2011

FINANCIAL RESULTS

Third Quarter

LSB

CONTENTS

RELEVANT ASPECTS

- Increase of 19.31% in the aggregate turnover to September, in spite of the difficulties in supply experienced in the first half of the year and the weakening of demand during the third quarter of 2011.
- Recurring EBITDA totalled 52.9 million euros, which represents a decrease of 5.7% compared to the same period last year, and has been caused by a reduction in the occupation ratio of the production capacity during the third quarter.
- Aggregate operating profit of 6 million euros in the third quarter of the year.
- Increase in working capital by 34 million euros, due to the growth in the accounts of customers and inventories associated to higher turnover, and a reduction in supplier accounts with the commencement of the payment period agreed in the financial restructuring arrangements.
- Achievement of the objectives of the Restructuring Plan with regard to divestment from companies that are not considered strategic for the Group.

1. Evolution of the business and of the Group during the third quarter of 2011

During the first nine months of 2011 the LSB Group has reached consolidated turnover of 896 million euros, which represents an increase of 19.3% compared to last year. The operating profit totals 6 million euros, compared to 0.8 million euros in the same period in 2010, and net consolidated losses have fallen by 54.0% from 30 million to 16 million euros.

The third quarter of the year has once again been affected by the volatility in raw material prices and in the euro/dollar exchange rate, as well as by the generalized weakness in demand in the European markets as a result of climatological and economic factors.

Market

During the third quarter of the year the PET resin and PET packaging markets where the Group operates have shown a weakening of final demand as a result of both climatological factors, to the extent that the summer has been one of the coldest and shortest in the last two decades, and economic factors related to the recessive environment of the economic situation in Europe.

The weakness in demand has led to a reduction in the occupation ratio of the capacity of European PET manufacturers to below 90%, with effect from August, from the maximum of 97% reached by the industry in the month of July, because the fragility of demand has not allowed PET resin and PET packaging end customers to reduce their inventories during the summer, which has affected their purchase forecasts for these months.

This situation, combined with the slowdown in economic growth in the Asian markets has led to a global reduction in demand for PET and its raw materials, and a greater availability of them on the spot markets. However, PET imports from Asian markets have been held back by the appreciation of the euro with respect to the dollar, from 1.45 to 1.40 in the period from June to September, reversing the trend of growth in imports that started in the second quarter of the year.

The price of PET resin has increase during the period in line with the growth in the prices of its raw materials, although the excess supply of PET and PTA has started to have an impact on margins, with effect from the month of September.

Operations

During the third quarter of the year, the Group has returned to normal raw material supply conditions as a result of the increase in availability of these raw materials on the market. This has allowed the Group to increase the production capacity utilization ratio to 80%, despite the weakness of the demand.

The Group's packaging production plants have operated during this quarter with similar capacity occupation ratios to that mentioned above, limited by the lack of movement in demand from the main customers as a result of the lack of rotation of the inventories accumulated to meet the expected demand during the summer season.

The chemical division has continued to operate at 100% of its glycol production capacity, driven not only by the increase in the activity of the El Prat plant, but also by the strong demand from external customers. This division has been favoured by the limited availability of glycol on the international market, which has permitted an increase in margin on its main raw material (ethylene).

In the production and demand context described above, the Group has continued with its working capital management efforts, placing special emphasis on the limitation of the investment in inventories of finished product and raw materials. Progress has also been made in the negotiations with the main suppliers to improve and return to normal the commercial conditions under which the Company does business.

1.1 Analysis by Business Unit

At the beginning of 2010, the Board of Directors of La Seda de Barcelona, S.A. decided to change the criterion of presentation of periodic information on the activity supplied to the market from a geographical criterion to a line of business criterion. With this segmentation, the Board of Directors seeks to make the regular information provided more consistent with the management information prepared by the Group, and to increase the transparency of the information provided, given the different nature of its activities and of the dynamics of their business cycles.

The figures by Business Divisions detailed below are aggregate and unconsolidated figures obtained from the Group's management accounts. A reconciliation of the consolidated accounts and the management accounts is set out in section 1.2 of this report.

- **PET / PET Recycling**

According to the unconsolidated management accounts reported periodically to Group Management, the key aggregate figures at 30th September of this Division are as follows:

Key Figures	30.09.2011	30.09.2010	% Variation
Thousand euros			
Turnover	428,327	354,269	20.90%
Ebitda	17,276	17,019	1.51%
Ebit	4,300	3,467	24.03%

The PET/PET Recycling Division has increased turnover by 20.9%, during the first nine months of 2011 compared to the same period last year, while EBITDA increased by 1.5% compared to the same period.

