. Write-downs are included in the other operating costs item.

Know-how and customer relations are depreciated linearly. The remaining average life length is 25 (30) and 13 (16) years respectively. Non-compete agreements acquired in 2008 are depreciated linearly over 6 years. For further details concerning accounting principles for intangible assets, see note 2.6.

The bank loans are secured by patents at a value of EUR 47 (47) m.

Impairment testing

The cash-generating units comprise Specialty Chemicals, Formox, Caprolactones, PIA and Coating Additives. Recoverable amounts for a cash-generating unit are established on the basis of calculations of value in use. These calculations are based on estimates of future cash flow, in accordance with financial five-year plans that have been approved by management. Cash flows beyond this five-year period are extrapolated using an estimated growth rate of 2%. The discount interest rate amounts to 9.6% after tax.

Considering the turbulence of the global economy in 2009 the sensitivity analysis was performed using a discount factor of 10.5%, which did not produce an impairment requirement. The impairment test did not therefore motivate an impairment requirement. Other impairment amounting to SEK 241 m in total was performed (for both tangible and intangible assets) relating mainly to the Valex project, which has changed in focus and scope. Assets in Chile, India and China were impaired during the year in connection with rationalization of the production equipment. Intangible assets were affected by SEK 6 m in impairment, relating to tenancy rights in Chile. A further SEK 235 m affected tangible fixed assets.

Assets not depreciated – goodwill and trademarks from acquisition

Goodwill and the trademarks assigned a value in connection with the acquisition allocation following the acquisition of the Group at the end of 2005 (Perstorp and Formox) have been adjudged to have an unlimited life. Goodwill and trademarks for the acquired caprolactones business and Coating Additives were added in 2008. A summary of the allocation per cash-generating unit, for goodwill and trademarks, is presented below.

SEK m	Goodwill	Trademarks [*]	Total
Specialty Chemicals	2,200	1,282	3,482
Formox	265	107	372
Caprolactones business	301	162	463
PIA	–	–	–
Coating Additives	20	44	64
Total	**2,786**	**1,595**	**4,381**

[*] A small portion of trademarks were depreciated (net value of SEK 162 m).

note 7 TANGIBLE FIXED ASSETS [1]

Group	Land		Buildings, land improvements		Plant & machinery		Equipment, tools, fixtures & fittings		Work in progress incl. advance payments [3]		Total	
SEK m	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Acquisition value												
Opening balance	222	183	1,120	801	7,016	4,345	310	264	535	332	9,203	5,925
Investments [2]	–	–	9	20	82	151	8	7	425	394	524	572
Acquisition of subsidiaries	–	17	–	181	–	1,692	–	1	–	137	0	2,028
Divestments and disposal [3]	–	–	–11	–3	–111	–14	–2	–1	–179	–12	–303	–30
Reclassification	–	8	18	52	282	346	9	5	–296	–345	13	66
Translation effects	–8	14	–38	69	–327	496	–29	34	–15	29	–417	642
Closing balance	**214**	**222**	**1,098**	**1,120**	**6,942**	**7,016**	**296**	**310**	**470**	**535**	**9,020**	**9,203**
Accumulated write-downs according to plan												
Opening balance	–1	–1	–160	–98	–1,246	–664	–123	–71	–	–	–1,530	–834
Depreciation	–	–	–72	–58	–613	–453	–35	–33	–	–	–720	–544
Divestments and disposal	–	–	4	5	68	5	1	–	–	–	73	10
Reclassification	–	–	–	1	3	–3	–	–	–	–	3	–2
Translation effects	–	–	14	–10	177	–131	24	–19	–	–	215	–160
Closing balance	**–1**	**–1**	**–214**	**–160**	**–1,611**	**–1,246**	**–133**	**–123**	**–**	**–**	**–1,959**	**–1,530**
Write-downs												
Opening balance	–6	–4	–18	–3	–273	–18	–	–	–	–	–297	–25
Write-downs during the year	–	–3	–6	–9	–33	–198	–7	–	–1	–	–47	–210
Divestments and disposal	–	–	–1	–	–1	–	–	–	–	–	–2	–
Reclassification	–	–	6	–5	2	–23	–	–	–	–	8	–28
Translation effects	–	1	1	–1	18	–34	–	–	–	–	19	–34
Closing balance	**–6**	**–6**	**–18**	**–18**	**–287**	**–273**	**–7**	**–**	**–1**	**–**	**–319**	**–297**
Closing book value	**207**	**215**	**866**	**942**	**5,044**	**5,497**	**156**	**187**	**469**	**535**	**6,742**	**7,376**

[1] The Group's tangible fixed assets were assessed in 2006 in connection with an acquisition analysis. The assessment was based on replacement cost, remaining life and the difference in operating costs between newly acquired plants and existing ones. The re-assessment, after deductions for deferred tax, were credited to Other reserves under Shareholders' equity. In 2008, tangible assets attributable primarily to the caprolactones business and Coating Additives were added under the heading 'Acquisition of subsidiaries'.

[2] No borrowing costs due to investments have been capitalized during 2008 and 2009.

[3] Work in progress mainly refers to the Valex project.

Depreciation amounting to SEK 708 (519) m is included in cost of goods sold, SEK 2 (2) m in selling costs, SEK 4 (4) m in R&D costs and SEK 6 (19) m in administrative costs. This amount includes leasing costs amounting to SEK 21 (60) m, mainly pertaining to fixed assets in the acquired operation in Coating Additives and in Chile, as well as steam boilers. Write-downs and the result effects of scrapping are included in Other operating expenses.

Buildings and land with a value of SEK 2,671 (2,753) m are used as collateral for bank loans.

Tax assessment value, Swedish Group companies, December 31, 2009

	Tax assessment value	Book value
Buildings, including building fittings	679	709
Land and land improvements	77	83
Total	**756**	**792**

Tax assessment value, Swedish Group companies, December 31, 2008

	Tax assessment value	Book value
Buildings, including building fittings	526	742
Land and land improvements	77	77
Total	**603**	**819**

note 8 LEASING

The financial leasing agreements that exist are primarily for machinery and other technical equipment, and for the SAP business system that was started in the French business as of January 2010.

Future payment commitments for these contracts are as follows (no part is variable):

Financial leasing agreements

Future minimum leasing fees	Group **2009**	**2008**
Due:		
Year 1	30	17
Year 2–5	19	30
Year 6-	0	0
Total	**49**	**47**

Operational leasing agreements are as follows and are primarily for the activities in Singapore and France acquired in 2007 and 2008.

Operational leasing agreements

Future minimum leasing fees	Group **2009**	**2008**
Due:		
Year 1	190	113
Year 2–5	677	382
Year 6-	90	102
Total	**957**	**597**

Operational leasing costs during the period	**2009**	**2008**
Minimum leasing fees	169	47
Variable charges	36	24
Total	**205**	**71**

note 9 NET SALES

SEK m	Group	
Net sales by type of income	**2009**	**2008**
Goods	12,056	11,919
Services	214	105
Contracts (reported according to level of completion)	272	203
Total	**12,542**	**12,227**

	Group	
Net sales by geographic region	**2009**	**2008**
EU and rest of Europe	8,132	7,829
North and South America	1,987	2,104
Asia	1,931	1,883
Africa	442	353
Oceania	50	58
Total	**12,542**	**12,227**

The Parent Company did not report any net external sales in 2008 or 2009.

note 10 BREAKDOWN OF COSTS

SEK m	Group	
Costs divided by type	**2009**	**2008**
Raw materials, goods for sale, energy, transport and packaging costs	–8,402	–8,503
Other external costs	–1,438	-956
Employee benefits (note 26), excl. restructuring costs	–1,454	–1,256
Depreciation (note 6, 7)	–1,014	–775
Other operating income & expenses (note 11)	–501	–80
Earnings from participations in associated companies	–3	–4
Total	**–12,812**	**–11,574**

note 11 OTHER OPERATING INCOME & EXPENSES

	Group		Parent Company	
SEK m	**2009**	**2008**	**2009**	**2008**
Insurance compensations	–	4	–	–
Operations-related exchange-rate differences	–171	172	1	2
Restructuring costs	–45	–122	–8	–8
Capital gain on divestment of Group company	–	116	–	–
Write-downs, disposal (note 6, 7)	–241	–241	–	–
Other	–44	–9	–11	–5
Total	**–501**	**–80**	**–18**	**–11**

note 12 EARNINGS FROM PARTICIPATIONS IN ASSOCIATED COMPANIES/JOINT VENTURES

	2009	**2008**
Koei-Perstorp Company Ltd, Japan	1	–1
Polygiene AB, Sweden	–4	–3
Total	**–3**	**–4**

The companies' sales amounted to a total of SEK 411 (504) m in 2009 and the loss after tax was SEK 12 (loss 9) m.

note 13 PARTICIPATIONS IN ASSOCIATED COMPANIES/ JOINT VENTURES

	Share of capital/ voting rights, %	**Group's share of shareholders' equity**	**Book value, Group**
PetroPort AB, Sweden	50/50	18	18
Koei-Perstorp Company Ltd, Japan	40/40	4	1
Polygiene AB, Sweden	30/32	1	1
Total		**23**	**20**

	2009	**2008**
Opening book value	0	0
Earnings from participations	–3	–4
Acquisition of/new share issue in associated companies	22	3
Translation difference	1	1
Closing book value	**20**	**0**

The assets of associated companies amounted to SEK 255 (312) m at the end of 2009 and liabilities amounted to SEK 211 (300) m.

note 14 MINORITY SHARE IN NET PROFIT/LOSS FOR THE YEAR

SEK m	**2009**	**2008**
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	–12	–11
Total	**–12**	**–11**

note 15 MINORITY INTERESTS

SEK m	**Book value Dec. 31, 2009**	**Book value Dec. 31, 2008**
Shandong Fufeng Perstorp Chemicals Co., Ltd, China	18	42
Total	**18**	**42**

SEK m	**2009**	**2008**
Opening book value	42	29
Acquisitions	–	–
Translation effects	–3	10
Change in the period	–12	–11
Capital contribution from minority owner	–	21
Acquisition of minority share	–9	–7
Closing book value	**18**	**42**

In 2007 Perstorp entered a joint venture in China and the agreement now gives the Group an ownership share of 68.3% (58.5) of Shandong Fufeng Perstorp Chemicals Co., Ltd.

