2011
FINANCIAL RESULTS
Second Semester

LSB

CONTENTS

RELEVANT ASPECTS

- Increase of 17.6% in aggregate turnover to December compared to the previous year, in spite of the difficulties in supply experienced in the first half of the year and the weakening of demand in the second half.

- Recurring EBITDA totalled 57.8 million euros at December 2011, which represents a decrease of 15.8% compared to the end of the previous year, basically as a result of the context of weakening of demand in which the Group has operated during the second half of the year, and the financial limitations deriving from compliance with the payment commitments undertaken in the restructuring plan.

- Repayment during 2011 of 56 million euros in debts with suppliers in the context of the restructuring process. In spite of this, working capital has remained in line with the previous year, showing considerable progress in the normalization of commercial terms with the main suppliers.

- Launch of two important innovations in the Packaging Division in the fourth quarter of the year, as an indication of the relevance of the Group's innovation and development activities.

- The LSB Group has fulfilled all the payment commitments undertaken with suppliers and financiers in its restructuring plan, and at 31 December 2011 had repaid a total of 193 million euros in debt.

- Achievement of the objectives of the Restructuring Plan with regard to divestment from companies that are not considered strategic for the Group.

1. Evolution of the Group's business

During 2011 the LSB Group has reached consolidated turnover of 1,172 million euros, which represents an increase of 17.6% compared to the previous year. Operating losses have decreased to 10.6 million euros compared to 26.1 million for the same period in 2010, and the net consolidated losses have fallen by 42.0% from 85.4 million to 49.6 million euros.

The evolution of the business and of the markets in which the Group has operated during 2011 has been affected by the volatility of raw material prices and the euro/dollar exchange rate, as well as by the growing weakness of demand in European markets as a result of climatological and economic factors.

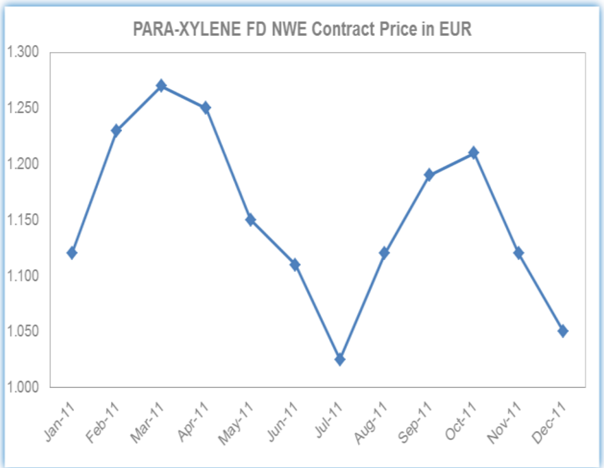
During 2011 the LSB Group has repaid 70 million euros in debt with suppliers and financiers, in line with the commitments undertaken during the restructuring process which was completed in 2010. The total debt repaid since August 2010 totals 193 million Euros. Strict compliance with these financial commitments has unquestionably been a factor that has limited growth and the profitability of the Group's operations during 2011, in spite of the progress made in the return to normal commercial terms with the main suppliers and in seeking financing alternatives to working capital.

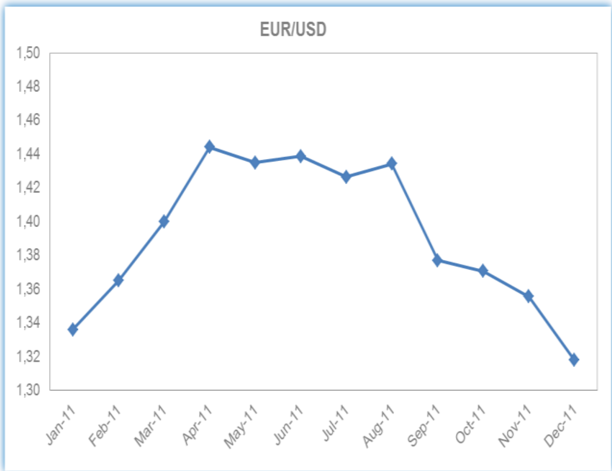
Payment commitments to suppliers and financiers during 2012 deriving from the restructuring process will total 32 million euros.