The increase in turnover is a result of the 23% increase in the average selling price and the 2% decrease in the volume of tonnes sold which, compared to the aggregate 3% increase in the first half of the year, shows the decrease in activity during the third quarter of the year.

The reduced utilization of the production capacity compared to the third quarter of 2010 also explains the evolution of the Division's EBITDA, which showed an increase of 40% up to June compared to the first half of last year, compared to the aggregate increase of 1.5% for the first nine months. In terms of EBIT, the Division has accumulated 4.3 million euros since the start of the year, which has allowed it to break even during the third quarter.

In this market context, and in order to increase sales of special resins, the PET Division has reinforced its commercial structure with the incorporation of technical and commercial resources dedicated to this product range, which is less sensitive to economic cycles and has higher added value. In addition, the PET Division has made significant progress in obtaining the necessary permits to start marketing a resin with a high component of recycled material, which has already created interest in some of the Group's major customers.

- **Packaging**

The Packaging Divisions encompasses the Group's entire PET packaging production activity. The key figures of the Division, according to the management accounts reported periodically to Management, are as follows:

Key Figures	**30.09.2011**	**30.09.2010**	**% Variation**
Thousand euros			
Turnover	517,456	439,812	17.65%
Ebitda	35,452	43,901	-19.25%
Ebit	20,184	26,295	-23.24%

During the first nine months of 2011 the Division's turnover increased by 17.65% compared to the same period last year. This increase is basically due to the increase in the cost of the raw material, which has been passed on to customers, through the final price. The variation in sales in terms of units represented a reduction of 9.0%, in the periods compared.

The reduction in sales in terms of volume has been more marked in the third quarter as a result of the weakening in demand mentioned above, which has been especially intense in the Turkish market.

In terms of EBITDA, the Division has generated 35.4 million euros, which represents a decrease of 19.25% compared to the same period last year. The decrease in EBITDA is due to the reduced utilization of the capacity and consequently a lesser dilution of fixed costs.

During this quarter the Packaging Division has launched two important innovations that provide an example of its pioneering character in the PET packaging market. Thus, the first model of PET packaging with a handle has been introduced on the market, which has been the result of a long process of research and development in conjunction with a machinery supplier. The Company has also launched packaging with a chemical barrier that makes it possible to increase the useful life of products that are sensitive to oxygen in a more efficient and sustainable manner than the existing solutions.

In recognition of this constant innovation effort, the Packaging Division has been awarded the European best packaging producer award granted by the Association of Plastic Processors.

- **Chemical Divisions (IQA)**

This Division comprises the activities of IQA. The key figures of the management accounts reported to Management are as follows:

Key Figures	30.09.2011	30.09.2010	% Variation
Thousand euros			
Turnover	94,346	60,357	56.31%
Ebitda	9,739	1,878	418.58%
Ebit	8,269	1,872	341.72%

The Division's turnover during the first nine months of the year totalled 94 million euros, an increase of 56.3% compared to the same period last year. In terms of volume, sales increased by 24.2%, due not only to the increased level of activity in the El Prat plant compared to the same period last year, but also to the sales of MEG to third parties, that have been made possible by the investments made in order to have the capacity to make shipments using maritime transport.

The Division has generated a positive EBITDA of 9.7 million euros during the first nine months of the year, mainly due to the favourable comparative evolution of the price of MEG and of ethylene, its main raw material, in spite of the fact that during this period the annual programmed shutdown of the plant took place to replace the catalyst, which has involved two weeks of production inactivity.

1.2 Reconciliation of Management Accounts and Book Result

The reconciliation of the turnover, EBITDA and EBIT between the management accounts and the consolidated accounts at 30 September 2011 together with the corresponding figures for the same period last year is set out below:

30 September 2011

Thousand euros	Turnover	EBITDA	EBIT
Management Accounts	**1,040,129**	**51,237**	**12,160**
Differences in perimeter	1,091	-2,562	-4,119
Reclassifications	79,159	1,307	1,751
Intersegment eliminations	-25,664	-	-
Intercompany eliminations	-196,304	-	-
Consolidation and other adjustments	-2,450	-88	-3,766
Consolidated IFRS	**895,961**	**49,894**	**6,026**

30 September 2010

Thousand euros	Turnover	EBITDA	EBIT
Management Accounts	**854,438**	**54,502**	**14,741**
Differences in perimeter	38,260	-206	-8,279
Reclassifications	24,657	-3,514	-2,992
Intersegment eliminations	-29,833	-	-
Intercompany eliminations	-143,542	-	-
Consolidation and other adjustments	6,953	1,786	-2,648
Consolidated IFRS	**750,933**	**52,568**	**822**

The reclassifications mainly relate to services rendered and other sale operations which, due to their particular characteristics, are presented a management account level under the heading of other operating income.

