

La Seda de Barcelona, S.A.

Annual accounts and management report

as of December 31, 2007

Together with the auditors' report

Summary

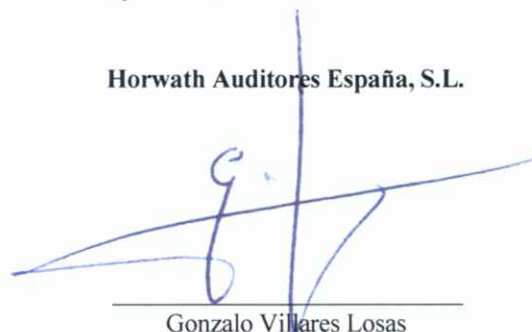
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Auditors' report on the annual accounts

To the Shareholders of
La Seda de Barcelona, S.A.:

1. We have audited the annual accounts of **La Seda de Barcelona, S.A.**, which comprise the balance sheet as of December 31, 2007, the profit and loss account and the report relating to the financial year ended on that date, the preparation of which is the responsibility of the Company's administrators. It is our responsibility to express an opinion on the aforementioned annual accounts taken as a whole, based on work carried out in accordance with generally accepted auditing standards, which require an examination, by means of selective tests, of the evidence supporting the annual accounts and an evaluation of their presentation, of the accounting principles applied and of the estimates made. Our work did not include the auditing of the annual accounts for the financial year 2007 of the subsidiary company **SIMPE, S.p.A.**, and of the associated company **Begreen SGPS, S.A.**, in which **La Seda de Barcelona, S.A.** has a percentage holding as shown in Note 9.5 of the attached report, the net book values of which are 1.53% and 0.41%, respectively of the total assets. The said annual accounts have been audited by other auditors and our audit opinion expressed in this report on the annual accounts of **La Seda de Barcelona, S.A.**, is solely based, in all matters relating to the said holdings, on the report of the other auditors.
2. In accordance with company legislation, the Administrators present, for the purposes of comparison, together with the figures for the financial year 2007 for each of the captions of the balance sheet, the profit and loss account and the source and applications of funds statement, the figures for the previous financial year. Our opinion solely refers to the consolidated annual accounts for the financial year 2007. On April 6, 2007, we issued our audit report on the annual accounts for the financial year 2006, in which we expressed an opinion with reservations.
3. In our opinion, based on our audit and on the reports of other auditors, the annual accounts for the financial year 2007 express, in all significant aspects, a true and fair view of the assets and the financial situation of **La Seda de Barcelona, S.A.** as of December 31, 2007 and the profit and loss of its operations and the resources obtained and applied during the financial year ending on the said date and contain the necessary and adequate information for their proper interpretation and understanding, in accordance with generally accepted accounting principles and standards which are consistent with those applied in the previous financial year.
4. The enclosed management report for the financial year 2007 contains the explanations that the administrators deem pertinent regarding the Company's situation, the progress of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned management report agrees with that of the annual accounts for the financial year 2007. Our work as auditors was limited to verifying the management report within the scope mentioned in this paragraph and does not include a review of any information other than that obtained from the company's accounts.

Horwath Auditores España, S.L.



Gonzalo Villares Losas

April 18, 2008

La Seda de Barcelona, S.A.
Balance sheet as of 31 December 2007 and 2006
(Thousands of euros)

| Assets | | 31.12.2007 | 31.12.2006 | Liabilities | | 31.12.2007 | 31.12.2006 |
|---|------------------|------------------|------------------|--|--------------|------------------|------------------|
| Fixed and other non-current assets | | | | Equity | (Note 15) | | |
| Start-up expenses | (Note 6) | 38,122 | 27,096 | Subscribed capital | (Note 16) | 626,873 | 416,787 |
| | | | | Issue premium | (Note 17) | 406,741 | 175,662 |
| Intangible fixed assets | (Note 7) | | | Reserves | (Note 18) | 90,386 | 86,248 |
| Research & development expenses | | 1,192 | 979 | Losses from previous financial years | (Note 18) | - | (1,975) |
| Franchises, patents, licences, brands and similar | | 45,131 | 45,085 | Result of the financial year | | 8,323 | 5,343 |
| Computer applications | | 15,867 | 10,555 | Interim dividend payable | (Note 19) | (7,579) | - |
| Greenhouse effect gas emission rights | | 1,641 | 2,311 | | | 1,124,744 | 682,065 |
| Rights to assets under a financial leasing system | | 4,773 | 4,773 | | | | |
| Amortisations | | (12,826) | (6,133) | Deferred revenues | | | |
| | | 55,779 | 57,570 | Capital subsidies | (Note 5 or)) | 1,303 | 1,036 |
| | | | | | | 1,303 | 1,036 |
| Tangible fixed assets | (Note 8) | | | Provisions for contingencies and expenses | | | |
| Land and buildings | | 31,702 | 31,449 | Allowance for greenhouse gases | (Note 20) | 339 | 1,275 |
| Technical installations and machinery | | 157,308 | 156,562 | | | 339 | 1,275 |
| Other installations, equipment and furniture | | 1,185 | 1,185 | | | | |
| Advances and current tangible fixed assets | | 7,252 | 676 | Long term creditors | | | |
| Other fixed assets | | 5,905 | 5,788 | Issue of bonds and other negotiable securities | (Note 21) | | |
| Amortisations | | (121,140) | (114,580) | Convertible bonds | | - | 2,258 |
| | | 82,212 | 81,080 | | | - | 2,258 |
| | | | | | | | |
| Financial investments | (Note 9) | | | Debts with credit institutions | | | |
| Shares in group and associated companies | | 953,213 | 428,998 | Long-term debts with credit institutions | (Note 22) | 585,812 | 388,250 |
| Loans to group companies | (Notes 9 and 12) | 187,854 | 187,878 | Long-term financial leasing creditors | (Note 7.1) | 708 | 2,124 |
| Long-term securities portfolio | | 2,450 | 2,450 | | | 586,520 | 390,374 |
| Other loans | | 125,656 | 86,511 | | | | |
| Long-term debts with public bodies | | 17,050 | 21,499 | Other accounts payable | (Note 23) | | |
| Long-term deposits and financial guarantees | | 36 | 35 | Long-term debts with public bodies | | 1,307 | 478 |
| Provisions | | (19,655) | - | Other debts | | 2,395 | 3,320 |
| | | 1,266,605 | 727,371 | Long-term bonds and deposits received | | 9 | 9 |
| | | 1,442,718 | 893,117 | | | 3,711 | 3,807 |
| | | | | | | 590,231 | 396,439 |
| Deferred expenses | (Note 10) | 17,239 | 11,720 | | | | |
| | | | | Short-term creditors | | | |
| Current assets | | | | Issue of bonds and other negotiable securities | (Note 21) | | |
| Inventories | (Note 11) | | | Interest from bonds and other securities | | - | 44 |
| Sales inventories | | 53,126 | 93 | | | - | 44 |
| Raw materials and other procurements | | 10,533 | 6,906 | | | | |
| Semi-finished products and work-in-progress | | 3,282 | 3,051 | Debts with credit institutions | | | |
| Finished products | | 8,870 | 3,183 | Loans and other debts | (Note 22) | 22,816 | 3,791 |
| Advances | | 541 | 3,213 | Short-term financial leasing creditors | (Note 7.1) | 1,416 | 1,416 |
| Provisions | | (272) | (191) | Debts for interest charges | (Note 22) | 5,982 | 136 |
| | | 76,081 | 16,255 | | | 30,214 | 5,343 |
| | | | | | | | |
| Accounts receivable | | | | Debts with group and associate companies | | | |
| Clients due to sales and rendering of services | | 123,180 | 153,528 | Debts with group and associate companies | (Note 12) | 15,879 | 10,415 |
| Group and associated companies, accounts receivable | (Note 12) | 102,120 | 44,758 | | | 15,879 | 10,415 |
| Sundry receivables | (Note 13) | 8,320 | 8,828 | | | | |
| Personnel | | 128 | 103 | Trade accounts payable | | | |
| Public bodies | | 9,445 | 8,286 | Debts due to purchases or rendering of services | | 41,170 | 39,117 |
| Provisions | | (1,543) | (1,087) | | | 41,170 | 39,117 |
| | | 241,650 | 214,416 | | | | |
| | | | | | | | |
| Temporary financial investments | | | | Other non-trade payables | (Note 23) | | |
| Loans to group companies | (Notes 9 and 12) | 10,389 | 4,209 | Public bodies | | 1,724 | 2,133 |
| Short-term securities portfolio | (Note 9) | 871 | 28,171 | Other debts | | 3,382 | 32,250 |
| Other loans | | 315 | 315 | Salaries and wages pending payment | | 3,367 | 4,803 |
| Short-term deposits and financial guarantees | | 18,890 | 8 | | | 8,473 | 39,186 |
| Provisions | | (10) | (10) | | | 95,737 | 94,105 |
| | | 30,455 | 32,693 | | | | |
| | | | | | | | |
| Short-term own shares | (Note 14) | - | 2,135 | | | | |
| | | | | | | | |
| Cash and bank balances | | 4,085 | 4,570 | | | | |
| | | | | | | | |
| Time period adjustments | | 124 | 14 | | | | |
| | | 352,396 | 270,083 | | | | |
| | | | | | | | |
| | | 1,812,353 | 1,174,920 | | | 1,812,353 | 1,174,920 |

Notes 1 to 36 of the attached report are an integral part of the balance sheet of 31 December 2007.

La Seda de Barcelona, S.A.
Profit & loss account for the financial years ending 31 December 2007 and 2006
(Thousands of euros)

| Operating costs | | 31.12.2007 | 31.12.2006 | Operating income | | 31.12.2007 | 31.12.2006 |
|--|-----------|----------------|----------------|--|-----------|----------------|----------------|
| Procurements | | | | Net turnover | (Note 29) | | |
| Consumption of raw materials and other consumable materials | (Note 26) | 165,052 | 138,633 | Sales | | 161,474 | 181,272 |
| Other external costs | | - | 244 | Rendering of services | | 145,730 | 3,177 |
| Personnel costs | (Note 27) | | | Increase in stocks of finished products and work in progress | | 5,918 | 1,186 |
| Wages, salaries and similar | | 15,303 | 19,983 | Capitalised expenses of in-house work on fixed assets | | 8,545 | 3,065 |
| Staff welfare expenses | | 4,219 | 6,269 | Other operating income | | | |
| Endowments for amortisation of fixed assets | | 21,688 | 14,331 | Additional income and miscellaneous operating income | | 2,474 | 43,245 |
| Changes in trade provisions | | | | Subsidies | | 53 | 2 |
| Variation in inventory provisions | | 81 | 9,090 | | | | |
| Variation in provisions and bad-debt losses | (Note 28) | 456 | 1,120 | | | | |
| Other operating expenses | | | | | | | |
| External services | | 47,463 | 28,939 | | | | |
| Taxes | | 236 | 530 | | | | |
| Other current operating costs | | 339 | 1,275 | | | 324,194 | 231,947 |
| | | 254,838 | 220,414 | | | | |
| Operating income | | 69,355 | 11,533 | | | | |
| | | <u>324,194</u> | <u>231,947</u> | | | <u>324,194</u> | <u>231,947</u> |
| | | | | | | | |
| Financial charges and similar | | | | Financial income and similar | | | |
| Financial expenses and similar | | | | In non group companies | | | |
| Debts to third parties and similar expenses | | 36,145 | 25,752 | Other companies outside the group | | 43 | 14 |
| Variations in provisions for investments | | - | 240 | Income from other negotiable securities and credits on fixed assets | | 4,091 | 482 |
| Negative exchange rate differences | | 11,920 | 36 | Other interest and similar income | | | |
| | | | | Other interest | | 15,180 | 4,754 |
| | | 48,065 | 26,028 | Positive exchange rate differences | | 954 | 119 |
| | | <u>48,065</u> | <u>26,028</u> | | | 20,267 | 5,369 |
| | | | | Financial loss | | 27,798 | 20,659 |
| | | | | | | <u>48,065</u> | <u>26,028</u> |
| Financial loss | | 27,798 | 20,659 | Operating income | | 69,355 | 11,533 |
| Income from ordinary activities | | 41,558 | - | Losses due to ordinary trading | | - | 9,126 |
| | | <u>69,355</u> | <u>20,659</u> | | | <u>69,355</u> | <u>20,659</u> |
| | | | | | | | |
| Extraordinary expenses | | | | Extraordinary income | | | |
| Changes in allowances for tangible and intangible fixed assets and control portfolio | (Note 9) | 19,414 | - | Profits from disposal of intangible, tangible fixed assets and control portfolio | | 13 | 14,579 |
| Losses from intangible, tangible fixed assets and control portfolio | | 161 | 2,853 | Profits from operations with own shares and bonds | | 242 | 515 |
| Losses from transactions with own shares and bonds | (Note 14) | 8,580 | 1 | Capital subsidies transferred to the result for the financial year | | 339 | 1,275 |
| Extraordinary expenses | | 1,184 | 437 | Extraordinary income | | 47 | 1,288 |
| | | 29,339 | 3,291 | | | 640 | 17,657 |
| Extraordinary income | | - | 14,366 | Extraordinary losses | | 28,699 | - |
| | | <u>29,339</u> | <u>17,657</u> | | | <u>29,339</u> | <u>17,657</u> |
| | | | | | | | |
| Extraordinary losses | | 28,699 | - | Extraordinary income | | - | 14,366 |
| Losses due to ordinary trading | | - | 9,126 | Profit before taxes | | 41,558 | - |
| Profit before taxes | | 12,859 | 5,240 | Losses before tax | | - | - |
| | | <u>41,558</u> | <u>14,366</u> | | | <u>41,558</u> | <u>14,366</u> |
| | | | | | | | |
| Corporate tax | (Note 24) | | | Profit before taxes | | 12,859 | 5,240 |
| - Accrued | | 4,522 | 5,171 | | | <u>12,859</u> | <u>5,240</u> |
| - Corporate tax adjustments | | 14 | (5,274) | | | | |
| Profits for the financial year | | 8,323 | 5,343 | | | | |
| | | <u>12,859</u> | <u>5,240</u> | | | | |

Notes 1 to 36 of the attached report form an integral part of the profit and loss account for the year 2007.

La Seda de Barcelona, S.A.

**Report on the balance sheet
and profit and loss account
as of December 31, 2007**

Note 1. Company activity

The Company was incorporated on May 23, 1925, its duration is open-ended and, as stated in the deed of incorporation of the same date, its corporate purpose is the manufacturing and sale of artificial silk in all its aspects and related products, the production, handling, processing and sale of all kinds of textile and technical fibres and threads and artificial and synthetic materials, including the construction of its own machinery, the production of power and steam for use at its plants, as well as research into the aforesaid fields.

The aforementioned activities may also be carried out fully or partially in an indirect manner, through shareholdings in other companies with identical or similar corporate purposes. Furthermore, and as a result of the different merger processes described below, its corporate purpose has been extended to include the manufacturing and trading 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.

The Company is registered with the Company Register for Barcelona, on page 16,004, sheet 11, volume 209 and it has its registered offices and carries out its activity at Avda. Remolar, 2, 08820 El Prat de Llobregat. The Company's central offices are located at Pº de Gracia, 85, 08008 Barcelona.

On June 2, 1998, and by means of a public deed of the same date, the Company merged with the subsidiary company called **Industrias Químicas Asociadas-IQA, S.A.U.** through the takeover and liquidation of the latter, thus assigning all its full and complete equity to **La Seda de Barcelona, S.A.** The merger was carried out and came into effect on January 1, 1997. Furthermore, on December 14, 2001, the Company took over, by means of the procedure of overall assignment of assets and liabilities, the entire equity of the companies **Hispano Química, S.A.U** and **Viscoseda Barcelona, S.L.U.**

On October 1, 2003, the spin-off was performed, by means of the provision of a branch of activity, for the industrial complex called "IQA" in Tarragona to a company called **Industrias Químicas Asociadas LSB, S.L.U.**, fully owned by the Company (see Note 5 h)).

Subsequently, on December 29, 2004, the General Meeting of Shareholders of La Seda de Barcelona, S.A. approved the takeover merger with effect on January 1, whereby the Company took over the group companies: **Catalana de Polímers, S.A.U.**, **KD-IQA, S.L.U.**, **Iberseda, S.L.U.**, **Proyectos Voltak, S.L.U.**, **Celtibérica de Finanzas, S.L.U.** and **Mendilau, S.L.U.**, of which it was the holder of 100% of their share capital.

As regards the annual accounts for 2004, the Company Administrators proceeded to draw them up again on July 7, 2005 due to the fact that the merger agreement described above was registered at the Companies Register on June 16, 2005. The aforesaid new wording was submitted to and approved by the Extraordinary General Meeting of Shareholders held on October 21, 2005, with the merger being entered into the 2005 financial year books.

On October 10, 2006, the Board of Directors of **La Seda de Barcelona, S.A.** approved the non-monetary contribution of the branch of activity made up by the assets and liabilities corresponding to the manufacturing of polyester fibre at the El Prat de Llobregat plant to **Fibracat Europa, S.L.U.**

To achieve the above, the Board of Directors lodged a proposal with the General Meeting of Shareholders for the amendment of the Company's corporate purpose, withdrawing the section referring to the "manufacture and sale of artificial silk in all its aspects and related products, the production, handling, processing and sale of all kinds of textile and technical fibres and threads and artificial and synthetic materials" from the same.

The accounting effects of the aforementioned transactions were described in the relevant annual accounts

La Seda de Barcelona, S.A. is the parent company for the **Seda Group**, which includes several companies with common management and shareholders.

Note 2. Bases for the submission of the annual accounts

- a) **True and fair view.** The attached balance sheet, profit and loss account and report have been prepared on the basis of the Company's accounting records as of December 31, 2007, as amended in accordance with the update carried out pursuant to Royal Decree-Law 7/1996 of June 7, and they were submitted following generally accepted accounting principles. These annual accounts are pending the approval of the Company's General Shareholders' Meeting. The Administrators of **La Seda de Barcelona, S.A.** believe they will be approved without any modifications. The annual accounts for the financial year 2006 were approved on 19 June, 2007.
- b) **Data comparison.** The enclosed financial statements for **La Seda de Barcelona, S.A.**, closed on December 31, 2007 and 2006, have been submitted following accounting schedules and regulations for Companies contained in Act 19/1989, of July 25, regarding the partial amendment and adaptation of company legislation to comply with European Economic Community directives on Companies and the Revised Text of the Public Limited Companies Act, approved by Royal Legislative Decree 1564/1989, of December 22, with the aim of showing a true and fair view of the Company's net worth, the financial situation and profits/losses. However, taking into account the effects on the net worth and business operations resulting from the segregation and subsequent non-monetary contribution of the textile business carried out in 2006 (see Note 1), as well as the purchase of several national and foreign companies whose corporate purpose is PET polymer and Preform manufacturing and marketing, as well as PET processing and recycling (see Note 3), the comparable nature of the attached financial statements is conditioned thereby.

In the current 2007 financial year, the Company has generated revenue from own technology sales worth €18.14m (see Note 29.2). As this business line has been definitely consolidated on the basis of compliance of expectations surrounding recurrent income, and given the continuity of operations within this area at the time these annual financial statements were drafted, the income generated has been recorded as "turnover", and this criteria differs from that followed in the previous financial year whereby the income was recorded under the caption "Additional Income and Miscellaneous Operating Income" for a value of €36.44m.