Market

The PET resin and PET packaging markets where the Group operates have shown a progressive weakening of final demand during 2011, which was more intense in the second half of the year, as a result of both climatological factors, to the extent that the summer has been one of the coldest and shortest in the last two decades, and to the aggravation during the fourth quarter of economic factors related to the recessive environment of the economic situation in Europe.

The weakness in demand has led to the accumulation of inventories of PET kept by end customers, the replenishment of which has been slower than anticipated, and consequently to a progressive reduction in the occupation ratio of the capacity of European PET manufacturers, from the peak of 97% reached by the industry in July to levels of less than 75% recorded in November. This slow replacement of inventories has been aggravated by the fall in prices during the fourth quarter, which has led to the postponement of numerous purchasing decisions.





Evolution of the price of Paraxylene during 2011.
Base 100=January 2011

In addition to the weakness of demand, European PET manufacturers have experienced growing pressure on prices from imports from Asia and the Middle East, from the second quarter of 2011, caused by two factors; (i) the slowdown in economic growth and in demand for PET in Asian markets and (ii) the appreciation of the euro with respect to the dollar from 1.34 to 1.43 dollars between January and August, coinciding with the period of greatest demand in the seasonal cycle. These circumstances have determined an overall volume of PET imports in Europe of 520,000 tonnes during the first nine months of the year, compared to 580.000 tonnes recorded in the same period in the previous year.

The PET packaging market has undergone a similar evolution to the resin market, affected by the progressive weakening of demand from end customers and consequently the slowdown in the process of reducing the inventories accumulated for the summer, which in some cases has gone on until the months of October and November.

In addition, the shrinking demand in European markets and the volatility of raw material prices have encouraged the trend towards lighter packaging with a lower plastic content, and the slowing of projects to replace other plastic materials with PET, respectively.

In this environment, the LSB group has intensified its commitment to the development of more sustainable PET resins, produced on the basis of recycled material, and for innovating packaging technologies that allow this material to be used in new applications and market segments, the results of which will materialize during 2012.

Operations

The Group’s operations during 2011 have been affected by the scarcity of raw material during the first half of the year and by the volatility of demand in European markets.

This circumstance has led to a significant variability in the occupation ratios of the Group's PET production capacity, and the need to seek supplies of raw material from Asian producers, a fact which has notably increased the exposure of operations to variations in the exchange rate and fluctuations in raw material prices. The supply of raw material will gradually return to normal with effect from May when a new PTA plant in Poland commences production.

Thus, the Group's PET resin plants reached a maximum occupation ratio of 91% in June, from the minimum of 63% recorded in April. During the second half of the year, the weakness in demand caused another fall in the occupation ratio to 69.3%, in line with the experience of European producers.

The Group's packaging production plants have operated at lower than expected occupation levels during the second half of the year, as a result of the sluggish demand from the main customers, due to the low rotation of the inventories that had been accumulated to meet the expected demand for the summer season.

In this market context, the Group's chemical division has operated at full production capacity for glycol, driven not only by the strong demand from external customers, but also by the limited availability of this product on the international market. This has permitted a significant increase in the margin on its main raw material, ethylene.

In the production and demand context described above, the Group has continued with its efforts to improve working capital management efforts, placing special emphasis on limiting the investment in inventories of finished product and raw materials. Agreements have also been reached with the main suppliers to improve and return the commercial conditions under which the Company does business to normal, the impact of which will be fully materialized during 2012. This working capital management policy has permitted a net release of funds in the group's main businesses taken as a whole of 38.4 million euros.

