

2011  
**CONSOLIDATED FINANCIAL INFORMATION**  
Second Semester

## **Summary of Contents**

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<b>CONSOLIDATED BALANCE SHEET</b>							
(Thousand euros)							
<b>ASSETS</b>		<b>31.12.2011</b>	<b>31.12.2010</b>	<b>EQUITY AND LIABILITIES</b>		<b>31.12.2011</b>	<b>31.12.2010</b>
<b>Non-current assets</b>				<b>Equity</b>			
Intangible assets		269,187	298,230	<b>Capital and reserves</b>			
a) Goodwill	(Note 7.1)	203,919	215,733	Capital	(Note 15.1)	362,687	362,687
b) Other intangible assets	(Note 7.2)	65,268	82,497	Share premium		-	-
Property, plant and equipment	(Note 8)	423,037	442,261	Reserves		95,309	95,309
Investments accounted for using the equity method	(Note 10)	51,735	47,495	Less: Own shares and equity instruments		-	-
Non-current financial assets	(Note 11)	12,294	8,637	Retained earnings		(157,961)	(70,173)
Deferred tax assets		91,749	104,107	Profit/(loss) for the year attributable to the parent company		(49,557)	(85,444)
Other non-current assets		5,665	5,767	Less: interim dividends		-	-
		<u>853,667</u>	<u>906,497</u>			<u>250,478</u>	<u>302,379</u>
<b>Current assets</b>				<b>Adjustments for changes in value</b>			
Non-current assets held for sale	(Note 12)	-	56,635	Hedging operations		(9,819)	(9,181)
Inventories	(Note 13)	106,263	116,260	Cumulative translation adjustment		(49,696)	(37,985)
Trade and other receivables	(Note 14)	170,965	163,761			<u>(59,515)</u>	<u>(47,166)</u>
a) Trade customers for sales and services rendered		143,443	137,321	<b>Minority Interests</b>	(Note 15.2)	2,256	3,065
b) Other debtors		27,411	24,012			<u>193,219</u>	<u>258,278</u>
c) Current tax assets		111	2,428	<b>Non-current liabilities</b>			
Other current financial assets	(Note 11)	3,044	16,025	Grants		9,226	9,697
Other current assets		-	-	Non-current provisions	(Note 16)	23,790	30,510
Cash and cash equivalents		44,087	34,450	Non-current financial liabilities	(Note 17)	582,379	561,747
		<u>324,359</u>	<u>387,131</u>	a) Bank loans and debentures or other marketable securities		530,028	506,332
		<u>1,178,026</u>	<u>1,293,628</u>	b) Other financial liabilities		52,351	55,415
				Deferred tax liabilities		42,366	48,993
				Other non-current liabilities		1,227	919
						<u>658,988</u>	<u>651,866</u>
				<b>Current liabilities</b>			
				Non-current liabilities held for sale	(Note 12)	-	53,748
				Current provisions		2,207	3,541
				Current financial liabilities	(Note 17)	117,869	114,719
				a) Bank loans and debentures or other marketable securities		97,669	101,865
				b) Other financial liabilities		20,200	12,854
				Trade and other payables	(Note 18)	205,743	211,476
				a) Payables to suppliers		167,936	173,487
				b) Other payables		33,431	34,808
				c) Current tax liabilities		4,376	3,181
						<u>325,819</u>	<u>383,484</u>
<b>TOTAL ASSETS</b>		<u>1,178,026</u>	<u>1,293,628</u>	<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,178,026</u>	<u>1,293,628</u>

<b>CONSOLIDATED INCOME STATEMENT</b>		
(Thousand euros)	31.12.2011	31.12.2010
<b>Operating income</b>	<b>1,192,020</b>	<b>1,053,376</b>
Turnover	1,172,365	996,916
Change in inventories of finished goods and work in progress	5,933	12,888
Own work capitalized	2,288	1,085
Imputation of grants for non-financial assets and others	639	804
Other operating income	10,795	41,683
Other income	-	-
<b>Operating expenses</b>	<b>(1,202,600)</b>	<b>(1,079,446)</b>
Supplies	(886,028)	(705,365)
Staff costs	(89,945) (Note 19)	(96,381)
Depreciation and amortization	(60,111)	(68,047)
Impairment and profit/loss on disposals of non-current assets (net)	823 (Note 20)	(24,113)
Other operating expenses	(167,339)	(185,540)
<b>Operating profit/(loss)</b>	<b><u>(10,580)</u></b>	<b><u>(26,070)</u></b>
<b>Financial and similar income and expenses</b>	<b>(39,878)</b>	<b>(48,027)</b>
Financial income	3,441	14,081
Financial expenses	(39,888) (Note 21)	(47,310)
Change in fair value of financial instruments (net)	(1,220)	(3,737)
Exchange differences (net)	1,378	(5,779)
Impairment and profit/loss on disposals of financial instruments (net)	(401)	(4,738)
Profit/loss on investments accounted for using the equity method (net)	(3,188)	(544)
<b>Profit/(loss) before taxes</b>	<b><u>(50,458)</u></b>	<b><u>(74,097)</u></b>
Income taxes	(2,113)	(21,615)
<b>Profit/(loss) for the year from continuing operations</b>	<b><u>(52,571)</u></b>	<b><u>(95,712)</u></b>
Profit for the year from discontinued operations net of taxes (net)	-	7,143
<b>Consolidated profit/(loss) for the year</b>	<b><u>(52,571)</u></b>	<b><u>(88,569)</u></b>
Profit/(loss) attributable to minority interest	(3,014)	(3,125)
<b>Profit/(loss) attributable to the parent company</b>	<b><u>(49,557)</u></b>	<b><u>(85,444)</u></b>
<b>Earnings per share</b>		
Basic	(0.014) (Note 22)	(0.049)
Diluted	(0.014)	(0.049)
Continuing operations	(0.014)	(0.053)

<b>CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES</b>		
(Thousand euros)	31.12.2011	31.12.2010
<b>A) Consolidated profit/(loss) for the year (from the income statement)</b>	<b>(52,571)</b>	<b>(88,569)</b>
<b>B) Income and expenses recorded directly in equity</b>	<b>(18,842)</b>	<b>(9,829)</b>
1. For revaluation / (reversal of revaluation) of property, plant and equipment and intangible assets	-	-
2. For valuation of financial instruments	-	-
a) Available-for-sale financial assets	-	-
b) Other income / (expenses)	-	-
3. For cash flow hedges	(6,272)	(9,316)
4. Exchange differences	(12,206)	958
5. For actuarial gains and losses and other adjustments	(3,155)	(4,431)
6. Investments accounted for using the equity method	-	-
7. Other income and expenses recorded directly in equity	270	(822)
8. Tax effect	2,521	3,782
<b>C) Transfers to the income statement</b>	<b>4,421</b>	<b>7,292</b>
1. For valuation of financial instruments	-	-
a) Available-for-sale financial assets	-	-
b) Other income / expenses	-	-
2. For cash flow hedges	5,609	10,418
3. Exchange differences	495	-
4. Investments accounted for using the equity method	-	-
5. Other income and expenses recorded directly in equity	-	-
6. Tax effect	(1,683)	(3,126)
<b>Total recognized income and expenses (A+B+C)</b>	<b><u>(66,992)</u></b>	<b><u>(91,106)</u></b>
a) Attributable to the parent company	(63,971)	(87,593)
b) Attributable to minority interest	(3,021)	(3,513)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Thousand euros)	Equity attributable to the parent company							Total Equity
	Capital and Reserves							
	Share Capital	Share Premium and Reserves	Own shares and equity instruments	Profit/(loss) for the year attributable to the parent company	Other equity instruments	Adjustments for change in value	Minority interest	
<b>Closing balance at 31.12.10</b>	<b>362.687</b>	<b>25.136</b>	-	<b>(85.444)</b>	-	<b>(47.166)</b>	<b>3.065</b>	<b>258.278</b>
Adjustments for changes in accounting policy	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-
<b>Adjusted opening balance</b>	<b>362.687</b>	<b>25.136</b>	-	<b>(85.444)</b>	-	<b>(47.166)</b>	<b>3.065</b>	<b>258.278</b>
<b>I. Total recognized income / (expenses)</b>	-	<b>(2.065)</b>	-	<b>(49.557)</b>	-	<b>(12.349)</b>	-	<b>(66.992)</b>
<b>II. Operations with members or owners</b>	-	<b>(279)</b>	-	-	-	-	<b>2.212</b>	<b>1.933</b>
1. Capital Increases / (Decreases)	-	(279)	-	-	-	-	2.212	1.933
2. Financial liabilities converted to equity	-	-	-	-	-	-	-	-
3. Distribution of dividends	-	-	-	-	-	-	-	-
4. Dealings with own shares or equity instruments (net)	-	-	-	-	-	-	-	-
5. Increases / (Decreases) on business combinations	-	-	-	-	-	-	-	-
6. Other operations with members or owners	-	-	-	-	-	-	-	-
<b>III. Other changes in equity</b>	-	<b>(85.444)</b>	-	<b>85.444</b>	-	-	-	-
1. Payments based on equity instruments	-	-	-	-	-	-	-	-
2. Transfer between equity items	-	(85.444)	-	85.444	-	-	-	-
3. Other changes	-	-	-	-	-	-	-	-
<b>Closing balance at 31.12.11</b>	<b>362.687</b>	<b>(62.652)</b>	-	<b>(49.557)</b>	-	<b>(59.515)</b>	<b>2.256</b>	<b>193.219</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Thousand euros)	Equity attributable to the parent company							Total Equity
	Capital and Reserves							
	Share Capital	Share premium and Reserves	Own shares and equity instruments	Profit/(loss) for the year attributable to the parent company	Other equity instruments	Adjustments for change in value	Minority interest	
<b>Closing balance at 31.12.09</b>	<b>160.578</b>	<b>64.876</b>	-	<b>(118.120)</b>	-	<b>(48.921)</b>	<b>6.578</b>	<b>64.991</b>
Adjustments for changes in accounting policy	-	-	-	-	-	-	-	-
Adjustments for errors	-	(1.546)	-	(10.751)	-	-	-	(12.297)
<b>Adjusted opening balance</b>	<b>160.578</b>	<b>63.330</b>	-	<b>(128.871)</b>	-	<b>(48.921)</b>	<b>6.578</b>	<b>52.694</b>
<b>I. Total recognized income / (expenses)</b>	-	<b>(3.904)</b>	-	<b>(85.444)</b>	-	<b>1.755</b>	<b>(3.513)</b>	<b>(91.106)</b>
<b>II. Operations with members or owners</b>	<b>202.109</b>	<b>94.581</b>	-	-	-	-	-	<b>296.690</b>
1. Capital Increases / (Decreases)	52.109	94.581	-	-	-	-	-	146.690
2. Financial liabilities converted to equity	150.000	-	-	-	-	-	-	150.000
3. Distribution of dividends	-	-	-	-	-	-	-	-
4. Dealings with own shares or equity instruments (net)	-	-	-	-	-	-	-	-
5. Increases / (Decreases) on business combinations	-	-	-	-	-	-	-	-
6. Other operations with members or owners	-	-	-	-	-	-	-	-
<b>III. Other changes in equity</b>	-	<b>(128.871)</b>	-	<b>128.871</b>	-	-	-	-
1. Payments based on equity instruments	-	-	-	-	-	-	-	-
2. Transfer between equity items	-	(128.871)	-	128.871	-	-	-	-
3. Other changes	-	-	-	-	-	-	-	-
<b>Closing balance at 31.12.10</b>	<b>362.687</b>	<b>25.136</b>	-	<b>(85.444)</b>	-	<b>(47.166)</b>	<b>3.065</b>	<b>258.278</b>

## CONSOLIDATED CASH FLOW STATEMENT

(Thousand euros)