note 16 OTHER LONG-TERM RECEIVABLES

	Group	
SEK m	**Dec 31, 2009**	**Dec. 31, 2008**
Interest-bearing long-term receivables		
Other receivables	6	8
Total	**6**	**8**
Interest-free long-term receivables		
Electricity certificates	4	5
Market value of electricity hedge contracts	2	–
Other receivables	17	19
Total	**23**	**24**

note 17 PARENT COMPANY SHARES IN GROUP COMPANIES

Direct holdings in Group companies	Corp. Reg. number	Registered head office	2009 Holding, %	2008 Holding, %	2009 Book value, SEK m	2008 Book value, SEK m
Perstorp AB	556024-6513	Perstorp, Sweden	100	100	7,203	7,203
Perstorp Quimica do Brasil Ltda	NIRE 35.218.522.982	Brazil				
Perstorp SA	RUT 76.448.840-7	Chile				
Perstorp OY	1882513-1	Finland				
Perstorp Sales France	442650768 R.C.S. Nanterre	France				
Perstorp SpA	171 467	Italy				
Perstorp Japan Co Ltd	0199-01-053962	Japan				
Perstorp (Beijing) International Trading Co. Ltd	11000041 028488	China				
Perstorp (Shanghai) Chemical Trading Co.,Ltd **	310000400587711	China				
Shandong Fufeng Perstorp Chemical Co. Ltd	QIHELUZIZONGZIDI002012	China				
Perstorp Construction Chemicals Ltda	09033	Portugal				
Perstorp Chemicals Asia PTE Ltd	199905508W	Singapore				
Perstorp UK Ltd	02715398	UK				
AB Klosters Fabriker	556005-3489	Sweden				
Formox AB	556760-4235	Sweden				
Perstorp BioProducts AB	556728-5779	Sweden				
Perstorp Butenderivat AB	556762-4563	Sweden				
Perstorp Fastighets AB	556571-3798	Sweden				
Perstorp Oxo AB	556041-0895	Sweden				
Perstorp Oxo Belgium AB	556579-4244	Sweden				
Perstorp Specialty Chemicals AB	556247-6290	Sweden				
Perstorp Holding (U.S.) Inc.	26-3020217, Delaware	USA				
Perstorp Coatings Inc.	26-3020193, Delaware	USA				
Perstorp Polyols Inc.	34-1386676, Delaware	USA				
Perstorp Holding GmbH	HRB 7465, Arnsberg	Arnsberg, Germany	100	100	307	307
Perstorp Chemicals GmbH	HRB 1900, Arnsberg	Germany				
Perstorp Service GmbH	HRB 6542, Arnsberg	Germany				
Perstorp Holding B.V.	34089250	s-Hertogenbosch, Netherlands	100	100	272	272
Perstorp Specialty Chemicals BV	23091252	Netherlands				
Perstorp Specialty Chemicals Holding BV	23092336	Netherlands				
Perstorp Waspik BV	18116759	Netherlands				
Perstorp Chemicals India Private Ltd	04-32032	India				
Franklin Feed Additives SA	A62968368	Spain				
Perstorp Chemicals Korea Co. Ltd	230111-0095660	South Korea				
Perstorp Holding Singapore PTE Ltd	200719657R	Singapore	100	100	0	0
Perstorp Singapore PTE Ltd	199607827W	Singapore				
PLS Holding PTE Ltd	200717627E	Singapore				
Perstorp Holding France SAS	504867300 R.C.S. Lyon	Lyon, France	100	100	95	95
Chloralp	411129612 R.C.S. Grenoble	France				
Perstorp TDI France SAS	504868183 R.C.S. Lyon	France				
Perstorp France	444187884 R.C.S. Paris	France				
Pernovo-Perstorp New Business Development AB	556016-0946	Sweden			1	
Total book value in Parent Company					**7,878**	**7,877**

All companies are wholly-owned by the Group with exception of Shandong Fufeng Perstorp Chemical Co. Ltd. The Group´s participating interest in this Chinese company is 68.3 (58.5)%. During the year companies marked with ** have been added to the Group.

During the year Perstorp Engineering Materials (Holland) B.V. was liquidated and PCL Grundstückverwaltung GmbH were merged with Perstorp Chemicals GmbH.

SEK m	2009	2008
Opening book value	7,877	9,286
Acquisitions	0	95
Acquisition of Group companies	1	0
Write-down	0	-1,504
Closing book value	**7,878**	**7,877**

note 18 ACCOUNTS RECEIVABLE & OTHER OPERATING RECEIVABLES

	Group	
SEK m	Dec. 31, 2009	Dec. 31, 2008
Accounts receivable, gross	2,003	2,161
Bad debt provision	–34	–29
Accounts receivable, net	**1,969**	**2,132**
Other operating receivables		
Value added tax	200	263
Emissions credits	67	78
Receivables from suppliers	4	20
Market value of electricity hedge contracts	2	0
Other current receivables	15	23
Deferred income, Perstorp Formox project (see table below)	4	3
Prepaid insurance premiums	15	5
Other prepaid costs and deferred income	73	64
Total other operating receivables	**380**	**456**

The Parent Company had other operating receivables totalling SEK 24 (6) m, but no accounts receivable.

Deferred income, Perstorp Formox project	Dec. 31, 2009	Dec. 31, 2008
Deferred costs plus profit mark-up	91	174
Advance payments from customers	–87	–171
Total deferred income Perstorp Formox project	**4**	**3**

Analysis of accounts receivable	Dec. 31, 2009	Dec. 31, 2008
Not due	1,771	1,628
Due:		
1–10 days	135	229
11–30 days	45	175
31–60 days	10	67
61–90 days	4	21
91–180 days	8	10
181 days or more	30	31
Accounts receivable, gross	**2,003**	**2,161**
Reservation for bad debts	–34	–29
Accounts receivable, net	**1,969**	**2,132**
Proportion of accounts receivable due	11.6 %	24.7 %
Proportion of accounts due over 60 days	2.1 %	2.9 %
Reservation in relation to total accounts receivable	1.7 %	1.3 %

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

Allocation for bad debts	2009	2008
Allocation, opening balance	–29	–35
Recovered predicted customer losses	3	3
Established customer losses	8	9
Reservation for predicted customer losses	–16	–6
Exchange rate effects and other	0	0
Allocations at year-end	**–34**	**–29**

note 19 CASH & CASH EQUIVALENTS

	Group		Parent Company	
SEK m	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Deposit account	147	24	124	–
Overdraft facility	368	261	110	69
Cash	1	1	–	–
Total	**516**	**286**	**234**	**69**

note 20 INVENTORIES

	Group	
SEK m	Dec. 31, 2009	Dec. 31, 2008
Raw material and consumables	482	596
Products in progress	33	40
Finished goods and goods for resale	1,006	1,192
Work in progress on behalf of others	–2	10
Advance payment to suppliers	11	44
Impairment reserve	–52	–55
Total	**1,478**	**1,827**

	2009	2008
Impairment reserve, opening balance	–55	–10
Acquisitions and divestments (note 30)	0	–28
Provision utilized during the year	9	2
Allocation for the year	–8	–14
Translation effects	2	–5
Impairment reserve, closing balance	**–52**	**–55**

Of the total value of inventories, SEK 23 (388) m is assessed at net sales value. During the assessment of net sales price impairment that affects earnings has arisen (Cost of sold goods) amounting to SEK 5 (77) m. The net value of the year's allocations/provisions utilized during the year affects earnings for the year.

note 21 BORROWINGS & FINANCIAL COSTS

A. Specification of net debt

	Group		Parent Company	
SEK m	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Senior loans	7,904	9,264	1,970	2,200
Second lien	666	704	666	704
Mezzanine loans	2,648	3,122	3,046	3,122
Revolver	18	155	–47	155
Inter-company financial liabilities	–	–	2,893	5,200
Other financial liabilities, excluding loans from Parent Company [1]	395	359	78	5
Financial liabilities, excl. Parent Company loans & pension liabilities	**11,631**	**13,604**	**8,606**	**11,386**
Interest-bearing pension liabilities, net	414	412	–	–
Loan from Parent Company	2,899	3,038	2,899	3,038
Total interest bearing debt	**14,944**	**17,054**	**11,505**	**14,424**
Cash and cash equivalents	–516	–286	–234	–69
Inter-company financial receivables	–	–	–5,458	–6,420
Other interest-bearing receivables, long and short-term	–16	–277	–4	–269
Interest-bearing assets	**–532**	**–563**	**–5,696**	**–6,758**
Net debt including pension liabilities	**14,412**	**16,491**	**5,809**	**7,666**

[1] Of which, current financial leasing liabilities accounted for SEK 29 (17) m and long-term leasing liabilities for SEK 20 (30) m.

The Net debt includes secured loans (bank loans and other borrowing against collateral) of SEK 2,671 (2,753) m pertaining to buildings and land, SEK 486 (514) m relating to patents and SEK 1,555 (1,724) m pertaining to chattel mortgages. Shares in the Group's larger companies have been pledged. See note 28 for pledged securities.

B. Maturity structure

	Group		Parent Company	
SEK m	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Between 1 and 2 years	681	686	496	430
Between 2 and 3 years	6,998	853	1,984	561
Between 3 and 4 years	3,285	6,312	3,046	561
Between 4 and 5 years	21	4,358	–	4,348
More than 5 years	5	26	–	–
Long-term borrowing, excl. Parent Company loans & pension liabilities	**10,990**	**12,235**	**5,526**	**5,900**
Short-term borrowing, 0-1 year	641	1,369	187	286
Inter-company financial liabilities	–	–	2,893	5,200
Financial liabilities, excl. Parent Company loans & pension liabilities	**11,631**	**13,604**	**8,606**	**11,386**

These loan agreements include quarterly key indicators linked to net debt in relation to EBITDA, EBITDA in relation to interest payments, and the level of investments and available credit facilities. The level of net debt compared with EBITDA is also of importance for the interest level in certain loans.

During 2009 Perstorp reached an agreement concerning new bank covernants with its owners and banks. The maturity structure was adjusted slightly but the final due dates for the facilities are unchanged.

C. Currency compositions, interest rates & duration

	Local currency	SEK m	Effective rate on balance sheet date, %	Duration, days before interest hedging	Actual duration, days
SEK	3,361	3,361	3.7	28	257
EUR	437	4,918	8.7	24	234
USD	448	3,234	4.2	29	237
Other currencies		118	2.6	46	46
Financial liabilities, excl. Parent Company loans & pension liabilities		**11,631**	**6.0**	**27**	**240**

In accordance with the Group's finance policy, interest rate hedging is applied in order to fix the interest rates for at least half of the bank loans. Around 65% of interest rates were hedged at the end of the year for an average period of around one year. Accordingly, the actual average period of fixed interest is 240 days. At the end of 2009, market valuation of the interest rate hedging contracts had an impact of SEK -108 (-126) m after tax on the Group's shareholders' equity. In addition to these loans, loans from the Parent Company in Luxembourg amount to SEK 2,899 m, which have a duration of up to 10 years, but which are extended automatically during up to five periods assuming that none of the parties concerned terminate the agreement. The interest rate amounts to 10%.

The Group handles the cash flow exposure in different currencies by taking up loans in EUR and US-dollar. This means that the net inflow in these currencies is reduced, due to interest payments, but also that the net assets exposure by currency is reduced. At the end of 2009 there was above all net asset exposure in GBP, as a consequence of the acquisition of the caprolactone business early in 2008, since no part of the loans was taken up in GBP.