- c) **Issues arising from the transition to new accounting rules.** On November 20, 2007, Royal Decree 1514/2007, approving the new General Accounting Plan, was published. The decree came into force on January 1, 2008, and its application is mandatory for financial years commencing thereafter.

This Royal Decree sets forth that the first annual financial statements drawn up following the criteria contained therein will be regarded as the initial annual financial statements and will, therefore, not include figures providing comparisons with the previous financial year, although the new rules do allow the submission of comparative data from the previous year whenever such information meets the requirements of the new General Accounting Plan. Furthermore, this Royal Decree contains a number of transitional provisions allowing a choice between various options for the application of the new accounting regulation, and the voluntary adherence to certain exceptions to its first-time application.

The Company has embarked on a transitional plan to achieve adaptation to the requirements of the new accounting regulations including, among other aspects, the analysis of differences between accounting criteria and regulations, the ascertainment of the opening balance date, the selection of accounting criteria and regulations to be applied during the transition and the assessment of the necessary changes affecting procedures and reporting systems. Notwithstanding the above, at the time these annual accounts were drafted, the aforementioned plan is still being drawn up and a conclusion on the results of this analysis cannot yet be reached.

Note 3. Relevant facts

In 2007, and pursuant to the vertical integration strategy of the Group in the PET sector, **La Seda de Barcelona, S.A.** acquired shares in various national and foreign companies whose corporate purpose is PET polymer and preform manufacturing and marketing, as well as PET processing and recycling, with a breakdown as follows (see Note 9.2):

- Artenius San Roque, S.A.
- Artenius PET Packaging Europe, Ltd.
- Artenius PET Packaging UK, Ltd.
- Artenius PET Packaging Iberia, S.A.
- Artenius PET Packaging France, S.A.S.
- Artenius PET Recycling France, S.A.S.
- Artenius PET Packaging Maroc, S.A.R.L.A.U.
- Artenius PET Packaging Belgium, N.V.
- Artenius PET Packaging Deutschland, GmbH
- Recuperación de Plásticos de Barcelona, S.L.

In addition, and also in the 2007 financial year, the following acquisitions of shares in existing or start-up companies have also taken place (the corporate purposes of these companies are explained in Note 9.5):

- Simpe, S.p.A.
- Biocombustibles La Seda, S.L.
- Begreen SGPS, S.A.
- Inmoseda, S.L.U.
- Artenius Prat PET, S.L.U.
- La Seda Packing Cor Europa, S.L.U.

With the aim of finalising the growth and restructuring process that the Group is undergoing, **La Seda de Barcelona, S.A.** has been granted an extension to the syndicated credit line it already had with a financial institution, for a value of €198.38m (see Note 22). This sum has been mainly devoted to the acquisitions of the financial year and to granting credit to subsidiaries purchased in prior financial years.

Note 4. Distribution of results

The distribution of the profit from the financial year shall be decided at the General Shareholders Meeting.

The Administrators will propose the following allocation of profits:

| <u>Basis for distribution</u> | <u>(Thousands of euros)</u> |
|------------------------------------|-----------------------------|
| Profit/loss for the financial year | 8,323 |
| Issue premium | 406,741 |
| Voluntary reserves | <u>25,349</u> |
| | <u>440,413</u> |
| <u>Distribution</u> | |
| To Issue premium | 406,741 |
| To Legal reserve | 832 |
| To Voluntary reserves | 25,261 |
| To Interim dividend | <u>7,579</u> |
| | <u>440,413</u> |

On October 8, 2007, the Company's Board of Directors agreed the distribution of an interim dividend for the financial year ended on December 31, 2007 for a sum of €7.58m, payable in October of that same year. This sum is under the legal limit set forth in Article 216 of the Revised Text of the Public Limited Companies Act, concerning profit/loss obtained in the 2007 financial year.

The provisional accounting statement drawn up on October 8, 2007, in accordance with the provisions of Article 216 of the Revised Text of the Public Limited Companies Act, shows the existence of sufficient liquidity for the share-out of this dividend. It was the following:

| | <u>(Million euros)</u> |
|---|------------------------|
| Cash and bank balances available on the agreement date, October 8, 2007 | 182 |
| Increases in cash and bank balances in the interim dividend payment period: | |
| - Due to scheduled current collection operations | 31 |
| - Due to scheduled financial operations | 250 |
| Decreases in cash and bank balances in the interim dividend payment period: | |
| - Due to scheduled current collection operations | (12) |
| - Due to scheduled investments | <u>(430)</u> |
| Cash and bank balances available on the interim dividend payment deadline date of 31 October 2007 | <u>21</u> |

Note 5. Valuation rules

- a) **Start-up expenses.** These basically correspond to the expenses incurred in relation to the incorporation and the setting up of new plants for the companies included in the merger (see Note 1), as well as the share capital increases carried out by the Company (see Note 16).

Their depreciation is carried out using the straight-line method, at a rate of 20% per year.

- b) **Research & Development expenses.** The expenses incurred in the individual research & development projects are valued at their acquisition price or direct production cost, with their capitalisation being carried out when there are credible reasons for their technical success and financial and commercial profitability. They are otherwise recorded as an expense.

Depreciation is carried out based on the straight-line method, within a term of 5 years.

- c) **Franchises, patents, licences, trademarks and similar.** These are valued at the acquisition price, including the cost for registration and arrangement of the pertinent patent or trademark.

Their depreciation is carried out using the straight-line method, at a rate of 10% per year.

- d) **Computer applications.** Computer applications are valued at the purchase price and/or production cost for the ownership of computer programmes and applications, both those purchased from third parties and those produced by the Company itself, therefore the maintenance charges for the computer applications would not appear.

Their depreciation is carried out using the straight-line method over a maximum term of five years.

- e) **Greenhouse gas emission rights.** This corresponds to the greenhouse gas emission rights assigned by virtue of a National Plan through acquisition - generation. They are valued at their purchase price, which for the rights assigned free of charge by the Ministry of the Environment by virtue of the National Allocation Plan is the listing price of their corresponding secondary market on the date of incorporation. They are understood to form part of the Company's net assets at the start of the calendar year to which they correspond. These rights will be disposed of once they are shown in the National Register of Emission Rights.

- f) **Rights to assets under financial leases, lease-back transaction.** In accordance with the stipulations of Temporary Provision 5 of Royal Decree 1643/1990, of 20 December, whereby the General Accountancy Plan was passed, the Company proceeded to record the assets deriving from the lease-back contracts as intangible assets at the net value per books of the asset that was the object of the transaction, whilst recording the total debt for the repayments plus the sum total of the purchase option on the liabilities side. The difference between the latter and the value of disposing of the asset that was the object of the transaction, made up by the financial charges for the transaction, is entered in the accounts under deferred expenses. Assets recorded as intangible assets are depreciated by taking into account the useful life of the asset that was the object of the contract.

When the purchase option is exercised, the value of the assets entered and their pertinent accumulated depreciation are removed from the accounts, since they then go on to form part of the value of the purchased asset.

The deferred expenses are entered under profits/losses in accordance with a financial criterion.

- g) **Tangible fixed assets.** Tangible fixed assets are valued at the acquisition price or at their production cost. This cost is adjusted in accordance with the value reappraisal carried out in accordance with Royal Decree-Law 7/1996 (see Note 8.1). The gains or net increases in the value resulting from the aforesaid reappraisal transaction are amortised in the tax periods that are outstanding until the end of the useful life of the reappraised elements.

Subsequent additions are valued at the cost price, which includes additional expenses until the asset is in proper working order.

Repairs that do not involve an extension of the useful life and maintenance charges are charged directly to the profit & loss account. The costs for extension or improvement that give rise to a greater duration for the asset or an increase in the productivity, capacity or efficiency, are capitalised as the greater value thereof.

During the financial year and on its own behalf the Company carried out building work and work that may be recorded as the greater cost of the tangible fixed assets for a sum of €8.55m.

Depreciation of the elements of the tangible fixed assets is started in relation to their purchase and/or repair date, in a straight-line method, according to the estimated years of useful life and applied over the cost values, as per the following breakdown:

| <u>Group of elements</u> | <u>% Depreciation</u> |
|--|-----------------------|
| Buildings | 1.5 - 5 |
| Technical installations and machinery | 1.5 - 8 |
| Other installations, equipment and furniture | 5 - 8 |
| Other fixed assets | 7 - 25 |

If factors identifying obsolescence are detected which could affect these assets, the appropriate allocations are made for their depreciation.

There are no items of the tangible fixed assets that appear on the assets side for a fixed sum.

- h) **Negotiable securities and other similar investments.** The Company uses the following criterion when recording its investments in negotiable securities:

1. **Securities with official listing.** At cost or market price, the lower of the two. The official average listing from the last quarter of the financial year or the quotation at the close is deemed to be the market value, the lower of the two.
2. **Securities without official listing.** Generally speaking, these are valued at their cost and reduced, where applicable, by the necessary allocations for depreciation, for the excess of the cost as regards their reasonable value at year-end.

In relation to the criterion described above, certain specific circumstances should be stated relating to the following company shareholdings:

- **Petrolest, S.L.** The shareholdings received, equivalent to 49% of the share capital, correspond to the valuation made for the contribution to the Company's net worth from the branch of activity consisting of the distribution, logistics, loading, unloading and transportation of the whole range of products that **La Seda de Barcelona, S.A.** manufactures and trades, made up by a number of tangible assets that form an autonomous operating unit, the sum of which amounts to €2.74m (see Note 9.2.).
- **Industrias Químicas Asociadas LSB, S.L.U.** The holdings acquired match the valuation made for the contribution to the net worth of the Company for the branch of activity consisting of the manufacture and trade of glycol and ethoxylates, made up by a number of assets, rights and duties that form an autonomous financial unit and the sum total of which amounts to €30.74m (see Note 9.2.).
- **Fibras Europeas de Poliéster S.L.** The holdings acquired match the valuation made for the contribution to the net worth of the Company for the branch of activity consisting of the manufacture of polyester fibres at the El Prat de Llobregat plant, made up of a number of assets, rights and duties that form an autonomous financial unit, the sum of which amounts to €2.28m (see Note 9.6.).

The capital losses between the cost and the market value, referred to holdings that are listed on an organised market, or otherwise between the cost and the reasonable value at year-end that is taken from the last balance sheet approved at the General Shareholders Meeting and/or drawn up by the Governing Body corresponding to each one of the non-listed holdings, are recorded, if they are correct, in the account for "Provisions" under the caption for "Financial investments" and "Temporary financial investments" of the attached balance sheet.

Likewise, and as an exception to the criterion described above, the Company, with regard to its holding in **Artenius Portugal, Industria de Polímeros, S.A., Artenius Italia, S.p.A, Artenius Holding, B.V., Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi, Simpe, S.p.A., Recuperaciones de Plásticos de Barcelona, S.L. Artenius PET Packaging Uk, Ltd., Artenius PET Packaging Maroc, S.A.R.L.A.U., Artenius PET Packaging Belgium, N.V., Artenius PET Packaging Deutschland, GMBH, Artenius PET Packaging France, S.A.S., Artenius PET Recycling France, S.A.S. and Petrolest, S.L.** has chosen not to make a provision for the difference between the pertinent reasonable value of the said holding and their respective purchase prices on the basis of the existence of reasonable expectations for achieving future profits that ensure the recovery of investment in the first twelve companies and a saving in costs for the Group from the fact that **Petrolest, S.L.** will perform the transportation service for all its range of products exclusively. In the aforementioned cases, the profits budgeted for and checked on drawing up these annual accounts justify this decision.

Begreen SGPS, S.A. On July 9, 2007, **La Seda de Barcelona, S.A.** purchased a 20% stake in the company **Begreen SGPS, S.A.** for a sum of €7.4m (see Note 9). On this same date, **Begreen SGPS, S.A.**'s controlling shareholders agreed to repurchase the stake from **La Seda de Barcelona, S.A.** for the same amount initially paid if the company did not reach the EBITDA amount forecast for the 2008 financial year, 8 million euros, with the maximum execution term being March 31, 2009.

Non-trade loans, both in the short and the long term, to Group companies and other loans, are recorded according to the sum delivered. The difference with the face value is deemed to be income from interest in the financial year in which it is accrued, following a financial criterion.

The deposits and guarantees set up, both in the short and long term, are recorded according to the sums actually paid over.

Short-term deposits are shown at their face value.

Furthermore, as stated in Note 9.2., the Company is the majority shareholder or owns holdings of over 20% in the share capital of certain companies.

The attached annual accounts do not reflect the effect that would arise in the pertinent financial statements if they were to include the said holdings by applying the Standards for the Preparation of Consolidated Annual Accounts.

The Company has also drafted its consolidated annual accounts and management report for the financial year ending on December 31, 2007.

The main figures for the consolidated accounts for La Seda de Barcelona, S.A. for the year 2007, drawn up in accordance with the final Provision Eleven of Act 62/2003 of December 30, by applying the International Financial Reporting Standards passed by the European Commission regulations, are the following:

| | (Thousands of euros) | |
|--------------------------|----------------------|-----------|
| | 31.12.2007 | |
| Total assets | - | 2,342,580 |
| Net worth | - | 1,131,943 |
| - Parent company | 1,094,130 | - |
| - Minority shareholders | 37,813 | - |
| Net turnover | - | 1,423,598 |
| Profit/loss for the year | - | 14,954 |
| - Parent company | 13,920 | - |
| - Minority shareholders | 1,034 | - |

i) Long-term debts with public bodies. The following items are recorded under this heading:

- As regards Assets, the tax credit for offsetting the negative taxable bases that the Company plans to recover in the coming tax years, as well as the tax deductions and allowances pending application (see Note 9.8). An amount of €2.91m has been registered in the short term for these items.
- As far as Long-term debt is concerned, deferred taxes amount to a sum of €1.31m.

Pursuant to Law 35/2006 of November 28, 2006, which amends the tax rate of corporation tax, the Company has adjusted the tax credits, advanced taxes and deferred taxes for a net amount of €31,000 (see Note 24).

j) Deferred expenses. This basically corresponds to the expenses from deferred charges for the arrangement of debts, which are attributed to profits/losses in accordance with a financial criterion in the period for their duration, with a sum total of €3.35m having been transferred to profits/losses during the tax year.

k) Inventories.

Sales inventories. These are valued at their purchase price, including the amount described in the invoice plus all additional expenses occurring up until the time the goods are in the store.

The valuation of obsolete, defective or slow-moving products has been reduced to their possible realisation value.

Raw materials and other procurements. They are valued at the cost price in accordance with the weighted average price method. As an exception to the aforementioned criterion, basic raw materials derived from petroleum are valued at the latest price agreed with the suppliers, which is not significantly different from the one that would be obtained from a valuation using the weighted average price method. The value correction for reversible losses is deducted from the amount obtained. The estimate for such losses is made at the close of the financial year when the market value of the raw materials and other procurements is lower than their cost price.

Works in progress, semi-finished and finished products. They are valued by means of a cost list per article and process that is established by the Company for this purpose.

The production cost defined by the price list is found by adding to the purchase price of the raw materials and other consumable materials the costs directly attributable to the product, as well as the part that corresponds from the costs indirectly attributable thereto insofar that such costs correspond to the manufacturing process from the pertinent period.

The valuation of obsolete, defective or slow-moving products has been reduced to their possible realisation value.

- I) Debtors and creditors for trade transactions.** The debt and credit balances resulting from the Company's trade transactions, both in the short and the long term, are entered at their face value. The interest charges included in the value of such transactions with maturity exceeding one tax year are deferred and accrued, then they are attributed to the profits/losses following financial criteria.
- II) Non-trade debts.** Non-trade debts, both short- and long-term, are registered for the amount received. The difference with the face value, if applicable, is deemed to be an expense from interest in the financial year in which it is accrued, following a financial criterion.
- m) Provision for bad debts.** The provision for bad debts is allocated with a charge to the profits/losses for the year, and for the whole of the outstanding balance, when the following circumstances coincide:
 - Clients whose balances reveal a debt lasting for over 6 months.
 - Clients declared to be undergoing bankruptcy proceedings.
 - Clients tried for the crime of concealment of assets.
 - Clients whose balances have been sued for, with the aim of going to court or arbitration proceedings.
- n) Own shares.** They appear valued at their cost price, with the pertinent restricted reserve being entered under the heading for "Equity" for the same amount, in accordance with Article 79.3. of the Revised Text of the Public Limited Companies Act.

At year-end, if the purchase price of these securities is under the lower of the listed prices on the last day of the financial year or the average listed price of the last quarter or the book value of the shares, the pertinent allocation shall be applied pursuant to the principle of prudence. When the book value is the lower amount, the amount of the allocation may be broken down into the allocations defined as "market effect" and "effect resulting from the possible reduction of capital", with the counter entries being the profit and loss statement and the reserve statement, respectively.

The purchase of the Company's own shares was authorised by the General Shareholders Meeting held on June 12, 2006 and for a maximum duration of eighteen months.

At December 31, 2007, the Company has no treasury stock (see Notes 14 and 15).

- ñ) Undertakings with the staff.** In the 1998 financial year, the Company, applying the collective bargaining agreement signed with its workers, set up an external pension fund which consists of the sum of 2.40% of each gross annual salary for each and every one of the participants. This annual contribution began in 1998.

At the same time, on October 23, 2000 the Company, in compliance with Act 30/1995 and Royal Decree 1588/1999, proceeded to outsource its undertakings with its workers using the method of taking out insurance policies with the firm Norton Life M.P.S.

- o) Subsidies.** For the purpose of entering the subsidies received into the books, the Company applies the following criteria:
 - 1. Operating subsidies.** These are entered as "Other operating income" as soon as notification of the subsidy is received.

- 2. Subsidies linked to the greenhouse gas emission rights.** The non-repayable subsidies linked to the greenhouse gas emission rights, acquired free of charge or for a price substantially below their vendible value are entered as “Deferred revenues”, and are registered as extraordinary revenue as the expenses stemming from gas emissions related to the subsidised emission rights are entered to results.

Depreciations that may affect the emission rights lead to the corresponding subsidy being attributed to results in proportion to the same, with the part of these rights that has been funded free of charge considered to be of an irreversible nature.

p) Provisions for contingencies and expenses.

- **Provision for greenhouse gas emission rights.** The obligations that existed at December 31, 2007, are those that arose as a consequence of the expense linked to the consumption of real emissions of greenhouse gases, related to the emission rights transferred to the Company. These are entered onto the balance sheet as best estimation provisions of the payment to be made in order to cancel out the foregoing obligation.

- q) Convertible bonds.** Convertible bonds appear on the liabilities side in the long term on the balance sheet for the sum total to be handed over in accordance with the face value of the bonds issued. The interest charges are acknowledged in the current liabilities section, as and when they accrue.

The expenses for issuing bonds are amortised during the period in which the bonds are kept in circulation, in proportion to the maturity thereof.

The loan for convertible bonds has been totally cancelled over this financial year (see Note 21).

- r) Debts with credit institutions.** Debts with credit institutions for loans and credits received are entered in the accounts at their repayment value. The financial interest charges accrued and pending payment at the close of the financial year appear separately under the heading “Debts for interest charges” on the attached balance sheet.
- s) Income and expenses.** The income and expenses are attributed depending on the real flow of goods and services that they represent, and regardless of the time at which the monetary or financial flow deriving from them actually arises.

Nonetheless, following the principle of prudence, the Company only enters in its accounts the profits made at the close of the financial year, while foreseeable risks and losses, which are still possible, are entered as soon as they are known.