1.1 Analysis by Business Unit

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

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

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- **PET / PET Recycling**

According to the unconsolidated management accounts reported periodically to Group Management, the key aggregate figures at 31 December of this Division are as follows:

Key Figures	31.12.2011	31.12.2010	% Variation
Thousand Euros			
Turnover	551,584	488,446	12.93%
EBITDA	15,830	24,798	-36.16%
EBIT	-2,120	6,844	-130.98%

The PET / PET Recycling Division has increased turnover by 12.9% during 2011, compared to the same period of the previous year, while EBITDA decreased by 36.2% from 24.8 million to 15.8 million euros compared to the same period.

The increase in turnover is a result of the 19% increase in the average selling price and the 6% decrease in the volume of tonnes sold compared to the previous year. Compared to the aggregate 3% increase in the first half of the year, this shows the decrease in activity during the second half of the year as described above.

The reduced utilization of the production capacity compared to 2010 also explains the negative evolution of the Division's EBITDA, which showed an increase of 40% up to June compared to the first half of the previous year. The decline in margins and volumes during the last quarter of the year, in which the Division broke event in terms of EBITDA, has revealed a notable fall in operations compared to the previous year.

In this context, and in line with the goal of increasing sales of special products, the PET Division has reinforced its commercial structure with the incorporation of technical and commercial resources dedicated to this product range, which is less sensitive to economic cycles and has higher added value. In addition, the PET Division has reinforced its commercial structure to strengthen and increase the customer portfolio and its presence in certain European markets.

During the last quarter of 2011, the Division has completed the process of obtaining the necessary authorizations to start marketing a resin with a high component of recycled material, which is already at the trial phase in some of the Group's major customers.

- **Packaging**

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

Key Figures	31.12.2011	31.12.2010	% Variation
Thousand Euros			
Turnover	661,484	564,315	17.22%
EBITDA	41,121	50,958	-19.30%
EBIT	20,580	29,711	-30.73%

During 2011 the Division's turnover increased by 17.2% compared to the same period of the previous year. This increase is basically due to the increase in the cost of the raw material, which has been passed on to customers, through the final price. The variation in sales in terms of units represented a reduction of 9.0%, in the periods compared.

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

In terms of EBITDA, the Division has generated 41.1 million euros, which represents a decrease of 19.3% compared to the same period the previous year. The decrease in EBITDA is due to the reduced utilization of the capacity and consequently a lesser dilution of fixed costs.

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

In recognition of this constant innovation effort, the Packaging Division has been awarded the European best packaging producer award granted by the Association of Plastic Processors. The Division has made notable progress in its expansion strategy and expects to complete its entry into two new markets during 2012.

- **Chemical Division**

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

Key Figures	31.12.2011	31.12.2010	% Variation
Thousand Euros			
Turnover	125,448	84,660	48.18%
EBITDA	13,518	3,895	247.06%
EBIT	10,993	3,882	183.19%

In 2011 the Division's turnover totalled 125.5 million euros, an increase of 48.2% compared to the same period of the previous year. In terms of volume, sales increased by 26.0%, due to the 23.1% increase in the activity of the El Prat plant compared to the previous year, and also to the sales of MEG to third parties and to other Group companies, that have been made possible by the investments made in order to have the capacity to make shipments using maritime transport.

The Division has generated a positive EBITDA of 13.5 million euros, compared to 3.9 million generated the previous year, mainly due to the favourable comparative evolution of the margin for MEG compared to ethylene, its main raw material.