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

SEK m	Net assets per currency, before loans in foreign currency	Loans in foreign currency, Swedish companies	Non-local currency loans in foreign companies	Exposed net assets
EUR	2,802	–3,294	936	444
USD	991	–	–1,007	–16
GBP	414	–	962	1,376
SEK	–3,153	3,294	–891	–750
Other currencies	100	–	–	100
Total	**1,154**	**0**	**0**	**1,154**

E. Unutilized credits

The Group's available credit limits at year-end, in addition to guarantees facilities and those available in the form of cash and cash equivalents, totalled SEK 622 (663) m.

F. Financial income & costs

	Group		Parent Company	
SEK m	**2009**	**2008**	**2009**	**2008**
Interest income	3	8	1	1
Interest income, Group companies	–	–	240	121
Capital gain, re-purchase of loan receivable	309	–	–	–
Other financial income	0	4	–	–
Total financial income	**312**	**12**	**241**	**122**
Bank loans	–775	–980	–470	–668
Loans from Parent Company	–280	–253	–280	–253
Periodized borrowing costs	–124	–115	–44	–42
Pension costs, interest	–27	–7	–	–
Currency gains and losses from financing measures, net	66	–216	264	–670
Interest income and costs from interest swaps	–185	58	–185	12
Interest costs, Group companies	–	–	–93	–98
Write-down of financial receivables	4	–31	–	–
Other financial costs	–10	–9	2	9
Total financial costs	**–1,331**	**–1,553**	**–806**	**–1,710**
Net financial items	**–1,019**	**–1,541**	**–565**	**–1,588**

G. Market valuation of financial instruments

The Group arranges its loans on market terms. For external loans, interest terms are based on underlying official market rates plus an interest margin. When these loans are not subject to organized trading, an objective market assessment is not possible.

The fair value of financial instruments traded on active markets is based on listed market prices on the closing date. Assessment techniques, such as calculation of discounted cash flows, are used to establish fair value for remaining financial instruments. The fair value of interest swaps is calculated as the present value of assessed future cash flows. The fair value of electricity hedge contracts are established through the use of listed rates for electricity contracts on the closing date. The reported value, after provisions, of accounts receivable and accounts payable are judged to correspond to fair value, as these items are short term.

note 22 PENSION OBLIGATIONS & COSTS

The Group has both defined-contribution and defined-benefit pension plans. During the year costs for these plans had an accumulative effect on earnings of SEK 212 (223) m, of which SEK 160 (203) m is attributable to defined-contribution plans and SEK 52 (20) m to defined-benefit plans. Pension costs attributable to restructuring of SEK 1 (45) m are included in the accumulated amount. The distribution of costs in the income statement is as follows:

A. Pension costs the income statement

SEK m	2009	2008
Cost of sold goods	92	99
Sales and marketing costs	36	25
Administrative costs	45	33
Research and development costs	11	14
Non comparable items	1	45
Net financial items	27	7
Total	**212**	**223**

Defined-contribution pension plans

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

B. Pension costs, defined contribution plans

SEK m	2009	2008
State pension plans	59	74
Other defined-contribution pension plans	53	67
ITP, insured through Alecta	48	62
Total, pension costs, defined-contribution plans	**160**	**203**

Most of the Group's Swedish companies have secured their obligations for old-age and family pensions via pension insurance with Alecta. In accordance with a statement by the Swedish Financial Accounting Standards Council, UFR3, this is a defined-benefit plan that covers several employers. For the 2008 and 2009 financial years the Group did not have access to information that enabled it to report this plan as a defined-benefit pension plan, so it is therefore reported as a defined-contribution pension plan. The surplus at Alecta may be divided between the plan provider or the insured. At year-end 2009, Alecta's surplus in the form of its collective funding ratio amounted to 112% (152).The collective funding ratio equals the market value of Alecta's assets, in percentage of the insurance obligations as computed in accordance with Alecta's actuarial calculation assumptions; this does not comply with IAS 19.

Defined-benefit pension plans

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

C. Provisions for pensions, defined benefit plans

SEK m	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Unfunded pension plans					
Defined-benefit obligations	365	350	187	193	196
Unrecognized actuarial gains and losses	11	19	24	8	–35
Unrecognized costs for past service	–3	–	–	–	–
Salary taxes	9	9	9	9	–
Total unfunded pension plans	**382**	**378**	**220**	**210**	**161**
Funded or partly funded pension plans					
Defined-benefit obligations	275	277	220	217	251
Fair value of plan assets	–206	–184	–202	–205	–218
Net value	**69**	**93**	**18**	**12**	**33**
Unrecognized actuarial gains and losses	–37	–59	11	17	–21
Total funded or partly funded pension plans	**32**	**34**	**29**	**29**	**12**
Net liability concerning defined-benefit pension plans	**414**	**412**	**249**	**239**	**173**

Commitments are divided as follows by region:	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Sweden	151	146	141	136	96
France	140	140	–	–	–
Other EU	90	94	80	75	65
USA	28	29	25	26	9
Other countries	5	3	3	2	3
Net liability concerning defined-benefit pension plans	**414**	**412**	**249**	**239**	**173**

The plan assets presented here relate primarily to Group companies in the US, 94% (93), of which 66% (53) are invested in stocks and 34% (47) in bonds as interest-bearing securities. The expected return is assumed to be 9.0% (9.0) and 4.6% (5.8) respectively, which is based on historic returns. The actual return on plan assets in 2009, in absolute numbers, was SEK 34 (-47) m.

In addition to the above, so-called direct pensions are included under assets and liabilities at SEK 66 (59) m. The asset is capital insurance, with assets and liabilities reported separately at gross amounts. Healthcare insurance is not included in pension commitments.

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

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

SEK m	2009 Defined-benefit plans, unfunded plans	2009 Defined-benefit plans, funded or partly funded	2009 Plan assets	2008 Defined-benefit plans, unfunded plans	2008 Defined-benefit plans, funded or partly funded	2008 Plan assets
Opening balance	350	277	–184	187	220	–202
Costs for current year service	13	8	–	8	5	–
Expected return on plan assets	–	–	–13	–	–	–15
Interest expense	20	16	–	9	13	–
Sales and divestments	–	–	–	126	–	–
Fees from employer	–	–	–14	–	–	–5
Disbursement	–17	–11	12	–13	–7	8
Actuarial profit/loss	7	5	–22	7	1	61
Past service costs	3	–	–	–	–	–
Translation effects	–11	–20	15	26	45	–31
Closing balance	**365**	**275**	**–206**	**350**	**277**	**–184**

	2009 Unrecognized actuarial earnings, unfunded plans	2009 Unrecognized actuarial earnings for funded or partly funded plans	2008 Unrecognized actuarial earnings for funded or partly funded plans	2008 Unrecognized actuarial earnings for funded or partly funded plans
Opening balance	19	–59	24	11
Changed assumptions for outstanding commitments	–8	–5	–7	–1
Changed assumptions for outstanding commitments based on experience	1	–	–	–
Difference between expected and actual return on plan assets	–	21	–	–61
Amortization	–	3	–	–
Translation effects	–1	3	2	–8
Closing balance	**11**	**–37**	**19**	**–59**

	2009 Unrecognized past service costs unfunded plans
Opening balance	–
Changed assumptions for outstanding commitments	-3
Closing balance	**-3**

E. Net pension provisions, changes during the year

SEK m	2009	2008
Opening balance	412	249
Pension costs during the year	52	20
Sales and divestments	–	126
Disbursements during the year	–33	–17
Translation effects	–16	34
Closing balance, provision for pensions, net	**415**	**412**

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

F. Pensions cost, defined-benefit plans

SEK m	2009	2008
Costs for current year service	24	13
Expected return on plan assets	–13	–15
Amortization of actuarial profit/loss	4	
Interest expense	37	22
Total pension costs, defined-benefit plans	**52**	**20**

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

G. Key actuarial assumptions

	2009	2008
Discount rate, %	4,7	5,4
Future salary increases, %	3,2	3,3
Anticipated return on plan assets, %	7,3	7,7
Anticipated average remaining employment term, year	15,4	14,8

H. Parent Company

The Parent Company reports a pension expense of SEK 18 (7) m, which is solely based on defined-contribution plans as there were no benefit-based pension plans at the end of the two most recent financial years. For classification reasons, the entire amount is reported as administration costs in the income statement. It should also be noted that SEK 0 (2) m of the cost is attributable to restructuring.

note 23 CURRENT & DEFERRED INCOME TAXES

A. Income taxes in the income statement

	Group		Parent Company	
SEK m	2009	2008	2009	2008
Current tax	–6	–52	–	–1
Deferred tax	511	313	14	–
Total	**505**	**261**	**14**	**–1**

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

Tax cost	Group		Parent Company	
	2009	2008	2009	2008
Pretax earnings	–1,289	–887	4	–1,044
Tax computed on the basis of national tax rates applying in each particular country	412	248	–1	292
Adjustment for different tax rates in different countries [1)]	5	–16	–	–
Non-taxable revenues	125	67	17	129
Non-tax-deductible costs	–23	–86	-2	-422
Adjustment due to changed tax regulations	31	82	–	–
Adjustment due to new judgments	29	24	–	–
Tax loss carryforwards for which no deferred tax asset has been recognized	–72	–53	–	–
Tax cost not related to current year's profit/loss and other tax expenses	–2	–5	–	–
Tax cost	**505**	**261**	**14**	**–1**

1) The effective tax rate is adjudged to be 32 % (30) for 2009. Because tax rates differ for profits and losses, the effective tax rate can be misleading, depending on the size of the results. The rise in effective tax for 2009 is solely dependent on the unusually large losses generated in countries with relatively high tax rates (France in particular).