	31.12.2011	31.12.2010
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)</b>	<b>24,437</b>	<b>(53,563)</b>
1. Profit/(loss) before taxes	(50,458)	(74,097)
2. Adjustments:	102,032	128,074
Depreciation and amortization	60,111	68,047
Other adjustments (net)	41,921	60,027
3. Changes in working capital	(26,245)	(104,716)
4. Other cash flows from operating activities:	(892)	(2,824)
Inflows / (Outflows) in respect of income tax	(892)	(2,824)
Other inflows / (outflows) from operating activities	-	-
<b>B) CASH FLOWS FROM INVESTMENT ACTIVITIES (1+2+3)</b>	<b>(6,149)</b>	<b>(32,560)</b>
1. Outflows related to investments:	(32,818)	(80,016)
Group and associated companies and business units	(12,350)	-
Property, plant and equipment, intangible assets and real estate investments	(20,102)	(25,681)
Other financial assets	(366)	(54,335)
Other assets	-	-
2. Inflows from divestments:	22,043	45,052
Group and associated companies and business units	2,354	-
Property, plant and equipment, intangible assets and real estate investments	3,247	2,849
Other financial assets	16,442	42,203
Other assets	-	-
3. Other cash flows from investment activities	4,626	2,404
Dividends received	-	-
Interest received	4,626	2,654
Other inflows / (outflows) from investment activities	-	(250)
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3+4)</b>	<b>(11,567)</b>	<b>100,113</b>
1. Inflows and (outflows) related to equity instruments:	-	178,515
Issue	-	178,515
Redemption	-	-
Acquisition	-	-
Disposal	-	-
2. Inflows and (outflows) related to financial liability instruments:	17,011	(57,088)
Issue	31,391	20,296
Return and redemption	(14,380)	(77,384)
3. Dividends paid and remuneration paid on other equity instruments	-	-
4. Other cash flows from financing activities	(28,578)	(21,314)
Interest paid	(21,436)	(16,962)
Other inflows / (outflows) from financing activities	(7,142)	(4,352)
<b>D) EFFECT OF VARIATIONS IN EXCHANGE RATES</b>	<b>606</b>	<b>384</b>
<b>E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>7,327</b>	<b>14,374</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>36,760</b>	<b>22,386</b>
<b>G) CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (E+F)</b>	<b>44,087</b>	<b>36,760</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
Cash and banks	44,087	36,760
Other financial assets	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>44,087</b>	<b>36,760</b>

## LA SEDA DE BARCELONA S.A. AND SUBSIDIARIES

### Notes to the Interim Summarized Consolidated Financial Statement

for the year ended 31<sup>st</sup> December 2011

#### Note 1. General Information

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La Seda de Barcelona, S.A. (hereinafter the Parent Company) was incorporated on 23<sup>rd</sup> May 1925 as a public limited company (*sociedad anónima*) and its registered office for tax and mercantile purposes is at Avda. Remolar, nº2, 08820 El Prat de Llobregat, Barcelona.

As stated in its deed of incorporation, the corporate objects of the Parent Company are the manufacture and sale of artificial silk in all its aspects and derivations, the production, handling, transformation and sale of all kind of textile and technical fibres and yarns and of artificial and synthetic materials, including the construction of its own machinery, the production of energy and steam for use in its industries, and undertaking research in the above fields.

Furthermore, as a result of different merger processes, its corporate objects have been extended to include the manufacture and marketing of polyester resin, polyester fibre, polyethylene terephthalate (PET polymer), the production of eicosapentaenoic acid (EPA), docosahexaenoic acid (DHA) and all kinds of polyunsaturated fatty acids. In 2008 the Parent Company extended its corporate objects to the manufacture, transformation and marketing of all kind of polymers and biotechnological materials, the recycling of plastic materials and the exploitation and sale of technology licences for the construction of PTA and PET plants.

The Parent Company is currently the parent of a Group which has the following activities:

- The manufacture and marketing of continuous chemical fibres, raw white and mass-dyed cut fibres, granules for plastics, synthetic polymer sheet and compound thermoshaping, as well as any industrial or commercial activity related to the chemical industry, and the assembly of industrial plants, holding shares in, directing and operating chemical companies.
- The manufacture and marketing of polyester fibres and resins.
- The manufacture and marketing of polyethylene terephthalate (PET polymer).
- The manufacture and marketing of PET packaging materials (preforms).
- The production, distribution and sale of gases.
- The production of electricity through a cogeneration plant.
- The recycling of agricultural waste and sale of organic manure.
- The development of industrial projects, the production and marketing of biofuels and other energy derivatives obtained from renewable materials.
- The marketing, importing, exporting and recovery of all kind of products related to plastic.
- The study, promotion, management, construction, building and execution of all kind of buildings and constructions.



## 1.1 Composition of the Group and variation in the consolidation perimeter

The companies that make up the Group present individual financial statements in accordance with the legislation applicable in the country where they operate. A detail of the companies in which the Parent Company has a shareholding at the end of the previous year is set out in the Appendix to the consolidated annual accounts for the year ended 31<sup>st</sup> December 2010.

None of the subsidiaries belonging to the Group trades its shares on a Stock Exchange.

In relation to the composition of the Group, on 23<sup>rd</sup> December 2011 the merger was approved of the Group companies Artenius Pet Packaging France, SAS and the company in which the latter held a stake until that time, Artenius PET Recycling France, SAS. In accordance with the legislation applicable in France, the aforesaid merger is effective retroactively from 1<sup>st</sup> January 2011.

The new merged company has taken the name of APPE France, SAS. As this is an upstream merger between companies belonging to the consolidated group, it has not had any effect on these interim summarized consolidated financial statements.

The most significant variations in the consolidation perimeter and in the companies that make it up during 2011 compared to the previous year were as follows:

- Sale of shares in Artenius San Roque, S.A.U.

On 5<sup>th</sup> January 2011 the sale was completed of all the shares representing the share capital of the Parent Company's chemical subsidiary located in San Roque (Cadiz), Artenius San Roque, S.A.U., to Cepsa Química, S.A.

- Sale of shares in Evertis, SGPS, S.A.

On 31<sup>st</sup> 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 and liquidation of the subsidiaries Seda Energy, S.L.U. and Artenius Prat Pet, S.L.U.

On 31<sup>st</sup> January 2011, the Parent Company, in its capacity as sole liquidator of Seda Energy, S.L.U. and Artenius Prat Pet, S.L.U. resolved on the dissolution and simultaneous liquidation of these subsidiaries, in line with the Group's Strategic Plan of disposing of non-strategic assets. These companies did not have any production activity.

- Sale of Artenius Portugal, Industria de Polimeros, S.A.

On 27<sup>th</sup> 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.

- Liquidation of Recyclage Plastique Catalan R.P.C., S.A.S.

On 1<sup>st</sup> December 2011, Artenius Green, S.L., in its capacity as sole liquidator of Recyclage Plastique Catalan R.P.C., S.A.S., resolved on the dissolution and simultaneous liquidation of the aforesaid subsidiary, in line with the Group's Strategic Plan of disposing of non-strategic assets. The aforesaid company did not have any production activity.

- Liquidation of Artenius Romania, SRL.

On 5<sup>th</sup> December 2011 the Parent Company, in its capacity as sole liquidator of Artenius Romania, SRL, resolved on the dissolution and simultaneous liquidation of the afore-mentioned subsidiary, in line with the Group's Strategic Plan of disposing of non-strategic assets. The aforesaid company did not have any production activity.

- Sale of shares in Petrolest, S.L.

On 23<sup>rd</sup> December 2011, the Parent Company transferred its entire shareholding in Petrolest, S.L. representing 49% of its share capital. This transfer was made to the company Vía Augusta, S.A., a related company of Petrolest, S.L.

As a result of this transfer, the Parent Company no longer has any shareholding whatsoever in Petrolest, S.L.

## **Note 2. Basis of presentation**

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The accompanying interim summarized consolidated financial statements have been prepared on the basis of the individual accounting records of La Seda de Barcelona, S.A. and of each of the subsidiaries, and give a true and fair view of the equity, the financial position at 31<sup>st</sup> December 2011 and of the results of its operations, of the change in overall recognized income and expenses and of the cash flows arising in the consolidated Group during the twelve-month period then ended.

These interim summarized consolidated financial statements of the LSG Group have been prepared in accordance with IAS 34 "Interim Financial Reporting" and have not been audited.

In accordance with the provisions of IAS 34, interim financial information is prepared solely with the intention of updating the content of the most recent consolidated annual accounts presented, placing emphasis on new activities, events and circumstances that have occurred during the period, without duplicating the information published previously in the consolidated annual accounts for 2010. Accordingly, for an adequate understanding of the information included in these consolidated financial statements, they should be read in conjunction with the Group's consolidated annual accounts for 2010, which were drawn up in accordance with ruling International Financial Reporting Standards (IFRS).

### **2.1 Going Concern Principle**

In 2010 the Parent Company and its subsidiaries achieved several milestones of special relevance, aimed at improving the financial position and ensuring the continuity of the activities of the La Seda de Barcelona Group (hereinafter LSB Group). The consolidated losses for that year totalled 85,444 thousand euros, compared to consolidated losses for the previous year of 473,108 thousand euros.

The consolidated losses for 2011 totalled 49,557 thousand euros, a figure which shows that the trend in recent years reflects the progressive improvement and stabilization of the business and operations of the LSB Group. However, the income statement reflects the difficulties the Group has had to face during the preceding years.

These interim summarized consolidated financial statements have been drawn up in accordance with the going concern principle, considering the following premises and milestones which, in the Directors' opinion, will allow the Group to continue carrying on its activities as normal:

- a) Progressive improvement in the Group's results
  - Relevant growth in turnover compared to the preceding period (+18%).
  - Significant improvement in the operating result (+59%), which has placed the Group with operating losses of 10,580 thousand euros compared to losses of 26,070 thousand euros in the preceding comparative period.
- b) During 2011, the LSB Group has continued with the implementation of the Strategic Plan approved by the Board of Directors and has covered part of the objectives set out in it with regard to the divestment of the plants in San Roque and Portalegre in Portugal, and the disposal of its 20% stake in Evertis SGPS, S.A and its 49% stake in Petrolest, S.L. In addition, the companies Recyclage Plastique Catalan R.PC., S.A.S. and Artenius Romania, SRL., which did not have any production activity, have been liquidated.
- c) Completion of the reorganization of the Group's corporate governance, with the incorporation of three new independent directors and the creation of the Strategy Committee.

## 2.2 Accounting Policies

The accounting policies used in drawing up these interim summarized consolidated financial statements for the twelve-month period ended 31<sup>st</sup> December 2011 are the same as those applied in the Group's consolidated annual accounts for 2010, except for the new IFRS or IFRIC issued, or amendments to existing ones that came into effect as of 1<sup>st</sup> January 2011, the adoption of which has not had a significant impact on the Group's financial situation in the period of application.

There is no accounting principle or policy which would have a significant effect and has not been applied in drawing up these financial statements.

## 2.3 Comparison of information

In accordance with ruling legislation, the Directors present, for comparative purposes, together with the figures for 2011, the previous year's figures of each item on the consolidated balance sheet, consolidated income statement, consolidated statement of recognized income and expenses, consolidated statement of changes in equity, consolidated cash flow statement and the quantitative information required in the notes to the interim summarized consolidated financial statements. In comparing the figures for the two years, the effects of the changes in the consolidation perimeter should be taken into account, including notably the effects generated by the sale of the shareholdings in Artenius San Roque, S.A.U. and in Artenius Portugal, Industria de Polimeros, S.A.

As mentioned in Note 1.1, on 5<sup>th</sup> January 2011 the sale took place of all the shares representing the share capital of the chemical subsidiary, Artenius San Roque, S.A.U., on 27<sup>th</sup> June 2011 the sale took place of the shares representing the share capital of the subsidiary Artenius Portugal, Industria de Polimeros, S.A and during December 2011 the sale took place of the stake held in the associated company Petrolest, S.L. and the companies Recyclage Plastique Catalan R.P.C, S.A.S. and Artenius Romania were liquidated.

As a result of the operations mentioned above, the financial statements corresponding to the the aforesaid companies have not been incorporated in these interim summarized consolidated financial statements. It should be noted that at 31<sup>st</sup> December 2010, the assets and liabilities of Artenius San Roque, S.A.U. and Artenius Portugal, Industria de Polimeros, S.A. had been classified as "Non-current assets held for sale" and "Liabilities associated to non-current assets held for sale" although the results of these companies, according to ruling accounting legislation, were not presented as discontinued activities.

## **Note 3. Consolidation principles**

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### **(a) Subsidiaries**

Subsidiaries are all companies over which the Group has the power to direct their financial and operating policies, which is generally accompanied by holding more than half of the voting rights. When evaluating whether the Group controls another company, the existence and effect of potential voting rights that are currently exercisable or convertible is considered. Subsidiaries are consolidated as of the date on which control is transferred to the Group and are excluded from consolidation on the date on which such control ceases to exist.

To account for the acquisition of subsidiaries by the Group the acquisition method is used. The consideration transferred for the acquisition of a subsidiary corresponds to the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability deriving from a contingent consideration agreement. The direct costs related to the acquisition were recognized as a higher cost of acquisition for business combinations prior to 31<sup>st</sup> December 2009. Under application of IFRS 3 (Revised), with effect from 1<sup>st</sup> January 2010 such costs are recognized as expenses in the years in which they are incurred. The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are measured initially at fair value on the date of acquisition. For each business combination, with effect from the financial year 2010, the Group may opt to recognize each non-controlling shareholding at fair value or, as was applicable in previous years, for the proportional part of the non-controlling shareholding in the net identifiable assets of the acquired company.