The sales of goods and revenues from services provided are entered without including the amounts corresponding to the taxes that apply to these transactions, deducting as the lowest amount of the transaction all the discounts, whether or not shown on invoices, which do not belong to prompt payment. The latter are deemed to be financial charges.

The sums of the taxes that are applicable to the purchases of merchandise for resale and other goods for their subsequent resale, excluding Value Added Tax (VAT), are entered as the highest value of the goods or services acquired.

Discounts following the issue or reception, as applicable, of an invoice, arising from defects in quality, a breach of time limits for delivery or other similar causes, as well as discounts for volume, are entered by differentiating them from the sums from the sales or purchases of goods and the income or expenses from services, respectively.

- t) Transactions in currencies other than the euro.** The conversion of transactions carried out in currencies other than the euro and their pertinent balances is carried out by applying the following criteria:

- 1. Tangible and intangible fixed assets.** The conversion into euros is carried out by applying the exchange rate in force on the inclusion of the goods in the Company’s net worth to the cost price or production cost.

- 2. Credits and debits.** The conversion of credits and debits into currencies other than the euro is carried out by applying the exchange rate in force on the transaction, then transferring the exchange gains/losses to the profit and loss account that arise at the time of the pertinent settlement or payment. At the close of the financial year the value of the debit and credit balances in currencies other than the euro was determined at the exchange rate in force on December 31, 2007, with the gains/losses obtained being entered under profits/losses. For this purpose, the sum total entered for exchange gains was not significant as at December 31, 2007.
- u) Corporate Tax.** So as to enter Corporation Tax in the accounts, the differences that might arise between the book profit/loss and the tax profit/loss were taken into consideration, with the latter being understood to be the taxable base for the tax, as well as the allowances and deductions from the charge for the tax that are deemed to be a lesser amount of the charge to be paid for Corporation Tax for the tax year in which that profit is obtained, providing that the taxable base for the tax is positive.
- v) Transactions with Group companies.** Transactions between Group companies were carried out under the same conditions as those applied to third parties not linked to the Company as regards shareholdings.
- w) Classification of the balances as short- and long-term.** On the enclosed balance sheet, transactions deemed to be long-term ones are those for which the maturity period at December 31, 2007 is over twelve months.
- x) Instruments for risk hedging.** The Company follows the practice of arranging risk hedging contracts for exchange rate differences (mainly forward contracts and options on currency) in purchases of raw materials and interest rates (swaps) on long-term debt at a variable rate (see Note 22). Since they are hedge transactions without any purpose of speculation, the profits/losses arising from them are entered at the time of the settlement of the transactions. The net profit/loss recorded in the profits and losses account due to hedging operations for exchange registered a loss of €0.65m, while the net profit/loss for interest rate hedging transactions registered a profit of €0.79m.
- y) Environment.** The expenses incurred through the purchase of systems, equipment, fixtures and fittings the purpose of which is the removal, restriction or control of possible impact that the Company's standard activity could have on the environment are considered as investments in fixed assets.

The expenses concerning the environment other than those carried out for the purchase of fixed assets are considered as expenses pertaining to the year in which they accrue.

Note 6. Start-up expenses

Analysis of transactions during the year. Transactions recorded during the financial year ended on December 31, 2007, were the following:

| Start-up expenses | | | | | |
|------------------------|--------------------------------------|------------|-----------|-----|------------|
| | (Thousands of euros) | | | | |
| | Movements in the 2007 financial year | | | | |
| Balance at | | | Transfers | | Balance at |
| 31.12.2006 | Additions | Write-down | D | (C) | 31.12.2007 |
| Start-up costs | 503 | (168) | - | - | 335 |
| Capital increase costs | 26,593 | (8,252) | - | - | 37,787 |
| | 27,096 | (8,420) | - | - | 38,122 |

The charge to profits/losses for the period by way of allocation to depreciation of start-up expenses amounted to €8.42m.

Note 7. Intangible fixed assets

Analysis of transactions during the year. Transactions recorded during the financial year ended on December 31, 2007, were the following:

Intangible fixed assets

| | (Thousands of euros) | | | | | | | |
|---|--------------------------------------|-------------|---------|-----|-----------------------|--------------|-----------|--------|
| | Movements in the 2007 financial year | | | | Balance on 31.12.2007 | | | |
| Balance at | Transfers | | | | Accumulated | | | |
| 31.12.2006 | Additions | Withdrawals | D | (C) | Cost | Depreciation | Net Value | |
| Research & development expenses | 979 | 213 | - | - | - | 1,192 | (412) | 780 |
| Franchises, patents, licences, trademarks and similar | 45,085 | 46 | - | - | - | 45,131 | (5,329) | 39,802 |
| Computer applications | 10,555 | 5,312 | - | - | - | 15,867 | (6,400) | 9,467 |
| Greenhouse gas emission rights | 2,311 | 606 | (1,275) | - | - | 1,641 | - | 1,641 |
| Rights to assets under financial leases | 4,773 | - | - | - | - | 4,773 | (685) | 4,088 |
| | 63,703 | 6,177 | (1,275) | - | - | 68,605 | (12,826) | 55,779 |

| | (Thousands of euros) | | | | | |
|---|--------------------------------------|-----------|--------------|-----------|------------|------------|
| | Movements in the 2007 financial year | | | | | |
| | Balance at | | | Transfers | Balance at | |
| | 31.12.2006 | Transfers | Applications | D | (C) | 31.12.2007 |
| Accumulated depreciation | | | | | | |
| Research & development expenses | (232) | (180) | - | - | - | (412) |
| Accumulated depreciation | | | | | | |
| Franchises, patents, licences, trademarks and similar | (819) | (4,510) | - | - | - | (5,329) |
| Accumulated depreciation | | | | | | |
| Computer applications | (4,662) | (1,738) | - | - | - | (6,400) |
| Accumulated depreciation | | | | | | |
| Rights to assets under financial leases | (420) | (265) | - | - | - | (685) |
| | (6,133) | (6,693) | - | - | - | (12,826) |

The main incorporations of the year have consisted in work involving the definition, development and implementation of the SAP system in the Artenius Italy, Artenius San Roque and Artenius Hellas plants. Under the same "Computer applications" account we also find costs incurred allowing subsequent integration on a corporate level of the remaining Group companies in the SAP system itself.

The charge to profits/losses for the period by way of allocation to depreciation of intangible fixed assets amounted to €6.69m.

7.1. Rights to assets under finance leases. In accordance with the criterion set forth in Note 5 f), the Company entered the goods included in the lease-back transaction arranged during the 2005 tax year at their net book value. This transaction consisted of obtaining finance by means of the sale to financial institutions of a plant for the post-condensation of bottle granules for a sum total of €5.29m.

On the date for the maturity of the contract, 10 June 2009, the Company may exercise the purchase option for a sum total of €0.12m.

Rights to assets under financial leases. The breakdown at the close of the financial year was as follows:

| | | (Thousands of euros) | | | | | | | | | | | | | |
|---------------------------------|----------|----------------------|--------------|----------------|----------|-------|------------------------------|------------|-----------|--------------------------------------|----------|-------|---|----------|-------|
| | | | | Net | | | Pending expiry on 31.12.2007 | | | | | | | | |
| Contract date | | accounting | Disposal (*) | Financial (**) | | | Financial | | | Payments made in 2007 financial year | | | Payments made in previous financial years | | |
| Item | Start | Expiry | value | value | expenses | Total | expenses | Short Term | Long term | Capital | Interest | Total | Capital | Interest | Total |
| Granule post-condensation plant | 10-06-05 | 10-06-09 | 4,773 | 5,292 | 489 | 5,781 | 74 | 1,416 | 708 | 1,292 | 124 | 1,416 | 1,950 | 291 | 2,241 |
| | | | 4,773 | 5,292 | 489 | 5,781 | 74 | 1,416 | 708 | 1,292 | 124 | 1,416 | 1,950 | 291 | 2,241 |

(*) Includes residual value
(**) Financial expenses according to the original financial lease agreement.

- 7.2. Fully depreciated assets.** The sum total for the assets fully depreciated as of December 31, 2007 amounts to €0.6m and their breakdown is the following:

| | (Thousands of euros) |
|---|----------------------|
| Research & development expenses | 50 |
| Franchises, patents, trademarks and similar | 63 |
| Computer applications | <u>484</u> |
| | <u>597</u> |

Note 8. Tangible fixed assets

- 8.1.** As stated in Note 5 g), the Company has carried out a restatement of the values of its tangible fixed assets pursuant to Royal Decree 7/1996 of 7 June.

The accounts affected by the restatement pursuant to Royal Decree-Law 7/1996 of June 7 and their effect as of December 31, 2007 are as follows:

| | (Thousands of euros) | | |
|--|----------------------|-------------------------------------|-----------------------|
| | <u>Increase</u> | <u>Accumulated Depreciation</u> | <u>Net Effect</u> |
| Buildings | 2,810 | (1,264) | 1,547 |
| Technical installations and machinery | 3,598 | (3,471) | 127 |
| Other installations, equipment and furniture | 19 | (19) | - |
| Other fixed assets | <u>17</u> | <u>(17)</u> | <u>-</u> |
| | <u>6,444</u> | <u>(4,771)</u> | <u>1,673</u> |

The effect of the restatement on the depreciation in the period amounted to €0.16m. For the 2008 financial year, this effect is estimated to be €0.14m.

Analysis of transactions during the year. The composition and progress of transactions during the year ended on December 31, 2007 was as follows:

| Tangible fixed assets | | | | | | | | |
|---|--------------------------------------|-----------|--------------|-----------|----------|-----------------------|--------------|-----------|
| (Thousands of euros) | | | | | | | | |
| | Movements in the 2007 financial year | | | | | Balance on 31.12.2007 | | |
| | Balance at | | | Transfers | | | Accumulated | |
| | 31.12.2006 | Additions | Withdrawals | D | (C) | Cost | Depreciation | Net Value |
| Land and buildings | 31,449 | 10,419 | (158) | 252 | (10,260) | 31,702 | (10,760) | 20,942 |
| Technical installations and machinery | 156,562 | - | (50) | 796 | - | 157,308 | (105,317) | 51,991 |
| Other installations, equipment and furniture | 1,185 | - | - | - | - | 1,185 | (1,042) | 143 |
| Advances and current tangible fixed assets | 676 | 10,086 | - | - | (3,510) | 7,252 | - | 7,252 |
| Other fixed assets | 5,788 | - | (2,345) | 2,462 | - | 5,905 | (4,021) | 1,884 |
| | 195,660 | 20,505 | (2,553) | 3,510 | (13,770) | 203,352 | (121,140) | 82,212 |
| | | | | | | | | |
| (Thousands of euros) | | | | | | | | |
| | Movements in the 2007 financial year | | | | | | | |
| | Balance at | | | Transfers | | Balance at | | |
| | 31.12.2006 | Transfers | Applications | D | (C) | 31.12.2007 | | |
| Accumulated depreciation Buildings | (10,196) | (564) | - | - | - | (10,760) | | |
| Accumulated depreciation Technical installations and machinery | (99,544) | (5,788) | 15 | - | - | (105,317) | | |
| Accumulated depreciation Other installations, equipment and furniture | (1,022) | (20) | - | - | - | (1,042) | | |
| Accumulated depreciation Other fixed assets | (3,818) | (203) | - | - | - | (4,021) | | |
| | (114,580) | (6,575) | 15 | - | - | (121,140) | | |

The main transactions in the financial year respond to the acquisition of a section of land and the subsequent non-monetary contribution of the same to the newly-incorporated company Inmoseda, S.L.U. (see Note 9), a company managing the development and execution of the future construction of the headquarters where corporate services and new product research, development and innovation will be located.

In addition, amounts recorded under the caption "Current tangible fixed assets" refer to the construction of a new poly-generation energy plant at El Prat de Llobregat whose entry into operation is scheduled for the second quarter of 2008.

The charge to profits/losses for the period by way of depreciation of tangible fixed assets amounted to €6.58m.

8.2. Fully depreciated assets. The sum total for the assets fully depreciated as of December 31, 2007 amounts to €57.35 m and their breakdown is the following:

| (Thousands of euros) | |
|--|---------------|
| Buildings | 944 |
| Technical installations and machinery | 52,150 |
| Other installations, equipment and furniture | 810 |
| Other fixed assets | <u>3,444</u> |
| | <u>57,348</u> |

Note 9. Financial investments

9.1. Analysis of transactions during the year. The composition and progress of transactions during the year ended on December 31, 2007 was as follows:

| Financial investments | | | | | | |
|---|--------------------------------------|----------------|-----------------|---------------|-----------------|------------------|
| | (Thousands of euros) | | | | | |
| | Movements in the 2007 financial year | | | | | |
| | Balance at | | | Transfers | | Balance at |
| | 31.12.2006 | Additions | Decreases | D | (C) | 31.12.2007 |
| <u>Long term</u> | | | | | | |
| Holdings in group and associated companies | 428,998 | 501,955 | - | 22,260 | - | 953,213 |
| Loans to group companies | 187,878 | 45,886 | (33,910) | - | (12,000) | 187,854 |
| Long-term securities portfolio | 2,450 | - | - | - | - | 2,450 |
| Other loans | 86,511 | 41,115 | (2,948) | 1,000 | (22) | 125,656 |
| Long-term debts with public bodies | 21,499 | - | (4,449) | - | - | 17,050 |
| Long-term deposits and financial guarantees | 35 | 1 | - | - | - | 36 |
| Provisions | - | (19,655) | - | - | - | (19,655) |
| | <u>727,371</u> | <u>569,302</u> | <u>(41,307)</u> | <u>23,260</u> | <u>(12,022)</u> | <u>1,266,605</u> |
| <u>Short-term</u> | | | | | | |
| Loans to group companies | 4,209 | 11,790 | (5,610) | - | - | 10,389 |
| Short-term securities portfolio | 28,171 | 47,740 | (74,040) | - | (1,000) | 871 |
| Other loans | 315 | - | - | - | - | 315 |
| Long-term deposits and financial guarantees | 8 | 18,882 | - | - | - | 18,890 |
| Provisions | (10) | - | - | - | - | (10) |
| | <u>32,693</u> | <u>78,412</u> | <u>(79,650)</u> | <u>-</u> | <u>(1,000)</u> | <u>30,455</u> |

The main incorporations of the financial year concern the acquisition of shares in various companies (see Note 3).

Long term

9.2. Holdings in Group and associated companies. The breakdown of this heading, as of the date of the close of the financial year, was the following:

| Group companies | (Thousands of euros) | Holding Direct |
|---|----------------------|-------------------|
| Artenius Holding, B.V. | 210,430 | 100.00% |
| Artenius Italia, S.p.A | 70,704 | 100.00% |
| Artenius Turkpert Kimyevi Maddeler ve Pet Ambalat | | |
| MalzemeleriSanayi Anonim Sirketi | 84,520 | 100.00% |
| Artenius Portugal, Industria de Polimeros, S.A. | 22,014 | 100.00% |
| Artenius Romania, SRL | 5,440 | 100.00% |
| Artenius Hellas Holding, S.A. | 4,007 | 100.00% |
| Industrias Químicas Asociadas LSB, S.L.U. | 30,742 | 100.00% |
| SLIR, S.L.U | 3,325 | 100.00% |
| Artenius Sines, S.A. | 50 | 100.00% |
| ANERIQA, A.I.E. (*) | - | 10.00% |
| Simpe, S.p.A. | 27,797 | 50.11% |
| Artenius San Roque, S.A.U. | 32,631 | 100.00% |
| Artenius PET Packaging Europe, Ltd. | - | 100.00% |
| Artenius PET Packaging UK, Ltd. | 200,415 | 100.00% |
| Artenius PET Packaging Iberia, S.A. | 34,855 | 100.00% |
| Artenius PET Packaging France, S.A.S. | 56,639 | 100.00% |
| Artenius PET Recycling France, S.A.S. | 21,784 | 100.00% |
| Artenius PET Packaging Maroc, S.A.R.L.A.U. | 13,071 | 100.00% |
| Artenius PET Packaging Belgium, N.V. | 47,925 | 100.00% |
| Artenius PET Packaging Deutschland, GmbH | 60,996 | 100.00% |
| Recuperaciones de Plásticos Barcelona, S.L. | 3,643 | 67.40% |
| Biocombustibles La Seda, S.L. | 1,800 | 60.00% |
| Inmoseda, S.L.U. | 10,270 | 100.00% |
| Artenius Prat PET, S.L.U. | 6 | 100.00% |
| La Seda Parking Cor Europa, S.L.U. | 6 | 100.00% |
| | <u>943.070</u> | |
| Associated companies | | |
| Petrolest, S.L. | 2,743 | 49.00% |
| Begreen SGPS, S.A. | <u>7,400</u> | 20.00% |
| | <u>10,143</u> | |
| | <u>953,213</u> | |

(*) In addition, a 90% share is held through Industrias Químicas Asociadas LSB, S.L.U.

In accordance with the criterion described in Note 5h), the Company has depreciated Group company holdings for a value of €9.66m, recorded under the heading “Variations in provisions for the control portfolio” in the attached Profit and Loss Account, with the breakdown being the following:

| Group companies | (Thousands of euros) |
|---|----------------------|
| Artenius Portugal, Industria de Polímeros, S.A. | 5,511 |
| Artenius Holding, B.V. | 11,360 |
| Artenius Romania, SRL | 1,906 |
| Recuperaciones de Plásticos Barcelona, S.L. | <u>878</u> |
| | <u>19,655</u> |

- 9.3. Investments covered by a guarantee.** At the date of preparing these annual accounts the shares of **Industrias Químicas Asociadas LSB, S.L.U., Artenius Italia, S.p.A, Artenius Portugal, Industria de Polímeros, S.A., Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi, Artenius UK, Ltd., Artenius Holding B.V., Artenius PET Packaging Europe, Ltd. and Artenius PET Packaging UK, Ltd.** were pledged in favour of the bank that granted the loan specified in Note 22.
- 9.4. Loans to group companies.** Long-term loans to group companies have been extended as intragroup financing lines whose maximum maturity for repayment is 5 years for **Industrias Químicas Asociadas LSB, S.L.** and 6 years for the remaining companies (see Note 12). Loans accrue interest at the Euribor benchmark rate plus a differential ranging between 1.75% and 2% (see Note 9.9).