1.2 Reconciliation of Management Accounts and Book Result

The reconciliation of the turnover, EBITDA and EBIT between the management accounts and the consolidated accounts at 31 December 2011 together with those for the year is set out below:

31 December 2011

Thousand euros	Turnover	EBITDA	EBIT
Management Accounts	**1,338,516**	**55,128**	**1,637**
Differences in perimeter	1,469	-3,909	-4,464
Intersegment eliminations	-29,962	-	-
Intercompany eliminations	-159,560	-	-
Consolidation and other adjustments	21,902	-3,150	-7,753
Consolidated IFRS	**1,172,365**	**48,069**	**-10,580**

31 December 2010

Thousand euros	Turnover	EBITDA	EBIT
Management Accounts	**1,137,421**	**68,718**	**18,485**
Differences in perimeter	43,225	-8,497	-17,990
Intersegment eliminations	-40,124	-	-
Intercompany eliminations	-140,816	-	-
Consolidation and other adjustments	-2,790	5,065	-26,565
Consolidated IFRS	**996,916**	**65,286**	**-26,070**

1.3 Prospects for 2012

The prospects of the European economy for 2012 have deteriorated in recent months, especially in the last quarter, with the confirmation that countries such as the United Kingdom have gone into recession and the others such as Spain and Italy being expected to go into recession during the first half of the year.

This economic context, caused by the effects of the sovereign debt crisis in Europe, the generalization of restrictive fiscal policies and the absence of credit in the financial system, means that negative growth rates are expected in the coming quarters. This fact is likely to have a negative impact on the demand for PET and PET packaging in Europe.

Confirmation of the recovery of the Asian economies as a result of the relaxation of the monetary policy in China, combined with the fact that the euro/dollar exchange rate has remained below 1.35, suggest that PET imports will be contained and the market will be more favourable for European producers. However, confirmation of an upward trend in the price of crude would reduce the likelihood of a recovery in growth in the European economies in the short term.

In this economic context, the Divisions of the LSB Group will make a decided commitment to a strategy of growth based on (i) promoting the PET resin products with the highest added value, the sales volumes of which are expected to increase by around 20%, (ii) a clear strategic option for resins produced from recycled material both through chemical and mechanical processes, and iii) expansion into new markets and new customer segments with higher added value, through innovative packaging solutions.

In recent months, the LSB Group has equipped itself with the technical means and human resources necessary to undertake this new strategic approach successfully.

With regard to the financial and liquidity situation, the LSB Group approaches 2012 with an optimistic view to the extent that during 2011 it has both met all the financial commitments acquired as a result of the restructuring process completed the previous year and has made significant progress in returning its working capital financing conditions to normal, the full effects of which will be seen throughout 2012.

2. Changes in the consolidation perimeter

The main variations in the consolidation perimeter of the companies that make up the Group occurring during 2011 compared to the previous year were as follows:

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

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

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

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

- Sale of shares in Petrolest, S.L.: On 23 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., the holder of the remaining 51% of the shares. As a result of this transfer, the Parent Company no longer has any shareholding whatsoever in Petrolest, S.L.

- Dissolution of the subsidiaries Artenius Romania and RPC.: On 5 December 2011 and 1 December 2011, respectively, the Parent Company carried out the dissolution and simultaneous liquidation of the above-mentioned companies, which had no production activity, in line with the objective set out in the Group's Strategic Plan.

3. Key figures of the Consolidated Group

3.1 Income Statement

The key consolidated figures of La Seda de Barcelona, S.A. and its subsidiaries at 31 December 2011 compared to the previous year are as follows:

Income Statement (key figures)	31.12.2011	31.12.2010	% Variation
Thousand Euros			
Turnover	1,172,365	996,916	17.60%
Gross Margin*	292,270	304,439	-4.00%
EBITDA	48,069	65,286	-26.37%
Operating Profit (Loss)	-10,580	-26,070	-59.42%
Profit (Loss) attributed to the Parent Company	-49,557	-85,444	-42.00%
Recurring EBITDA	57,839	68,718	-15.83%

* Turnover less Provisions and variation in inventories.

Consolidated turnover increased by 17.6% compared to the same period of 2010 fundamentally due to the increase in PET prices by 19%. In terms of volume the Chemical Division experienced relevant growth of 23.1%, while the PET and Packaging Divisions reduced their volume of activity by 6.0% and 9.0%, respectively, compared to the previous year.