In successive operations (acquisitions in stages) prior to 31<sup>st</sup> December 2009, each transaction was considered separately using the information on the cost of the transaction and the fair value of the shareholding acquired on the date of each exchange to determine the amount of any goodwill associated to each of the acquisitions based on the aforesaid criterion.

For business combinations after 1<sup>st</sup> January 2010, goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling shareholding in the acquiree and the fair value on the date of acquisition of the holding in the equity of the acquiree formerly held by the acquirer over the net amount on the date of acquisition of the identifiable assets acquired and liabilities assumed. If this amount is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized as income directly in the statement of recognized income and losses, in the case of a purchase under advantageous conditions.

Goodwill arising on business combinations prior to 1<sup>st</sup> January 2004 (initial date of transition to IFRS by the Group) is carried at the net value recorded at 31<sup>st</sup> December 2003, in accordance with the Spanish accounting policies in force at that time.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. The accounting policies of the subsidiaries have been modified where necessary to ensure consistency with the accounting policies adopted by the Group.

### **(b) Transactions and non-controlling shareholdings (minority interests)**

The Group accounts for transactions with non-controlling shareholdings as transactions with the owners of the Group's equity. In purchases of non-controlling shareholdings, the difference between the consideration paid and the corresponding proportion of the carrying amount of the net assets of the subsidiary is recorded in equity. Gains or losses on the disposal of non-controlling shareholdings are also recognized in equity.

When the Group ceases to have control, any shareholding retained in the company is re-measured at fair value, and the higher carrying amount of the investment is recognized against the income statement. Such fair value is, therefore, the initial carrying amount of the retained shareholding in the associate, joint venture or financial asset at the time of loss of control.

**(c) Multi-group companies (joint ventures)**

This refers to companies on which there is a contractual arrangement with a third party to share control over their activity and the strategic decisions, both financial and operating, concerning the activity which require the unanimous consent of all the parties sharing control.

The Group's interests in jointly controlled associates are accounted for using the proportional consolidation method.

The assets and liabilities assigned to the joint operations are presented on the consolidated balance sheet classified according to their specific nature. Likewise, income and expenses from joint ventures are presented on the consolidated income statement according to their nature.

**(d) Associates**

Associates are all companies on which the Group exercises significant influence but do not have control over, which are generally accompanied by holding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are recognized initially at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share in the post-acquisition profits or losses of its associates is recognized in the income statement, and its share in post-acquisition movements in other overall results of the associate is recognized in other overall results of the associate. The accumulated post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share in the losses of an associate is equal to or more than its stake in the associate, including any other unsecured account receivable, the Group does not recognize additional losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates have been modified in order to ensure consistency with the policies adopted by the Group.

## Note 4. Transactions in foreign currency

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### (a) Functional and presentation currency

The items included in the annual accounts of each of the Group companies are measured using the currency of the principal economic environment in which the company operates ("functional currency"). The consolidated annual accounts are presented in thousands of euros, as the euro is the functional currency of the Parent Company and the presentation currency of the Group.

### (b) Transactions and balances

Transactions in foreign currency are converted into the functional currency using the exchange rates in force on the dates of the transactions or valuations in the case of items that have been revalued. Gains and losses arising on the settlement of such transactions and on the conversion at year-end exchange rates of monetary assets and liabilities denominated in a foreign currency are recognized in the income statement under "Exchange differences (net)", unless deferred in the other overall result as qualifying cash flow hedges and qualifying net investment hedges.

During 2010 the Group did not use cash flow hedging financial instruments for transactions in foreign currency and did not carry out net investment hedging. During 2011 the Group has not carried out net investment hedging, but it has contracted cash flow hedging financial instruments for certain transactions in foreign currency.

### (c) Group companies

The results and the balance sheet of all the Group companies (none of which has the currency of a hyperinflationary economy) with a functional currency different from the presentation currency are converted into the presentation currency as follows:

- (i) The assets and liabilities on each balance sheet presented are converted at the year-end exchange rate;
- (ii) Income and expenses on each income statement are converted at the average exchange rates for the period in question; and
- (iii) All the resulting exchange differences are recognized in the other overall result.

On consolidation, exchange differences arising on the conversion of a net investment in foreign operations are taken to equity. When the whole or part of the foreign operation is sold, these exchange differences, which had been recorded in equity, are recognized in the income statement as part of the profit or loss on the sale.

Adjustments to goodwill and to fair value arising on acquisition of a foreign company are treated as assets and liabilities of the foreign company and are converted at the year-end exchange rate.

## **Note 5. Accounting estimates and judgements**

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The preparation of the interim summarized consolidated financial statements requires that the Group make certain accounting estimates and apply certain elements of judgement. These are continuously evaluated and are based on historical experience and other factors, including expectations for future success, which have been considered reasonable according to the circumstances.

Although the estimates considered have been made on the basis of the best available information at the date of drawing up these interim summarized consolidated financial statements, by definition they may differ from the actual results. In accordance with IAS 8, any modification to these estimates in the future would be applied prospectively as of that time, by recognizing the effect of the change in estimate in the income statement for the year in question.

The main estimates and judgements used in drawing up the accounts for the year ended 31<sup>st</sup> December 2011 are as follows:

- Possible impairment of goodwill and other non-financial assets (see Note 9).
- Useful life of intangible assets and property, plant and equipment.
- The likelihood of the occurrence and the amount of indeterminate or contingent liabilities (see Note 24).
- Fair value of derivatives (see Note 17).
- Fair value of financial instruments (see Note 17).
- Actuarial assumptions used in determining liabilities in respect of pension commitments and other commitments to employees (see Note 16).

## **Note 6. Segment reporting**

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Information on operating segments is presented in accordance with the internal information supplied to Management for decision-making purposes. Management has been identified as the Executive Committee responsible for assigning resources, evaluating the performance of the operating segments and strategic decision-making.

In 2010, the Directors of the Group decided to change the criterion of presentation of periodic information supplied to the market from a geographical criterion to a line of business criterion. The business lines described below have been established according to the nature of the products and services offered by the LSB Group:

- PET / PET Recycling: La Seda de Barcelona, S.A., Artenius Italia, S.p.A., Erreplast, SRL, Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi Anonim Sirketi (PET Division), Artenius Hellas, S.A. (PET Division) and Artenius Green, S.L.U.
- Preforms: Artenius PET Packaging Iberia, S.A., Artenius PET Packaging UK, Limited, Artenius PET Packaging Europe, Limited, Artenius PET Packaging Belgium, NV, Artenius PET Packaging Deutschland, GmbH, APPE France, SAS, Artenius PET Packaging Maroc, SARLAU, Artenius Turkpet



Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi Anonim Sirketi (Preforms Division), Artenius Hellas, S.A. (Preforms Division).

- Chemical: Industrias Químicas Asociadas LSB, S.L.U.

The periodic information reported to Group Management includes all the companies in the Group's core business, while the information on the other companies is less recurring. The most significant differences in perimeter arise because the financial information concerning the companies Artenius Portugal, Industria de Polimeros, S.A., Artenius San Roque, S.A.U. and Simpe, S.p.A. is not ordinarily reported. In addition, there are certain companies that do form part of the Group's consolidation perimeter, but with figures that are not particularly significant. These companies are as follows: Slir, S.L.U, Biocombustibles La Seda, S.L., Aneriqa, A.I.E., Carb-iqa de Tarragona, S.L., Artenius Romania, SRL, Artenius Hellas Holding, S.A., Inmoseda, S.L.U., and Recyclage Plastique Catalan R.P.C., SAS.

## 6.1 Bases and methodology for segment reporting

The information by segment set out below is based on the reports drawn up periodically by the Group, which categorize transactions by business lines, and which are the source of information used by Group Management to manage the business lines.

In the accompanying information, operations of each segment with Group companies and with the other segments have been included so that the total figures for the respective year reflect the contribution of each segment to the Group's result. The adjustments and eliminations made in drawing up the Group's consolidated financial statements are treated as reconciling items on explaining the differences between the segment reporting and the consolidated financial information included in these half-yearly accounts.

The value of total assets and liabilities of each segment reported has not been included, as it is not provided on a regular basis to Management of the LSB Group to make operational decisions.

Thus, the information relating to segments according to the distribution by business line at 31<sup>st</sup> December 2011 compared to the same period of the previous year is as follows:

(Thousand euros)	Pet / Recycled Pet		Preforms		Chemical industry		Others		TOTAL	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Gross Sales	551,584	488,446	661,484	564,315	125,448	84,660	-	-	1,338,516	1,137,421
Gross Margin	50,339	57,385	126,183	140,789	27,711	17,391	(166)	-	204,067	215,565
Staff costs	(22,979)	(20,798)	(47,826)	(51,240)	(8,270)	(8,294)	(7,792)	(4,918)	(86,867)	(85,250)
Other fixed costs	(12,175)	(14,181)	(39,895)	(40,743)	(6,335)	(5,368)	(7,385)	(6,667)	(65,790)	(66,959)
Other operating profit/(loss)	645	2,392	2,659	2,152	412	166	2	652	3,718	5,362
<b>EBITDA</b>	<b>15,830</b>	<b>24,798</b>	<b>41,121</b>	<b>50,958</b>	<b>13,518</b>	<b>3,895</b>	<b>(15,341)</b>	<b>(10,933)</b>	<b>55,128</b>	<b>68,718</b>
Depreciation	(17,950)	(17,954)	(20,541)	(21,247)	(2,525)	(13)	(12,475)	(11,019)	(53,491)	(50,233)
<b>EBIT</b>	<b>(2,120)</b>	<b>6,844</b>	<b>20,580</b>	<b>29,711</b>	<b>10,993</b>	<b>3,882</b>	<b>(27,816)</b>	<b>(21,952)</b>	<b>1,637</b>	<b>18,485</b>

The column "Others" mainly includes the corporate expenses that are not directly attributable to any segment, such as the financial restructuring costs the Group has incurred in the last two years, and the costs associated to the Group's central services.

The reconciliation between the total income of the reported segments and the turnover of the consolidated Group is as follows:



(Thousand euros)	31.12.2011	31.12.2010
<b>Gross sales of the reported segments</b>	<b>1,338,516</b>	<b>1,137,421</b>
Differences in consolidation perimeter	1,469	43,225
Elimination of intersegment sales	(29,962)	(40,124)
Elimination of intercompany sales	(159,560)	(140,816)
Others	21,902	(2,790)
<b>Turnover</b>	<b>1,172,365</b>	<b>996,916</b>

The reconciliation between the total results of the reported segments and the consolidated profit/(loss) before Corporation Tax and the result of discontinued operations is as follows:

(Thousand euros)	31.12.2011	31.12.2010
<b>EBIT of the reported segments</b>	<b>1,637</b>	<b>18,485</b>
Differences in consolidation perimeter	(4,464)	(17,990)
Loss of control of Artlant PTA, S.A.	-	25,000
Provisions for contingencies and liabilities	(2,081)	(16,517)
Restructuring costs/income	260	(8,870)
Other non-recurring income and expenses	(1,018)	3,666
Amortization of list of customers	(6,376)	(6,535)
Imputation of grants for non-financial assets and others	639	804
Impairment and profit/(loss) on disposals of assets (net)	823	(24,113)
<b>Consolidated EBIT</b>	<b>(10,580)</b>	<b>(26,070)</b>
Financial and similar income and expenses	(39,878)	(48,027)
<b>Consolidated profit/(loss) before taxes</b>	<b>(50,458)</b>	<b>(74,097)</b>

## Note 7. Intangible assets

### 7.1 Goodwill

A detail of the goodwill of subsidiaries assigned to each of the different cash generating units identified by Group Management, for the year ended 31<sup>st</sup> December 2011 compared with the year ended 31<sup>st</sup> December 2010 is set out below:

(Thousand euros)	CGU	31.12.2011	31.12.2010
Catalana de Polimers, S.A. (Company taken over by La Seda de Barcelona, S.A.)	PET	-	3,500
Artenius Green, S.L.U.	Recycled PET	2,359	2,359
Artenius Italia, S.p.A.	PET	21,093	21,093
Erreplast, S.r.L.	Recycled PET	1,312	1,312
Artenius PET Packaging Belgium, NV	Preforms	7,460	7,460
Artenius PET Packaging Deutschland, GmbH	Preforms	35,161	38,354
APPE France, SAS (*)	Preforms	31,691	31,691
APPE France, SAS (*)	Recycled PET	8,958	8,958
Artenius PET Packaging UK, Limited	Preforms	86,298	91,374
Artenius PET Packaging Maroc, Sarlau	Preforms	9,587	9,632
<b>Goodwill on consolidation</b>		<b>203,919</b>	<b>215,733</b>

(\*) The balances at 31<sup>st</sup> December 2010 of the Preforms CGU relate to the company Artenius PET Packaging France, SAS and the balances of the PET Recycling CGU relate to the company Artenius PET Recycling France, SAS which were merged with effect from 1<sup>st</sup> January 2011 (see Note 1.1).