9.5. The most relevant information in relation to the previous heading is the following:

| Company Registered office | Main activity | % Holding by La Seda de Barcelona, S.A. | | Share capital | Reserves | Result | | Net book value | Book value of capital holding | Dividends received in the financial year | Listed on St. Exchange | Exclusion from consolidation perimeter | Auditors |
|---|--|--|------------------------|---------------|----------|----------------|---------------|-------------------|----------------------------------|---|---------------------------|---|----------|
| | | Direct | Direct and Indirect | | | last fin. year | Extraordinary | | | | | | |
| Group | | | | | | | | | | | | | |
| Industrias Químicas Asociadas LSB, S.L. (Single-member Company) (*) Pº de Gracia, 85 08008-Barcelona | Any industrial or commercial activity related to the chemical industry. | 100% | 100% | 30,742 | 4,193 | 2,131 | (216) | 37,066 | 30,742 | - | NO | NO | Horwath |
| ANERIQA, A.I.E. Ctra. Nacional 340, Km.1157 Polígono Industrial La Canonja (Tarragona) | Electricity cogeneration plant. | 10% | 100% | 1 | - | - | 250 | - | - | - | NO | NO | Horwath |
| SLIR, S.L. (Single-member Company) Carretera de Carcastillo a Figarol Carcastillo (Navarra) | Recycling of farm waste and sale of organic manure. | 100% | 100% | 2,404 | 888 | 65 | 27 | 3,357 | 3,325 | - | NO | NO | Horwath |
| Artenius Holding B.V. (*) Kruisweg 829, 2132 NG Hoofddorp (Netherlands) | Holding company. | 100% | 100% | 18 | 443,514 | - | - | 443,532 | 210,430 | - | NO | NO | Horwath |
| Artenius Italia, S.p.A. Via Montereale 10/A Pordenone (Italy) | Manufacture and trading of Polyethylene Terephthalate (PET polymer). | 100% | 100% | 12,750 | (2,394) | (9,069) | - | 1,287 | 70,704 | - | NO | NO | Horwath |
| Artenius Türkp t Kimyevi Maddeler ve Pet Ambalat MalzemeleriSanayi Anonim Sirketi Tarsus 10th 01322 Adana (Turkey) | Manufacture and trading of Polyethylene Terephthalate (PET polymer) and PET packaging materials (Preforms). | 100% | 100% | 117,413 | (9,299) | (16,162) | - | 91,952 | 84,520 | - | NO | NO | Horwath |
| Artenius Portugal, Industria de Polimeros, S.A. Quinta de Sao Vicente, Estrada Nacional 246 Ribeira de Nisa, Portalegre (Portugal) | Manufacture and trading of Polyethylene Terephthalate (PET polymer). | 100% | 100% | 10,000 | 165 | (8,635) | - | 1,530 | 22,014 | - | NO | NO | Horwath |
| Artenius Romania, SRL Bdul. Basarabiei 256, Anexa Tehnico-Sociala, etaj 1, sector 3 Bucuresti (Romania) | Manufacture and trading of PET packaging materials (Preforms). | 100% | 100% | 5,995 | (494) | (1,489) | - | 4,012 | 5,440 | - | NO | NO | Horwath |
| Artenius Hellas Holding, S.A. (*) Meandron, 15 Athens (Greece) | Holding company. | 100% | 100% | 60 | (58) | (996) | - | (994) | 4,007 | - | NO | NO | Horwath |
| Artenius Sines, S.A. Quinta de Sao Vicente, Estrada Nacional 246 Ribeira de Nisa, Portalegre (Portugal) | Manufacture and trading of Purified Terephthalic Acid (PTA). | 100% | 100% | 50 | (4) | (570) | - | (524) | 50 | - | NO | NO | Horwath |
| Simpe, S.p.A. C/ Pagliarone Acerra (NA) (Italy) | Manufacture and trading of Polyethylene Terephthalate (PET polymer) and polyester resins and fibres. | 50.11% | 50.11% | 57,370 | (6,070) | (3,399) | - | 24,003 | 27,797 | - | NO | NO | PWC |
| Biocombustibles La Seda, S.L. Paseo de Gracia 85, 8º Barcelona (08080), Spain | Development of industrial projects, production and trading of biofuels and other energy by-products obtained from renewable materials. | 60% | 60% | 3,000 | - | (9) | - | 1,795 | 1,800 | - | NO | NO | Horwath |
| Recuperación de Plásticos de Barcelona, S.L. C/ Camp, 70 Barcelona (08022), Spain | Trading, importing, exportation and recovery of all types of products related with plastic. | 67.4% | 67.4% | 1,731 | 387 | (265) | (149) | 1,249 | 3,643 | - | NO | NO | Horwath |
| Artenius San Roque, S.A.U. Polígono Industrial Guadarranque, parcela 3 San Roque (Cadiz), Spain | Manufacture and trading of Polyethylene Terephthalate (PET polymer). | 100% | 100% | 9,192 | 11,308 | (8,264) | 1,662 | 12,236 | 32,631 | - | NO | NO | Horwath |
| Artenius Prat PET, S.L. (Single-member Company) Paseo de Gracia 85, 8º Barcelona (08080), Spain | Manufacture and trading of Polyethylene Terephthalate (PET polymer). | 100.0% | 100.0% | 6 | - | - | - | 6 | 6 | - | NO | NO | Horwath |
| Inmoseda, S.L. (Single-member Company) Paseo de Gracia 85, 8º Barcelona (08080), Spain | Study, promotion, management, construction, building and execution of all types of buildings and constructions. | 100% | 100% | 10,270 | - | - | - | 10,270 | 10,270 | - | NO | NO | Horwath |

| Company Registered office | Main activity | % Holding by La Seda de Barcelona, S.A. | | Share capital | Reserves | Result | | Net book value | Book value of capital holding | Dividends received in the financial year | Listed on St. Exchange | Exclusion from consolidation perimeter | Auditors |
|--|--|--|------------------------|---------------|----------|----------------|---------------|------------------------------|----------------------------------|---|---------------------------|---|----------|
| | | Direct | Direct and Indirect | | | last fin. year | Extraordinary | | | | | | |
| | | | | | | | | | | | | | |
| La Seda Packing Cor Europa, S.L. (Single-member Company) Paseo de Gracia 85, 8º Barcelona (08080) | Holding company. Manufacture and trading of PET packaging materials (Preforms). | 100% | 100% | 6 | - | (1) | - | 5 | 6 | - | NO | NO | Horwath |
| Amcor PET Packaging Belgium, NV Ringlaan, 7 2960 - Brecht (Belgium) | Manufacture and trading of PET packaging materials (Preforms). | 100% | 100% | 23,370 | 6,189 | 125 | - | 29,684 | 47,925 | - | NO | NO | Horwath |
| Amcor PET Packaging Deutschland, GmbH Ernst-Abbe-Strasse, 20 56743 - Mending (Germany) | Manufacture and trading of PET packaging materials (Preforms). | 100% | 100% | 3,835 | 2,185 | (1,146) | - | 4,874 | 60,996 | - | NO | NO | Horwath |
| Amcor PET Packaging Europa, Limited Gresford Industrial Park Gresford, Wrexham, Clwyd LL12 8LX (United Kingdom) | Provision of services. | 100% | 100% | 14,353 | (16,981) | 286 | - | (2,342) | - | - | NO | NO | Horwath |
| Amcor PET Packaging France, SAS Zone d'entreprises de Bergues 59380 - Bierne (Francia) | Manufacture and trading of PET packaging materials (Preforms). | 100% | 100% | 5,216 | 1,353 | 359 | - | 6,928 | 56,639 | - | NO | NO | Horwath |
| Amcor PET Packaging Iberia, S.A. Avenida de la Constitución, s/n Casarrubios del Monte - Toledo (Spain) | Manufacture and trading of PET packaging materials (Preforms). | 100% | 100% | 18,030 | 21,641 | 1,879 | - | 41,550 | 34,855 | - | NO | NO | Horwath |
| Amcor PET Packaging Maroc, S.A.R.L.A.U. Zone Industrielle d'El Jadida El Jadida (Morocco) | Manufacture and trading of PET packaging materials (Preforms). | 100% | 100% | 1,176 | 1,398 | 56 | - | 2,630 | 13,071 | - | NO | NO | Horwath |
| Amcor PET Packaging Uk, Limited Gresford Industrial Park Gresford, Wrexham, Clwyd LL12 8LX (United Kingdom) | Manufacture and trading of PET packaging materials (Preforms). | 100% | 100% | 10,046 | 14,289 | 2,049 | - | 26,384 | 200,415 | - | NO | NO | Horwath |
| Amcor PET Recycling France, SAS Sainte-Marie-La-Blanche 21200 - Beaune (France) | Trading, importing, exportation and recovery of all types of products related with plastic. | 100% | 100% | 5,000 | 5,455 | 185 | - | 10,640 | 21,784 | - | NO | NO | Horwath |
| | | | | | | | | <u>751,129</u> | <u>943,070</u> | | | | |
| <u>Associated</u> | | | | | | | | | | | | | |
| Petrolest, S.L. Raset, 7 2º 3º 08021 - Barcelona | Specialised transport of chemical products and similar. | 49% | 49% | 118 | 3,335 | 26 | 42 | 1,705 | 2,743 | - | NO | NO | Horwath |
| Begreen SGPS, S.A. (*) C/ Largo Adro, 9 4050-016 Porto (Portugal) | Manufacture and trading of PET panels for the production of containers. | 20% | 20% | 20,350 | (4,773) | (1,403) | - | <u>2,835</u> <u>4,540</u> | <u>7,400</u> <u>10,143</u> | <u>-</u> <u>-</u> | NO | NO | PWC |
| | | | | | | | | <u>755,669</u> | <u>953,213</u> | | | | |

(*) Companies heading consolidation subgroups

9.6. Securities portfolio. Under this heading, the Company has registered the equity shares it holds in Fibras Europeas de Poliéster, S.L. for an amount of €2.28m (see Note 5.h)).

9.7. Other loans. The breakdown of this heading, as of the date of the close of the financial year, was the following:

| | (Thousands of euros) |
|--|----------------------|
| Fibracat Europa, S.L.U. | 68,060 |
| Creditors through sale of licensing rights | 40,000 |
| Debtors through sale of lands | 16,311 |
| Others | <u>1,285</u> |
| | <u>125,656</u> |

Fibracat Europa, S.L.U. A total amount of €69.6m corresponds to Fibracat Europa, S.L.U. as a consequence of acceptance by **La Seda de Barcelona, S.A.**, of the non-transferred debt concerning the fibre business unit contributed by the latter (see Note 1), the pending balance of which at year end amounts to €68,1m.

The pending balance at December 31, 2007 is underwritten with a real estate security over the lands on which the Fibracat Europa, S.L.U. facilities are located.

Creditors through sale of licensing rights: The amount registered under this caption pertains to the amount deferred with a single maturity date in the 2009 tax year, for the sale of licensing rights for PET and PTA production processes (see Note 29.2).

Debtors through sale of lands: This corresponds to the amount pending payment for the sale made during 2006 of an estate that was the property of **La Seda de Barcelona, S.A.**, located in El Prat de Llobregat as stated in the Land Register for that municipal district, under Volume 1,295, Book 655, Sheet 137, Property No. 35,250, Entry four.

9.8. Long-term debts with public bodies. This heading records the tax credits for Corporation Tax to be compensated with future taxable bases, as well as taxes paid in advance deriving from the tax deductions pending application (see Note 5i)).

Analysis of transactions during the year. The transactions recorded during the financial year ended on December 31, 2007 are the following:

| Long-term debts with public bodies | | | |
|--|---|--------------------------------------|---------------|
| | (Thousands of euros) | | |
| | Tax credit for losses to be compensated | Deductions pending application | Total |
| Balance at 31.12.2006 | 20,805 | 694 | 21,499 |
| Adjustment for deductions - 1997 financial year | - | (128) | (128) |
| Adjustment due to tax rate change | 118 | - | 118 |
| Short-term transfer | (722) | - | (722) |
| Tax credit to be compensated applied in financial year | (3,716) | - | (3,716) |
| Balance at 31.12.2007 | <u>16,485</u> | <u>565</u> | <u>17,050</u> |

Short term

9.9. Loans to Group companies. This pertains to the full amount of interest accrued and pending payment from the long-term loans to group companies (see Notes 9.4 and 12).

9.10. Short-term securities portfolio. This is broken down as follows:

| | (Thousands of euros) |
|----------------------------------|----------------------|
| Securities with official listing | 171 |
| Investment funds | 200 |
| Treasury bills | <u>500</u> |
| | <u>871</u> |

The investments that make up the balance as of the date of the close of the financial year provide an average annual return of 3.51%.

9.11. Long-term deposits and financial guarantees. The balance recorded is mainly due to a short-term deposit maturing in under 3 months for a sum of €18.8m, accrued at a market interest rate.

Note 10. Deferred expenses

The transactions recorded during the financial year ended on December 31, 2007 are the following:

| Deferred expenses | | | | |
|---------------------------------------|----------------------|----------------------------------|----------------|---------------|
| | (Thousands of euros) | | | |
| | Balance at | Movements in 2007 financial year | | Balance at |
| | 31.12.2006 | Additions | Write-down | 31.12.2007 |
| Debt arrangement expenses | 11,522 | 8,865 | (3,222) | 17,165 |
| Deferred lease-back interest expenses | 198 | - | (124) | 74 |
| | <u>11,720</u> | <u>8,865</u> | <u>(3,346)</u> | <u>17,239</u> |

Registrations in the financial year are entirely from the debt arrangement expenses incurred as a consequence of the increase of the syndicated credit line listed in Note 22.

Note 11. Inventories

The breakdown at December 31, 2007 was the following:

| | (Thousands of euros) |
|--------------------------------------|----------------------|
| Goods | 53,126 |
| Raw materials and other procurements | 7,907 |
| Spare parts | 2,626 |
| Semi-finished products | 3,282 |
| Finished products | 8,870 |
| Supplier advances | 541 |
| Provision for depreciation | <u>(272)</u> |
| | <u>76,081</u> |

In 2007, with the purpose of taking care of client supply and production needs that could arise as a consequence of the restructuring process the Group is involved in as a consequence of the additions of new companies and the non-achievement of full production capacity at the Artenius San Roque plant until the definite granting of production quality certificates, the Company has purchased end products from a number of external sources outside the Group, with the aim of avoiding any stock interruptions.

For this purpose, at December 31, 2007 there are records for sales inventories purchased for this aim for a sum of €3.1m.

There is no kind of limitation on the availability of stocks due to guarantees, pledges, deposit guarantees or similar reasons.

No stock items appear in the attached annual accounts on the assets side for a fixed sum.

There are no firm undertakings for the purchase or sale of stocks.

Note 12. Group companies and associated companies

With regard to short-term balances, these correspond to balances generated as a result of customary transactions between the companies specified.

The amounts pertaining to long-term credits granted to group companies (see Note 9.4) are broken down per company in the attached breakdown.

The breakdown at December 31, 2007 was the following:

| | (Thousands of euros) | | | |
|---|----------------------|---------------|----------------|----------|
| | Short term | | Long term | |
| | Debit | Credit | Debit | Credit |
| Group companies | | | | |
| Artenius Portugal, Industria de Polimeros, S.A. | 7,025 | 50 | 30,666 | - |
| Artenius Italia, S.p.A | 7,261 | - | 25,000 | - |
| Artenius Holding, B.V. | 1 | - | - | - |
| Artenius UK, Limited | 18,281 | - | 65,282 | - |
| Artenius Turkpet Kimyevi Maddeler ve | | | | |
| Pet Ambalat Malzemeleri Sanayi Anonim Sirketi | 3,143 | - | - | - |
| Artenius Sines, S.A. | 20,274 | - | 16,340 | - |
| Artenius Hellas Holding, S.A. | 1,193 | - | 20,173 | - |
| Artenius Hellas, S.A. | 308 | - | - | - |
| Industrias Químicas Asociadas LSB, S.L.U. | 9,390 | 9,328 | 30,149 | - |
| SLIR, S.L.U. | 603 | - | 244 | - |
| ANERIQA, A.I.E. | 22,307 | - | - | - |
| Simpe, S.p.A | - | 5,175 | - | - |
| Biocombustibles La Seda, S.L. | 234 | - | - | - |
| Artenius San Roque, S.A. | 16,133 | - | - | - |
| Amcor PET Packaging Iberia, S.A. | 6,356 | - | - | - |
| | <u>112,509</u> | <u>14,553</u> | <u>187,854</u> | <u>-</u> |
| Associated companies | | | | |
| Petrolest, S.L. | - | 1,326 | - | - |
| | <u>-</u> | <u>1,326</u> | <u>-</u> | <u>-</u> |
| | <u>112,509</u> | <u>15,879</u> | <u>187,854</u> | <u>-</u> |

Note 13. Sundry receivables

At the close of the year, its breakdown was the following:

| | (Thousands of euros) |
|---|----------------------|
| Sale of Fibracat Europa, S.L.U. shares (see Note 1) | 4,921 |
| Debtors through sale of lands | 1,631 |
| Other | <u>1,768</u> |
| | <u>8,320</u> |

Sale of Fibracat Europa, S.L. shares: This concerns the pending balance of the sale to a Mexican commercial company of 68.32% of the company shares of **Fibracat Europa, S.L.U.** from the split of the polyester fibre business. The remaining shares owned by **La Seda de Barcelona, S.A.**, were applied as a non-monetary contribution to the incorporation of the company **Fibras Europeas de Poliéster, S.L.** for a sum of €2.28m (see Note 9.6).

Debtors through sale of lands: This records the amount pending payment for the sale of two properties belonging to **La Seda de Barcelona, S.A.**, by virtue of the deed of takeover through absorption dated May 31, 2005. These properties are located in El Prat de Llobregat, as shown on the Land Register of that municipal district, in Volume 1,326, Book 686, Folio 137, Property No. 35,815, Entry one and Volume 1,295, Book 655, Sheet 137, Property No. 35,250, Entry four.

Other: This sum comprises lesser balances such as various debtors, debtors for bills receivable, fully provisioned bad debts and fund allocations delivered to others.

Note 14. Own shares

At December 31, 2007, the Company has disposed of all its own shares. Profits/losses in the financial year from own shares operations reached €3.58m and €0.24m, recorded under the headings "Losses due to transactions with own shares and bonds" and "Profits from transactions with own shares and bonds", respectively, in the attached Profit and Loss Account.

Note 15. Movement of shareholders' equity

Trend. Its composition and progress during the financial year closed at December 31, 2007 was as follows:

| Movement of shareholders' equity | | | | | | |
|---|--------------------------------------|----------------|----------|-----------------|---------------|------------------|
| | (Thousands of euros) | | | | | |
| | Movements in the 2007 financial year | | | | | |
| | Balance at | Transfers | | | Balance at | |
| | 31.12.2006 | Increase | Decrease | (D) | C | 31.12.2007 |
| Subscribed capital | 416,787 | 210,086 | - | - | - | 626,873 |
| Issue premium | 175,662 | 231,079 | - | - | - | 406,741 |
| Reserves: | | | | | | |
| - Legal reserve | 11,730 | - | - | - | 534 | 12,264 |
| - Reserve for own shares | 2,135 | - | - | (37,547) | 35,412 | - |
| - Voluntary reserves | 19,609 | 770 | - | (41,860) | 46,829 | 25,348 |
| - Redeemed share capital reserve | 93,168 | - | - | - | - | 93,168 |
| - Reserve for assignment | (14,432) | - | - | - | - | (14,432) |
| - Reserve for merger | (25,962) | - | - | - | - | (25,962) |
| Losses from previous financial years | (1,975) | - | - | - | 1,975 | - |
| Interim dividend payable | - | - | - | (7,579) | - | (7,579) |
| Profit/loss for the financial year 2006 | 5,343 | - | - | (5,343) | - | - |
| Profit/loss for the financial year 2007 | - | - | - | - | - | 8,323 |
| | <u>682,065</u> | <u>441,935</u> | <u>-</u> | <u>(92,329)</u> | <u>84,750</u> | <u>1,124,744</u> |

Note 16. Share capital

The development of the share capital sum of La Seda de Barcelona, S.A. over the past five financial years is as follows:

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------|------------|------------|-------------|-------------|-------------|
| Number of shares | 34,225,982 | 43,443,982 | 101,598,982 | 416,787,398 | 626,873,401 |
| Face value per share | 3.00506 | 3.00506 | 1 | 1 | 1 |
| Share capital | 102,851 | 130,552 | 101,599 | 416,787 | 626,873 |

On February 10, 2006, once the initial conversion period of the issue of convertible bonds agreed on June 27, 2005 by the Company's Board of Directors had finalised (see Note 21), the right to convert 35,847,883 convertible bonds into shares was carried out, by dividing these into 35,847,883 shares with an individual face value of 1.00 euro and an issue premium of 0.25 euros per share for an overall amount of €44,809,854.