1.3 Prospects for the last quarter of 2011

The European economy is facing a context of high uncertainty as to its evolution in the next few months and its potential impact on the demand for consumer goods, which makes it difficult to make any forecasts about the evolution of the PET and PET packaging market in Europe.

The low level of inventories at the end of September, as a result of the process of reduction determined by the expectation of a fall in prices during the last quarter of the year suggest that there will be a slight increase in demand during this period.

The slowdown of the economy in the Asian markets, anticipated in the report on the first half of the year, has taken place in the third quarter and is expected to continue during the last quarter of the year. The impact that this might have on the flow of imports from European markets will depend fundamentally on the evolution of the euro/dollar exchange rate during the period, whereby if this rate is around 1.4 an increase in imports and a strong downward pressure on margins would be expected.

As regards the Group’s liquidity situation, the process of reducing the investment in working capital has already started, as a result of the seasonal factors of the demand which, combined with a notable reduction in payments to suppliers as a result of the restructuring process with effect from September, mean that an improvement is likely in the liquidity position at the end of the current year.

As far as the Packaging Division is concerned, the prospects for the last quarter are of continuity of the levels of activity reached during the third quarter in line with the expectations for the economic activity of the markets where the Group operates.

2. Changes in the consolidation perimeter

The main variations in the consolidation perimeter and in the companies that make it up during the first 9 months of 2011 compared to the same period last year are as follows:

- Sale of shareholdings in Artenius San Roque, S.A.U.: On 5 January 2011 the sale was completed of all the shares representing the share capital of Artenius San Roque, S.A.U., to Cepsa Química, S.A.

- Sale of shareholdings in Evertis SGPS, S.A.: On 31 January 2011, the Parent Company transferred its entire stake in Evertis, SGPS, S.A. (formerly Begreen, SGPS, S.A.) representing 20% of its share capital. This transfer was made to Moura Consulting, S.L., holder of the remaining 80% of the shares. As a result of this transfer, the Parent Company no longer has any shareholding whatsoever in Evertis, SGPS, S.A.

- Dissolution of the subsidiaries Seda Energy, S.L.U. and Artenius Prat PET, S.L.U.: On 31 January 2011, the Parent Company carried out the dissolution and simultaneous liquidation of the above-mentioned companies (no production activity) in line with the objective set out in the Group's Strategic Plan.

- Sale of Artenius Portugal, Industria de Polimeros, S.A.: On 27 June 2011 the sale was completed of all the shares representing the share capital of the subsidiary Artenius Portugal, Industria de Polimeros, S.A., located in Portugal, to Control PET SGPS, S.A. As a result of this transfer, the Parent Company no longer has any shareholding in Artenius Portugal, Industria de Polimeros, S.A.

3. Key figures of the Consolidated Group

3.1 Income Statement

The key consolidated figures of La Seda de Barcelona, S.A. and its subsidiaries at 30 September 2011 compared to 30 September 2010 are as follows:

Income Statement (key figures)	30.09.2011	30.09.2010	% Variation
Thousand Euros			
Turnover	895,961	750,933	19.31%
Gross Margin (Turnover less Provisions and variation in inventories)	218,962	232,993	-6.02%
EBITDA	49,894	52,568	-5.09%
Operating Profit (Loss)	6,026	822	633.09%
Profit (Loss) attributed to the Parent Company	-15,968	-29,610	-46.07%
Recurring EBITDA	52,918	56,089	-5.65%

Consolidated turnover increased by 19.31% compared to the same period of 2010 fundamentally due to the strong increase in PET prices (by 31% from September 2010 to September 2011) which has been even sharper in the third quarter of the year. In terms of volume the Chemical Division experienced relevant growth of 24%, while the PET and Packaging Divisions reduced their volume of activity by 2% and 9%, respectively, compared to last year.