In compliance with IAS 21 paragraph 47, the goodwill arising on the acquisition of a foreign operation has been expressed in the functional currency of the foreign operation and converted into euros (functional currency of the Group) at the year-end exchange rate. Consequently, the amount of goodwill corresponding to Artenius PET Packaging UK, Limited and Artenius PET Packaging Maroc, S.A.R.L.A.U. has decreased by 5,076 thousand euros and 45 thousand euros respectively, due to the evolution of the euro compared to the functional currencies of these subsidiaries, with the corresponding differences recorded under "Cumulative translation adjustment".

As a result of the impairment study of property, plant and equipment and intangible assets carried out on the basis of IAS 36, impairment of the goodwill of Artenius PET Packaging Deutschland, GmbH and Catalana de Polimers, S.A. (company taken over by La Seda de Barcelona, S.A.) has come to light, of 3,193 thousand euros and 3,500 thousand euros, respectively (see Note 9).

## 7.2 Other intangible assets

The composition at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Concessions, patents, licences, trademarks, etc.	63,231	63,227
Software	28,481	28,343
List of customers	65,953	64,852
Other intangible assets	378	390
Accumulated amortization	(88,288)	(68,662)
Provision for impairment	(4,487)	(5,653)
<b>Other intangible assets</b>	<b>65,268</b>	<b>82,497</b>

The main variations in 2011 compared to 2010 relate to the following:

- The charge to results for 2011 in respect of the amortization charge for the year of "Other intangible assets" totalled 18,580 thousand euros and has been recorded under "Accumulated amortization".

- The heading "List of customers" has increased by 1,101 thousand euros mainly due to the increase in the list of customers of Artenius PET Packaging UK, Limited totalling 1,111 thousand euros due to the evolution of the euro compared to the functional currency of that subsidiary (as the customer portfolio is recorded in the functional currency of the foreign business and is converted into euros at the year-end exchange rate).

## Note 8. Property, plant and equipment

A detail of property, plant and equipment at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Property, plant and equipment	1,189,965	1,209,126
Accumulated depreciation	(621,101)	(612,398)
Provision for impairment	(145,827)	(154,467)
<b>Property, plant and equipment</b>	<b>423,037</b>	<b>442,261</b>

The significant movements in 2011 were as follows:

- The Group's preforms companies have acquired plant and machinery during 2011 totalling 12,554 thousand euros.
- The company Industrias Químicas Asociadas LSB, S.L.U. acquired a catalyst in 2011 for a net book value of 1,377 thousand euros.
- During 2011 an independent expert was engaged to carry out a physical count of property, plant and equipment in order to identify each of the assets and make the corresponding adjustments for those that are not operational and are not considered to have any future usefulness. The companies affected by the study during the year were: La Seda de Barcelona, S.A., Artenius Italia, S.p.A., Industrias Químicas Asociadas LSB, S.L.U., and Artenius Green, S.L.U. As a result of this study, the Group has recorded disposals for a net book value of 1,787 thousand euros (with a cost value of 33,882 thousand euros).

It should be noted that during 2011, due to the evolution of the pound and the Turkish lira compared to the euro, the figures for property, plant and equipment, accumulated depreciation and provision for impairment have decreased due to translation differences.

Based on the impairment study carried out by an independent expert, the provision for impairment of property, plant and equipment has been reduced by a net amount of 5,317 thousand euros (see Note 9).

The charge to the income statement in 2011 in respect of depreciation of property, plant and equipment totalled 41,531 thousand euros.

## Note 9. Impairment of property, plant and equipment and intangible assets

In compliance with International Accounting Standard (IAS) 36 “Impairment of Assets”, studies have been carried out on the possible impairment of the assets of the Cash Generating Units (CGUs), consisting of estimating at the date of appraisal the recoverable amount of the CGUs associated to the companies acquired, considering the criterion of value in use, by applying the discounted free cash flows before taxes method, in order to compare the value thus obtained with the book value of the CGUs.

Based on the results obtained, goodwill and property, plant and equipment have been modified as follows:

(Thousand euros)	CGU	Goodwill	Property, plant and equipment
Artenius PET Packaging Deutschland, GmbH	PREFORMS	(3,193)	-
Artenius Turkp�et Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi Anonim Sirketi	PREFORMS	-	(974)
Industrias Qu�micas Asociadas LSB, S.L.U.	CHEMICAL INDUSTRY	-	6,291
La Seda de Barcelona, S.A.	PET	(3,500)	-
		<b>(6,693)</b>	<b>5,317</b>

## Note 10. Investments accounted for using the equity method

The composition and main movements at 31<sup>st</sup> December 2011 are as follows:

(Thousand euros)	Balance at 31.12.2010	Profit/(loss) for the year	Movements	Balance at 31.12.2011
Artlant PTA, S.A.	44,594	(3,209)	10,350	51,735
Petrolest, S.L.	2,901	21	(2,922)	-
	<b>47,495</b>	<b>(3,188)</b>	<b>7,428</b>	<b>51,735</b>

During the first half of 2011 the Parent Company made a contribution of 10,350 thousand euros to the equity of the subsidiary Artlant PTA, S.A.. This contribution was made by La Seda de Barcelona, S.A. and the other shareholders in Artlant PTA, S.A. in proportion to their percentage stake.

On 23<sup>rd</sup> December 2011 the Parent Company signed an agreement to sell its shares in Petrolest, S.L., in which it had held a stake until then of 49%, to Via Augusta, S.A. for the sum of 3,300 thousand euros, which has been paid in full prior to 31<sup>st</sup> December 2011. The profit on the transaction recorded totals 378 thousand euros at 31<sup>st</sup> December 2011.

## Note 11. Financial assets

A breakdown of current and non-current financial assets at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	Financial assets held for sale		Loans and receivables		Investments held until maturity		Total	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Equity instruments	506	501	-	-	-	-	506	501
Other financial assets	-	-	11.655	7.856	133	280	11.788	8.136
<b>Long term / non-current</b>	<b>506</b>	<b>501</b>	<b>11.655</b>	<b>7.856</b>	<b>133</b>	<b>280</b>	<b>12.294</b>	<b>8.637</b>
Equity instruments	17	26	-	-	-	-	17	26
Other financial assets	-	-	2.104	3.892	923	12.107	3.027	15.999
<b>Short term / current</b>	<b>17</b>	<b>26</b>	<b>2.104</b>	<b>3.892</b>	<b>923</b>	<b>12.107</b>	<b>3.044</b>	<b>16.025</b>
<b>Financial assets</b>	<b>523</b>	<b>527</b>	<b>13.759</b>	<b>11.748</b>	<b>1.056</b>	<b>12.387</b>	<b>15.338</b>	<b>24.662</b>

The composition at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010 of non-current loans and receivables is set out below:

(Thousand euros)	31.12.2011			31.12.2010		
	Gross value	Impairment	Net book value	Gross value	Impairment	Net book value
Participating loans to Jatrol, S.L.	-	-	-	17.807	(17.807)	-
Loan Artenius UK, Limited (in Administration)	7.512	(7.512)	-	8.093	(8.093)	-
Loan to Industrias Químicas T�xtiles, S.A.	2.621	-	2.621	2.537	-	2.537
Sale of the subsidiary Artenius Portugal, Industria de Polimeros, S.A.	2.685	-	2.685	-	-	-
Sale of shareholding in Evertis SGPS, S.A. (Begreen SGPS, S.A.)	1.862	-	1.862	-	-	-
Other loans and receivables	5.464	(2.075)	3.389	5.486	(2.000)	3.486
Deposits and guarantees	1.098	-	1.098	1.833	-	1.833
<b>Non-current loans and receivables</b>	<b>21.242</b>	<b>(9.587)</b>	<b>11.655</b>	<b>35.756</b>	<b>(27.900)</b>	<b>7.856</b>

During 2008, the Parent Company granted two participating loans to the company Jatrol, S.L. for 2,400 thousand euros and 17,400 thousand euros. In 2009 the Parent Company filed a claim against Jatrol, S.A. to claim the amounts owed. On 4<sup>th</sup> March 2011 a court judgement was issued ordering Jatrol, S.L. to pay the sum of 300 thousand euros and ordering Nuevo Sol Granadella, S.L. to repay the sum of 17,400 thousand euros, approximately, with the effect of reclassifying the net amount of the receivables from "Non-current loans and receivables" to "Current loans and receivables" (see Note 24.1). In spite of the court judgements that are favourable to the Parent Company's interests, the probabilities of receiving the amounts owed to it are deemed remote and the balances have been provided for in full, because both Nuevo Sol Granadella, S.L. and Jatrol, S.L. are in a situation of insolvency.

As a result of the Administration process, the balances held by the Group with the subsidiary Artenius UK, Limited have not been considered as Group balances. At 31<sup>st</sup> December 2011, the loan granted to that company, for the amount of 7,512 thousand euros, is impaired in full.

In addition, during 2009 the Parent Company delivered a loan secured by mortgage to the company Industrias Qu micas T xtiles, S.A. ("Inquitex") for the sum of 3,135 thousand euros, to comply with the obligation to pay the debt owed to the Social Security authorities which this company had previously

assumed on behalf of the Parent Company. The aforesaid loan accrues interest at Euribor + 2%. At 31<sup>st</sup> December 2011 the amount handed over on account of this loan, including the interest accrued and not received, totals 2,621 thousand euros. Industrias Químicas Textiles, S.A. went into an insolvency process in 2008. However, the aforesaid loan is not provided for as it is secured by a second mortgage on land (see Note 24.4).

The account “Other non-current loans” mainly includes a loan granted to the former Chairman of the Parent Company of 2,000 thousand euros, arising in previous years. The Parent Company filed a claim to recover the aforesaid loan, which is fully impaired at 31<sup>st</sup> December 2011.

## Note 12. Non-current assets held for sale

The composition of “Non-current assets held for sale” and “Liabilities associated to non-current assets held for sale” at 31<sup>st</sup> December 2011 and 2010 is as follows:

(Thousand euros)	Assets		Liabilities	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Artenius San Roque, S.A.U.	-	37,841	-	37,831
Artenius Portugal, Industria de Polimeros, S.A.	-	16,056	-	15,917
Evertis SGPS, S.A. and subsidiaries	-	2,738	-	-
<b>Non-current assets held for sale</b>	<b>-</b>	<b>56,635</b>	<b>-</b>	<b>53,748</b>

A detail of the main classes of assets and liabilities that have been classified as held for sale at 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	Artenius San Roque, S.A.	Artenius Portugal, S.A.		Artenius San Roque, S.A.	Artenius Portugal, S.A.
<b>Non-current assets</b>	<b>40,909</b>	<b>18,754</b>	<b>Non-current liabilities</b>	<b>12,284</b>	<b>3,017</b>
Property, plant and equipment	37,433	16,892	Grants	-	25
Goodwill	-	897	Long term financial liabilities	3,243	209
List of customers	-	965	Deferred tax liabilities	9,041	2,783
Financial investments	3,476	-			
<b>Current assets</b>	<b>5,763</b>	<b>2,799</b>	<b>Current liabilities</b>	<b>25,547</b>	<b>12,900</b>
Inventories	3,039	405	Current financial liabilities	-	6,136
Receivables	398	2,392	Trade and other payables	25,287	6,764
Current financial investments	18	-	Other short-term financial liabilities	260	-
Cash and banks	2,308	2			
<b>Impairment</b>	<b>(8,831)</b>	<b>(5,497)</b>			
<b>Non-current assets held for sale</b>	<b>37,841</b>	<b>16,056</b>	<b>Liabilities related to non-current assets held for sale</b>	<b>37,831</b>	<b>15,917</b>

The impact on the income statement for 2010 as a result of the impairment of assets classified as held for sale totalled 8,831 thousand euros and 5,497 thousand euros for Artenius San Roque, S.A.U. and Artenius Portugal, Industria de Polimeros, S.A., respectively.

The activities of Artenius San Roque, S.A.U., Artenius Portugal, Industria de Polimeros, S.A. and Evertis, SGPS, S.A. were not presented as discontinued operations in the consolidated income statement at 31<sup>st</sup> December 2010 as it was considered, in accordance with IFRS 5, that they did not represent a significant business line within the Group.