On June 12, 2006, the shareholders either attending or represented with the right to vote at the Ordinary and Extraordinary General Shareholders Meeting of the Company unanimously authorised the Board of Directors to perform a share capital increase within a maximum period of one year for a cash sum of €118,721,946 through the issue of 279,147,964 shares with an individual face value of 1 euro, with an issue premium of 0.5 euros per share, which will participate in company profits from January 1, 2006 onwards.

Once the first subscription period ended, on August 3, 2006, the share capital increase was fully covered, with a figure for the subscribed share capital of €279,147,964 divided into 279,147,964 shares, each with a face value of 1.00 euro plus an issue premium of 0.5 euros per share for an overall sum total of €139,573,982, by means of a cash outlay by the shareholders of €118,721,946.

On August 10, 2006, once the initial conversion period of the issue of convertible bonds agreed on June 27, 2005 by the Company's Board of Directors had finalised (see Note 21), the right to convert 320,509 convertible bonds into shares was carried out, by dividing these into 192,569 shares with an individual face value of 1.00 euro and an issue premium of 1.08 euros per share for an overall amount of €400,543.52.

The final figure for the share capital after the share capital increase and the conversion of convertible bonds into shares stood at €416,787,398, divided into 416,787,398 common shares, fully subscribed and paid up, each one with a face value of 1.00 euro, belonging to the same single series and represented by means of book entries.

According to the decision passed unanimously by the Ordinary and Extraordinary General Shareholders Meeting held on July 19, 2007 and the agreement for implementation passed on that same day by the Board of Directors, the increase of the share capital for La Seda de Barcelona, S.A. was passed for a sum total of 439,523,706.30 euros by means of the issue and distribution of 209,297,003 new common shares, each one with a face value of 1.00 euro with an issue premium of 1.10 euros per share, which will have a share in the Company profits as from January 1, 2007.

Once the preferential subscription period ended, on July 14, 2007, the share capital increase was fully covered, with a figure for the subscribed share capital of 209,297,003 euros, divided into 209,297,003 shares, each with a face value of 1.00 euro plus an issue premium of 1.10 euros per share for an overall sum total of 230,226,703.30 euros, by means of a cash outlay by the shareholders of 439,523,706.30 euros.

On August 10, 2007, once the initial conversion period of the issue of convertible bonds agreed on June 27, 2005 by the Company's Board of Directors had finalised (see Note 21), the right to convert 1,313,054 convertible bonds into shares was carried out, by dividing these into 789,000 shares with an individual face value of 1.00 euro and an issue premium of 1.08 euros per share for an overall amount of 1,641,120 euros.

The final figure for the share capital after the share capital increase and the conversion of convertible bonds into shares stood at 626,873,401 euros, divided into 626,873,401 common shares, fully subscribed and paid up, each one with a face value of 1.00 euro, belonging to the same single series and represented by means of book entries.

Holdings in the Company share capital equal to or over 3% correspond to the following breakdown:

| <u>Shareholder</u> | <u>% Holding</u> |
|---|----------------------|
| Imatosgil Investimentos SGPS, S.A. | 15.87 |
| Liquidambar, Inversiones Financieras, S.L. | 6.13 |
| Caixa Geral de Depósitos, S.A. | 6.00 |
| Oman Oil Company S.A.O.C. | 5.69 |
| Caixa Capital Sociedade de Capital de Risco, S.A. | 4.50 |

Note 17. Issue Premium

As regards this sum total, the Revised Text of the Public Limited Companies Act expressly allows the use thereof for increasing the share capital and does not establish any restriction as regards to its availability.

Note 18. Reserves

Their breakdown at the close of the tax year was as follows:

| | <u>(Thousands of euros)</u> |
|---------------------------------------|-----------------------------|
| Restricted reserves | |
| Legal reserve | 12,264 |
| Reserves for own shares (see Note 14) | - |
| Redeemed share capital reserve | 93,168 |
| Reserve for assignment | (14,432) |
| Reserve for merger | (25,962) |
| Freely available reserves | |
| Voluntary reserves | <u>25,348</u> |
| | <u>90,386</u> |

Legal Reserve. In accordance with Article 214 of the Revised Text of the Public Limited Companies Act, the said reserve must be endowed with 10% of the profits from the tax year, until the fund set up for the reserve reaches 20% of the paid-up share capital. The legal reserve may be used to increase the share capital to the extent that its balance exceeds 10% of the already increased share capital. Except for that purpose and as long as it does not exceed 20% of the share capital, this reserve may only be used to offset losses and as long as there are no other sufficient reserves available for this purpose.

As of 31 December, 2007 the sum total for the legal reserve did not cover 20% of the share capital.

Redeemed share capital reserve. In accordance with Article 167.3. of the Revised Text of the Public Limited Companies Act, the Company proceeded to endow a reserve for the face value of its own shares redeemed in 1996 (€6.06m) and which were acquired by the Company in the said financial year for free.

During the 2005 tax year and as a result of the reduction in share capital approved by the Ordinary and Extraordinary General Meeting of Shareholders held on 27 June, 2005 (see Note 16), the Company, pursuant to the article mentioned in the preceding paragraph, endowed a reserve for a sum total of €87.11m as a result of the reduction in the face value of each one of the shares that make up the Company share capital and which finally stood at 1.00 euro per share.

The endowed reserve may only be used with the same requirements as those demanded for the reduction of the share capital.

Reserve for assignment. As a result of the takeover by the Company of **Hispano Química, S.A.U.** and **Viscoseda Barcelona, S.L.U.** carried out on 14 December, 2001 (see Note 1), a reserve for assignment was set up for the difference between the assets and liabilities provided by the companies that had been taken over.

Reserve for merger. This amount is recorded as a consequence of the merger process filed with the Companies Register in the 2005 financial year (see Note 1).

Note 19. Interim dividend payable

On June 19, 2007, at the Ordinary and Extraordinary General Meeting, the bases for the Company dividend policy were approved whereby in accordance with current legal regulations an amount equivalent to 1% of the Company's stock exchange capitalisation will be distributed among shareholders from 2007.

On October 8, 2007, the Board of Directors approved the payment of an interim dividend for the financial year for a gross face value of 0.0123 euros per share entitled to this right, which is approximately 1.23% of the Company's share capital. The gross amount paid reached €7.58m.

This sum is within the limits set in the syndicated loan agreement (see Note 22) and it did therefore not exceed the equivalent amount of 1% of the Group's stock exchange capitalisation calculated on the date of the approval mentioned in the paragraph above.

Note 20. Provisions for contingencies and expenses

The breakdown of transactions under this heading of the balance sheet in 2007 was as follows:

| Provisions for contingencies and expenses | | | | |
|---|----------------------------------|------------------|---------------------|--------------------------|
| Other allowances | (Thousands of euros) | | | |
| | Movements in 2007 financial year | | | Balance at 31.12.2007 |
| | Balance at 31.12.2006 | Transfer 2007 | Application 2007 | |
| Provision for greenhouse gas emission rights | 1,275 | 339 | (1,275) | 339 |

At its meeting dated January 21, 2005, the Council of Ministers approved the definitive individualised assignment of the emission rights for the premises included within the scope of application of Royal Decree Law 5/2005 of 27 August, as well as the technical adjustments required in Royal Decree 1866/2005 of the National Assignment Plan of emission rights.

This definitive assignment enables Spanish companies, including **La Seda de Barcelona, S.A.**, to participate in the European CO₂ emission rights market, which was set up on 1 January 2005 as part of the effort to satisfy the undertakings to reduce greenhouse gas emissions set forth in the Kyoto Protocol.

The details of the 2005-2007 National Assignment Plan corresponding to the Company are as follows:

| Activity | Facility | Assignment (tonnes of CO ₂) | | |
|--------------|----------------------------|---|---------|---------|
| | | 2005 | 2006 | 2007 |
| Cogeneration | La Seda de Barcelona, S.A. | 78,717 | 103,397 | 103,397 |

As a consequence of the merger process filed with the Companies Register on June 16, 2005 (see Note 1), the Company did not have the definitive concession of the 2005 rights until 5 September 2006, the date on which the Ministry of Industry and Environment of the Catalonia Regional Government resolved the proceedings through which the preliminary authorisations conceded for the Seda Group were unified.

For accountancy purposes, the Company treats the emission rights in accordance with the Resolution dated February 8, 2006, from the Accounting and Accounts Auditing Institute (ICAC), which implements the accounting aspects referred to in Law 1/2005 of March 9, which regulates the trade regime of emission rights of greenhouse gases.

Note 21. Issue of bonds and other negotiable securities

On 27 June 2005, the Company's Board of Directors, using the authorisation granted by the General Shareholders' Meeting held on the same date and pursuant to Article 153.1 a) of the Public Limited Companies Act, agreed to an issue of convertible bonds for a sum total of €47,468,750.00, by means of the issue of 37,975,000 convertible bonds, each with a face value of 1.25 euros.

The conversion of the bonds issued was carried out in the initial period at a fixed rate of 1.25 euros, that is, a face value of 1.00 euro plus an issue premium of 0.25 euro per share and in the ordinary periods for conversion, as well as in the exceptional ones, at a variable rate equal to 90% of the average list price of the common shares in the Company in the 65 trading sessions prior to the date of the start for each ordinary conversion period.

Once the initial conversion period and the first period of ordinary conversion had finished – on February 10 and August 10, 2006 respectively – the right to convert 35,847,883 and 320,509 convertible bonds into shares at an individual face value of 1.25 euros was exercised. The valuation of the shares for the aforementioned conversion periods was 1.25 and 2.08 euros, respectively.

As far as the second ordinary conversion period starting on July 12, 2007 and finishing on August 10, 2007, is concerned, the conversion into shares of 1,313,054 bonds for a value of €1,641,120 took place (see Note 16). In accordance with the agreement in the information leaflet for this issue, and on the basis of the agreements reached by the Ordinary General Shareholders' Meeting on June 27, 2005 and by the Board of Directors on the same date, the early recovery of the convertible bonds was agreed and this involved an outstanding balance under 10% of the issue. Because of the above, on August 11, 2007, the Company proceeded to the early amortisation of the remaining balance of 493,554 bonds for a sum of €16,942.50 and the loan for bonds signed in 2005 was thus fully cancelled.

Note 22. Debts with credit institutions

The breakdown for this heading at 31 December, 2007 was the following:

| <u>Type of transaction</u> | (Thousands of euros) | | | |
|----------------------------|----------------------|------------------|----------------------|------------------|
| | Credit drawn | | Limit ⁽¹⁾ | |
| | <u>Short term</u> | <u>Long term</u> | <u>Granted</u> | <u>Available</u> |
| Loans | 13,397 | 585,812 | - | - |
| Discounted bills | <u>9,419</u> | <u>-</u> | <u>14,100</u> | <u>4,681</u> |
| | <u>22,816</u> | <u>585,812</u> | <u>14,100</u> | <u>4,681</u> |

⁽¹⁾ This corresponds to short-term transactions.

The amount recorded as a debt pertains to the granting on behalf of a financial institution as the single placer of an initial syndicated loan for a sum of €405m, extended by €198.38m in this year, with the maximum maturity date being 7 years, ratified in an agreement reached in October 2007. This loan is guaranteed via the pledge of shares of various Group companies (see Notes 9.3, 10 and 25).

Said loan contains the usual financial terms (covenants) in contracts of this description.

The maturity terms for the long-term liabilities are distributed as follows:

| | (Thousands of euros) | | | | | |
|-------|----------------------|-------------|-------------|-------------|---------------------------|---------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013 and following</u> | <u>Totals</u> |
| Loans | 26.826 | 46.759 | 65.042 | 70.074 | 377.111 | 585.812 |

The aforementioned operations are mainly pegged to the EURIBOR at one year plus a differential that ranges between 1.75% and 2.50%. The Company has hired, at year-end, hedging for the variable to fixed interest rate at €21.75m with a maturity date in 2014.

At the close of the financial year the sum total of the financial charges accrued and not due amounted to €5.98m.

Note 23. Other accounts payable

23.1. Public bodies The breakdown at 31 December, 2007 was the following:

| Creditors - Public bodies | | | |
|--|----------------------|--------------|--------------|
| | (Thousands of euros) | | |
| | Short Term | Long Term | Total |
| Deferred income tax | - | 1,007 | 1,007 |
| Deferred intra-group corporation tax | 178 | 300 | 478 |
| Personal Income Tax for the month of December 2007, paid in January 2008 | 368 | - | 368 |
| Social Security payable for December 2007, paid in January 2008 | 202 | - | 202 |
| Corporate tax sum payable | 795 | - | 795 |
| Electricity tax | 181 | - | 181 |
| | <u>1,724</u> | <u>1,307</u> | <u>3,031</u> |

At December 31, 2007, the balance for long-term debt with Public bodies includes deferred tax amounting to €0.3m euros by way of the transactions within the Group, with €0.18m euros having been applied in this tax year.

23.2. Other debts. The breakdown for this heading as at the close of the financial year is the following:

| | (Thousands of euros) | |
|--|----------------------|--------------|
| | Short term | Long term |
| Suppliers of fixed assets | 2,679 | - |
| Staff - Salaries and wages pending payment | 3,367 | 2,395 |
| Other | <u>703</u> | <u>-</u> |
| | <u>6,749</u> | <u>2,395</u> |

The most significant aspects as regards this heading are the following:

- **Staff - Salaries and wages pending payment.** Staff debts are mainly due to compensation arising from the restructuring process carried out by the Group, and this compensation arose between 2000 and 2007. Maturity of long-term debt is broken down as follows:

| (Thousands of euros) | | | | | |
|----------------------|-------------|-------------|-------------|---------------------------|---------------|
| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013 and following</u> | <u>Totals</u> |
| <u>1,785</u> | <u>425</u> | <u>68</u> | <u>36</u> | <u>81</u> | <u>2,395</u> |

Note 24. Tax situation

In the fiscal year ended on December 31, 2007 **La Seda de Barcelona, S.A.** and its companies owned directly or indirectly with at least 75% of their share capital (see Note 9.2.), were covered by the System for Consolidated Statements through forming part of the Consolidated Group 236/03, with **La Seda de Barcelona, S.A.** being the Parent Company.

The companies that make up the Group covered by the said Tax System are:

- La Seda de Barcelona, S.A (which includes Catalana de Polímers, S.A.U., KD-IQA, S.L.U., Celtibérica de Finanzas, S.L.U., Mendilau, S.L.U., Proyectos Voltak, S.L.U., Iberseda, S.L.U., taken over by means of a merger approved by the Extraordinary General Meeting of Shareholders dated 29 December, 2004 and registered on 16 June, 2005 at the Companies Register).
- Industrias Químicas Asociadas LSB, S.L.U.
- Slir, S.L.U.
- Inmoseda, S.L.U.
- Artenius Prat PET, S.L.U.
- La Seda Parking Cor Europe, S.L.U.

Application of the Consolidated Tax System means that the individual credits and debits for Corporation Tax are included within the Parent Company (La Seda de Barcelona, S.A.), hence the companies have to pay over to La Seda de Barcelona, S.A. the settlement for this tax. The provision for Corporation Tax is entered under the heading for "Public bodies" of the liabilities side of the attached balance sheet and amounts to €795,000 (see Note 23.1), after the application of withholdings at source from the yield on movable capital and interim payments. The controlled companies not included in the said Consolidated Group pay tax individually and directly to the Tax Authorities.

Reconciliation of the book profit/loss with the taxable base for corporation tax

| | (Thousands of euros) | | |
|--|----------------------|------------------|--------------------------|
| | <u>Increases</u> | <u>Decreases</u> | <u>Amount</u> |
| Book profit/loss for the year before tax | | | 12,859 |
| Permanent differences: | | | |
| - Non-deductible expenses | 31 | - | 31 |
| - Securities portfolio depreciation | 1,306 | - | 1,306 |
| Timing differences: | | | |
| - Goodwill time difference | - | (3,356) | (3,356) |
| - Timing difference within Group | 594 | - | 594 |
| Offsetting taxable bases | | | |
| Previous years | | | (11,434) |
| Taxable base | | | <u> </u> |
| Tax result | | | <u><u> </u></u> |

In accordance with the accounting criterion mentioned in Note 5 u), the sum total entered for Corporate Income Tax accrued in the 2007 tax year was calculated by performing the following operations:

| | (Thousands of euros) |
|--|----------------------|
| Book profit/loss for the year before tax | 12,859 |
| Permanent differences | <u>1,337</u> |
| Adjusted accounting profit/loss | 14,196 |
| 32.5% of adjusted book profit/loss | 4,614 |
| Deductions from the Group payment | <u>(8)</u> |
| Accrued Corporation Tax | <u><u>4,606</u></u> |