B. Deferred income tax, net – change

SEK m	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
Opening balance, net tax liability	1,264	1,738	0	0
Acquisition /Acquisition adjustment	–82	2	–	–
Exchange-rate differences	–62	201	–	–
Reclassification of fixed assets	8	–130	–	–
Tax recognized in the income statement (table A)	–511	–313	14	–
Tax recognized in shareholders' equity	88	–234	–	–
Closing balance (net tax liability)	**705**	**1,264**	**14**	**0**

C. Deferred tax assets, specification

SEK m	Group Dec. 31, 2009	Group Dec. 31, 2008	Parent Company Dec. 31, 2009	Parent Company Dec. 31, 2008
Intangible fixed assets	151	131	–	–
Loss carryforwards	791	568	14	–
Provisions	126	56	–	–
Forward contracts	39	4	–	–
Other liabilities	55	78	–	–
Total	**1,162**	**837**	**14**	**–**

D. Deferred tax liability, specification

SEK m	Group Dec. 31, 2009	Group Dec. 31, 2008
Tangible fixed assets	894	973
Intangible fixed assets	983	1.130
Other receivables	–10	–2
Total	**1,867**	**2,101**

E. Tax loss carryforwards

The value of unutilized tax loss carryforwards is capitalized in cases where it is expected that the carryforwards will be utilized in the foreseeable future. In addition, there are unutilized tax loss carryforwards totalling SEK 754 (619) m and temporary differences totaling SEK 25 (41) m that have not been assigned any value, since it is considered that these will not be utilized in the foreseeable future. Deferred tax assets relate to tax loss carryforwards mainly in Sweden, France, the UK and Singapore. To some extent they may be matched against deferred tax liabilities.

note 24 OTHER LIABILITIES, PROVISIONS

SEK m	Group Dec. 31, 2009	Group Dec. 31, 2008	Parent Company Dec. 31, 2009	Parent Company Dec. 31, 2008
Special salary tax, pension commitments	16	15	13	12
Pension obligations, interest-free	17	17	–	–
Market value, hedge contracts [1]	2	38	–	–
Provision for environmental measures	27	–	–	–
Provision for previously divested operations	12	12	–	–
Other provisions	9	11	–	2
Other liabilities, provisions	**83**	**93**	**13**	**14**

1) SEK 2 (11) m is attributable to forward contracts.

note 25 ACCOUNTS PAYABLE & OTHER OPERATING LIABILITIES

SEK m	Group Dec. 31, 2009	Group Dec. 31, 2008	Parent Company Dec. 31, 2009	Parent Company Dec. 31, 2008
Accounts payable	**1,311**	**1,506**	**5**	**11**
Other operating liabilities				
VAT	85	201	–	–
Advance payments	112	231	–	–
Payroll tax	47	18	1	1
Other operating liabilities	117	178	–	–
Accrued wages, salaries and social security costs	250	314	12	27
Market value of forward contracts	4	103	–	–
Allocation for restructuring costs	66	72	3	7
Other accrued costs and prepaid income	463	240	15	4
Total other liabilities	**1,144**	**1,357**	**31**	**39**

note 26 EMPLOYEES & WAGES, SALARIES & OTHER REMUNERATION

Average number of employees

Country	2009 Total employees	2009 of which men	2008 Total employees	2008 of which men
Sweden				
Parent Company	37	20	25	15
Subsidiaries	809	562	942	637
Belgium	40	31	42	33
Finland	2	1	25	14
France	633	526	222	184
Italy	34	26	34	26
The Netherlands	32	23	34	24
Spain	2	2	2	2
Poland	1	–	–	–
The UK	75	66	69	62
Germany	125	111	126	113
Total EU	**1,790**	**1,368**	**1,521**	**1,110**
Turkey	1	–	–	–
Russia	5	1	–	–
Total non-EU Europe	**6**	**1**	**–**	**–**
Brazil	8	5	6	4
Argentina	1	1	–	–
Chile	48	40	84	70
USA	135	113	115	97
Total North & South America	**192**	**159**	**205**	**171**
India	138	134	207	200
Japan	5	3	6	4
China	169	121	242	183
Singapore	95	71	98	75
Dubai	2	–	–	–
South Korea	11	7	17	13
Total Asia	**420**	**336**	**570**	**475**
Total average no. of employees	**2,408**	**1,864**	**2,296**	**1,756**
Proportion of men, %		77.4		76.5

Wages, salaries and other remuneration, by country

SEK m	2009 Board & CEO	2009 Other employees	2008 Board & CEO	2008 Other employees
Sweden				
Parent Company	2	22	12	27
Subsidiaries	9	349	3	448
Belgium	0	21	0	21
Finland	1	0	1	19
France	0	280	0	95
Italy	0	17	0	15
The Netherlands	0	17	0	15
Spain	0	2	0	1
Poland	0	1	0	0
The UK	4	32	2	33
Germany	0	71	0	70
Total EU	**16**	**812**	**18**	**744**
Turkey	0	0	0	0
Russia	0	4	0	0
Total non-EU Europe	**0**	**4**	**0**	**0**
Brazil	0	3	0	3
Argentina	0	1	0	0
Chile	0	9	0	14
USA	0	72	0	57
Total North & South America	**0**	**85**	**0**	**74**
India	2	14	1	9
Japan	0	9	0	6
China	0	11	0	7
Singapore	5	28	4	33
Dubai	0	2	0	0
South Korea	0	3	1	4
Total Asia	**7**	**67**	**6**	**59**
Total	**23**	**968**	**24**	**877**

Remuneration to employees

SEK m	Group 2009	Group 2008	Parent Company [1] 2009	Parent Company [1] 2008
Salaries and other remuneration	991	901	24	39
Pension, defined-contribution (note 22)	160	203	18	17
Pension, defined-benefit (note 22)	52	20	0	0
Social fees	291	203	6	6
Total	**1,494**	**1,327**	**48**	**62**

1) Cost reported in accordance with IFRS.

In 2009 costs of SEK 40 (71) m) are attributable to efficiency-improving measures and the implementation of long-term savings.

Of reported pension costs, SEK 4 (5) m are for the Board, CEO and former CEO of the Parent Company. Only a small part of the amount is for defined-benefit pension plans. The costs for the Parent Company are presented in the table below:

Remuneration to the Group's Board of Directors & management

SEK 000	Board fee	Salary	Bonus & other remuneration	Pension costs [1]	Total
Chairman of the Board [2]	–	1,330	–	1,271	2,601
Deputy chairman	–	182	–	304	486
Other members of the Board	–	–	–	–	–
President [3]	–	3,950	–	2,280	6,230
Other members of Group management [4]	–	18,790	5,507	7,266	31,563
Total	**0**	**24,252**	**5,507**	**11,121**	**40,880**

1) All pension costs refer to defined-contribution plans.
2) Reserved bonus for 2008 was reversed by SEK 2,468 k. There were no bonuses in 2009.
3) Reserved bonus for 2008 was reversed by SEK 938 k. There were no bonuses in 2009.
4) Bonus and other remuneration refers to restructuring cost, other remuneration than bonus and changes in reservation for bonus 2008.

The reported payments pertain to the remuneration expensed for the 2009 fiscal year, certain portions of which will be paid in 2010.

The Chairman of the Board is employed by the company, which is reflected in the above salary, bonus and pension costs. In addition to the above salary, the chairman has invoiced SEK 40 k (600) from his own company pertaining to part of the Board assignment. The deputy chairman has invoiced consulting fees of SEK 300 k (0), and the former deputy CEO has invoiced consulting fees of SEK 2,114 k (0), for the period March-August.

Other members of Group management comprised 8 (10) persons during the year. During 2009, other members of Group Management exchanged bonus payments of SEK 437 k (671) for pensions. Of the total amount concerning salary, remuneration and pensions for Group Management, SEK 3,547 k (5,043) refer to the completed restructuring program.

Principles
Members of the Board receive director fees in accordance with resolutions passed at the Annual General Meeting. Employee representatives do not receive director fees. For 2009, director fees were paid to the deputy chairman only.

Remuneration to the President and other members of Group management comprises basic salary, variable remuneration, company car and pensions. The President is also entitled to a bonus corresponding to a maximum of 100% (100) of his fixed salary. Other members of Group management are covered by a bonus system that provides a maximum of 35% (35) of their basic salary. The variable remuneration is based partly on the Group's earnings trend and cash flow and partly on the fulfillment of various function-based targets by each individual.

Pension & employment termination
An occupational pension has been taken out for the President corresponding to 33.7% (56.3) of his basic salary. According to a special undertaking, the employment contract can be terminated by both the company and the President as of age 60. The period of employment-termination notice is one year if notice is served by the Company and six months if it is served by the President. If the Company terminates the President's employment, the President will also receive severance pay corresponding to 12 monthly salaries. If organizational changes or other changes initiated by the owners results in significant limitations on the President's responsibility or authority, the President is entitled under certain circumstances to terminate his employment and be subject to the same employment termination terms as those that would have applied if the Company had terminated his employment.

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

note 27 CONTINGENT LIABILITIES

SEK m	Group Dec. 31, 2009	Group Dec. 31, 2008	Parent Company Dec. 31, 2009	Parent Company Dec. 31, 2008
Guarantees	207	219	207	219
Guarantees and other contingent liabilities for subsidiaries	–	–	6,468	7,620
Total	**207**	**219**	**6,675**	**7,839**

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

note 28 ASSETS PLEDGED

SEK m	Group		Parent Company	
	Dec. 31, 2009	**Dec. 31, 2008**	**Dec. 31, 2009**	**Dec. 31, 2009**
Property mortgages	2,671	2,753	–	–
Chattel mortgages	1,555	1,724	–	–
Patents/technology	487	514	–	–
Shares in subsidiaries	6,601	6,834	7,877	7,877
Liquid funds	17	77	–	–
Investments, receivables, inventories	2,288	2,259	–	–
Endowment insurances	66	59	54	48
Total	**13,685**	**14,220**	**7,931**	**7,925**

Endowment insurances relate to pension commitments, see note 22.

note 29 FUTURE UNDERTAKINGS

At the end of the year the Group had not material undertakings that had not been included in the accounts.

note 30 COMPANY ACQUISITIONS

Acquisition of activities within Rhodia Organics & Lyondell Chimie TDI SCA, September 1, 2008

Final acquisition analysis EUR m

Purchase price	253
Transaction costs	7
Total final acquisition cost	**260**
Acquired assets	–260
Goodwill	**0**

	Book value	Market values 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).

note 31 TRANSACTIONS WITH RELATED PARTIES

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

Within the framework of an incentive program, PAI partners offered senior Group executives an opportunity to become shareholders in the Parent Company Financière Forêt S.à.r.l. and a total of around 150 managers and others key personnel participate, with contributions amounting to around EUR 4 m. Shares and options were priced on normal commercial terms.

Perstorp Holding AB has a loan from the Parent Company corresponding to SEK 2,899 (3,038) m at year-end. The loan is subject to normal market terms and conditions. The term of the loan is ten years, which is extended automatically for up to five periods each of ten years, assuming that neither of the parties terminates the agreement. The interest rate is 10%, which is capitalized. The loan is subordinate to the senior loans, second lien and mezzanine loans.

During 2009 Perstorp Holding AB received shareholders' contribution amounting to SEK 1,963 (787) m, of which SEK 0 (220) m was accounted for as receivables at the balance sheet date. 372 m of the contribution in 2009 relates to a conversion from loan to equity.