### 12.1 Artenius San Roque, S.A.U.

On 18<sup>th</sup> November 2010 La Seda de Barcelona, S.A. signed an agreement for the sale of the shares in the subsidiary Artenius San Roque, S.A.U. with Cepsa Química, S.A., subject to certain conditions precedent. Consequently, in accordance with the provisions of ruling accounting legislation, at the end of 2010 the assets and liabilities of Artenius San Roque, S.A.U. were classified as held for sale, and, therefore, were stated separately from the rest of the asset and liabilities on the consolidated balance sheet.

The sale was completed definitively on 5<sup>th</sup> January 2011. The result recognized in the income statement for 2011 under the heading "Impairment and loss on disposal of fixed assets" in respect of the sale totals a loss of 840 thousand euros, as a result of the establishment of the definitive price of the transaction.

## **12.2 Artenius Portugal, Industria de Polimeros, S.A.**

On 11<sup>th</sup> March 2011, the Parent Company reached an agreement with the Portuguese company Control PET SGPS, S.A. for the sale of the shares in its subsidiary Artenius Portugal, Industria de Polímeros, S.A. This agreement was pending execution at the date of drawing up the consolidated annual accounts for 2010. However, based on the advanced stage of negotiations at the year end, the assets and liabilities of that subsidiary were classified as held for sale and, therefore, were presented separately from the rest of the assets and liabilities on the consolidated balance sheet.

On 27<sup>th</sup> June 2011, the sale of all the shares in the capital of Artenius Portugal, Indústria de Polímeros, S.A. to Control PET SGPS, S.A. was finally completed. The final price of the transaction was established at 4,000 thousand euros, plus 1,642 thousand euros subject to the condition that Artenius Portugal, Indústria de Polímeros, S.A. recover an equivalent sum in VAT from the Portuguese tax authorities in respect of insolvent customer balances. The result recognized in the income statement for 2011, under the heading "Impairment and profit on the disposal of fixed assets" in respect of the sale totals a profit of 5,655 thousand euros, which basically corresponds to the effect caused by the reduction in value of the net assets sold, as a result of the loss contributed to the consolidated result between 1<sup>st</sup> January 2011 and the date of the sale, and the positive adjustment to the final transaction price, mainly relating to the VAT to be recovered by Artenius Portugal, Indústria de Polímeros, S.A., in respect of which the Directors consider that there are no doubts that this amount will be recovered. In accordance with the provisions of the sale agreement, the price may be adjusted upwards in the future, if certain product levels are achieved in the factory in the 2011-2015 period.

The balance receivable from Control PET SGPS, S.A. at 31<sup>st</sup> December 2011 deriving from the sale breaks down into 2,918 thousand euros included under "Other debtors" and 2,685 thousand euros included under "Long-term loans to third parties", falling due between 2013 and 2015.

## **12.3 Evertis, SGPS, S.A.**

On 31<sup>st</sup> January 2011, the Parent Company signed an agreement for the sale of the shares in the subsidiary Evertis SGPS, S.A., representing 20% of the share capital, to Moura Consulting, S.L., which held the remaining 80% of the shares. The agreement established a variable amount linked to the future results of the consolidated group headed by the aforesaid company, with a minimum price of 3 million euros being stipulated.

Based on the advanced state of negotiations at the end of 2010, and in accordance with the provisions of ruling accounting legislation, the amount of the financial investment was classified as a non-current asset held for sale.

In light of the impossibility of reliably estimating the future results of the consolidated group headed by Evertis SGPS, S.A. and, therefore, a final price for the transaction, based on the prudence principle only the minimum value of 3 million euros has been recorded as a balance receivable.

The loss on the transaction recorded in the consolidated annual accounts at 31<sup>st</sup> December 2010 totalled 272 thousand euros.

The balance receivable from Evertis, SGPS, S.A. at 31<sup>st</sup> December 2011 deriving from this operation breaks down into 997 thousand euros included under "Other debtors" and 1,862 thousand euros included under "Long-term loans to third parties", falling due between 2013 and 2014.

## Note 13. Inventories

The composition of this heading at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Goods purchased for resale	10,270	10,282
Raw materials and supplies	28,024	27,437
Work in progress	11,541	10,402
Finished products	50,143	46,061
Spare part	13,922	16,309
Advances to suppliers	329	10,427
Others	2,953	3,628
Impairment	(10,919)	(8,286)
<b>Inventories</b>	<b>106,263</b>	<b>116,260</b>

It should be noted that the heading "Goods purchased for resale" includes the land owned by the group company Inmoseda, S.L.U. for 10,260 thousand euros and that the heading "Others" mainly includes returnable packaging relating to companies engaged in the manufacture of preforms.

The accompanying interim summarized consolidated financial statements do not include any inventory items that are stated under assets at a fixed quantity.

## Note 14. Trade and other receivables

The composition of this heading at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010 is as follows:



(Thousand euros)	31.12.2011	31.12.2010
Trade customers for sales and services rendered	244,313	238,397
Other debtors	26,208	19,493
Debit balances with Public Authorities	12,865	14,221
Current tax assets	111	2,428
Provision for impairment	(112,532)	(110,778)
<b>Trade and other receivables</b>	<b>170,965</b>	<b>163,761</b>

The balance of "Other debtors" includes the outstanding short-term balances receivable arising on the sale of Artenius Portugal, Industria de Polimeros, S.A. totalling 2,918 thousand euros, and of Evertis SGPS, S.A., totalling 997 thousand euros (see Note 12).

## Note 15. Equity

### 15.1 Share capital

The amount and movement in these headings during 2010 and 2011 were as follows:

(Thousand euros)	31.12.2009	Capital increase	Capital decrease	31.12.2010	31.12.2011
Share capital	160,578	300,000	(97,891)	362,687	362,687

During 2011 there have been no movements in capital and, consequently, at 31<sup>st</sup> December 2011, the share capital is made up of 362,687 thousand euros represented by 3,626,873,401 fully subscribed and paid-up shares with a par value of 0.10 euros each. At 31<sup>st</sup> December 2011 the Group does not hold any shares in the Parent Company.

Shareholders with a stake of 3% or more in the Company are as detailed below:

Shareholder	Number of direct voting rights	Number of indirect voting rights	% Shareholding
BA PET BV	650.000.000	73.017.523	19,94%
Caixa Geral de Depósitos, S.A.	363.359.749	172.395.839	14,77%
Liquidambar Inversiones Financieras, S.L.	188.429.224	-	5,20%

The direct holders of the shares held indirectly by the Parent Company's main shareholders are as follows:

Indirect holder of the shareholding	Direct holder of the shareholding	Number of direct voting rights	%Shareholding
BA PET, BV	BA Glass, BV	73.017.523	2,01%
Caixa Geral de Depósitos, S.A.	Caixa Capital Sociedade de Capital de Risco, S.A.	1.000	-
Caixa Geral de Depósitos, S.A.	Caixa Geral de Depósitos, S.A., sucursal en España	153.133.848	4,22%
Caixa Geral de Depósitos, S.A.	Caixa Banco de Investimento, S.A., sucursal en España	19.260.991	0,53%

## 15.2 Non-controlling shareholdings

This corresponds to the value of the shareholding of minority shareholders in the subsidiaries. A breakdown at 31<sup>st</sup> December 2011 is set out below:

(Thousand euros)	31.12.2010	Other adjustments	Minority results	31.12.2011
CARB-IQA de Tarragona, S.L.	82	-	108	190
Artenius Hellas, S.A.	3,054	4	(829)	2,229
Biocombustibles La Seda, S.L.	1,147	-	(20)	1,127
Simpe, S.p.A.	(3,105)	2,201	(2,581)	(3,485)
Erreplast, S.r.l.	1,887	-	308	2,195
	<b>3,065</b>	<b>2,205</b>	<b>(3,014)</b>	<b>2,256</b>

As one of the necessary steps in the restructuring plan being implemented by the subsidiary Simpe, S.p.A, its two main shareholders, La Seda de Barcelona, S.A. and N.G.P.S, have capitalized loans against the equity of the subsidiary for the amounts of 2,500 thousand euros and 1,932 thousand euros, respectively. Consequently, the balance of external shareholders has increased by an amount equal to 49.89% (percentage stake of external shareholders) of these contributions.

## Note 16. Non-current provisions

A breakdown by item of non-current provisions at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Provisions for pensions	7,037	4,607
Provisions for other employee obligations	366	461
Other provisions	16,387	25,442
	<b>23,790</b>	<b>30,510</b>

### 16.1 Provisions for pensions

The Group has pension commitments, both for defined benefit and defined contribution plans, with the employees of the different companies that make up the Group. A breakdown by company of the "Provisions for pensions" at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Industrias Químicas Asociadas LSB, S.L.U.	-	63
Artenius Italia, S.p.A.	900	916
Artenius PET Packaging Belgium, NV	246	237
Artenius PET Packaging Deutschland, GmbH	3,092	2,940
APPE France, SAS (formerly Artenius PET Packaging France, SAS)	471	432
APPE France, SAS (formerly Artenius PET Recycling France, SAS)	254	135
Simpe, S.p.A.	1,410	1,354
Erreplast, S.r.l.	290	259
Artenius Hellas, S.A.	699	661
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi Anonim Sirketi	1,109	1,225
Artenius PET Packaging Uk, Limited	(1,434)	(3,615)
	<b>7,037</b>	<b>4,607</b>

## 16.2 Provisions for other employee obligations

A detail of "Provisions for other employee obligations" by company at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Artenius PET Packaging Belgium, NV	31	51
Artenius PET Packaging Deutschland, GmbH	335	410
	<b>366</b>	<b>461</b>

## 16.3 Other provisions

A breakdown by company of "Other provisions" at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Artenius Turkpet Kimyevi Maddeler ve Pet Ambalaj Malzemeleri Sanayi Anonim Sirketi	175	218
Artenius Italia, S.p.A.	3,517	3,517
La Seda de Barcelona, S.A.	11,159	20,406
Artenius PET Packaging Uk, Limited	1,536	1,301
	<b>16,387</b>	<b>25,442</b>

The provision recorded in Artenius Italia, S.p.A. for 3,517 thousand euros relates to a provision for probable tax contingencies.

The provision corresponding to La Seda de Barcelona, S.A. mainly includes:

- In 2008 the Company acquired land from Fibracat Europa, S.L.U. in payment of debts that this company owed to La Seda de Barcelona, S.A. This operation, which did not entail any cash movements, was subject to VAT, which Fibracat Europa, S.L.U. did not pay to the Tax Authorities. On 22<sup>nd</sup> January 2010, the Tax Authorities sent notice to La Seda de Barcelona, S.A. of the commencement of actions for an administrative procedure to determine whether it was jointly and severally liable for the debt. Consequently, a provision was recorded at 31<sup>st</sup> December 2009 for the estimated impact, valued at 14,080 thousand euros. Of the aforesaid amount, a balance of 11,288 thousand euros was recognized as "Other financial liabilities" at 31<sup>st</sup> December 2010 (see Note 17), as there was an agreement for the deferral of payment of the principal with the tax authorities. The remaining amount corresponding to the fine and late-payment interest (2,792 thousand euros) has been recognized as "Provision for taxes".
- The Parent Company recognized a total amount of 13,000 thousand euros as "Other provisions" at the end of 2010 in relation to ongoing litigation with Finova, AG, on which a judgement was issued which is contrary to the interests of the Parent Company (see Note 24.7.7). As mentioned in Note 17, during 2011 the Parent Company has formalized a settlement agreement for the amount of 12.5 million euros and has therefore proceeded to reclassify the agreed amount as a financial liability.
- At 31<sup>st</sup> December 2011 and at 31<sup>st</sup> December 2010 a provision has been registered in the Parent Company totalling 4,632 thousand euros (4,453 thousand euros in 2010) to cover possible contingencies relating to possible cash disbursements in respect of the execution of the sale option on the shares in Simpe, S.p.A. by Invitalia (an Italian public company).
- The Parent Company has recognized a provision at the end of 2011 for a total amount of 1,500 thousand euros, related to the judgement issued by Court of First Instance number 2 of El Prat de Llobregat in which it orders the Company to pay 1,452 thousand euros plus interest and legal costs, considering that the possibilities of success of the appeal lodged against the aforesaid judgment are remote (see Note 24.7.1).

The amount provided for in Artenius PET Packaging UK, Limited corresponds to the estimated expenses the company will incur upon expiration of the lease contract on the building it currently occupies (in 2020).