241. The negative tax bases pending tax compensation are listed below:

| (Thousands of euros) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------|---------------------------------|--------------------------------|--------------------------------|----------------------------|-----------------|----------------------------|--------------------------|-----------------|----------------------------|--------------------------|-----------------|---------------------------|----------------------------|-----------------|----------------------------|--------------------------|-----------------|------------------------|-----------------------|----------------------|---------------------|-----------------|------------------------|-----------------------|----------------------|---------------------|-----------------|------------------------|-----------------------|------------------|----------------------|---------------------|-----------------|------------------------|-----------------------|------------------|----------------------|---------------------|-----------------|--------|----------|-----|---|---|---|--------|
| Fin. year when compensation arose | 31.12.1997 | | | 31.12.1998 | | | 31.12.1999 | | | 31.12.2000 | | | 31.12.2001 | | | 31.12.2002 | | | 31.12.2003 | | | 31.12.2004 | | | 31.12.2005 | | | 31.12.2006 | | | 31.12.2007 | | | | | | | | | | | | | | | |
| | Balance before tax verification | Effect of the tax verification | Balance after tax verification | Application financial year | Closing balance | Application financial year | Additions financial year | Closing balance | Application financial year | Additions financial year | Closing balance | Additions due to transfer | Application financial year | Closing balance | Application financial year | Additions financial year | Closing balance | Individual Application | Tax group Application | Individual Additions | Tax group Additions | Closing balance | Individual Application | Tax group Application | Individual Additions | Tax group Additions | Closing balance | Individual Application | Tax group Application | Tax verification | Individual Additions | Tax group Additions | Closing balance | Individual Application | Tax group Application | Tax verification | Individual Additions | Tax group Additions | Closing balance | | | | | | | |
| La Seda de Barcelona, S.A. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1992 | 42,772 | - | 42,772 | (3,281) | 39,491 | (7,950) | - | 31,541 | (4,292) | - | 27,249 | - | (3,004) | 24,245 | (3,276) | - | 20,969 | (3,169) | - | - | - | 17,800 | - | - | - | - | 17,800 | (363) | - | - | - | - | 2,352 | (2,352) | - | - | - | - | - | - | - | | | | | |
| 1993 | 7,162 | - | 7,162 | - | 7,162 | - | - | 7,162 | - | - | 7,162 | - | - | 7,162 | - | - | 7,162 | - | - | - | - | 7,162 | - | - | - | - | 7,162 | - | - | - | - | - | 7,162 | (7,162) | - | - | - | - | - | - | - | - | | | | |
| 1996 | 13,571 | (118) | 13,453 | (625) | 12,828 | - | - | 12,828 | (754) | - | 12,074 | - | (885) | 11,189 | (872) | - | 10,317 | (966) | - | - | - | 9,351 | - | - | - | - | 9,351 | - | - | - | - | - | 9,351 | (1,919) | - | - | - | - | - | - | 7,432 | | | | | |
| 1997 | 5,341 | - | 5,341 | - | 5,341 | - | - | 5,341 | - | - | 5,341 | 11,847 | - | 17,188 | - | - | 17,188 | - | - | - | - | 17,188 | - | - | - | - | 17,188 | - | - | - | - | - | 17,188 | - | - | - | - | - | - | - | 17,188 | | | | | |
| 1998 | - | - | - | - | - | - | - | - | - | - | - | 15,167 | - | 15,167 | - | - | 15,167 | - | - | - | - | 15,167 | - | - | - | - | 15,167 | - | - | - | - | - | 15,167 | - | - | - | - | - | - | - | 15,167 | | | | | |
| 1999 | - | - | - | - | - | - | 13,754 | 13,754 | - | - | 13,754 | 6,084 | - | 19,838 | - | - | 19,838 | - | - | - | - | 19,838 | - | - | - | - | 19,838 | - | - | - | (205) | - | 19,633 | - | - | - | - | - | - | 19,633 | | | | | | |
| 2000 | - | - | - | - | - | - | - | - | - | 1,063 | 1,063 | 2,622 | - | 3,685 | (5) | - | 3,680 | (6) | - | - | - | 3,674 | - | - | - | - | 3,674 | - | - | - | - | - | 3,674 | - | - | - | - | - | - | 3,674 | | | | | | |
| 2001 | - | - | - | - | - | - | - | - | - | - | - | 1,530 | - | 1,530 | - | - | 1,530 | - | - | - | - | 1,530 | - | - | - | - | 1,530 | - | - | - | - | - | 1,530 | - | - | - | - | - | - | 1,530 | | | | | | |
| 2002 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 15 | 15 | - | - | - | - | - | 15 | - | - | - | - | 15 | - | - | - | - | - | 15 | - | - | - | - | - | - | 15 | | | | | | |
| 2003 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1 | - | - | - | - | 1 | - | - | - | - | - | 1 | - | - | - | - | - | (1) | - | - | - | | | | |
| 2004 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,356) | - | - | 1,356 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | |
| | 68,846 | (118) | 68,728 | (3,906) | 64,822 | (7,950) | 13,754 | 70,626 | (5,046) | 1,063 | 66,643 | 37,250 | (3,889) | 100,004 | (4,153) | 15 | 95,866 | (4,141) | - | - | 1 | 91,726 | - | - | (1,356) | - | 1,356 | 91,726 | (363) | - | - | - | - | 91,363 | (15,085) | - | (205) | - | - | 76,073 | (11,433) | (1) | - | - | - | 64,639 |

Likewise, and pursuant to the ICAC Ruling dated March 20, 2002, rule eight, the Company has recorded the variation of the tax rate in its books, adjusting the amount of advanced and deferred taxes, as well as the credits of the activated tax bases (see Note 5i)). In relation to this same item, the amount of the deferred tax balance generated in the tax year for Goodwill has been adjusted for a sum of €84,000, equivalent to 2.5% of the timing difference recorded. The Company has also recorded the positive differences in relation to the remaining early and deferred taxes under this same heading, as well as credits for activated taxable bases for prior years for a sum of €14,000, with the difference of up to €14,000 recorded under "Corporate tax adjustments" of the attached Profit and Loss Account pertaining to the negative adjustment of 1997 rebates that were not applied in the current year for a sum of €128,000 (see Note 9.8).

As set forth by the legislation in force, taxes cannot be deemed to have been finally settled until the tax returns submitted have been inspected by the Tax Authorities, or the statute-barred period of four years has elapsed. For the tax year ending on December 31, 2007, the Company has years 2003 to 2006 open for inspection (both inclusive) with regard to Corporation Tax. Years 2004 to 2007 (both inclusive) are open for inspection for other main taxes. The Company's Administrators do not expect, in the event of an inspection, any additional significant liabilities to arise.

At 31 December, 2007 the Company has an amount pending of €0.56m corresponding to allowances and deductions from previous tax years. Allowances and deductions for the present year as well as those generated during its incorporation to the Group have been applied by a Group company under the taxation consolidation scheme for a sum of €7,590 pertaining to the current tax year, and €1,700 from previous years.

At December 31, 2007, the following deductions were pending application:

| <u>Tax year of origin</u> | <u>(Thousands of euros)</u> | <u>Maximum term for compensation</u> |
|---------------------------|-----------------------------|--------------------------------------|
| 1998 | 158 | 2008 |
| 1999 | 305 | 2009 |
| 2000 | 22 | 2010 |
| 2001 | 51 | 2011 |
| 2002 | <u>29</u> | 2012 |
| | <u>565</u> | |

- 24.2.** According to the merger deed registered at the Companies Register on June 16, 2005, the companies involved in the merger recorded their intent to be covered by the system of tax neutrality envisaged in Heading VII, under Chapter VIII, of Legislative Royal Decree 4/2004 of 5 March, whereby the Revised Text of the Corporation Tax Act was passed.

The breakdown by purchase date of the assets transferred that are liable to be depreciated that have been included in the accounts for the parent company is the following:

| | <u>Purchase Dates</u> |
|--|-----------------------|
| Start-up expenses | 2000 - 2001 |
| Research & development expenses | 2000, 2001 and 2003 |
| Franchises, patents and licences | 2002 |
| Computer applications | 2001 and 2003 |
| Buildings | 1961 - 2003 |
| Technical installations and machinery | 1987 - 2003 |
| Other installations, equipment and furniture | 1987 - 2001 |
| Other fixed assets | 1996 - 2003 |

The latest finalised balance sheets corresponding to the companies transferring their assets which take part in the merger process described in Note 1 are the following:

| | Catalana de Polimers, S.A. (*) (Thousands of euros) | Celtiberica de Finanzas, S.L. (*) (Thousands of euros) | Projects Voltak, S.L. (*) (Thousands of euros) | Mendilau, S.L. (*) (Thousands of euros) | KD-IQA, S.L. (*) (Thousands of euros) | Iberseda, S.L. (*) (Thousands of euros) |
|--|---|--|--|--|--|--|
| Assets | | | | | | |
| Fixed and other non-current assets | | | | | | |
| Start-up expenses | 1,238 | - | - | - | - | - |
| Net intangible fixed assets | 6,907 | - | - | - | 694 | - |
| Net tangible fixed assets | 92,002 | - | - | - | 3,111 | - |
| Net investments | 5,180 | 7,266 | 6,606 | 2,117 | - | - |
| Deferred costs | 6,922 | - | - | - | - | - |
| Current assets | | | | | | |
| Inventories | 20,308 | - | - | - | 679 | - |
| Accounts receivable | 91,944 | - | - | - | 2,608 | 3 |
| Temporary financial investments | 1,691 | - | - | - | - | 1 |
| Cash and bank balances | 203 | - | - | - | 7 | 6 |
| Time period adjustments | 482 | - | - | - | - | - |
| | <u>226,877</u> | <u>7,266</u> | <u>6,606</u> | <u>2,117</u> | <u>7,099</u> | <u>10</u> |
| Liabilities | | | | | | |
| Miscellaneous liabilities | 56,851 | 58 | 24 | 712 | 2,292 | (22) |
| Provisions for contingencies and expens | - | - | - | - | - | - |
| Long-term liabilities | 34,036 | 7,208 | 6,581 | 1,405 | - | - |
| Short-term liabilities | <u>135,990</u> | <u>-</u> | <u>1</u> | <u>-</u> | <u>4,807</u> | <u>32</u> |
| | <u>226,877</u> | <u>7,266</u> | <u>6,606</u> | <u>2,117</u> | <u>7,099</u> | <u>10</u> |
| (*) Single-member Company | | | | | | |

The purchasing Company, as a result of the merger process described in Note 1 above, has included the tax gains for the amount of €57,000 from the company taken over called **Catalana de Polimers, S.A.U.**, corresponding to the deductions and allowances pending application.

Note 25. Guarantees arranged with third parties

At December 31, 2007, **La Seda de Barcelona, S.A.** had guarantees arranged with third parties and Group companies for a sum of €3.13m and €15.17m, respectively. In addition, the Company also received a surety from **Industrias Químicas Asociadas LSB, S.L.U.**, **Artenius Italia, S.p.A.**, **Artenius Portugal**, **Industria de Polímeros, S.A.**, **Artenius Turkpet Kimyevi Maddeler ve Pet Ambalat Malzemeleri Sanayi Anonim Sirketi**, **Artenius Uk, Ltd.**, **Artenius Holding, B.V.**, **Artenius PET Packaging Europe, Ltd.** and **Artenius PET Packaging Uk, Ltd.** for a sum of €99.21m (see Notes 9.3 and 22) and it has received guarantees from banks for a sum of €13.41m.

Note 26. Consumption of raw materials and other consumable materials

Its breakdown at the close of the year was the following:

| | (Thousands of euros) |
|---|----------------------|
| Purchase of goods | 53,766 |
| Consumption of raw materials and other consumable materials | 167,946 |
| Change in stocks | <u>(56,660)</u> |
| | <u>165,052</u> |

Note 27. Personnel expenses

The breakdown for this heading at December 31, 2007 was the following:

| | (Thousands of euros) |
|---|----------------------|
| Wages and salaries | 12,320 |
| Compensation | 2,983 |
| Social Security payable by the Company | 2,763 |
| Contributions to complementary pensions schemes | 581 |
| Other social welfare expenses | <u>876</u> |
| | <u>19,522</u> |

The average headcount at **La Seda de Barcelona, S.A.** in the 2007 and 2006 financial years was 241 people and 367 people, respectively.

In accordance with the provisions of Organic Law 3/2007 of March 22, for the effective equality between men and women, published in BOE (Official State Gazette) on March 23, 2007, the number of employees at **La Seda de Barcelona, S.A.** at December 31, 2007, broken down by categories and genders, is the following:

| <u>Categories</u> | <u>Total</u> | <u>Men</u> | <u>Women</u> |
|--------------------------------------|--------------|------------|--------------|
| Management staff and middle managers | 25 | 20 | 5 |
| Technical and administrative workers | 92 | 49 | 43 |
| Manufacturing staff | <u>119</u> | <u>117</u> | <u>2</u> |
| | <u>236</u> | <u>186</u> | <u>50</u> |

Furthermore and by virtue of the provisions of the aforementioned Organic Law, at December 31, 2007, we report that all members of the Board of Directors are men.

Note 28. Variation in provisions and bad-debt losses

Its make-up at December 31, 2007, solely corresponds to the allocation to the provision for trade debts of the year, the amount of which was €456,000, recorded in the attached Profit and Loss Account.

Note 29. Net turnover

29.1. Its breakdown at the close of the tax year was the following:

| | (Thousands of euros) |
|------------------------------|----------------------|
| Sales | 183,141 |
| Refunds and volume discounts | (21,667) |
| Rendering of services | <u>145,730</u> |
| | <u>307,204</u> |

29.2. The breakdown for the net sum of the turnover for the 2007 tax year by markets and geographical activities is as follows:

| Net turnover | | | | |
|---------------------|----------------------|---------------|------------------------|----------------|
| | (Thousands of euros) | | | |
| | <u>Domestic</u> | <u>EU</u> | <u>Other Countries</u> | <u>Total</u> |
| PET polymer | 91,340 | 32,352 | 5,862 | 129,554 |
| PTA | - | - | 29,884 | 29,884 |
| IPA | - | - | 2,035 | 2,035 |
| Technology | 100,000 | 11,016 | 7,120 | 118,136 |
| Other | 13,704 | 11,828 | 2,063 | 27,595 |
| | <u>205,044</u> | <u>55,196</u> | <u>46,964</u> | <u>307,204</u> |

In 2006, the Company purchased PET and PTA trademarks, patents and licensing rights from the subsidiary **Advansa BV** for an amount of €45m. In 2007, **La Seda de Barcelona, S.A.** recorded sales corresponding to the license rights for installation of the PET and PTA production process and the engineering services developed on each project, for an amount of €100m and €6.31m, respectively. Additionally, revenue from technology maintenance and industrial property services delivered to Group companies for a sum of €1.83m was recorded.

On October 25, 2007, **La Seda de Barcelona, S.A.** agreed to sell licensing rights for the installation of the PET and PTA production process for a value of €100m to a third party outside the Group interested in developing technology acquired for its application to building materials for subsequent marketing and implementation in certain geographical areas located in the Middle East, Egypt, Sudan, Libya, Tunisia and Algeria. Notwithstanding the above, **La Seda de Barcelona, S.A.** still has the opportunity to exploit these licences on its own in the areas mentioned above.

Of the €100m sales price, the Company received €1,200 upon signing the contract, and the remaining amounts will be received on the following maximum deadlines:

| | (Thousands of euros) |
|--------------------|----------------------|
| March 31, 2008 | 13,800 |
| September 30, 2008 | 22,500 |
| December 31, 2008 | 22,500 |
| March 31, 2009 | <u>40,000</u> |
| | <u>98,800</u> |

Note 30. Transactions carried out with Group companies and associated companies

The breakdown at December 31, 2007, was the following:

| Transactions carried out with Group companies and associated companies | | | | | | |
|---|----------------------|------------------|-----------------|-----------------|----------------|-------------|
| | (Thousands of euros) | | | | | |
| | | | Services | | Interest | |
| | <u>Sales</u> | <u>Purchases</u> | <u>Rendered</u> | <u>Received</u> | <u>Charged</u> | <u>Paid</u> |
| Group Companies | 57,058 | 30,741 | 18,651 | 1,321 | 11,574 | 23 |
| Associated Companies | 2 | - | 2,344 | 6,792 | - | 3 |
| | <u>57,060</u> | <u>30,741</u> | <u>20,995</u> | <u>8,113</u> | <u>11,574</u> | <u>26</u> |

Note 31. Transactions in currencies other than the euro

The volume of transactions in currencies other than the euro, basically for sales and purchases, amounts to 36.77 and €5.39m, respectively, with their breakdown being as follows:

| <u>Currency</u> | <u>(Thousands of euros)</u> | |
|-----------------|-----------------------------|------------------|
| | <u>Sales</u> | <u>Purchases</u> |
| US Dollar | 50,482 | 47,570 |
| Pound Sterling | - | 647 |
| Swiss Franc | - | 6 |
| Swedish Crown | - | 1,452 |

In this item, the accounts to be settled in currencies other than the euro at December 31, 2007 amounted to €5.21m and their breakdown into currencies was the following:

| <u>Currency</u> | <u>(Thousands of euros)</u> | |
|-----------------|-----------------------------|---------------|
| | <u>Debit</u> | <u>Credit</u> |
| US Dollar | - | 7,609 |
| Pound Sterling | - | 37 |

Note 32. Environment

In 2007, in order to apply the strategy defined by the Group, it continued to make investments in fixed assets earmarked for protecting the environment, the sum total of which amounted to €9,000. The most significant aspects in the section for the Environment for the present year were the following:

- The purchase and set-up of equipment making up the new polygeneration plant, comprising a 7.5MW gas turbine to produce electrical power with a heat recovery train to heat thermal oil at the PET production facilities and also to generate water steam and the necessary cold water for facilities. In addition, the OSBL project has also been amended and made more ambitious to include the complete renewal of practically all factory utilities where we can highlight the laying of high voltage lines, new high, medium and low voltage systems, compressor transfer, and the organisation of the refrigeration centre, in addition to the creation of a single control room that will be commissioned at the end of the project. With these new stations, the global energy cost that our activities involve will be reduced by 30% and CO₂ and greenhouse gas emissions to the atmosphere will also be cut.
- Furthermore, in the year ended on December 31, 2007, the Company purchased two continuous emission analysis devices, allowing better control of emissions by monitoring the concentrations emitted in real time.
- Continuing with the Policy involving sustainable use of natural resources, facility rationalisation and optimisation has been carried out to allow a 26% reduction in water consumption from own resources.
- Over the current year, La Seda de Barcelona S.A. has avoided big bag packaging to reduce the amount of containers and packages put on the market.
- In 2007, La Seda de Barcelona, S.A. has been subject to the rules governing the trading of CO₂ emission rights. In compliance with current regulations, the annual report on the tracking of emissions corresponding to 2007 has been prepared and verified by an accredited agency, and tonnage emitted has been lower than forecast.

The current expenses supported by the Company during the present year amount to €218,000. This includes transport expenses and external waste management.

Note 33. Other Information

Payments and other benefits for the Administrators. During the year ended on 31 December, 2007 the payments received by the members of the Company's Board of Directors corresponded to the following breakdown:

| | (Thousands of euros) |
|---|----------------------|
| Wages and salaries | 460 |
| Expense allowances for attending board meetings | 352 |
| Shares delivered to staff | 12 |
| Contributions to funds and pension schemes | <u>11</u> |
| | <u>835</u> |

There were no credits, advances, loans or securities contracted in terms of pensions with regard to the Board of Directors.

In relation to the information demanded by new Article 127, indent three, 4 of the Public Limited Companies Act, the shareholdings and posts and/or functions that Company Directors hold and/or exercise in other companies with the same, similar or complementary kind of activity that represents the Company's corporate purpose are the following:

- Mr. Rafael Español Navarro is the Chairman of the Board of Directors of the following Group companies: Artenius Turckpet, Artenius San Roque, S.A.U., Industrias Químicas Asociadas LSB, S.L.U., Artenius Hellas Holding, S.A., Artenius Sines PTA, S.A. and Artenius PET Packaging UK Limited; he is the sole Administrator of Artenius Italia S.p.A., he is the sole Administrator representing La Seda de Barcelona, S.A. in the Group companies Artenius Uk Limited, Artenius Portugal Industria de Polímeros, S.A. and Artenius Holding, B.V.; he is a joint administrator of Carb-IQA de Tarragona, S.L.U.
- Mr. Ramón Pascual Fontana is the Chairman of the Board of Directors of the company Petrolest, S.L.

Other Relevant Facts: On October 21, 1996, the Seda Group purchased all shares of the group Märkische Viskose GmbH (a company located in Eastern Germany). The aim of this purchase, given the difficulties in the European textiles market, was to eliminate competition and, at the same time, diversify production by increasing market opportunities and, as a consequence, reducing business risks (Märkische Viskose GmbH manufactured thick rayon thread and Viscoseda Barcelona, S.L. manufactured thin rayon thread).

At the end of the 1999 financial year, it became obvious that the strategy used by La Seda de Barcelona, S.A. was not bringing the expected results. At this time the Group decided to abandon the textiles market and, as a consequence, undergo the orderly restructuring of Viscoseda Barcelona, S.L. and Märkische Viskose GmbH. Along these lines, on November 19, 1999, 75% of the share capital of Märkische Viskose GmbH was sold to a third party outside the Group and a final restructuring stage finalised with the submission of an application for insolvency proceedings before the Court of the First Instance in Potsdam (Germany) on November 8, 2000.