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

note 32 SICKNESS ABSENCE

Sickness absence as a percentage of ordinary working time, %	**2009**		**2008**	
	Group	**Swedish operations**	**Group**	**Swedish operations**
Total	**2.5**	**2.0**	**2.4**	**2.6**
Uninterrupted sickness absence of 60 days or more	*)	0.7	*)	1.1
Sickness absence by gender				
Men	*)	1.7	*)	1.9
Women	*)	2.7	*)	2.6
Sickness absence by age				
–29	*)	1.2	*)	1.7
30–49	*)	2.1	*)	1.9
50–	*)	2.1	*)	2.7

*) There are no confirmed figures for foreign units pertaining to the distribution among long-term and short-term sickness absence, sickness absence by gender and age distribution.

note 33 PROPORTION OF BOARD MEMBERS & SENIOR EXECUTIVES WHO ARE WOMEN

	2009			**2008**		
	Total	**of whom, women**	**%**	**Total**	**of whom, women**	**%**
Board members	123	7	6	130	7	5
Other senior executives	130	31	24	125	31	25

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

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

note 34 AUDITORS' FEES

	Group		**Parent Company**	
	2009	**2008**	**2009**	**2008**
PricewaterhouseCoopers:				
Audit assignments	10	10	2	2
Other	2	4	2	1
Other auditing firms:				
Audit assignments	0	0	0	0

Audit assignments comprise verification of the annual report and accounts and the administration of the Board and President, other assignments that are required to be performed by the company's auditors and advice or other support arising from observations made during verification or performance of other duties. All other work is referred to as 'Other' and mainly refers to consultation on accounting activities. Costs for both 2008 and 2009 were largely affected by acquisition and integration activities.

note 35 CURRENCY EXCHANGE RATES

Currency	**Year-end exchange rates**		**Average exchange rates**	
	Dec. 31, 2009	**Dec. 31, 2008**	**2009**	**2008**
BRL	4.138	3.249	3.841	3.613
CNY	1.060	1.130	1.120	0.948
EUR	10.353	10.936	10.622	9.614
GBP	11.485	11.248	11.924	12.086
INR	0.154	0.160	0.158	0.151
JPY	0.078	0.086	0.082	0.064
KRW	0.006	0.006	0.006	0.006
SGD	5.135	5.375	5.254	4.644
USD	7.213	7.753	7.653	6.590

Proposed treatment of unappropriated earnings

	SEK
The Board of Directors and President propose that the funds available for distribution by the Annual General Meeting, as shown in the Parent Company´s balance sheet, namely:	
Retained earnings	2,150,038,888
Net loss for the year	18,483,775
be distributed as follows:	
To be retained in the business	2,168,522,663

Perstorp, April 21, 2010

Bo Dankis
Chairman

Lennart Holm
Deputy Chairman

Martin Lundin
President & Chief Executive Officer

Fabrice Fouletier

Claes Gard

Michel Paris

Ragnar Hellenius

Klas Ingstorp

Ronny Nilsson

Stanley Haag

Our audit report was submitted April 21, 2010.

Michael Bengtsson
PricewaterhouseCoopers AB
Authorized Public Accountant
Lead auditor

Mats Åkerlund
PricewaterhouseCoopers AB
Authorized Public Accountant

Auditors’ report

**To the annual general meeting of the shareholders of Perstorp Holding AB
Corp. Reg. No. 556667-4205**

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and CEO of Perstorp Holding AB for 2009. The company’s annual accounts and consolidated accounts are included in the printed version of this document on pages 4-43. The Board of Directors and the CEO are responsible for these accounts and the administration of the company, as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration, based on our audit.

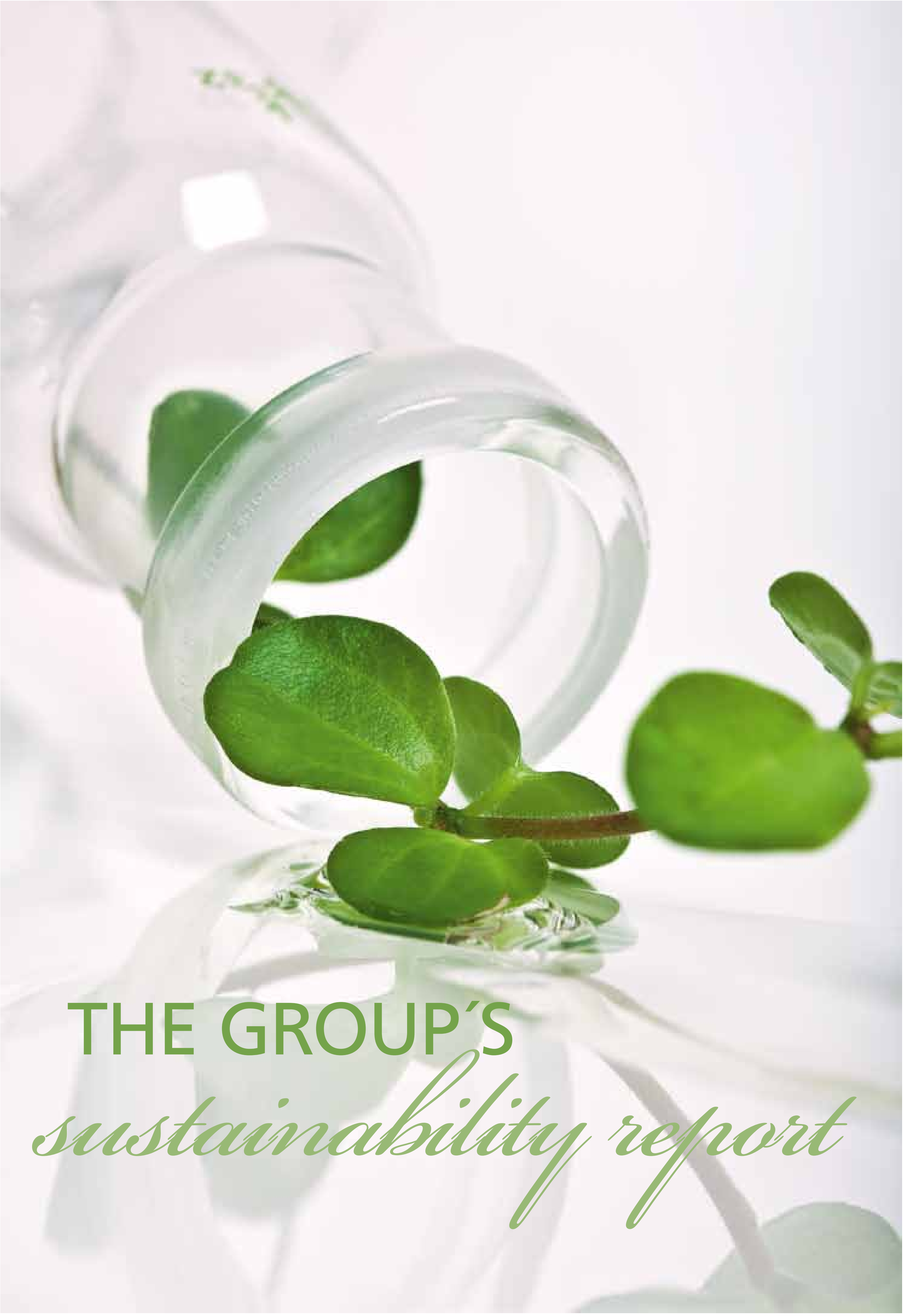
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO, as well as significant estimates made by the Board of Directors and CEO in compiling the annual accounts and evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board Member or the CEO. We also examined whether any Board Member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and give a true and fair view of the company’s financial position and results of operations, in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a fair and true view of the Group’s financial position and the results of operations. The Directors’ report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend that the annual general meeting adopts the income statements and balance sheets of the Parent Company and the Group, that the profit be allocated in accordance with the proposal in the Directors’ report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Malmö, April 21, 2010
PricewaterhouseCoopers AB

Michael Bengtsson	Mats Åkerlund
Authorized Public Accountant *Lead auditor*	Authorized Public Accountant



THE GROUP´S *sustainability report*

KEY EVENTS IN 2009

- Work aimed at reducing the environmental impact of process water has been very successful. The hydraulic impact was cut by 13% at Perstorp. The reverse osmosis technique resulted in a cut of 50% in contamination at Bruchhausen. Toledo managed to cut water contamination by 40%.
- Most production sites reduced their energy consumption through process improvements.
- Some production units reduced their waste streams by developing processes so that items previously considered to be waste could be used as products in new applications. One example of this is waste methanol from production at Toledo.
- Many sites have completed process-safety projects, especially Pont-de-Claix, where a lot of time has been spent on risk and consequence analyses in accordance with French PPRT legislation.
- The production sites at Perstorp, Stenungsund, Bruchhausen and Toledo have been very successful with their Take Care behavior-based safety projects in 2009.
- Major efforts have been carried out in connection with the EU's REACH chemicals safety legislation.

Responsible business

Responsibility is one of Perstorp's core values, permeating all activities. This has many aspects and includes taking responsibility for staff and providing good working conditions and development opportunities for everyone, being a good employer in the local community, and working for sustainable development in terms of the environment and opportunities for coming generations.

The following environmental impact aspects have the most significance from a global perspective:

- Consumption of raw materials, energy and non-renewable resources
- Emissions of greenhouse gases and volatile organic substances
- Consumption of water and contamination of water

Perstorp therefore takes great consideration of these aspects in the development of existing plants and processes, as well as in the design of new plants.

Code of Conduct & UN Global Compact

Responsibility in practice is also confirmed in print. In 2009 a new, expanded Code of Conduct was distributed to all employees. It covers four areas: Business Principles, Products & the Environment, Working Conditions and Human Rights. Special attention is paid to the EU's competition regulations since a lot of co-operation with competitors is taking place within the framework of the REACH legislation.

Since 2004 Perstorp is also participating in the UN's Global Compact initiative and its principles concerning human rights, the environment, working conditions and anti-corruption measures. In 2009 there have been no reported cases of discrimination, child labor or enforced labor, nor have there been any cases of corruption.

Governance & measurement

Perstorp's policies

The Perstorp Group has a policy for the environment, health and safety, and a policy for Human Resources. They are available at www.perstorp.com

Management system

The Perstorp Group's internal requirements cover external certification in accordance with ISO 9000 and the ISO 14001 environment management system. In 2009 some of Perstorp's plants renewed their ISO 14001 certification. Certification is planned for the Freeport and Pont-de-Claix units in 2010, and for Warrington and Waspik in 2011.

Reporting principles & GRI index

Details about work performed within the environment, health and safety areas for 2009 have been retrieved from the Group's databases. Facts include those reported to the authorities and information used for internal controls.

This annual report provides information for an assessment of how Perstorp meets Global Reporting Initiative (GRI) indicators. Perstorp is currently applying level C and has chosen not to carry out an external audit for 2009.

Awards

The Toledo plant received an award from the American Chemistry Council at the start of the year for successful measures aimed at improving efficiency and reducing consumption of natural gas. The plant at Pont-de-Claix also received a prize for its response to a road accident.

Production permits

Most units received new permits or renewed permits during 2009. New permits will be required in 2010 to increase production, while the unit at Pont-de-Claix will have to apply for a permit in accordance with French PPRT legislation.

PERSTORP'S PRODUCTION FACILITIES

Bruchhausen, Germany	Warrington, the U.K.
Castellanza, Italy	Waspik, the Netherlands
Freeport, the US	Toledo, the US
Gent, Belgium	Singapore
Perstorp, Sweden	Stenungsund, Sweden
Pont-de-Claix, France	Zibo, China
Vapi, India	

The environment

Perstorp's goals for the environment, health & safety in 2009

Over the past three years, Perstorp has focused on three main goals – reducing energy and water consumption and reducing the number of work-related accidents.

Outcomes – energy

By reducing energy consumption the impact on the climate is reduced. During the year the production sites at Pont-de-Claix, Gent, Zibo, Toledo, Freeport, Warrington and Singapore successfully reduced consumption.

Outcomes – water

By reducing consumption of process water, emissions to water are reduced. The Perstorp production unit reduced process water streams by around 13%, which further reduced the need for incoming water. The contamination level of process water at the Bruchhausen production unit fell by 50% by using the reverse osmosis technique while the Toledo plant managed to cut contamination in water by 40%.