## Note 17. Financial liabilities

A breakdown of current and non-current financial liabilities at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	Financial liabilities held for trading		Debits and payables		Hedging derivatives		Total	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Bank loans		-	530,028	506,332		-	530,028	506,332
Derivatives	3,264	3,486		-	13,008	13,248	16,272	16,734
Other financial liabilities		-	36,079	38,681		-	36,079	38,681
<b>Long term / non-current</b>	<b>3,264</b>	<b>3,486</b>	<b>566,107</b>	<b>545,013</b>	<b>13,008</b>	<b>13,248</b>	<b>582,379</b>	<b>561,747</b>
Bank loans		-	97,669	101,865		-	97,669	101,865
Derivatives		8		-	942	122	942	130
Other financial liabilities		-	19,258	12,724		-	19,258	12,724
<b>Short term / current</b>	<b>-</b>	<b>8</b>	<b>116,927</b>	<b>114,589</b>	<b>942</b>	<b>122</b>	<b>117,869</b>	<b>114,719</b>
<b>Financial liabilities</b>	<b>3,264</b>	<b>3,494</b>	<b>683,034</b>	<b>659,602</b>	<b>13,950</b>	<b>13,370</b>	<b>700,248</b>	<b>676,466</b>

## 17.1 Detail of bank loans

The composition of the heading "Bank loans" at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	Drawn			
	31.12.2011		31.12.2010	
	Current	Non-current	Current	Non-current
Loans	40,602	522,884	49,655	499,430
Finance lease	2,172	7,144	1,634	6,902
Credit facilities	36,314	-	32,838	-
Accrued interest payable	7,461	-	6,747	-
Discounted bills	3,513	-	4,642	-
Factoring	7,607	-	6,349	-
	<b>97,669</b>	<b>530,028</b>	<b>101,865</b>	<b>506,332</b>

The main movements in the period in bank loans have arisen under the heading of "Loans". The most significant aspects are detailed below:

- On 5<sup>th</sup> March 2011 the Parent Company renegotiated the conditions of the loan from the Institut Català de Finances (ICF) for the amount of 15 million euros, extending the repayment date until 5<sup>th</sup> March 2020 (formerly the repayment date was 5<sup>th</sup> September 2011) with a grace period of 36 months and maintaining the conditions of interest at 3-month Euribor + 3%. This loan continues to be secured by a mortgage on property number 3954 in the Property Registry of El Prat de Llobregat, with an area of 70,762 m<sup>2</sup>.
- On 22<sup>nd</sup> June 2011 the Parent Company obtained a new loan from the Institut Català de Finances (ICF) totalling 15 million euros, falling due on 22<sup>nd</sup> June 2021 at an interest rate of 3-month Euribor + 5%. This loan is secured by mortgages on properties 35250 and 28653 in the Property Registry of El Prat.
- As a result of the debt restructuring carried out in 2010, the Parent Company took out a PIK loan / PIK facility, which is a long-term debt instrument, for 226 million, over 8 years, with repayment in 3 annual instalments as of 2016, where repayment is subject to the value of consolidated equity on the fifth anniversary of the instrument being higher than the value defined by the capital increase carried out, capitalized at 15% p.a. This loan accrues capitalizable interest at Euribor + 1.5%. The amount capitalized in respect of interest on the PIK loan totalled 7,292 thousand euros in 2011.

The syndicated loan and the PIK loan are guaranteed by different companies of the LSB Group.

## 17.2 Detail of other financial liabilities

The composition of this heading at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011		31.12.2010	
	Current	Non-current	Current	Non-current
Severance indemnities	3,167	290	5,405	2,774
Derivatives	942	16,272	130	16,734
Debt with Montefibre	-	13,592	-	15,147
Deferral of debt with Public Authorities	5,480	10,443	1,420	11,433
Deposits and guarantees	563	71	3,603	64
Negotiation of debt with suppliers	-	3,390	-	8,319
Other debts with associated companies	-	-	2,036	869
Finova Luzern, AG	2,500	8,252	-	-
Other commitments deriving from Artlant	6,553	-	-	-
Others	995	41	260	75
	<b>20,200</b>	<b>52,351</b>	<b>12,854</b>	<b>55,415</b>

The most significant variations in relation to this heading are as follows:

- Debt with Montefibre

At 31<sup>st</sup> December 2010, the subsidiary Simpe, S.p.A. had a debt owed to the company Montefibre, S.p.A. totalling 15,147 thousand euros.

As a result of the restructuring plan the subsidiary is implementing, Montefibre transferred 2,000 thousand euros during the year to N.G.P.S. (shareholder of Simpe S.p.A), of which 1,932 thousand euros were contributed by N.G.P.S. to the equity of the subsidiary (see Note 15.2).

At the end of the year, the subsidiary Simpe, S.p.A has a debt of 13,592 thousand euros, of which 445 thousand euros relate to interest accruing in 2011 and capitalized according to the contract.

- Deferred of debt with Public Authorities

The amount reflected at 31<sup>st</sup> December 2011 for deferrals of debt to Public Authorities mainly corresponds to:

- The amount of the VAT pending payment in respect of the operation carried out in 2008 by the Parent Company whereby it acquired land owned by Fibracat Europa, S.L.U. for 11,522 thousand euros.
- The amount of deferrals obtained in 2011 from the Social Security authorities corresponding to the Parent Company (511 thousand euros in the short term and 1,752 thousand euros in the long term) and to the company Industrias Químicas Asociadas LSB, S.L.U. (136 thousand euros in the short term and 466 thousand euros in the long term).

The Parent Company's deferrals with the Tax and Social Security Authorities have been secured by a mortgage on property number 3954 of the Property Registry of El Prat de Llobregat. The deferral with the Social Security authorities of the company Industrias Químicas Asociadas LSB, S.L.U. is also secured by a mortgage on properties 13570, 13572, 4315, 11535 and 11537 in the Property Registry of Tarragona.

- Other commitments deriving from Artlant PTA, S.A.

During 2011, La Seda de Barcelona, S.A. has reached an agreement with the other shareholders of the subsidiary to make the outstanding payments in respect of contributions to equity in three instalments between December 2011 and the first half of 2012. This financing is secured by the lender's right to

exercise a call option on the shares held by La Seda de Barcelona, S.A. in its subsidiary Artlant PTA, S.A. At 31<sup>st</sup> December 2011, the outstanding balance totalled 6,553 thousand euros.

- Finova

On 15<sup>th</sup> July 2011, La Seda de Barcelona, S.A. and Finova Luzern, AG formalized a settlement agreement whereby La Seda de Barcelona, S.A. will pay the sum of 12.5 million euros in principal and 1.6 million euros in interest, falling due between 2011 and 2016.

At 31<sup>st</sup> December 2011 the outstanding balance totalled 10,752 thousand euros (principal plus accrued interest), 2,500 thousand euros in the short term and 8,252 thousand euros in the long term. See Note 16.3.

## Note 18. Trade and other payables

A breakdown of this heading at 31<sup>st</sup> December 2011 and 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Suppliers	167,936	173,487
Other payables	20,769	23,093
Public authorities	12,662	11,715
Current tax liabilities	4,376	3,181
<b>Trade and other payables</b>	<b>205,743</b>	<b>211,476</b>

Although the price of raw materials has increased during 2011, the heading "Suppliers" has decreased mainly on account of the payment of debts to suppliers arising in preceding years, as a result of the financial restructuring completed in 2010.

## Note 19. Staff costs

The composition of staff costs at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Wages and salaries	66,426	71,796
Social security	14,332	15,187
Severance indemnities	1,295	3,508
Contributions to supplementary pension systems	3,529	527
Other staff welfare expenses	4,363	5,363
	<b>89,945</b>	<b>96,381</b>

The average number of employees at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

	31.12.2011	31.12.2010
Men	1,508	1,697
Women	213	247
<b>Average no. of employees</b>	<b>1,721</b>	<b>1,944</b>

The variation in the average number of employees at 31<sup>st</sup> December 2011 compared to the average number of employees at 31<sup>st</sup> December 2010 is explained by the reduction in the average number of employees of the company Artenius PET Packaging UK, Limited by 31 employees. In addition, the average number of employees at 31<sup>st</sup> December 2010 includes 93 employees of Artenius San Roque, S.A.U. (which departed from the consolidation perimeter in the current year), 38 employees of Selenis Serviços Técnicos e Administrativos, Ltda. (in Administration in the fourth quarter of 2010), 22 employees of Artlant PTA, S.A (which became an associated company in 2010), and 40 employees of Artenius Portugal S.A. (which departed the consolidation perimeter in 2011).

## Note 20. Impairment and net profit/(loss) on disposals of fixed assets

The profit in respect of "Impairment and net profit/(loss) on disposals of fixed assets", which totalled 823 thousand euros in 2011, mainly includes:

(Thousand euros)	31.12.2011	31.12.2010
Impairment of assets (IAS 36)	(1,376)	1,922
Impairment of assets (IFRS 5) and profit/(loss) on departures from the perimeter	4,144	(14,328)
Other impairment and profit/(loss) on sale of fixed assets	(1,945)	(11,707)
	<b>823</b>	<b>(24,113)</b>

The "Profit/(loss) on departures from the perimeter" mainly includes the impacts emerging in the income statement for 2011 on the sale of the companies Artenius San Roque, S.A.U. and Artenius Portugal, Industria de Polimeros, S.A. which totalled a loss of 840 thousand euros and a profit of 5.655 thousand euros respectively (see Note 12).

## Note 21. Financial expenses

The composition of the heading "Financial expenses" at 31<sup>st</sup> December 2011 compared to 31<sup>st</sup> December 2010 is as follows:

(Thousand euros)	31.12.2011	31.12.2010
Interest on syndicated loan and PIK loan	16,606	17,243
Derivatives	5,609	8,671
Other financial expenses	17,673	21,396
	<b>39,888</b>	<b>47,310</b>



- Interest on syndicated loan and PIK loan.

The variation in this heading is mainly explained by the effects of the debt restructuring carried out by the Parent Company in 2010. As mentioned in Notes 17.1 and 21.1 to the consolidated annual accounts for 2010, 117 million euros of principal of the syndicated loan were converted into ordinary shares in the Parent Company in August 2010 with a subscription value of 0.1 euros per share. Consequently, the interest accruing on the syndicated loan and PIK loan in 2011 are calculated on the basis of a significantly lower loan principal.

In addition, the PIK loan accrues interest at 1-year Euribor + 1.5%, while the previous syndicated loan accrued a variable interest rate of Euribor plus a differential that varied between 1.75% and 2.5%.

- Derivatives

The amount recognized in the income statement under the heading "Financial expenses" relating to derivatives corresponds mainly to the impact of the settlements of derivatives of the Parent Company which totalled 5,609 thousand euros (8,671 thousand euros in 2010).

- Other financial expenses

The variation in this heading is mainly due to the fact that at 31<sup>st</sup> December 2010 it included financial expenses pertaining to the companies Artenius Portugal, S.A. and Artenius San Roque, S.A.U., which departed from the consolidation perimeter in 2011, and pertaining to Artlant PTA, S.A, which became an associated company in the second half of 2010.

## Note 22. Earnings per share

The basic earnings per share are calculated by dividing the net profit or loss for the year (attributable to the Group) by the weighted average number of outstanding shares during the year, excluding the average number of own ordinary shares purchased and held by the Group.

The diluted earnings per share are calculated by taking the total financial instruments that give access to the share capital of the Parent Company, both whether they have been issued by the company or by any of its subsidiaries. The dilution is calculated on an instrument-by-instrument basis, taking into account the conditions at the balance sheet date, excluding anti-dilution instruments.

The calculation of the basic and diluted earnings per share at 31<sup>st</sup> December 2011 compared with 31<sup>st</sup> December 2010 is as follows:

	31.12.2011	31.12.2010
Net profit/(loss), in thousand euros	(49,557)	(85,444)
Weighted average number of share in circulation	3,626,873,401	1,743,563,812
Earnings per share	(0.014)	(0.049)

## Note 23. Transactions with related parties

### 23.1 Remuneration of the Board of Directors and Senior Management

#### a) Remuneration of the members of the Board of Directors

During 2011 and 2010, the remuneration accrued by the members of the Board of Directors of the Parent Company totalled 2,479 thousand euros and 3,666 thousand euros, respectively, as detailed below:

(Thousand euros)	31.12.2011	31.12.2010
Fixed remuneration	943	786
Variable remuneration	933	1,963
Per diem allowances	587	211
Others - Payments based on equity instruments	-	700
<b>Remuneration</b>	<b>2,463</b>	<b>3,660</b>

(Thousand euros)	31.12.2011	31.12.2010
Loans granted	-	-
Pension Funds and Plans: Contributions	13	4
Life insurance premiums	3	2
<b>Other benefits</b>	<b>16</b>	<b>6</b>

The remuneration received by members of the Board of Directors during the year includes all remuneration received by persons who have formed part of the Board, even though they no longer hold such posts at the year end.