Within the framework agreement reached with the various creditors of Märkische Viskose GmbH, Viscoseda Barcelona, S.L. and, subsidiarily, La Seda de Barcelona, S.A., the agreement was reached to face certain obligations before two financial institutions: West-LB and Unicredito, following the payment of the last instalment of obligations reached by virtue of the aforementioned agreement on January 23, 2006. There was no additional liability with these organisations or any other supplier or creditor and the remaining liabilities were taken over by the Company's main shareholder. Therefore, La Seda de Barcelona, S.A.'s management considered that the winding up and liquidation process of Märkische Viskose GmbH had been successfully completed.

Subsequently, on March 10, 2007, a notification was received from FINOVA Luzern AG (a company domiciled in Luzern, Switzerland) demanding a sum of €8.1m from La Seda de Barcelona, S.A. for interest accrued for the debt pardoned in the aforementioned framework agreement. This demand did not refer to the part of the debt taken over by La Seda de Barcelona, S.A. whose last instalment was cancelled on January 2006. Subsequently and following the Company's analysis of the facts, it has been confirmed that FINOVA Luzern AG purchased the alleged charging rights on the interest for the debt pardoned from the financial organisation West-LB.

At the time the demand mentioned above was received, the legal department at La Seda de Barcelona, S.A. analysed the process and realised there was a loophole in the processing of accrued interest for the debt pardoned, as this was not mentioned in the agreement reached.

This case was transferred to our legal advisors in Germany (Wolfgang Leiss) who stated that no amount was due and submitted a writ of pleading in July, 2007 and a hearing date (mediation agreement) was set by the Potsdam Court for September 10, 2007. The organisation FINOVA Luzern AG did not attend the proceedings and the Potsdam Court set a second and last hearing for December, 2007. Finally the Company decided to take on the full amount requested for a sum of €8.1m reserving the right to a legal claim against the claiming company, a decision which is being studied by the Company's legal department.

For this purpose and considering that there is no further information on this particular, the Company's Administrators deem that no additional accounting records concerning this subject are necessary.

Note 34. Auditors' fee

The auditors' fee for carrying out the audit on the individual and consolidated annual accounts as of 31 December, 2007 amounts to 353,381 euros. This is the only item for which they were paid.

Note 35. Events subsequent to year-end

In the course of January 2008, **La Seda de Barcelona, S.A.** interrupted the production activities of its subsidiary **Artenius Rumania, SRL**. This subsidiary had signed an exclusive commercial sales agreement with **INTERNOVA Serv. Com. Import Export SRL**, as well as an agreement concerning the rendering of services related to the company's activities that was terminated amicably by both parties. In the agreement signed, the total pending debt by **INTERNOVA** at December 31, 2007, for a sum of €2.3m will be fully charged in 2008, following the receipt of a real estate security for a sum of €1.44m.

As of December 31, 2007, **Artenius Rumania SRL** had no significant labour-related liabilities. The Seda Group has proceeded to relocate the pre-form machinery with a productive capacity of 10,000 tonnes per year at other Group sites in the first quarter of 2008.

The net book value of the holding in **Artenius Rumania SRL** reached €3.53m at December 31, 2007 and it has been recorded at its reasonable value.

Note 36. Finance table

| Finance table | | | | | |
|---|----------------------|------------|--|----------------------|------------|
| Applications | (Thousands of euros) | | Sources | (Thousands of euros) | |
| | Financial year | | | Financial year | |
| | 31.12.2007 | 31.12.2006 | | 31.12.2007 | 31.12.2006 |
| Purchases of fixed assets | | | Resources arising from trading | 57,656 | 21,312 |
| Start-up expenses | 19,446 | 25,503 | | | |
| Intangible fixed assets | 5,572 | 47,327 | Funds generated by the effect of the demerger operation (see Note 3) | - | 57,526 |
| Tangible fixed assets | 20,505 | 2,992 | | | |
| Financial investments | | | Contributions of shareholders | | |
| Group companies | 547,841 | 580,066 | Increases in capital | 439,524 | 418,722 |
| Other financial investments | 41,116 | 89,045 | | | |
| Deferred costs | 8,865 | 12,651 | Long-term debts | | |
| Dividends | 7,579 | - | Debenture loans and other similar liabilities | 308,500 | 391,500 |
| Short-term cancellation or transfer of long-term debt | | | Sale of fixed assets | | |
| Debenture loans and other similar liabilities | 113,002 | 101,002 | Intangible fixed assets | - | 1,074 |
| From other debts | 925 | - | Tangible fixed assets | 2,390 | 19,688 |
| | | | Financial investments | | |
| | | | Group companies and associated companies | 33,910 | 28,921 |
| | | | Other financial investments | 3,552 | 21 |
| Total applications | 764,851 | 858,586 | Total sources | 845,532 | 938,764 |
| Increase in working capital | 80,681 | 80,178 | | | |
| | 845,532 | 938,764 | | 845,532 | 938,764 |

| Change in the working capital | (Thousands of euros) | | | |
|---|----------------------|-----------|------------|-----------|
| | 31.12.2007 | | 31.12.2006 | |
| | Increases | Decreases | Increases | Decreases |
| Inventories | 59,826 | - | - | 5,803 |
| Accounts receivable | 27,234 | - | 16,582 | - |
| Temporary financial investments | - | 2,238 | - | 6,222 |
| Own shares | - | 2,135 | 1,912 | - |
| Creditors | - | 1,632 | 17,418 | - |
| Cash and bank balances | - | 485 | - | 1,140 |
| Time period adjustments | 110 | - | - | 95 |
| Change in working capital due to the effect of the demerger operation | - | - | 57,526 | - |
| | 87,170 | 6,489 | 93,438 | 13,260 |
| Change in the working capital | - | 80,681 | - | 80,178 |
| | 87,170 | 87,170 | 93,438 | 93,438 |

Reconciliation of the book profit/loss with the funds generated by transactions

| | (Thousands of euros) | |
|--|----------------------|---------------|
| | 31.12.2007 | 31.12.2006 |
| Profit/loss for the financial year | 8,323 | 5,343 |
| Operations not related to movement of funds: | | |
| Variation in provisions for tangible fixed assets and control portfolio | 19,414 | - |
| Transfers to amortisation of fixed assets | 21,688 | 14,331 |
| Transfer to results of deferred costs | 3,346 | 8,012 |
| Application of the long term tax credit and interim tax result | 3,730 | 5,352 |
| Long term deferred corporate tax | 1,007 | - |
| Losses from the disposal of tangible fixed assets and portfolio control | 161 | 2,853 |
| Profits from the disposal of tangible fixed assets and portfolio control | (13) | (14,579) |
| Resources arising from trading | 57,656 | 21,312 |

Management report

In compliance with what is set forth in Article 171 of the Revised Text of the Public Limited Companies Act, this management report for the Company is drawn up in relation to the corporate year closed on December 31, 2007, including the matters required in Article 202 of the said legal corpus, as modified by Article 107 of the 62/2003 Act on Measures of a fiscal, administrative and social nature.

1. Development of Business in 2007

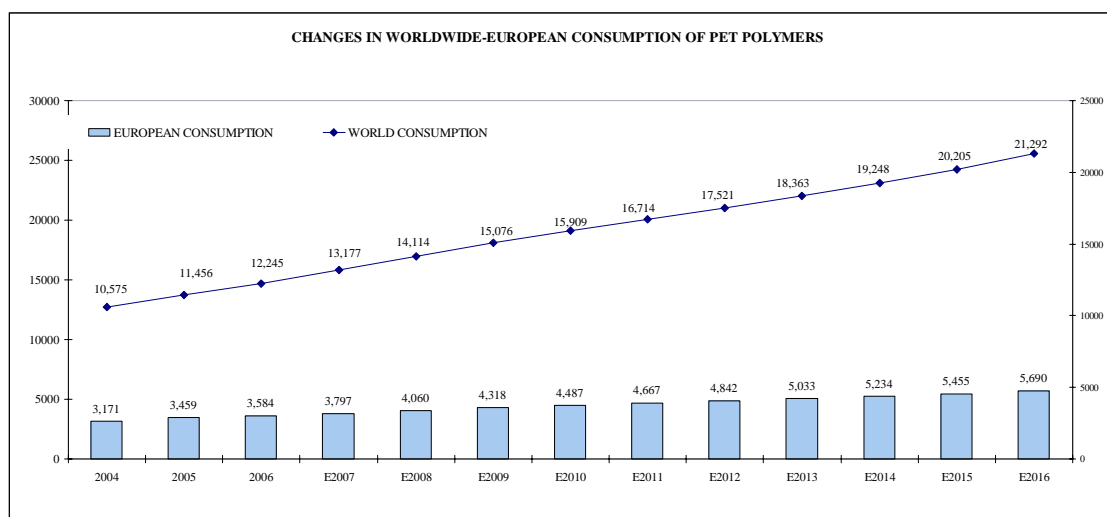
The progress of the Company's activities during the 2007 business year was the following:

- One of the aims of La Seda de Barcelona, S.A. in the 2007 business year was to finalise the Acquisitions Programme started in 2006, turning the Group into the first vertically integrated producer of MEG-PTA-PET-PREFORM to end in RECYCLING and thus achieve geographical distribution throughout Europe.
- The strategy's culmination was also reinforced with the purchase of a further PET plant in Western Europe (San Roque) and the downstream integration in the preform (Pet packaging) and PET recycling sector with geographical coverage in all Europe (West, Central and East).

PET is the Seda Group's main industrial project. This is a product with a strong accumulative growth and a high development potential within the packaging sector thanks to its clarity, transparency, lightness, strength and recycling capacity.

During the 2007 business year, the PET market continued its ongoing growth of the last few years, with an annual average rate close to 10%. This percentage may rise in the short term with the definitive implementation of the PET pack on the market for fruit juices, milk products and beer.

Expectations for the coming years indicate that PET will carry on with its rate of expansion. Its exceptional characteristics and properties have turned this polymer into one of the most versatile plastics in the world with multiple and varied applications, both novel ones and those replacing other materials.



Source: PCI 2007

The technological advances achieved in the manufacturing processes, as well as in the materials used in the sector for containers and packaging, have allowed the exceptional properties of the PET polymer to be very widely assessed, and it is now gaining ground as an essential raw material in the sector.

The use of PET has been consolidated on the market for mineral waters, gassy drinks and oils and it is very quickly gaining ground in new applications in the sectors for foodstuffs, cleaning products, cosmetics and pharmaceuticals, as well as in applications for industry and engineering.

The Company's main objective was to boost organisation adapting it to the Group's new challenges in the face of internationalisation, on the industrial, operational and functional levels. The new territory-based organisation has allowed the merger of the MEG-PTA-PET business units that are now reporting to a single Manager, in favour of appointing managers by geographical area, in accordance with the location of the production plants.

The parent Company continued boosting its headquarters in Barcelona with the start of an industrial reorganisation and reduction-relocation plan broken down by geographical areas by personnel belonging to various subsidiaries so that synergies will also be transferred to the human resources area.

At this time, the Company considers that the expansion process involving acquisitions has finalised, and it is focusing its resources on continuing to reinforce and intensify the integration process of various businesses purchased in Europe, devoting special attention to gaining underlying synergies in areas such as supplies, optimisation of industrial processes, distribution logistics and general expenses, an effort that has been reflected in our Internal Business Plan.

Geographical coverage in all Western Europe (Artenius Portugal, San Roque, Prat, APP *Toledo, IQA, Selenis Serviços, Biocombustibles, RPB, Immosedá), our companies in the United Kingdom (Artenius UK, APP UK), in Central Europe (APP Belgium, Germany, France, Artenius Italy) and in the East (Artenius Turckpet, Romania, Hellas) and the fact that we are the only multi-plant PET producer on the market (with the exception of Indorama, with two plants), has allowed the Group to focus on product quality and service to end customers.

In 2007, we have made considerable efforts to unify the various types of PET resin produced in different Group plants. Thus, we have also standardised all recipes and additives, using the simplest contents possible and only using components that are fully standardised by all European food legislation and all bottlers. In addition, product specifications and descriptions have been unified.

The sales policy in 2007 was, above all, to offer a good service to clients from the moment the order was generated, including prompt service and supply reliability. With this aim, each plant potentially has a production back up at another Group plant, thus ensuring good service to clients in the event of disruptions at any Group plant. LSB could thus guarantee the supply of the same product demanded at the client's facilities from another production plant in the same area, at no additional cost. In addition, and to reinforce this aim, the Company has proceeded to relocating its client portfolio for each plant by territory areas, taking a base parameter of a distance radius of 600 – 700 km between the plant and the client. On the operational level, the client can now place orders with a simplified system and using the same language at any of the eight PET production plants. This has been achieved following the standardisation of the same recipes for all clients. Today we can safely say that we are capable of supplying the same references under a single brand to a portfolio of over 1,000 clients.

The effort to integrate the various companies purchased in the years 2006 and 2007 started with the first acquisition, but it was from October, 2007 (when APP was purchased) when it was established as a single priority and devoted all available resources.

Thus, several specialised teams have been created to focus on this target alone and they are dedicating their efforts to integration, cohesion, coordination, efficiency and cost improvement in different areas.

As far as the sales area is concerned, we have established standard criteria broken down by territory areas governing the Group's sales policy.

Part of the learning process for the entire organisation is getting to know the market and therefore the clients; this knowledge is an intangible asset that all participants in the sector value. With the incorporation of APP to the Group this wish has become a reality. Contact with clients and end consumers is direct and intense given the relationship existing surrounding cooperation for the development of packaging solutions for the local market. The Brecht Research Centre in Belgium is in charge of making developments demanded by clients possible, in the search for materials responding to the essential quality and sustainability levels necessary in the sector.

* Before GRUPO AMCOR

In 2007, turnover reached €307m, and this involved an approximate 40% in relation to the previous year.

Profits from operations and ordinary business activities have shown extremely positive developments, with profits for the 2007 financial year being €69.4m and €41.6m, respectively, versus €11.5m and €9.1m in the previous year. We consider this fact is very satisfactory in spite of the evolution of commodity prices and the reduction of PET sales in tonnes which were considerably offset by revenues from technology sales. This last business line has become a recurrent and profitable operation taking into account data from the 2006 and 2007 financial years, as well as comparative data from the first months of 2008. As far as the net result after tax is concerned, profits reached €8.3m, with an increase of 36% in relation to 2006. This positive trend in the most significant variables of the Company can also be seen in other areas which, due to turnover figures and the debt extension and restructuring processes carried out, showed significant improvements. This is true of the working capital that reached €256.7m at December 31, 2007, compared to €176m in the 2006 financial year.

Finally, in relation to operating expenses, in spite of the increase in corporate staff from 52 to 71 people, the Company's total staff was reduced from 246 to 236 people as a consequence of the labour force adjustment process that started in 2006. In net figures, the reduction involved a saving of approximately €6m in personnel costs. However, the outsourced services caption has seen a significant increase mainly due to external costs generated by various services required by the growth process and subsequent restructuring process.

2. Investment activity

In the 2007 financial year, **La Seda de Barcelona, S.A.** made the following purchases that have increased the installed capacity of the group to a yearly total of 1,000,000 tonnes:

100% of the company Eastman Chemical Iberia, S.A., subsequently renamed as Artenius San Roque, S.A., located in Cadiz, with an annual production capacity of 170,000 tonnes of PET per year.

100% of the Amcor Group's European Division, made up by the companies Artenius PET Packaging Europe, Ltd, Artenius PET Packaging UK, Ltd, Artenius PET Packaging Belgium, NV, Artenius PET Packaging Deutschland, GmbH, Artenius PET Packaging Iberia, S.A. (a subgroup including Artenius PET Packaging Maroc, S.A.R.L.A.U.) and Artenius PET Packaging France, SAS (a subgroup including Artenius PET Recycling France, SAS). This addition gives the company access to end clients, also involving a number of contracts and facilities located at the client's site providing stability and stability to the business. The amount paid for the acquisition of these holdings was €435.7m.

The Group has likewise made the following investments during 2007:

- Building work continued on a 7.5 Mwh polygeneration plant in El Prat de Llobregat (Barcelona), which will enable energy savings of around 30%. This facility will be commissioned at the beginning of April, 2008 and it will involve an investment of around €8m, with €5.7m having been spent in 2007. This plant will benefit from the tax benefits of high-performance cogeneration plants. Management is studying the implementation of this model in the remaining Group plants.
- The Company has increased its holding in Simpe, SpA, located in Acerra (Italy) until gaining control. This company has a plant near Naples and in 2007 work for the conversion of the polyester production plant to PET production started. This motivated the adaptation of the chemical facilities to the PTA raw material (the DMT raw material was used previously). The construction of a new SSP facility that will come into operation at the end of 2008 has started. This is a project that, with the aid of the Italian government, involves an investment of around €30m devoted to increase the production capacity of Artenius PET by around 120,000 tonnes per year, in addition to producing polymer for textiles, up to a maximum of 35,000 additional tonnes per year.

- At Artenius Sines, a MegaPTA plant located in Portugal, land preparatory work has started, in addition to contacts to buy the main equipment as well as negotiations involving agreements for energy and utility services. The investment, with an estimated value of around €400m, is the greatest ever made by the Group and the plant is expected to be in operation for the first quarter of 2010.

3. Group integration and 2008 forecast

Company management considers that the expansion process involving acquisitions has finalised, and it is focusing its resources on continuing to reinforce and intensify the integration process of various businesses purchased in Europe, devoting special attention to gaining underlying synergies in areas such as supplies, optimisation of industrial processes, distribution logistics and general expenses.

In the 2008 to 2012 period, three periods to be developed consecutively can be distinguished to achieve the results expected:

a) Reorganisation: This basically involves the integration of businesses purchased over the last two years. This period that started in 2007 and will continue over 2008 is distinguished for:

- The creation of a basic corporate and business structure.
- Consolidation of the operation of various sites, involving both organisation and operations.
- Reduction of fixed costs.
- Restructuring and optimisation of production assets studying the possible closure of some units that may not be strategically competitive in the short-term.
- Continuing rationalisation and standardisation processes for resin grades.
- Optimisation of the product catalogue to be marketed.

b) Consolidation of the foundation work to establish leadership on the market: This is a key stage that the Group's future will depend upon. It will spread over the following 2-3 years.

c) Profitable growth: This is a stage based on innovation, on investment for new product development, on growth involving volume as well as specialty profitability and growth in the environmental/ecological area of PET recycling.

4. Research and development (R&D) and environmental activities

In 2007, work has continued on the analysis of various technologies and production processes accessed via acquisitions carried out in 2006 and 2007, with the aim of spreading know-how from each plant to the remaining production plants and in order to implement the best practices of each plant at the remaining subsidiaries.

La Seda de Barcelona has a Research and Development Centre whose facilities include fully-equipped test and development laboratories and an exclusive test centre.

La Seda de Barcelona has formal links with various research and academic institutions.

The R&D department's initiatives include:

- Resin standardisation
- Improvements in factory technology
- Sales and industrial improvements for the remaining plants

The most significant aspects in the section for the Environment for the present year were the following:

- The purchase and set-up of equipment making up the new polygeneration plant, comprising a 7.5MW gas turbine to produce electrical power with a heat recovery train to heat thermal oil at the PET production facilities and also to generate water steam and the necessary cold water for facilities. In addition, the OSBL project has also been amended and made more ambitious to include the complete renewal of practically all factory utilities where we can highlight the laying of high voltage lines, new high, medium and low voltage systems, compressor transfer, and the organisation of the refrigeration centre, in addition to the creation of a single control room that will be commissioned at the end of the project. With these new stations, the global energy cost that our activities involve will be reduced by 30% and CO₂ and greenhouse gas emissions to the atmosphere will also be cut.
- Furthermore, in the year ended on December 31, 2007, the Company purchased two continuous emission analysis devices, allowing better control of emissions by monitoring the concentrations emitted in real time.
- Continuing with the Policy involving sustainable use of natural resources, facility rationalisation and optimisation has been carried out to allow a 26% reduction in water consumption from own resources.
- Over the current year, La Seda de Barcelona S.A. has avoided big bag packaging to reduce the amount of containers and packages put on the market.
- In 2007, La Seda de Barcelona, S.A. has been subject to the rules governing the trading of CO₂ emission rights. In compliance with current regulations, the annual report on the tracking of emissions corresponding to 2007 has been prepared and verified by an accredited agency, and tonnage emitted has been lower than forecast.