Outcomes – work-related accidents

The target for 2009 was to reach a figure of LTAR of <2, which means that the number of work-related accidents causing more than one day of sick leave per million worked hours should be less than two.

The number of accidents involving sick leave was 14 (11). Perstorp did not reach its LTAR target: the result was 3.5 (3.2) for 2009. Most accidents involved falls from steps or slipping. The increase is also due to the addition of the Business Group Coating Additives to the statistics.

Environmental accidents

Environmental accidents are accidents affecting the environment outside the retained area. In 2009 there were 4 (6) accidents, spillages without significant consequences.

The number of Take Care observations in 2009 was 1,860, an increase of 67% on 2008.

WORK-RELATED INJURIES & ENVIRONMENTAL ACCIDENTS, RESULT & TARGET

	Result			Target
	2007	2008	2009	2010
LTAR [1]	4.4	3.2	3.5	<2
No. of environmental accidents [2]	10	6	4	0

[1] LTAR (Lost Time Accident Rate) = number of accidents resulting in one day of sick leave per 1 million working hours.

[2] Environmental accidents = accidents that have an impact outside the retained area.

Perstorp's goals for environment, health & safety in 2010

Reduced water & energy

Perstorp's goals for 2010 are to continue cutting consumption of water and energy from 2009 levels calculated per ton of product.

Analysis of carbon footprint

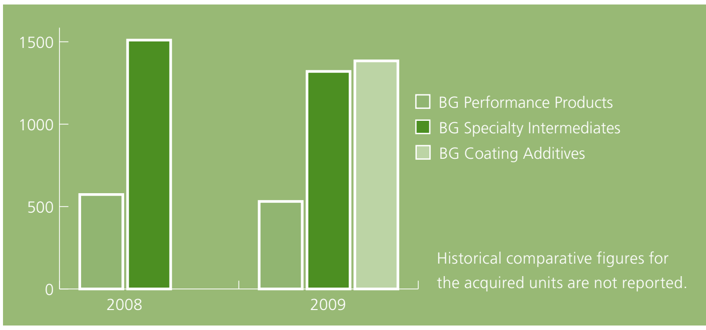
During the year Perstorp will analyze the carbon footprint of a number of its products, i.e. the impact of greenhouse gases emitted to the atmosphere.

Fewer work-related accidents

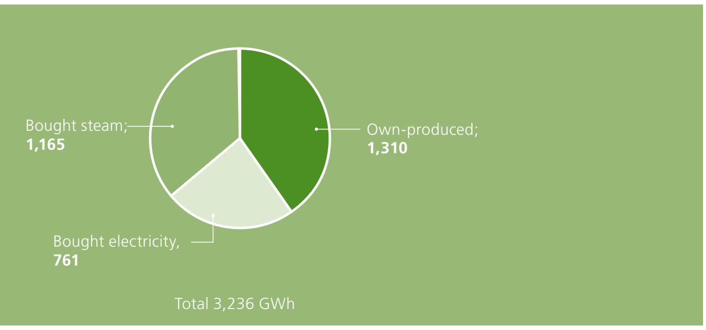
The target remains to achieve an LTAR quota of less than two. A process-safety program with a zero vision will be introduced to make it easier to perform risk assessment of process incidents and spread knowledge among the Group's sites.

Perstorp aims continuously to develop production units in accordance with best available technology. This work involves continuous risk assessment if incidents occur and implementing preventive measures to avoid injury and damage. The Take Care project is an example of this. New tools will also be introduced to perform process safety analyses.

TOTAL USE OF ENERGY PER BUSINESS GROUP, GWH



ENERGY USE 2009, GWH



Managing resources

Energy

The unit at Toledo – where energy consumption has been reduced by extracting even more steam from formalin production – is just one example of the many successful energy projects completed in 2009. At Freeport, process improvements enabled consumption of natural gas to be reduced, while at Pont-de-Claix enhancements of the steam system and installation of extra heat exchanger units helped to cut energy consumption.

During 2009 consumption of energy by the Perstorp Group amounted to 3,236 (2,084) GWh of which 1,926 (624) GWh came from external producers. Of the electricity and steam produced internally, 16% is from renewable fuel. Of externally produced energy, 6% is from renewable fuel.

Raw materials & fresh water

During 2009, the Perstorp Group used 74 (25) million cubic meters of fresh water. Of this amount, 49 (17) Mm^3 was surface water, 23 (6.8) Mm^3 was groundwater, 0.9 (0.9) Mm^3 was from the municipal supply and 0.5 (0.5) Mm^3 was supplied from other external sources. The large increase was due to the new Coating Additives business area. Of the total volume of 74 Mm^3 of fresh water, 47 Mm^3 is cooling water used at the Pont-de-Claix production site.

Perstorp uses a wide variety of raw materials in its processes – for example, methanol, propylene, natural gas, sodium chloride, nitric acid, sodium hydroxide and toluene. These substances are converted by Perstorp, for example to produce formalin, butyraldehyde, polyols and toluene diisocyanate. The Group aims to deliver as much as possible in bulk to reduce the amount of packaging.

Emissions & environmental impact

Emissions to air

Several production sites have succeeded in their efforts to reduce emissions to air. At Pont-de-Claix emissions of carbon monoxide from production of HDI have been cut by 30% while at Warrington the installation of a new condenser has lead to reduction in volatile organic compounds by 20 kg per hour. In Stenungsund a new steam boiler will be started up in the spring of 2010 which will enable further cuts in emissions of nitric oxides.

Emissions of carbon dioxide

In 2009 Perstorp's total emissions of carbon dioxide amounted to 773,000 tons of which 91,000 tons were carbon dioxide from renewable fuels. The production site at Perstorp produced 548 GWh of energy, of which 234 GWh, or 43%, was from renewable fuel.

Perstorp's production sites in Sweden delivered a total of 154 GWh of district heating to local municipalities in 2009. In addition to district heating the Perstorp site delivered 51 GWh of steam to other companies on the industrial site.

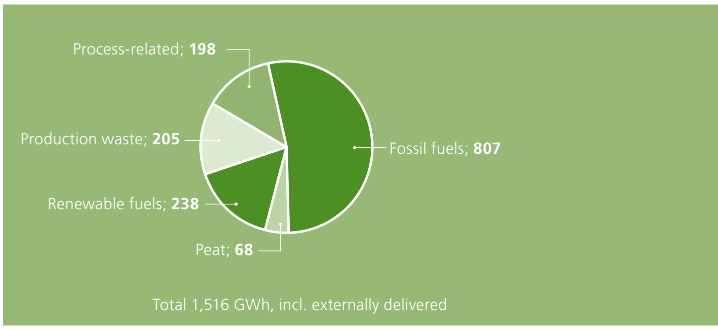
Emissions of ozone-depleting compounds

To reduce emissions of ozone-depleting compounds, Perstorp has intensified preventive maintenance and replaced the cooling equipment at Castellanza in Italy.

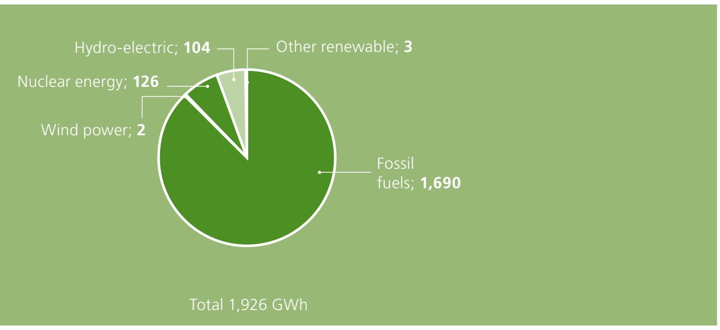
The Coating Additives business area is a new addition to the 2009 statistics and this has resulted in an increase of both the total installed amount of ozone-depleting compounds as well as leakages.

The total amount of ozone-depleting compounds was 15 tons. The leakage in 2009 amounted to 2.3 tons, or 15% of the installed amount.

TYPE OF ENERGY FOR OWN-PRODUCED ENERGY, GWH



PURCHASED ENERGY PER ENERGY SOURCE, GWH



Emissions of volatile organic compounds (VOC)

During 2009 the VOC emissions to air by the Perstorp Group amounted to 312 (239) tons. Organic solvents have contributed to the rise, as has the use of toluene at the Pont-de-Claix plant. Previously, the largest single volatile compound was methanol, emissions from which totaled 28 (74) tons in 2009.

Emissions of sulfur dioxide & nitric oxides

Perstorp's emissions of sulfur dioxide mainly come from burning fuel that contains sulfur. In 2009 the Group emitted 205 (227) tons of sulfur dioxide. Emissions of nitric oxides, also from incineration operations, amounted to 277 (229) tons.

Waste

Several of Perstorp's plants have improved their management of waste streams. In Toledo a previous waste stream of methanol is now being sold instead to external customers while at Castellanza a so-called mother lye stream was modified so that it can be sold. At Stenungsund reducing the amount of metals in waste sludge has meant that the sludge now can be reclassified as non-hazardous waste.

The total amount of waste for the Perstorp Group amounted to 67,000 (60,000) tons in 2009.

A great deal remains to be done internally in the field of energy recovery, within Perstorp, for example concerning waste methanol at Perstorp, reaction mother lye at Bruchhausen and isocyanates at Pont-de-Claix. At the Perstorp site volatile return products are received from other production sites within the Group: 320 tons from Warrington and Gent, and 6,570 tons of waste methanol from the production site at Perstorp. By recycling this into energy the need for fossil fuels is reduced.

Waterborne contaminants

Perstorp is fully aware that water is becoming a limited resource and therefore makes great efforts to improve in this area. Most production sites managed to reduce their consumption of water during the year and thus cut emissions of waterborne contaminants, partly by re-circulation and partly by using water streams in series for different process stages.

At the Perstorp site process water was sent from a polyol plant back to the formalin plant while at the Bruchhausen plant the technique of reversed osmosis lead to improvements. In Toledo CODs were cut by 40% and in Gent process water streams were used as a carbon source in the external water treatment plant.

The Perstorp and Toledo sites account for the largest emissions to water within the Group. At the sites in Perstorp, Stenungsund, Castellanza, Vapi, Zibo and Singapore, emissions are treated within the site area. Other sites are connected to municipal treatment plants.

Soil

Activities to decrease soil contamination are being carried out at Pont-de-Claix following an incident that took place prior to Perstorp taking over the plant.

Transport

As part of efforts to reduce climate impact the Perstorp Group has strict requirements regarding engine and fuel types when purchasing external transport. Surveys are used to ensure the correct environmental performance profile.

A new harbor pier is being constructed at Stenungsund to reduce waiting times for ships arriving in port. As a producer of Rapeseed Methyl Ester (RME), Perstorp is working to increase the usage of this fuel for truck transport.

TOTAL EMISSIONS OF VOLATILE ORGANIC COMPOUNDS PER BUSINESS GROUP, TONS

Historical comparative figures for the acquired units are not reported.