The Nominations and Remuneration Committee of the Parent Company approved certain variable amounts the accrual of which, between 3 and 5 years, is subject to and weighted by the evolution of the consolidated ROE and the attainment of key performance indicators. These variable amounts total 7 million euros in a scenario of 100% compliance with all targets. For the annual accounts for 2011, a provision of 933 thousand euros has been recorded which is the proportional part accruing during the year in the event of 100% compliance.

In 2010, the variable remuneration depended on the one hand on meeting the goals set for the restructuring of the Company, with a limit of 351 thousand euros and, on the other hand, on compliance with Key Performance Indicators, with a limit of 2.3 million euros, of which 700 thousand euros were paid in shares of the Parent Company.

At 31<sup>st</sup> December 2011 there are no outstanding balances with members of the Board of Directors, except for the variable remuneration which, as mentioned above, will be settled between the third and fifth year after approval.

#### b) Advances and loans granted to members of the Board of Directors

At 31<sup>st</sup> December 2011 there is a loan granted in previous year to a former member of the Board of Directors, which has been provided for in full (see Note 11).

c) Remuneration and loans to Senior Management personnel

In 2011 and 2010 the remuneration received by Senior Management is as detailed below:

(Thousand euros)	31.12.2011	31.12.2010
Remuneration received	2,049	1,926
Pension Funds and Plans: Contributions	110	61
Life insurance premiums	5	11
<b>Members of senior management</b>	<b>2,164</b>	<b>1,998</b>

The above remuneration includes all remuneration received by persons who have formed part of senior management during the year, even though they no longer hold such posts at the year end, either because they are no longer members of senior management or because they no longer work for the Group.

During 2011 and 2010, the Parent Company has not granted loans to senior management.

There are clauses in the employment contracts of approximately 10 employees, establishing a term of notice of more than one year and/or establishing a special guarantee clauses in the event of termination of contract of at least one year's salary. Three of these ten employees are part of the Management Committee.

## 23.2 Associated

The financial assets and liabilities held by the Group with associated companies at 31<sup>st</sup> December 2011 are as follows:

(Thousand euros)	31.12.2011							
	Financial assets				Financial liabilities			
	Loans and other assets		Customers		Loans and other liabilities		Suppliers	
	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term
Artlant PTA, S.A.	-	-	-	62	-	-	-	-
<b>Total</b>	-	-	-	<b>62</b>	-	-	-	-

Transactions by the Group with associated companies during 2011 are as follows:

(Thousand euros)	31.12.2011						
	Income				Expenses		
	Sales	Services rendered	Other operating income	Financial income	Purchases	Operating expenses	Financial expenses
Petrolest, S.L.	-	-	11	-	-	(5,264)	(13)
Artlant PTA, S.A.	-	451	-	1,286	-	-	-
<b>Total</b>	-	<b>451</b>	<b>11</b>	<b>1,286</b>	-	<b>(5,264)</b>	<b>(13)</b>

## 23.3 Other related parties

Transactions with parties related to the Group during 2011 are detailed below:

(Thousand euros)	31.12.2011			Total
	Significant shareholders	Directors and Executives	Other related parties	
Financial expenses	2,695	-	-	2,695
<b>Expenses</b>	<b>2,695</b>	<b>-</b>	<b>-</b>	<b>2,695</b>
Financing agreements: loans and capital contributions (borrower)	70,202	-	-	70,202
<b>Other transactions</b>	<b>70,202</b>	<b>-</b>	<b>-</b>	<b>70,202</b>

## Significant shareholders

- **Caixa Geral de Depósitos, S.A.**

Caixa Geral de Depósitos, S.A., shareholder owning a stake of 14.77% in the capital of the Parent Company, is also one of the participating lenders in the syndicated loan and the PIK loan. The outstanding balance of this loan assigned to Caixa Geral de Depósitos, S.A. at 31<sup>st</sup> December 2011 totalled 62,355 thousand euros (61,033 thousand euros in 2010). Furthermore, Caixa Banco de Investimento, S.A. participates in the syndicated loan with 7,847 thousand euros (7,681 thousand euros in 2010).

The interest accruing on the aforesaid loan during 2011 totalled 2,167 thousand euros and 272 thousand euros payable to Caixa Geral de Depósitos, S.A. and Caixa Banco de Investimento, S.A., respectively. At 31<sup>st</sup> December 2011 the outstanding balance in respect of this interest totals 931 thousand euros payable to Caixa Geral de Depósitos, S.A. and 117 thousand euros payable to Caixa Banco de Investimento, S.A.

- **Banco Comercial Português, S.A.**

Banco Comercial Português (BCP) was a significant shareholder until 28<sup>th</sup> February 2011, when it ceased to be the holder of a stake of more than 3% in the share capital of the Parent Company. BCP is one of the creditors of the syndicated loan, the outstanding balance of which accrued interest totalling 256 thousand euros in 2011 (up to 28<sup>th</sup> February).

## Directors and executives

There have been no transactions with directors and executives, except for the remuneration received for their post as summarized in the preceding section of these notes and detailed in the Annual Remuneration Report.

## **Note 24. Contingencies**

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The main contentious proceedings at 31<sup>st</sup> December 2011 are as follows:

### **24.1 Jatroil, S.L. and Nuevo Sol Granadella, S.L**

#### **Jatroil, S.L. y Nuevo Sol Granadella, S.L.**

La Seda de Barcelona, S.A. filed a court claim against the companies Jatroil, S.L., Gestión Integral y Servicios Agroenergéticos S.L and Nuevo Sol Granadella S.L. on 23<sup>rd</sup> October 2009. The object of the claim was to seek termination of the loan contracts dated 21<sup>st</sup> and 28<sup>th</sup> February 2008 formalized between La Seda de Barcelona, S.A. and Jatroil, S.L. and consequently the return of 18,280 thousand euros by Jatroil S.L. and/or Nuevo Sol Granadella, S.L. as jointly and severally liable party.

A court order dated 17<sup>th</sup> March 2010 established the joinder of this claim to the claim filed in October 2009 by Jatroil, S.L against La Seda de Barcelona, S.A. for the failure by the latter to hand over the entire loan mentioned, seeking termination of the loan and claiming damages. The judgement on this joinder proceeding was issued on 4<sup>th</sup> March 2011 and ordered Jatroil, S.L to pay La Seda de Barcelona, S.A. the sum of 300 thousand euros, approximately, and ordered Nuevo Sol Granadella S.L to pay the sum of 17,400 thousand euros approximately (see Note 11).

Both Jatroil, S.L and Nuevo Sol Granadella, S.L have appealed against the judgement. In turn, La Seda de Barcelona, S.A. has also appealed against the decision that Jatroil is not required to pay any amount whatsoever in relation to the participating loan.

We consider that the possibilities of success of the appeal lodged by Jatroil, S.L. and Nuevo Sol Granadella, S.L. are remote; however, due to the financial position of both companies, Company management considers that this amounts are unlikely to be recovered, and therefore they continue to be provided for.

Furthermore, on 12<sup>th</sup> April 2011 La Seda de Barcelona, S.A filed a provisional enforcement action against Jatroil, S.L. in respect of the sum of 338,740 thousand euros in principal plus 101,619 thousand euros in respect of a prudent calculation of interest and legal costs. This claim is being heard by Court of First Instance number 25 of Barcelona.

#### **Nuevo Sol Granadella, S.L.**

On 9<sup>th</sup> October 2009, the Parent Company filed a claim against Nuevo Sol Granadella, S.L. for failure to honour a promissory note of 5,000 thousand euros. The Order of 25<sup>th</sup> March 2010 suspended the proceeding due to the existence of a prior civil case, as the ordinary proceeding described in the preceding paragraph was in progress in which Nuevo Sol Granadella S.L. is a party and on which a judgement was issued on 4<sup>th</sup> March 2011.

La Seda de Barcelona, S.A. maintains provisions in respect of the loans granted despite these judgements because at the end of 2011 and at the end of 2010 it does not have evidence of the debtors' capacity to pay.

## 24.2 Corporate liability actions

At the General Shareholders' Meeting of La Seda de Barcelona, S.A. held on 8<sup>th</sup> August 2009, resolutions were passed to bring two corporate liability actions against Mr Rafael Español Navarro.

In the first of these, filed on 22<sup>nd</sup> October 2009, La Seda de Barcelona, S.A. claimed compensation for economic damages totalling 18,280 thousand euros caused by the loans granted to Jatrol, S.L mentioned in paragraph 24.1 above. A joinder was approved of this action to the action for compensation submitted by La Seda de Barcelona, S.A. against Fiatc Mutua de Seguros y Reaseguros a Prima Fija (Fiatc) and Chartis Europe Sucursal en España S.A., by virtue of the general directors and executives liability policy contracted with these insurance companies up to the limit of their respective policies, i.e. 15,000 thousand euros against Fiatc and the remaining 3,280 thousand euros against Chartis.

In the second action filed on 16<sup>th</sup> December 2009, la Seda de Barcelona, S.A. sought compensation for the damage caused by the default on the payment for the sale of goods to companies domiciled in Tunisia and Russia, totalling 35,070 thousand euros, plus legal interest.

In both proceedings, the defendant submitted a plea to the jurisdiction for arbitration, which was accepted in the Court Orders of 19<sup>th</sup> January 2010 and March 2010. The appeals lodged against these two Orders were joined. A Court Order of 30<sup>th</sup> December 2010 ruled unfavourably for the Company with regard to the plea for jurisdiction, while the ruling with regard to the joinder of actions against the insurance companies was favourable, with no imposition of legal costs. This Order established the direct action of the Parent Company against the insurance companies by virtue of the Insurance Act. After the Court Order of 30<sup>th</sup> December 2010, the proceeding resumed solely against Fiatc and Chartis through the above-mentioned direct action. After the Preliminary Hearing, the Court proceeded to suspend the proceeding pending the result of the arbitration proceeding against the former Chairman of the Board of Directors. The Company has lodged an appeal against the court ruling that ordered this suspension. On 23<sup>rd</sup> November 2011, the Arbitration Proceedings formally commenced and the Parent Company formalized the first pleadings on 7<sup>th</sup> December 2011. The term in which to issue the arbitration decision ends on 30<sup>th</sup> May 2012. The amounts claimed in the arbitration proceeding are the same as those indicated in the preceding paragraphs. The first and second pleadings on the Company's behalf have been submitted and the second pleadings by the defendant are within the term for being submitted. In these claims we understand that there is a remote risk that the outcome will not be favourable to La Seda de Barcelona, S.A.

## 24.3 Claims against former executives

La Seda de Barcelona, S.A. has filed to claims against former executives which are described below:

- 24.3.1 Claim filed on 3<sup>rd</sup> March 2010 against a former executive claiming the sum of 4,566 thousand euros in respect of repayment of a loan, failure to give notice, and damages, which is being heard by Labour Court number 16 of Barcelona. The case has been provisionally shelved, due to *lis pendens* with regard to the Judgement of Labour Court 7 issued on the action brought by this former executive against the Parent Company claiming compensation, bonus and life annuity totalling 4,504 thousand euros, which found in favour of the Parent Company's interest and is currently at the Appeal phase before the Labour Division of the High Court of Justice of Catalonia.
- 24.3.2 Claim filed on 2<sup>nd</sup> February 2010 with Labour Court number 11 of Barcelona against another former executive claiming the sum of 3,404 thousand euros in damages. The proceeding deals with two claims, one filed by La Seda de Barcelona, S.A. against the executive (3,404 thousand euros), and another counterclaim filed by the Executive against La Seda de Barcelona, S.A. (1,013 thousand euros). The hearing is scheduled for 6<sup>th</sup> March 2012.

24.3.3 The Directors consider it unlikely that the claims filed against the Parent Company by the former executives will be upheld. In relation to the claims filed by the Parent Company against these former executives, no amount whatsoever has been recognized as these correspond to contingent assets the receipt of which is not considered reasonably assured.

#### **24.4 Industrias Químicas Textiles, S.A**

In 2006 La Seda de Barcelona, S.A. sold 100% of the shares in Industria Químicas Textiles, S.A. (Inquitex) to Rumblefish, S.L. As part of the agreements reached in the share purchase contract, Inquitex assumed the obligation to pay a debt of the Parent Company to the General Treasury of Social Security (TGSS) for 9,112 thousand euros, as joint and several guarantor. This debt is secured by the first mortgage on the land on which the production facilities of Inquitex are located.