Environmental expenses reported by the El Prat de Llobregat plant have been classified according to the EN30 indicator protocol in the Guide for the Development of Sustainability Reports by the Global Reporting Initiative GRI G3.

Other environmental performance indicators from these divisions may be viewed in the 2007 Sustainability Report.

The aim of LA SEDA DE BARCELONA is to progressively adapt information management and collection systems, incorporating environmental information to the remaining Group divisions.

5. Risk Factors

In the usual course of its business, the Group faces a number of financial risks. The main risks are credit risks, interest rate risks, exchange rate risks, liquidity risks, market risks and risks in raw materials management.

The Company's top management is in charge of carrying out ongoing monitoring so as to identify, assess and prioritise current and potential risks and take the relevant measures to counteract as far as possible the threats that might arise from the risks that are identified.

The Group's main financial instruments, other than hedging, also involve bank loans, credit policies, discounts, financial leasing, cash and short-term deposits.

The Group has also hired derivative products involving exchange and interest rate swaps to manage exchange risks arising from business transactions as well as interest rate risks arising from the syndicated loan.

Credit risk

The Group has implemented a credit policy and exposure to this risk is managed as part of the normal course of business. Credit risk arising from the failure of a counterpart (client, supplier, partner or financial institution) is properly controlled in the Seda Group through different policies and risk limits in which requirements are established relating to:

- Suitable contracts in the transaction carried out.
- Proper internal or external credit rating for the counterpart.
- Additional guarantees where necessary (letters of credit, pledges, etc.).
- Limitation of the costs for bankruptcy and the financial cost deriving from bad debts. Guarantees held by the Group to ensure collection from clients are mainly based on insurance coverage available to most Group companies to guarantee sales up to a maximum of €440m. There is currently a study involving the creation of a credit insurance policy for the entire Group for the transition from the current individual credit policy system per country to a connected system that will allow centralised and efficient control by management of credits to large clients operating in several countries.

Interest rate risk

External financing mainly involves the syndicated loan mentioned in Note 18 as well as bank discount, credit policies with financial institutions and financial leasing, to a lesser degree. We therefore see that financing obtained, for the most part, matures in the long term.

The interest rate is variable for the syndicated loan and its risk has been covered in part with derivatives that basically comprise interest rate hedging operations ensuring the existing debt with a defined rate of interest. For bookkeeping purposes these are processed as cash flow hedges insofar as they correspond to cash flow hedges that are attributable to a specific risk linked to a previously recognised liability, which is the syndicated loan. A sensitivity analysis for possible reasonable changes in the rate of interest has been developed for these hedging instruments, with the other variables being treated as unchanged.

Exchange rate risk

Exchange rate risks essentially arise from foreign currency business operations, mainly those involving US dollars. Practically 10% of the purchase and sale transactions carried out by the Group involve foreign currency, which is why there is no need for specific risk management in this field.

Notwithstanding the above, with the aim of alleviating exchange rate risks for some Group companies with specific individual risks, we have followed a strategy involving the hiring of exchange rate hedges for possible currency variations arising from sales and purchase operations pegged to the dollar. A sensitivity analysis for possible reasonable changes in the dollar exchange rate has been developed for these hedging instruments, with the other variables being treated as unchanged.

Liquidity risk

The Group manages its liquidity risk using financial planning techniques. These techniques take into account ingoing and outgoing cash flow in ordinary business, investment and financing operations. The aim of the Group is to maintain a balance between flexibility, term and conditions of financing sources hired depending on needs scheduled in the short, medium and long term to avoid relying on finance from third parties under burdensome conditions.

Market risks

At year-end, we are not aware of any projects underway for building new PET plants by any possible competitors.

The risk of new competitors appearing in the next few years is mitigated by the need for a minimum of 2 years and a high financial cost for building new plants for manufacturing PET, apart from obtaining the pertinent permits related to the environment.

In addition to the foregoing, we must add that this risk is also reduced by the forecast for an increase in demand.

Risk in the management of raw materials

The Group's main risk in the management of the raw materials is the change in the price of PX (paraxylene) that comes from xylene. This product comes under the aromatics cut (BTX: benzene, toluene and xylene). These three components are also used for manufacturing derivatives of gasoline with the aim of cheapening their cost. Due to the rise in the price of oil, there is a rise in demand for benzene, toluene and xylene from the fuel manufacturers.

One of the derivatives of xylene, commonly known as paraxylene, is the base for obtaining PTA and its price ranges according to the supply and demand for xylene on the international market, which is closely linked to the price of fuel. The price of the PTA, therefore, will depend on the end use that the producers of aromatic cuts decide for benzene, toluene and xylene.

There is no specific hedging system devised for this risk. Notwithstanding the above, the Group is endeavouring to pass on the cost to its products, although this cannot always be fully achieved and, in addition, passing on costs may involve a time delay.

6. Major events following year-end

No other important events have arisen after year-end apart from those already stated in Note 35 of the report.

7. Significant agreements reached by the Company

Capital increase

In 2007, La Seda de Barcelona has increased its share capital with the issue and distribution of 209,297,003 new common shares with an individual face value of 1 euro and an issue premium of 1.10 euros per share. 100% of the increase was covered in its first stage and €139.5m were thus generated.

This extension acknowledged preferential subscription rights for new shares, in a percentage of 1 new share for every 2 old shares / convertible bonds, for shareholders and the owners of convertible bonds from the share issue campaign entitled "LA SEDA DE BARCELONA, S.A., Issue of Convertible Bonds 2005".

Extension of the syndicated loan

In the financial year, the Group extended the initial syndicated loan granted for a sum of €405m by €198.375m. This has forced the Group to pledge 100% of the shares of the companies Artenius PET Packaging Europe, Ltd. and Artenius PET Packaging UK, Ltd. in favour of the financial institution granting the syndicated loan.

Funds obtained through the increase of the aforementioned financing line plus the sum of the share capital increase finalised in July, 2007 have allowed the Group to fund the continuation of its Strategic Plan. This involves several initiatives, including the purchase of the Eastman PET production plant in San Roque (Cadiz), the purchase of European assets for PET packaging production (preforms) from Amcor Group, the investment in the construction of a new PTA plant in Sines (Portugal) and the investment for the conversion of the Simpe factory in Acerra from polyester to PET production.

8. Purchases and disposals of own shares

At its meeting dated 19 June, 2007, the General Shareholders' Meeting of La Seda de Barcelona, S.A. authorised the Company and its subsidiaries to acquire own shares under the protection of the provisions set forth in article 75 and Additional Provision One of the Public Limited Companies Act, for a period of 18 months from that date onwards and with a limit of 5% of the share capital under conditions of cash sale and for a price equivalent to the applicable stock market listing price. At year-end the Company had no own shares either directly or indirectly.

9. Information required under Article 116bis of the Stock Market Act

9.1. *Share capital structure including non-negotiable securities in a regulated community market stating, if applicable, the various types of shares and the rights and liabilities granted by each type thereof and the percentage of share capital involved.*

As we stated in section 7 above, on July, 2007 La Seda de Barcelona, S.A. carried out a share capital increase with the issue and distribution of 209,297,003 new ordinary shares with an individual face value of 1.00 euro and an issue premium of 1.10 euros per share. Therefore, the real value of the share capital increase was €439.5m.

In addition, on August 10, 2007, once the second ordinary conversion period of the issue of convertible bonds agreed on June 27, 2005, by the company's Board of Directors had finalised, the right to convert 1,313,054 convertible bonds into shares was carried out, by dividing these into 789,000 shares with an individual face value of 1.00 euro and an issue premium of 1.08 euros per share for an overall amount of 1,641,120 euros.

The final figure for the share capital after the share capital increase and the conversion of convertible bonds into shares stood at 626,873,401 euros, divided into 626,873,401 common shares, fully subscribed and paid up, each one with a face value of 1.00 euro, belonging to the same single series and represented by means of book entries. There are no limitations concerning security transferability.

All of La Seda de Barcelona, S.A.'s shares are officially listed on the Stock Exchange as well as the Spanish Stock Market Interconnection System (Continuous Market).

9.2. *Any limitations to security transferability.*

There are no provisions in the Bylaws of La Seda de Barcelona, S.A. involving any manner of barrier or protection, such as the limitation of security transferability or voting rights preventing or hindering a possible public takeover bid and subsequent change of control.

9.3. *Significant holdings in the capital, both direct and indirect*

Holdings in the Company share capital equal to or over 3%, excluding the treasury stock, correspond to the following breakdown:

| Shareholder | % Share |
|--|---------|
| Imatogil Inverimentos SPGS, S.A. | 15.867 |
| Liquidambar Inversiones Financieras, S.L. | 6.130 |
| Caixa Geral de Depositos, S.A. | 6.002 |
| Oman Oil Company, S.A.O.C. | 5.689 |
| Caixa Capital Sociedade de Capital Risco, S.A. | 4.496 |

9.4. Any voting rights restrictions

There are no restrictions to voting rights as stated in section 9.2 above.

9.5. Parasocial agreements

The only existing parasocial agreement was reached on September 20, 2007 and it involves coordinated action, from the date stated, in La Seda de Barcelona, S.A., on behalf of the following companies:

- Imatosgil Investimentos SGPS, S.A. and Selenis SGPS, S.A. that directly or indirectly hold a joint 15.87% of the share capital (10.89% on the date of the agreement was signed), as stated in section 7 above; and
- Caixa Desenvolvimento, SPGS, S.A., Caixa Capital Sociedade de Capital de Risco, S.A. and Fundo de Capital de Risco para investidores qualificados grupo CGD – Caixa Capital, represented by Caixa Capital Sociedade de Capital Risco, S.A. that, in turn, directly or indirectly hold a joint 4.50% of the share capital (5.02% on the date the agreement was signed).

The joint investment comprises a verbal agreement with the aim of coordinating their votes both in General Shareholders' Meetings and in Board of Directors' Meetings for La Seda de Barcelona, S.A. and it will remain in force until further notice.

9.6. Rules applicable to appointment and replacement of administration body members and the amendment of the company's bylaws

Appointment of directors

The appointment and replacement of members of the Company's governing body is regulated in Articles 17 and 18 of the Company's Bylaws and in Articles 6, 7 and 8 of the Board of Directors' Regulation.

The Board of Directors comprises a number of Directors not under five or exceeding sixteen, who may or may not be shareholders, appointed in the General Shareholders' Meeting, under the terms set forth in Article 137 of the Public Limited Companies Act, that also establishes the number of Administrators within the limits described above.

Each Director, upon accepting his/her tenure, is obliged to deposit fifty euros in company shares in the stockholders' fund to guarantee faithful compliance of his/her duties. Said deposit will not be returned until the General Shareholders' Meeting has approved his/her management and the Accounts for the prior financial year in which his/her term of office took place.

Administration positions in the Company may not be held by those involved in the incompatibility scenarios described in current legislation in force, in particular Law 25/1983 of December 26 and the Public Limited Companies Act.

The tenure of Directors will last for five years and the Board of Directors will be renewed by one half or the default half every three years and the other excess half will be renewed every five years, with the partial renewal process of the Board following this procedure. Outgoing Board members may be re-elected indefinitely and they may remain in their posts until the Ordinary General Meeting following the financial year of their 75th birthday.

Vacancies in the Board of Directors that are not due to expiry of the tenure of the Directors will be covered temporarily by the shareholders appointed by the Board itself, but their appointment will be submitted to the approval of the next General Shareholders' Meeting for their appointment to become definite. The term of office of Board Members appointed to cover a vacancy will last as long as the remaining term of office of the person they have replaced on the Board.

Proposals for the appointment of Board members submitted by the Board of Directors to the General Shareholders' Meeting and agreements on administrator appointments adopted using the co-opting method must be previously reported to the Appointments and Compensation Committee, although this report will not be binding.

All Board of Directors votes on appointment, re-election or suspension of Directors will be secret if any members request the above and notwithstanding the right of all Directors to state their vote in the minutes of the meeting.

For the appointment of Directors representing substantial shareholders, shareholders with stable major holdings that - following the proportional system established in Article 137 of the Public Limited Companies Act - are entitled to appoint Administrators will submit a justified proposal in writing to the Board of Directors providing reliable evidence of the property of their shareholding stake and the Board, having examined the request, will send it to the Appointments and Compensation Committee for it to issue a prior report, and the Board will take the relevant decision following this Regulation, the Company's Bylaws and applicable legislation in force.

The Board of Directors and the Appointments and Compensation Committee will endeavour, within their respective scopes of duty, that candidates elected for the Company's administration posts are persons of recognised capability and professional qualification and business reputation, who agree to comply with the obligation of devoting active and continuous time and effort, regularly, to the administration, control and supervision of the Company with corporate interests in mind.

Termination of Directors

Directors will end their term of office when the period they were appointed for has elapsed or when it is thus agreed by the General Shareholders' Meeting, in accordance with Article 131 of the Public Limited Companies Act.

Directors will be obliged to hand in their notice to the Board of Directors and, following its request, resign, in the following scenarios:

- a) Cease to be involved in executive posts linked to his/her appointment as a Director or in the event, for any reason, of the disappearance of the reasons behind his/her appointment.
- b) No longer be a Director representing a major shareholder if the Director or the company represented ceases to be the owner of a significant stake in the Company's share capital.
- c) No longer be an Independent Director if, directly or indirectly, s/he joins the executives or the Company's management team or that of its subsidiaries.
- d) In the legal prohibition and special separation scenarios set forth under Articles 124 and 132 of the Limited Public Companies Act.
- e) If s/he were sanctioned for being responsible for a serious breach in a final ruling from the National Securities Market Commission.
- f) For acting against the corporate interests of the Company.

Amendments of the Bylaws

Amendment of the Company's Bylaws is regulated in Article 14 of the Company's Bylaws and in the General Shareholders' Meeting Regulation, in Article 6, section "d" and Article 10, section 2.

According to the Regulation, the Board is responsible for any Company Bylaw amendments, including the following amendments: agreements to increase or reduce share capital, issue bonds, transform, merge, split or wind up the Company.

In order to approve a modification of the Bylaws, the agreement of two thirds of the share capital attending or represented at the General Meeting is necessary when shareholders representing at least 50 per cent of the subscribed capital with a right to vote are in attendance, following a first call. Following a second call, the attendance of 25 per cent of said capital will be deemed sufficient.

9.7. Powers granted to the members of the Board of Directors and, in particular, powers allowing the issuance or repurchase of shares.

On March 21, 1996, the Board of Directors granted Mr. Rafael Español Navarro, Chairman of the Board of Directors in his capacity as Executive Director and General Manager, management powers as wide as necessary to fulfil his duties as First Executive of La Seda de Barcelona, S.A.

Furthermore, on July 15, 2004, the Company's Board of Directors decided to empower and delegate the Chairman and Vice-Chairman of the Board of Directors, Mr Rafael Español Navarro and Mr. Joan Castells Trius, respectively, so that acting jointly and in the name and on behalf of "La Seda de Barcelona, S.A." they may direct all manner of commercial companies where the company owns a stake exceeding 25%.

As mentioned in section 8 above, the General Shareholders' Meeting of La Seda de Barcelona, S.A., has authorised the Company and its subsidiaries to purchase own shares under the terms set forth in the aforementioned section. Notwithstanding the above, no personal powers of attorney have been granted to Directors to issue or repurchase Company shares.

9.8. Significant agreements that the Company has reached and that come into force, are amended or finalised in the event of changes of control following a public takeover bid and their effects, except when the dissemination of such information were detrimental for the company. This exception will not be applied when the Company is legally obliged to publicise this information.

The syndicated financing agreement that La Seda de Barcelona, S.A. has subscribed, entitled "Amended and Restated Senior Multicurrency Term and Revolving Facilities Agreement", the agent of which is Deutsche Bank AG, contains a clause on changes of government whereby this agreement would be automatically terminated in the event an effective, direct or indirect change of control took place at La Seda de Barcelona, S.A.

No other agreements would be affected by changes of control at the Company.

9.9. Agreements between the Company and its administrators and management or employees that provide for compensation in the event of resignation or unfair dismissal or in the case that an employment relationship were terminated due to a public takeover bid.

The contracts of approximately 15 managers are protected, and this mainly affects managers employed at the corporate headquarters with corporate responsibilities, and their compensation in the event of unfair dismissal or a substantial change in working conditions varies between 1 and 2 years of salary.

**Signature Proceedings and Declaration of
Responsibility for the Annual Accounts and the
Management Report of the Seda Group**

The Annual Accounts and the Management Report of **La Seda de Barcelona, S.A.** relating to the financial year 2007 were prepared by the Board of Directors of the Company at the meeting held on March 10, 2008, which was attended by all its members. For the purposes of identification these have been signed by the Secretary of the Board of Directors, Mr. Alberto Ramos Gigó.

In compliance with the stipulations of article 8 of Royal Decree 1362/2007 section b), all the Directors of the Company, whose names are in the titles affixed before the signatures, hereby declare:

- Their responsibility with regard to the contents of the Annual Accounts, in that, to the best of their knowledge, the Annual Accounts, prepared in accordance with the applicable accounting principles, provide a true and fair view of the assets, of the financial situation and of the profit and loss of the issuing party.
- The Management Report includes a true and fair analysis of the evolution of the business's profit and loss and of the financial position of the issuing party, together with a description of the main risks and uncertainties facing it.

All the appointments of the directors are in force at the time of these proceedings.

Barcelona, March 10, 2008

Mr. Rafael Español Navarro
Chairman

Mr. Joan Castells Trius
Vice-chairman

Mr. Fernando José Guimaraes Freire de Sousa
Vice-chairman

Oman Oil Holdings Spain, S.L.U., represented
by Mr. Alejandro Pons Trigueros

Mr. Vicenç Ignasi Blanes Tort
Director

Mr. José Manuel Fandiño Crespo
Director

FIATC Mutua de Seguros y Reaseguros a
Prima Fija, represented by
Mr. Joaquín Ma. Gabarró Ferrer

Mr. Ramón Pascual Fontana
Director

Mr. José Luis Morlanes Galindo
Director

Ibersuizas Gestión Gamma, S.L.U,
represented by Mr. Jorge Delclaux Bravo

Ibersuizas Gestión Alfa, S.L., represented
by Mr. Juan Luis Ramírez Belaustegui

PC S. XXI, Inversiones Bursátiles, S.L.
represented by Mr. Gustavo Pérez Carballo Villar

Mr. Jacint Soler Padró
Director

Mr. Nuno Ricardo Gaioso Jorge Ribeiro
Director

Liquidambar, Inversiones Financieras, S.L.
represented by
Mr. Francisco Javier Saiz Alonso

Caixa Capital-Sociedade de Capital Risco, S.A.
(Caixa Capital), represented by
Jorge Humberto Correia Tomé

Mr. Alberto Ramos Gigó
Non-executive Secretary