Environmental economics

Environmental costs

During 2009 the Group's environmental and working environment costs amounted to SEK 154.6 (68.4) m, or 1.3 (0.6)% of the Group's net sales.

Costs for handling waste amounted to SEK 51.5 (18.5) m. During the year the Group paid around SEK 31 (22.4) m for waste water and around SEK 60.6 (22.9) m for administration of environmental measures.

Administrative costs include costs for environmental personnel, maintenance of environment management systems and external consulting services. The reason for increased costs compared with 2008 addition of the two new plants in the Coating Additives business group to the statistics.

Environmental liabilities

Perstorp's economic reporting is based on the "going concern" principle, which is reflects in how environmental liabilities are reported. The Group follows verdicts handed down by the authorities while acting proactively to prevent environmental impacts and reactively in the event of an environmental disturbance.

Investment in the environment, health & safety

Total investment in the environment, health and safety amounted to SEK 85.9 (51.8) m in 2009, or 14.1 (8.8)% of the Group's total investment.

Investment is largely divided between measures focused on the working environment and process safety, improved fire safety and investment in the outer environment.

A good example is the investment in reverse osmosis at the Bruchhausen production site, which reduces emissions of waterborne contaminants.

INVESTMENTS IN ENVIRONMENT, HEALTH & SAFETY

SEK m unless otherwise stated	2009	2008
Safety and fire protection	38.0	5.3
Working environment	17.7	6.7
External environment	30.2	39.8
Total investments	**85.9**	**51.8**
% of Perstorp's total investments	14.1	8.8

ENVIRONMENTAL COSTS

SEK m unless otherwise stated	2009	2008
Wastewater	31.0	22.4
Hazardous waste	41.7	10.6
Other waste	9.8	7.9
Soil decontamination	5.8	0.7
Administration	60.6	22.9
Fees to authorities	5.7	3.9
Total costs	**154.6**	**68.4**
% of net sales	1.3	0.6

Safety

Working environment

Work-related accidents & sick leave

During the year Perstorp has continued to work on reducing sick leave and the number of work-related accidents. The new scheme for continuous improvement, Perstorp Performance System, focuses sharply on safety. The behavior-based safety program, Take Care, is a key component.

Sick leave throughout the Group remains at a low level, 2.5 % (2.4 %), but the number of accidents in the workplace that resulted in absence from work increased slightly to 14 (11).

Physical fitness

To promote good health and job satisfaction, strengthen team spirit and reduce sick leave, all Perstorp employees shall, to the most possible extent, have access to opportunities for improving physical fitness. The production site in Perstorp, for example, has a gym, a group fitness session and a sports centre for ball sports and exercise bikes.

Company healthcare services

External suppliers provide company healthcare services to Perstorp, meaning that the service provided varies at the different production sites. In addition to vaccinations and health checks based on age and working environment, great importance is attached to preventive measures that involve ergonomics and stress management. To help people get back to work after illness, swift rehabilitation measures are offered, adapted to individual requirements.

Product safety

Work on product safety in 2009 focused on the extensive preparations required for registration of Perstorp's products in accordance with the EU's REACH program – Registration, Evaluation, Authorization of Chemicals. The first registration phase for produced and imported chemical substances (over 1,000 tons per year) shall be completed in 2010.

As part of REACH registration, producers shall explain how chemicals are used safely. Risks associated with the properties of the chemicals shall be compared with exposure during use. Safe use involves also the use of Personal Protection Equipment, PPE.

In 2009 Perstorp communicated intensively with customers and suppliers to ensure that Perstorp's products, and the raw materials used by Perstorp, can be handled safely in future.

Perstorp is also active in a number of consortiums and so-called SIEFs (Substance Information Exchange Forum) in which companies that must register the same substance work together to produce documentation to ensure correct registration. Perstorp has chosen to take complete responsibility for producing registration information for the products where the company is the sole producer in Europe.

Alongside REACH, legislation is being introduced concerning Classification Labeling and Packaging (CLP) based on the UN's Global Harmonized System (GHS). This governs how chemicals are classified and labeled. CLP/GHS resulted in Perstorp intensifying work in 2009 on the implementation of a completely new system of symbols for chemical substances. This work will be completed in 2010.

Training in the environment, health & safety

In 2009, 3,800 participants completed 30,550 hours of training.

PERSTORP PERFORMANCE SYSTEM

The new scheme for continuous improvement, Perstorp Performance System, focuses sharply on safety. The behavior-based safety program, Take Care, is a key component. Take Care aims at changing staff behavior and thus reducing the number of accidents in the workplace.

Perstorp has chosen to take complete responsibility for producing registration information for the products where the company is the sole producer in Europe.

Human resources

Competence procurement

In a company such as Perstorp it is important to recruit the brightest talents. Perstorp therefore works in the short and long term to market the process industry in general and the chemicals industry in particular to young people and teachers.

Most of Perstorp's production sites work with local universities and colleges. Staff give guest lectures, participate in job market presentations and the company offers opportunities for work experience and for students to do their theses.

Perstorp also tries to encourage younger people to become interested in chemistry. In Stenungsund, Perstorp is involved in an experiment centre called the Molecule Workshop where pre-school children can get their first introduction to science. At the site at Perstorp the company also runs Perstorp Gymnasium, with a chemical-technical program.

The key aspect is to offer interesting job assignments that lead to personal development and a satisfying career. In 2009 Perstorp's HR department developed new processes so that each employee has a development plan with specific targets. Staff can choose to have a career in management with responsibility for others, be a project manager or become an expert in a specific field. This process also ensures that all development is in line with the company's future competence requirements.

Diversity & equality

Perstorp's diversity and equality policy builds on the principle that all employees should have equal opportunities to develop at work. Perstorp is convinced that diversity in the workplace, in terms of age, gender, nationality or level of education, creates a climate that result in an increased creativity, productivity and job satisfaction.

Group activities are based on the UN's Global Compact principles. The initiative is run more structurally in countries where there is legislation to follow, such as the US with its diversity laws, and Sweden and Germany that have equality laws, but all production sites follow the Group's policy in this issue.

The new HR process ensures that the company has a broad base from which to make key job appointments, and that men, women and people with different nationalities are encouraged just as actively to develop in their careers. Recent acquisitions have meant that more of Perstorp's staff now come from outside Sweden. This automatically makes the base for selection wider and creates new opportunities for working in countries with different cultures.

"Safe and motivated employees do a better job."

AGE STRUCTURE, GROUP, %

	2009	2008	2007
29 years or younger	9	10	8
Between 30-49 years	64	62	64
50 years or older	27	28	28

Key relations

Customers
Perstorp strives to establish long-term relations with customers and considers that an open and honest dialogue forms the right foundation. Customer satisfaction is measured annually in surveys to help follow up and improve the level of service experienced by customers. Perstorp checks to see that deliveries are correct and that complaints are dealt with efficiently and quickly.

Suppliers
The long-term view is essential in relations with suppliers. Perstorp requires that suppliers share Perstorp's views on the environment, health and safety. The company's Code of Conduct forms the basis for assessments of new suppliers.

Industry organizations
Perstorp is active in a number of industry organizations on the national and international level, including the Swedish Plastics and Chemicals Federation and CEFIC at EU level.

Competitors
Perstorp's Code of Conduct states that all departments and employees must be aware of, and act in accordance with, the company's competition policy that covers the legislative requirements and the company's own ethical rules applying to this matter. This means that Perstorp must be a strong but just competitor.

Schools & universities
Co-operation with schools and universities is important for Perstorp's long-term recruitment initiatives. Each site therefore works together with local schools.

Society

Information to the general public
Open and honest communication is important for a responsible citizen such as Perstorp. The Group provides environmental information to the general public in its reports, via the mass media and Internet and in various brochures.

Open House & study visits
Open House activities are organized regularly at a number of the Group's sites for employees' families and local residents. Perstorp's sites also regularly receive visits by various interest groups including universities, colleges, politicians, companies, pensioners and various kinds of associations.

Complaints
Questions and complaints from the general public are registered and addressed in accordance with ISO 14001 management system procedures. In 2009 the Stenungsund site received three complaints concerning noise related to flaring. The Pont-de-Claix site registered three complaints concerning noise and odors from the TDI process. The Zibo site paid a fine connected to a waste water overflow.

Authorities
Perstorp submits safety reports and risk assessments to the authorities in accordance with current legislation. The production sites provide information about their activities to the general public at regular intervals.

ENVIRONMENTAL DATA

		Resource efficiency			Emissions to air							Waste	Waterborne emissions
Plant	Year	Consumed raw materials kton/year	Total energy use GWh/year	Indirect energy use GWh/year	Fossil CO_2 kton/year	VOC ton/year	SO_2 ton/year	Nitrogen oxide ton/year	CFC kg/year	HCFC kg/year	HFC kg/year	Waste kton/year	COD before purification ton/year [3]
Group	2009	3,568	3,236	1,926	682	312	205	277	0	1,528	782	67	8,660
Specialty Intermediates													
Perstorp (incl. Catalysts plant) [1]	2007	571	573		67	65	49	78	0	0	126	16	1,870
	2008	530	551	150	65	68	27	60	0	0	34	16	1,507
	2009	469	584	138	62	60	8	52	0	0	25	15	1,450
Bruchhausen [2]	2007	127	281	–	58	19	3	17	0	0	0	31	290
	2008	124	267	9	57	45	2	28	0	0	0	21	195
	2009	79	213	6	49	2	2	26	0	0	64	15	166
Castellanza [1]	2007	6	23	0	1	1	0	0	0	1,100	0	2	620
	2008	7	26	26	6	2	0	0	0	320	0	3	952
	2009	6	25	25	6	1	0	0	0	0	0	2	696
Gent [2]	2007	29	26	–	4	1	0	4	0	0	0	4	1
	2008	19	22	6	4	1	0	3	0	24	1	2	1
	2009	25	26	6	4	1	0	3	0	0	0	4	1
Singapore [1]	2008	43	192	101	61	36	152	43	0	0	0	2	1,725
	2009	47	208	116	69	38	161	73	0	0	0	1	1,693
Toledo [2]	2007	183	190	–	25	16	0	25	0	6	0	2	4,700
	2008	166	213	42	28	16	0	20	0	26	0	2	4,800
	2009	129	183	36	27	14	0	20	0	5	0	1	2,900
Vapi [1]	2007	38	51	–	13	15	26	–	0	3	0	3	549
	2008	22	44	6	13	17	13	–	0	6	0	0	251
	2009	0	4	1	1	2	0	–	0	6	0	0	4
Zibo [1]	2008	30	140	55	47	0	47	0	–	–	–		876
	2009	23	76	36	3	0	34	0	–	–	–	0	1,382
Coating Additives													
Freeport	2009	14	42	10	6	5	0	6	0	333	318	1	1
Pont-de-Claix	2009	1,936	1,342	1,342	310	132	0	28	0	1,184	332	18	100
Performance Products													
Stenungsund [1] [4]	2007	905	459	–	145	51	0	72	0	0	11	5	130
	2008	967	472	88	128	49	0	64	0	0	25	12	140
	2009	800	406	84	121	52	0	68	0	0	44	8	140
Warrington [2]	2008	28	160	160	32	1	0	0	0	0	0	3	125
	2009	20	126	126	24	1	0	0	0	0	0	2	127
Waspik [2]	2007	19	1	0	0	0	0	0	0	0	0	0	0
	2008	23	0	0	0	4	0	0	0	0	0	0	0
	2009	20	1	1	0	4	0	0	0	0	0	0	0

A dash (–) represent unavailable data.
[1] Waste water – internal treatment plant.
[2] Waste water – municipal treatment.
[3] Normal level of purification is over 90%.
[4] Including the plant at Nol.