La Seda de Barcelona, S.A. has not reflected a debt in its liabilities in respect of this item due to the following circumstances:

- La Seda de Barcelona, S.A. is aware that Inquitex and the TGSS have reached an agreement for the deferral of the debt of Inquitex, and therefore the latter is currently in compliance with payment of the aforesaid debt.
- In the event of default by Inquitex, the TGSS has assumed an obligation, by virtue of the resolution dated 13<sup>th</sup> June 2006, of priority foreclosure through the liquidation of the building, which makes La Seda de Barcelona, S.A. the de facto subsidiary debtor.
- The value of the building according to the latest appraisal to which La Seda de Barcelona, S.A. has had access (2006) was approximately 35,000 thousand euros, and therefore its capacity to settle the secured debt is assured even in a scenario of significant supervening loss in value of the building.

#### **24.5 Lawsuits filed against former Directors of the Parent Company**

As mentioned in the annual accounts for 2008, during 2009 the Board of Directors was informed of the charges against a former Director in a lawsuit accepted for process in Examining Court number 19 of Barcelona, Preliminary Proceedings number 470/2006-J for a possible criminal offence of a tax nature. The lawsuit determined that La Seda de Barcelona, S.A. could have joint and several general liability for the alleged facts. Accordingly, La Seda de Barcelona, S.A. has recorded a liability in relation to this proceeding.

#### **24.6 Lawsuits filed by the Parent Company**

- 24.6.1 In February 2011, La Seda de Barcelona S.A filed a claim against Fibralegre-Produção e Comercialização de Fibras de Poliester, Lda, which is under liquidation, with the Court of Portalegre claiming the amount of 409,506 thousand euros, plus interest, corresponding to the commercial debt for unpaid supplies. The claim has been accepted and the liquidation of the debtor's assets is in progress.
- 24.6.2 At the request of La Seda de Barcelona S.A, a proceeding for enforcement of court orders is in progress with Court of First Instance number 2 of Sabadell claiming the sum of 71 thousand euros in principal plus 21 thousand euros in legal costs. Enforcement has been suspended temporarily until a ruling is issued on the appeal for rescission of judgement given in default that has been lodged by one of the parties against which the enforcement applies.

La Seda de Barcelona, S.A. has responded to the action brought by one of the parties subject to the enforcement in the above-mentioned proceeding, and the case is continuing. This action seeking to annul a firm judgement and requiring the proceeding to be repeated, is only possible in specific cases. The arguments submitted by the other party in the action lack a sound basis that would permit the action to be upheld. La Seda de Barcelona, S.A does not have to face any contingency whatsoever in this regard, except for a possible decision concerning payment of legal costs.

- 24.6.3 La Seda de Barcelona, S.A filed an action for enforcement of court orders against the company Quat Inversiones, S.L for the sum of 966 thousand euros, plus 290 thousand euros budgeted for interest and legal costs, which is being heard by Court of First Instance number 56 of Barcelona. Although a lien has been placed on several properties owned by the defendant, the existence of preferential lines for very considerable sums compromises the success of the enforcement. This credit has been provided for in full by the Parent Company.

## **24.7 Lawsuits filed by third parties**

- 24.7.1 In February 2009, the Parent Company signed a PET supply contract with a third party for 3,000 thousand euros. To guarantee compliance with the supply, the Company handed over 3 promissory notes with a value of 500 thousand euros each maturing in July, August and September 2009, respectively. These promissory notes were not honoured, and therefore the Parent Company was sued by the holder of them. Court of First Instance number 2 of El Prat de Llobregat issued a judgement which substantially upheld the claim and ordered the Parent Company to pay 1,452 thousand euros plus interest and legal costs. On 14<sup>th</sup> June 2011, La Seda de Barcelona, S.A. lodged an appeal against this judgement. On 4<sup>th</sup> July 2011 the plaintiff submitted its objections to the appeal. The proceeding is pending issue of a judgement by the Provincial High Court of Barcelona. Observing the prudence principle, and taking into consideration the judgement in first instance, La Seda de Barcelona, S.A has recorded a provision for 1,500 thousand euros (see Note 16.3).
- 24.7.2 On 5<sup>th</sup> February 2010 a former executive of the Company filed a claim against La Seda de Barcelona, S.A for 1,013 thousand euros as compensation for termination of contract plus a retirement bonus. This case was assigned to Labour Court no. 10 of Barcelona. On 22<sup>nd</sup> February a joinder of proceeding was requested, and was granted by Labour Court no. 11 and accepted by Labour Court no. 10. The hearing is scheduled for 6<sup>th</sup> March 2012.

The Parent Company has not reflected any provision in this regard in light of the scant likelihood of success of the claim. This claim is related to the claim described in Note 24.3.2.

- 24.7.3 On 15<sup>th</sup> February 2010 a former executive of the Company filed a claim against La Seda de Barcelona, S.A. for the amount of 4,504 thousand euros in respect of failure to pay severance indemnity, give prior notice and the bonus for achieving targets. This claim was assigned to Labour Court no. 7 of Barcelona. The judgement has upheld the stance of La Seda de Barcelona, S.A.. The former executive has lodged an appeal against this judgement with the Labour Division of the High Court of Justice of Catalonia.

The Company has not reflected any provision in this respect in light of the scant likelihood of success it considers this claim to have. This claim is related to the claim described in Note 24.3.1.



- 24.7.4 On 28<sup>th</sup> October 2010, the Insolvency Administrators of Provimola, S.L filed an incidental action for return against La Seda de Barcelona, S.A. with Mercantile Court no. 5 of Madrid. The plaintiff seeks the rescission of certain agreements formalized between Provimola and La Seda de Barcelona, S.A. (contract for the assignment of technology rights and subsequent rescission thereof, agreement to offset credits totalling 13,800 thousand euros, withholding as compensation for termination of contract of the sum of 1,200 thousand euros and pardoning by omission of 14,200 thousand euros). If their claim is upheld, this would involve the return by La Seda de Barcelona, S.A to the insolvency assets of the sum of 29,250 thousand euros. La Seda de Barcelona, S.A. has responded to this action, and is waiting for a date to be set for the hearing to examine the proposed evidence. The Parent Company has not reflected any provision in this respect due to the scant likelihood of success of the claim.
- 24.7.5 The company Gestigroup Consulting FT, S.L. and two other shareholders of La Seda de Barcelona, S.A. have filed an action against it seeking that all the resolutions passed at the Extraordinary General Shareholders' Meeting of La Seda de Barcelona, S.A. held on 17<sup>th</sup> December 2009 be declared null and void *ab initio*. The aforesaid meeting approved the annual accounts for 2009 and the reduction and subsequent increase of the capital of the Parent Company required by the financial restructuring process, among other resolutions. La Seda de Barcelona, S.A. has responded to this action, challenging each of the alleged causes for the resolutions to be declared null and void. On 23<sup>rd</sup> December 2011, La Seda de Barcelona, S.A. was notified of the judgement in first instance in which it was completely exonerated and the plaintiffs were expressly ordered to pay the legal costs.
- 24.7.6 Provimola S.L. has filed an action for criminal proceedings against La Seda de Barcelona, S.A. for alleged offences of forgery, fraud and/or criminal offence against the Public Treasury established in article 305 of the Criminal Code. After the representative of La Seda de Barcelona S.A. had made a statement, the joinder of this action to a complaint that had been recorded as lodged by the Public Prosecutor since 2009 took place. The likelihood of success of this action is scant.
- 24.7.7 In 2007 Finova Luzern, AG filed a claim against La Seda de Barcelona, S.A. for the amount deriving from loans and credits granted by West-LB to Markische Viskose GmbH, a former Group company owned by Viscoseda, S.A., the payments of which, guaranteed by the Parent Company, were not honoured. Finova Luzern AG acquired these credits from West LB by virtue of a sale contract dated 13<sup>th</sup> July 2006.

The Court of First Instance of Düsseldorf issued a judgement on 17<sup>th</sup> December 2008 in which it rejected the claims of La Seda de Barcelona, S.A., which was revoked on appeal.

In light of the enforcement of the judgement sought by Finova Luzern AG, on 15<sup>th</sup> July 2011 the parties formalized a settlement agreement whereby La Seda de Barcelona, S.A will pay through deferred payment the sum of 12,500 thousand euros in principal and 1,583 thousand euros in interest, on payment dates between years 2011 to 2016. A provision for the aforesaid amount was recorded at the end of 2010, and the outstanding part at 31<sup>st</sup> December 2011 has been recognized as a financial liability by virtue of the aforesaid deferral agreement (see Note 17.2).

- 24.7.8 On 2<sup>nd</sup> November 2010, La Seda de Barcelona, S.A. was notified of a claim filed by Rodssac, Sociedad de Responsabilidad Limitada de Capital Variable, in which the latter requests acceptance by La Seda de Barcelona, S.A. of the transfer of a package of shares in the company Fibras Europeas de Poliester, S.A. as payment of a debt which the plaintiff has with La Seda de Barcelona, S.A. totalling 4,921 thousand euros.

La Seda de Barcelona, S.A. opposed this claim and submitted a counterclaim in which it sought that RODSACC be ordered to pay the amount in question in cash, and Rodsacc has responded to the counterclaim. The Parent Company has not recorded any liability because the credit against Rodsacc is impaired in full.

- 24.7.9 On 4<sup>th</sup> July 2011, La Seda de Barcelona, S.A. was notified of a claim filed by the company KOLMAR GROUP AG, claim the sum of 7,562 thousand euros in performance of a contract formalized between the parties on 7<sup>th</sup> January 2010. The hearing will take place on 28<sup>th</sup> March 2012. In light of the current state of the proceeding, the possibilities of success of the claim filed against the Parent Company resulting in its being ordered to pay the amounts indicated in the *petitum*, are remote.
- 24.7.10 The Public Prosecutor has pressed charges (Preliminary Proceedings 1021/2011) following complaints made by several minority shareholders of La Seda de Barcelona, S.A. for alleged criminal offences against the Public Treasury in the context of two operations involving the sale of goods to customers in Russia and Tunisia in 2008. After accepting the case for process, the Court has summoned all the formal suspects to be questioned. Once this step has been completed, the examination of the case will continue with the investigative measures the Court considers appropriate.
- 24.7.11 At its meeting held on 17<sup>th</sup> June 2010, the executive committee of the National Securities Market Commission (CNMV) resolved to initiating administrative proceedings for the imposition of sanctions against La Seda de Barcelona, S.A. and certain members of the Board of Directors for (i) submitted regulated financial information with inaccurate or untrue data, in relation to the annual reports for the years 2006 and 2007; (ii) the alleged breach due to provision of financial assistance for the purchase of own shares; (iii) the alleged serious breach due to the failure to respond within the required time to demands for information and documentation made by the CNMV.

On 15<sup>th</sup> December 2010, at the proposal of the Executive Committee of the CNMV, the Ministry of Economy and Finance resolved on the partial suspension of the aforesaid administrative proceedings until the Investigation Proceedings of the Public Prosecutor of the High Court of Justice of Catalonia had been completed and, as the case may be, until a firm court judgement is issued in any resulting criminal proceedings.

On 2<sup>nd</sup> January 2011, the CNMV conveyed the list of accusations to La Seda de Barcelona, S.A. On 8<sup>th</sup> March, La Seda de Barcelona, S.A. submitted the corresponding document of pleadings in response to the list of accusations to the CNMV.

Subsequently, on 27<sup>th</sup> May 2011, the examiners of the proceeding drew up the corresponding Proposed Resolution, in respect of which La Seda de Barcelona, S.A. did not exercise its right to submit pleadings. Consequently, on 5<sup>th</sup> October 2011, the Board of the CNMV resolved to impose a fine of 10 thousand euros on La Seda de Barcelona, S.A. for a minor breach on account of the failure to respond within the required time to demands for information and documentation made by the CNMV.

La Seda de Barcelona S.A. filed a Contentious-Administrative appeal against the Order of the Ministry of Economy and Finance of May 2011, exclusively with regard to the resolution on the proceedings instigated by the National Securities Market Commission. This Order imposes a fine of 30 thousand euros for a very serious breach of the Securities Market Act. The appeal has been accepted for process, and will be dealt with using the rules of ordinary procedure.

## **Note 25. Post balance-sheet events**

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### **25.1 Insolvency of Jatroil, S.L.**

By virtue of a Court Order dated 9<sup>th</sup> February 2012, Mercantile Court number 7 of Madrid has declared Jatroil, S.L. to be in the legal situation of abbreviated voluntary insolvency, and therefore administrators have been appointed to exercise the debtor's faculties of administration and disposition of its property.