The difficulties in supply of raw material during the first half of the year, both PET and PTA, have continued to affect the income statement during the third quarter through a higher cost of raw materials on the spot market, which were acquired to assure coverage of production needs. This has led to a reduction in the gross margin of 6.02% compared to the same period last year.

The book EBITDA has decreased by 5.09% to 49.9 million euros mainly as a result of both the reduction in the gross margin and the lesser occupation of production capacity during the third quarter due to the weakening of demand in the European markets. In terms of recurring EBITDA, the decrease has been 5.7% to 52.9 million euros.

The calculation of EBITDA includes certain exception income and expense items which the Group does not consider to have arisen in the normal course of its operations and estimates that they will not be generated again in successive periods. A breakdown of the Recurring EBITDA is set out below, adjusted to take into account the non-recurring items mentioned above, as well as the main items considered in the calculation:

Thousand euros	**30.09.11**	**30.09.10**
EBITDA	**49,894**	**52,568**
Restructuring expenses and court proceedings	858	7,444
EBITDA non-operational plants	3,296	1,408
Compensation	880	386
Insurance compensation for claims	-439	-
Delivery of property in payment	-1,122	-
Reversal of IQA "Take or pay" provision	-	-3,981
Loss of control over Artenius Sines PTA, S.A.	-	-859
Extraordinary items Wilton	-	-1,213
Other extraordinary items	-449	336
Recurring EBITDA	**52,918**	**56,089**

In the previous calculation, the impact on EBITDA of certain plants that were not active during part of the period and the fixed costs of which distort the analysis of the operating results has been adjusted.

Recurring EBITDA totalled 52.9 million euros at September 2011, which represents a decrease of 5.7%, basically as a result of the context of weakening of demand in which the Group has operated during the third quarter.

In spite of the decrease in EBITDA, the Group has obtained an operating profit during the third quarter as a result of the reduction of the burden of fixed costs (wages and salaries, amortization and depreciation, operation expenses) thanks to the divestment processes completed during 2011. The aggregate operating profit for the first nine months totals 6 million euros compared to 1 million for the same period last year.

The losses attributable to the Parent Company for the nine months to September totalled €15.9 million, compared to €29.6 million for the nine months to September 2010.

3.2 Balance Sheet

The key figures of the Seda Group at 30 September 2011 compared to 31 December 2011 are as follows:

Balance Sheet (key figures)	30.09.2011	31.12.2010	% Variation
Thousand Euros			
Equity	286,130	302,379	-5.37%
Net Borrowing	667,825	625,991	6.68%
Net Borrowing - ex PIK (including interest)	434,283	397,464	9.26%
Operating Working Capital (*)	102,803	68,545	49.98%
Total Assets	1,228,450	1,293,628	-5.04%

(*) Defined as Inventories + Trade and other receivables – Trade and other payables.

The increase in operating working capital compared to December 2010 is due both to the impact of the increase in PET prices and seasonal nature of demand, and to the reduction of €49.8 million in old debts with suppliers which the Group has paid during the first half of the year as a result of the agreements reached in the context of the restructuring process.

Net borrowing has increased mainly due to the increased working capital financing needs arising on account of the increase in prices, the commitments totalling 12.5 million euros undertaken in respect of the Finova Luzern case (see point 4.1) and the commitment to make a capital contribution to the Portuguese subsidiary Artlant PTA (formerly Artenius Sines), of 8.6 million euros.

4. Significant events occurring in the third quarter

4.1 Legal action filed by Finova Luzern, AG

On 15 July 2011, La Seda de Barcelona, S.A. and Finova Luzern, AG reached a settlement agreement whereby La Seda de Barcelona, S.A. will pay the sum of 12.5 million euros as payment of principal and 1.6 million euros in interest, falling due on various dates between the years 2011 and 2016.

4.2 Start-up of the subsidiary Artlant PTA, S.A.

At the end of July 2011, through its subsidiary Artlant PTA, S.A. (formerly Artenius Sines), La Seda de Barcelona, S.A. started operating its PTA plant (purified terephthalic acid) located in the industrial and logistical zone of Sines, in Portugal. This PTA production plant will have a manufacturing capacity of 700 thousand tonnes per year, with an estimated annual turnover of 600 million euros, and representing an investment of more than 500 million euros.

In the initial phase, tests are being carried out on the technology of all the installed equipment, in order to start production of PTA, one of the raw materials of PET, in the first quarter of 2012.

5. Subsequent Events

There are no significant subsequent events to be reported.