Corporate governance report 2009

The Group's core values with the focus on innovation, reliability and responsibility underpin the entire business and are also central to corporate governance. Corporate governance includes the continual process of controlling and improving decision-making and business strategies, defining clear areas of responsibility and identifying and evaluating opportunities and risks for the Group. The overall aim is to maintain and develop order so that the business is controlled reliably and we are well equipped to face the development challenges and changes of the future. The Group does not have a formal requirement to follow the Swedish code of corporate governance, but since this is an important issue for Perstorp, a general presentation of the corporate governance structure is given here.

General Meeting

The General Meeting is the forum where shareholders make decisions about the urgent matters facing Perstorp Holding AB and its sub-groups. The Annual General Meeting was held on 5 May 2009, at which the annual report for 2008 was adopted together with the proposal for distribution of profits. The Board of Directors was elected and new articles of association were adopted. The main changes in the latter were an extended description of activities and an increase in the number of directors from five to six.

There were no Extra General Meetings in 2009 apart from a meeting at the start of the year when Ragnar Hellenius was voted onto the Board, replacing Colm O'Sullivan who moved on to another assignment within PAI partners.

Board of Directors

The Board of Directors consists of six members, with two deputies all nominated and elected by the company owner. The individuals elected to the Board at the 2009 AGM were Bo Dankis, Lennart Holm, Fabrice Fouletier, Bertrand Meunier, Ragnar Hellenius and Claes Gard. The first five members were re-elected while Claes Gard was elected as the sixth Board member. Claes Gard was previously (2001-2009) CFO of the Perstorp Group. Julio Varela and Gaëlle d'Engremont were elected for an additional period. In addition to the aforementioned individuals the Board also includes employee representatives.

Bertrand Meunier resigned from the Board at his own request in December 2009. His position was taken by another owner representative, Michel Paris, in early 2010.

The responsibilities of the Board are regulated by the Swedish Companies Act and the formal working procedures, which are approved by the Board once a year. These procedures outline the assignments of the Board and which decisions must be taken at Board level. The working procedures also regulate the division of responsibility between the Board, its committees and the President. In practice the work of the Board is lead by the chairman. The position of Chairman was held by Lennart Holm up to the end of March 2009 when he was replaced by Bo Dankis. Lennart Holm has remained on the Board and is now the Deputy Chairman. The division of responsibilities among Board members does not extend beyond certain special assignments for the Chairman.

During 2009, eight scheduled Board meetings were held, as well as the statutory first convening meeting and five extra meetings. Minutes are kept at all meetings. On average, attendance at Board meetings for ordinary Board members has been 89%. Other employees have also attended meetings, either to make presentations or give specialist information prior to key decisions.

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

The following points are addressed at each Board meeting: Status report from the President; Financial position and outlook; Investment decision for projects worth more than SEK 15 m; Decisions on changes in Group structure; Financial structure issues; Structural and organizational issues; Other important matters. In addition to these fixed points, a number of main subjects are addressed during the year, for example, the establishment of the budget in November-December. The five extra Board meetings in 2009 were held to address forecasts for the business, plans for the Group, refinancing, financial structure and organizational management changes.

Audit Committee

The Board is served by an Audit Committee which focuses on securing the quality of the Group's financial reporting and risk management and the committee is therefore also close to the development of control instruments for internal control. An important activity is to follow up and assess the external audit. The committee does not have decision-making rights. Decisions shall be made by the Board. In 2009 the audit committee consisted of the following members: Fabrice Fouletier, Bo Dankis and Claes Gard, plus CFO Johan Malmqvist. During the year the committee held three ordinary meetings. Minutes were taken at all meetings.

Remuneration Committee

The Board is also served by a Remuneration Committee. The task of this committee is to establish principles for remuneration and other employment terms for the President and senior executives. The committee also prepares the terms for global incentive schemes and makes an assessment of the schemes. The committee has no decision-making powers, and it is the Board of Directors that takes the ultimate decisions in these matters. In 2009 the remuneration committee consisted of Board members Bo Dankis, Lennart Holm and Bertrand Meunier plus the Group's President Martin Lundin. The committee held one ordinary meeting during the year which was minuted.

Operating Management Group

As a result of the financial turbulence that entered the global economy at the end of 2008 the Board decided to appoint a small operating management group reporting directly to the Board. This group includes four principal decision makers: Martin Lundin, Mats Persson, Lennart Hagelqvist and Martin White. The purpose was not to replace the Group Management team but to create a flexible, smaller group solely focused on controlling Perstorp during an uncertain period. Through weekly meetings and close follow-up of the business, intimate control was established and decisions were made without delay. When economic conditions stabilized after a couple of months the group began reporting to the Group Management team instead of the Board in March. Work continued but was phased out gradually during the second half of 2009.

President & Group Management

Bo Dankis was the President and CEO of Perstorp Holding AB at the start of 2009. In March 2009 he was also appointed as chairman of the Group and Martin Lundin was appointed deputy CEO to create the best conditions as Bo Dankis took up the new position. A succession took place on 1 September, when Martin Lundin formally took over the role of President and CEO of Perstorp Holding AB.

In connection with the formal decision to appoint Martin Lundin to the new position of President and CEO, Mats Persson was selected as new deputy CEO.

External auditors

Auditing firm PricewaterhouseCoopers AB (PwC) has been appointed auditors of the company with Michael Bengtsson and Mats Åkerlund being the lead auditors. The Board's and Group Management's aim is to have a close relationship with the auditors, to the extent that they shall be kept well informed about relevant issues concerning the accounts, reporting procedures and management of the company's/Group's assets. There is therefore a continuous dialogue with the auditors and they participate in at least one Board meeting per year. The auditors receive the minutes of Board meetings, documents relating to Board decisions, and the monthly financial reports for the Group.

During the year PwC performed assignments relating to the audit but in addition to regular auditing work. On all of those occasions the Group has emphasized that the additional services shall not compromise the independence of the audit, which has also been carefully examined by PricewaterhouseCoopers.

Internal control

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

The Group's organization is adapted to meet the requirements for good internal control and working methods are characterized by organizational transparency with a clear division of responsibility. In 2009 further decision-making powers were given to Perstorp's three business areas. They thus gained greater responsibility for the Group's economic reports with shared guidelines, instructions and systems managed and developed at Group level.

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

During 2009 the department for internal controls continued to implement the project that involves an extensive internal assessment. As with the previous year, the operational subsidiaries were subject to the assessment along with a number of holding companies. The purpose is to identify key control points for the various departments, analyze procedures, follow development in relation to previous activity and thus ensure that internal controls are at a good level and will remain so. The assessment has been complemented with a partly expanded verification operation by the company's auditors for certain areas. In relation to this, special follow-up has been carried out from the central level within the Group. Work aimed at securing good internal control is a constantly ongoing process. During 2009 special efforts were made to improve internal controls at the production company in China and to further increase control over activities in Sweden. The self-assessment project will be expanded to cover the acquired business in France and the US, which at the end of 2009 implemented the SAP business system.

Board of Directors & Auditors

Elected by the Annual General Meeting

Bo Dankis
Born 1954
Chairman of the Board, Perstorp Holding AB.
Board member since 2006.
Active in the Group since 2006.

Other Board Assignments: Board member in Gunnebo AB. Chairman of the board in Exportrådet and Gadelius K.K., Tokyo.

Lennart Holm
Born 1960
Deputy Chairman of the Board, Perstorp Holding AB.
Partner, PAI partners
Board member since 2006.
Active in the Group since 2001.

Other Board Assignments: Lunds Tekniska Högskola, Kemiteknik, Hempel A/S (DK), Industrifonden, Lahega Kemi, Nexam Chemical, SOS Barnbyar and member of council of Sydsvenska Handelskammaren.

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

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

Other Board Assignments: SODIMA, YOPLAIT France, YOPLAIT Marques International, YOPLAIT SAS, CDO SOL and Financière Forêt S.à.r.l.

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

Michel Paris
Born 1957
Chairman of Investment Committee,
PAI partners.
Board member since January 2010.

Other Board Assignments: Gruppo Coin SpA, Cortefiel SA, Kwik Fit Limited, Atos Origin SA, Kaufman & Broad SA., Spie SA and Xella International GmbH.

Ragnar Hellenius
Born 1967
Principal, PAI partners
Board member since 2009.

Other Board Assignments: Polygiene AB.

Directly elected representatives

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

Klas Ingstorp
Born 1971
Process Manager Polyols Global Technology
Board member since 2006.
Appointed by the Boards of PTK of Perstorp and Stenungsund.

Stanley Haag
Born 1954
Supervisor
Board member since 2009.
Appointed by the Boards of PTK of Perstorp and Stenungsund.

Auditors

Michael Bengtsson
Born 1959
Authorized Public Accountant –
PricewaterhouseCoopers

Other major auditing assignments:
Carnegie Investment bank, Onoff AB, Haldex AB and Enea AB.

Mats Åkerlund
Born 1971
Authorized Public Accountant –
PricewaterhouseCoopers

Other major auditing assignments:
E.ON, Öresundsbro Konsortiet, Getinge, Nordic Aktiv Property Fund (NAPF).

Deputies

Julio Varela, Investment Officer, PAI partners
Gaëlle d'Engremont, Principal, PAI partners
Anders Magnusson, deputy trade union representative, PTK
Anders Broberg, deputy trade union representative, PTK
Gunilla Dristig Nordberg, deputy trade union representative, IF Metall

Group management team

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

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

Lennart Hagelqvist
Born 1958
Executive Vice President – Coating Additives.
Active in the Group since 2004.

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

Martin White
Born 1965
Executive Vice President – Region Asia.
Active in the Group since 2007.

Bengt Sallmén
Born 1951
Executive Vice President –
Strategic Development & Legal.
Active in the Group since 1976.

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

Mikael Gedin
Born 1969
Executive Vice President –
Human Resources & Communications.
Active in the Group since May 2009.

Eric Appelman
Born 1964
Executive Vice President – Innovation.
Active in the Group since 2008.

Corporate functions

Susanna Frennemo, IT
Anders Gahnström, Legal
Anita Haak, Financial & Business Control
Arvid Liepe, Corporate Finance
Ulf Lindh, Compensation & Benefit
Cecilia Nilsson, Communications
Jan Petersson, EHSQ

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 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.

Discover your winning formula at **www.perstorp.com**

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