The Gross Margin has worsened by 4%, as a result of the difficulties in obtaining supplies of raw materials the Group experienced in the first half of the year, leading to a higher purchase cost of such raw materials on the spot market in order to ensure that production needs were covered.

The book EBITDA has decreased by 26.37% to 48.1 million euros mainly as a result of the reduction in the gross margin and the lesser occupation of production capacity during the third quarter due to the weakening of demand in the European markets.

The calculation of EBITDA includes certain exceptional income and expense items which the Group does not consider to have arisen in the normal course of its operations and estimates that they will not be generated again in successive periods. In the calculation shown below, the impact on EBITDA of certain plants that were not active during part of the period and the fixed costs of which distort the analysis of the operating results of operation has been adjusted. A breakdown of the Recurring EBITDA is set out below, adjusted to take into account the non-recurring items mentioned above:

Thousand euros	31.12.11	31.12.10
Ebitda	**48.069**	**65.286**
Restructuring expenses and court proceedings	2.086	8.870
Restructuring income	-2.346	-
EBITDA non-operational plants	4.083	8.497
Severance compensation and other staff costs	1.773	1.698
Insurance compensation for claims	-439	-
Delivery of property in payment	-1.122	-
Reversal of IQA "Take or pay" provision	-	-4.910
Loss of control over Artenius Sines PTA, S.A.	-	-25.000
Extraordinary items Wilton	-	-2.372
Provision MMT+AEAT-Finova	2.081	13.000
Pension Fund - APP UK		-2.552
Provision for doubtful debts Fibracat - LSB		2.169
VAT Italy		3.517
Other extraordinary items	385	515
Impact of provision on spare parts	3.269	-
Recurring EBITDA	**57.839**	**68.718**

Recurring EBITDA totalled 57.8 million euros at December 2011, which represents a decrease of 15.8% compared to the end of the previous year, basically as a result of the context of weakening of demand in which the Group has operated during the second half of the year.

Operating losses have fallen to 10.6 million euros compared to 26.1 million euros in the previous year as a result of the lower impact of the impairment tests compared to 2010. The losses attributable to the Parent Company have decreased to 49.6 million euros, compared to 85.4 million in 2010.

3.2 Balance Sheet

The key figures of the Seda Group at 31 December 2011 compared to 31 December 2010 are as follows:

Balance Sheet (key figures)	**31.12.2011**	**31.12.2010**	**% Variation**
Thousand Euros			
Equity	250,478	302,379	-17.16%
Non-current assets	853,667	906,497	-5.83%
Financial borrowing	700,248	676,466	3.52%
Net borrowing	653,117	625,991	4.33%
Net borrowing - ex PIK (including interest)	417,298	397,464	4.99%
Operating Working Capital (*)	71,485	68,545	4.29%
Total Assets	1,178,026	1,293,628	-8.94%

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

The reduction in non-current assets is due to the high figure of depreciation and amortization of property, plant and equipment and intangible assets, net of the investments made in property, plant and equipment totalling 17 million euros. The Group considers that this level of investments is sufficient to sustain the present activity as well as future growth plans.

Net borrowing has increased mainly due to the capitalization of the interest on the PIK loan, the increased working capital financing needs arising on account of the increase in prices, the commitments totalling 10.7 million euros undertaken in respect of the Finova Luzern case and the commitment to make a capital contribution to the Portuguese subsidiary Artlant PTA (formerly Artenius Sines), for an outstanding amount of 6.5 million euros.

The increase in operating working capital compared to December 2010 is due both to the impact of the increase in PET prices, the seasonal nature of demand, and to the reduction of 56.0 million euros in old debts with suppliers which the Group has paid during this year as a result of the agreements reached in the context of the restructuring process. Despite this strong reduction in short-term non-financial liabilities, the net balance of operating working capital has only increased by 2.9 million euros, which is explained by the increase in spontaneous financing of current suppliers and the reduction in inventories.